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## FOR IMMEDIATE RELEASE

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### **AM Best Upgrades Credit Ratings of IRB-Brasil Resseguros S.A.**

**OLDWICK, N.J., May 30, 2019**—AM Best has upgraded the Financial Strength Rating to A (Excellent) from A- (Excellent) and the Long-Term Issuer Credit Rating to “a” from “a-” of IRB-Brasil Resseguros S.A. (IRB) (Brazil). The outlook of these Credit Ratings (ratings) has been revised to stable from positive.

The ratings reflect IRB’s balance sheet strength, which AM Best categorizes as strongest, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

The rating upgrades reflect AM Best’s view that IRB’s balance sheet strength continued to improve from an already high level of risk-adjusted capitalization, taking into account the meaningful dividend payout over the years, and also the increased financial flexibility and stronger corporate governance after the initial public offering (IPO) on the Brazilian stock exchange in 2017. The macroeconomic environment in Brazil is still challenging; however, in AM Best’s view, the uncertainty has faded somewhat with a clear path to the largely awaited reforms, which, if successful, will help the economy resume growth.

IRB continues to generate very consistent overall earnings, driven by investment and underwriting income that are reflected in the company’s favorable return metrics. After Brazil opened its reinsurance market in 2007, IRB experienced volatility in premium volume and underwriting results. However, since that adverse initial transition period, IRB has reformed a book of business that is profitable and highly diversified.

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Despite the steady decrease in interest rates, IRB has delivered superior investments returns, which are substantially higher in Brazil relative to current North American/European standards due to stronger yields. Brazil's annual inflation rate has been lower, remaining in the low-single digits over the past two years, leading to more significant inflation-adjusted returns. IRB's return on equity is consistently above 10%, outperforming a broad peer group. IRB maintains two, somewhat distinct business profiles. Firstly, within Brazil, where it is the dominant market participant and to a lesser extent, by reputation, in other parts of Latin America. IRB also is slowly establishing its presence in the wider global reinsurance market.

Partially offsetting these positive rating factors is IRB's exposure to concentration risk related to regulatory, macroeconomic and political dynamics, as well as its concentration of underwriting and investments within Brazil. While IRB has successfully executed plans to mitigate these risks, AM Best believes these exposures still present a significant challenge.

Factors that could lead to a rating upgrade include successfully demonstrating the ability to operate in an evolving regulatory environment, an improvement in Brazil's macroeconomic and political environment, and the successful implementation of the company's international diversification plans while maintaining strong risk-adjusted capitalization and operating performance.

Rating factors that could lead to negative rating actions include a material decline in risk-adjusted capitalization or operating performance, the unsuccessful execution of the company's international growth strategy or a downgrade in Brazil's country risk tier.

**This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating**

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