



IRB-BRASIL RESSEGUROS S.A.
Corporate Taxpayer's ID (CNPJ): 33.376.989/0001- 91
Company Registry (NIRE): 333.0030917-9
Publicly-held Company

NOTICE TO THE MARKET
Clarifications on CVM / B3 Consultations

Rio de Janeiro, August 25th, 2020.

To
Brazilian Securities and Exchange Commission – CVM

At.: Mr. Fernando Soares Vieira
Company Relations

Mrs. Nilza Maria Silva de Oliveira
Company Monitoring

Ref.: Official Letter 283/2020/CVM/SEP/GEA-1 (“Official Letter”)

Dear Sirs,

1. In compliance with Official Letter No. 283/2020/CVM/SEP/GEA-1 copied below, which questions information contained in the news published on the date of yesterday in the newspaper Valor Econômico, Finance section, under the title: "Squadra reaffirms short position in IRB in new letter" ("News"), IRB-Brasil Resseguros S.A. ("IRB Brasil RE" or "Company") provides the following clarifications.
2. Firstly, the Company is not responsible for making a judgment about Squadra's opinion or view on IRB Brasil RE nor about its option to maintain a short position in the Company's shares. This is Squadra's individual decision and not the Company's. And it was Squadra that chose to publicize its opinion.
3. In accordance with the Material Facts and Notices to the Market disclosed by the Company, the new management reviewed the Company's Financial Statements, as well as investigated irregularities that were made against the Company. Likewise, the new IRB Brasil RE management has been concerned with improving its controls

and internal governance, as well as seeking to maintain the highest level of transparency with the market.

4. In this sense, it is important to highlight that, the Company, even in a short period of time and with its team working remotely, due to the health caused by Covid-19, has carried out, among others:

- investigation, by independent investigators (KPMG Assessores and Felsberg Advogados) of issues involving information that the American company Berkshire Hathaway would be part of the Company's shareholder base, having presented the results of this investigation to CVM and SUSEP, as well as a complaint to the Federal Public Ministry from Rio de Janeiro;
- investigation of evidence of misappropriation of the Company's resources through the payment of irregular bonuses to Company executives and employees, facts that were also brought to the attention of the aforementioned authorities;
- contracting a forensic audit on its financial statements, the results of which led to the re-statement of the Financial Statements for the year 2019, and the result of which was offered to the authorities and criminal representation was presented on the evidence of crime found in this investigation;
- renewal of the Company's Board of Directors, with the inclusion of a modern governance model, with committees formed by external experts;
- change of its Bylaws, in order to segregate the functions of the Executive Officers and prevent the repetition of the facts already reported. With the reform, the internal audit starts to report to the Statutory Audit Committee and the Risk and Compliance areas started to have a double report, to the Executive Officers and the Board Advisory Committees. In addition, a whistleblowing channel was restructured and managed by an external and independent company in order to deal with any and all complaints;
- approval and implementation of a capital increase operation of approximately R\$2.3 billion, increasing its solvency and regulatory liquidity with SUSEP; and
- at the end of the first half of the year, extensive debugging of the portfolio was initiated, aiming at eliminating businesses with negative margins or sectors whose assumed risks are significantly higher than the premiums received. The positive effects of this measure began to be felt starting in July.

5. The Company informs that insurance contracts are being reviewed, as informed to the market at the presentation of the 1Q2020. Even though it does not constitute an obligation before SUSEP or CVM, the Company is committed to carry out the disclosure of the recurring results of the activity of those that will result from the effect of cancellations or non-renewals of business by the Company.
6. The article also mentions that Squadra "*signals to wait for IRB to make new adjustments to its results in the next releases*". About this statement, the Company informs that, currently, does not have the knowledge of fact or even an indication that there are other accounting manipulations or frauds, in addition to those already disclosed (including to the competent authorities, as reported above).
7. The Company reiterates its commitment to transparency and compliance with the legal and regulatory terms of both CVM and SUSEP for the disclosure of its information.
8. Finally, in response to the request made by CVM, with regard to the points listed in Squadra's first letter and which, according to the asset manager, would still attract its attention, the Company understands that there is no irregularity or lack of conformity in its Financial Statements and clarifies the following:
 - i) **regarding high amounts of “non-cash” earned premiums:**
9. The accounting of a reinsurer follows the international accounting standards for “statutory earnings”, applying a strict accrual basis for the recognition of Operating Income and Expenses. The inference made by Squadra suggests that the IRB Brasil RE's accounting should be on a “cash basis” model, which is not adequate to this kind of business. The Company's current management strictly follows the criteria established by SUSEP to recognize its Results and, therefore, there are no changes to be made;
 - ii) **regarding “credit receivables of hundreds of millions of reais originally recognized as salvage and reimbursement expectations”:**
10. IRB Brasil RE holds in its assets, reimbursements to be received, among which the most relevant are two unappealable lawsuits arising from reimbursements from claims paid in the past. In its business, salvage or reimbursement are tacit

receivables from a reinsurer. Such amounts are duly recorded within the criteria of the current accounting rules. If, in the course of the proceedings, the indemnity amounts change, the Company will recognize this fact. However, until now, the current management has not found objective reasons to consider such assets - properly audited - as unrealizable.

iii) as to the “high volume of tax credits arising from accumulated losses, especially at the London branch, which has been closed for 30 years”:

11. The Company maintains in its assets (which are potentially monetizable) tax credits from the London Office's operations. These assets could be written off in the future, either via impairment, partially written off, if the company gives up using this Office for future concentration of the international operations of IRB Brasil RE. Currently, the maintenance of the London Office is still potentially justified, since the United Kingdom is fiscally more efficient than Brazil. This future decision about the Office requires a careful analysis, especially in view of the IMK (Capital Market Initiative) Group studies that aim to transform Brazil into an international reinsurance hub, reducing the local tax burden of local reinsurers. We believe that in the coming months, this scenario will be clearer and will allow Management to conclude about it.
12. Contrary to what is mentioned in Squadra letter, IRB London Office was not closed and remains open and currently manages the runoff portfolio in which the company once operated. The technical provisions for these operations are duly recorded in accordance with local legislation and are subject to an actuarial valuation carried out by Willis Towers Watson. The local Financial Statements are audited by PricewaterhouseCoopers LLP.
13. This way, there is no evidence to justify changes to the Company's Financial Statements.
14. All the information provided here is publicly known, either through the various Notices to the Market and Material Facts already disclosed, or in its Financial Statements. In view of this fact, there is no information in the matter that should be treated as a Material Fact by the Company, for purposes of CVM Instruction 358/02. Likewise, Squadra asset manager's opinion do not constitute a Material Fact in the understanding of IRB Brasil RE.



15. Being what we had for the moment, we remain available for any further clarifications that may be necessary.

Sincerely,

IRB-BRASIL RESSEGUROS S.A.

Transcript of Official Letter 283/2020/CVM/SEP/GEA-1

Official Letter 283/2020/CVM/SEP/GEA-1

Rio de Janeiro, August 24, 2020.

Werner Romera Süffert
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Subject: **Request for clarification on news item.**

Dear Officer,

1. Regarding the news item published on this date in the Valor Econômico newspaper, in the Finance section, entitled: "Squadra reafirma posição vendida em IRB na nova carta" ("Squadra reaffirms its short position in IRB in a new letter"), with the following content:

In a new letter to shareholders, asset manager Squadra once again mentioned its short position in IRB (a bet on the decline in the share price). It also questioned the euphoria about the IPOs of subsidiaries of listed companies.

Squadra also highlighted that it expects IRB to make new adjustments to its results in the coming disclosures — the results of the reinsurance company for the second quarter will be released on August 28.

[...]

In the new letter, Squadra states that it acknowledges the new management's work and efforts to review IRB's strategy, figures and contracts, which it has been monitoring, and that "it is aware of the difficulties involving a thorough review in such a short period of time". Then, Squadra pointed out issues related to IRB's balance sheet that had been addressed in its first letter: high non-cash earned premiums and receivables from estimated premiums; receivables worth hundreds of millions of reais originally recognized as expected salvage and reimbursements; and high tax credits arising from accumulated losses, especially in the London branch, which was closed down 30 years ago.

2. *In this regard, we request that the Company state whether the news item is true, and if so, that the Company also explain the reasons why it did not consider it a material fact and comment on other relevant information related to this topic.*

3. *The company should respond through the Empresa.NET system, category: Comunicado ao Mercado, type: Esclarecimentos sobre questionamentos da CVM/B3, subject: Notícia Divulgada na Mídia, which must include the transcript of this official letter. The compliance with this request for clarification through a Notice to the Market does not exempt the Company from being held liable for failing to release a Material Fact in a timely manner, pursuant to CVM Instruction 358/02.*

4. *We emphasize that, pursuant to article 3 of CVM Instruction 358/02, the Investor Relations Officer is responsible for disclosing and communicating to the CVM any material facts related to its business and ensuring their wide and immediate dissemination. The Investor Relations Officer must also question the Company's management and controlling shareholders, as well as other persons with access to material acts or facts in order to ascertain if they are cognizant of information that should be disclosed to the market, pursuant to the sole paragraph of article 4 of the above-mentioned CVM Instruction.*

5. *Please note that, as determined by the Superintendence of Corporate Relations, in the exercise of its duties, and pursuant to item II of article 9 of Law 6,385/76 and CVM Instruction 608/19, a punitive fine will be imposed on the Company, **in the amount of one thousand reais (R\$1,000.00)**, without prejudice to other administrative sanctions, due to non-compliance with the demand contained in this official letter by **August 25, 2020**, which was exclusively sent via e-mail, notwithstanding the sole paragraph of article 6 of CVM Instruction 358/02.*

Sincerely,