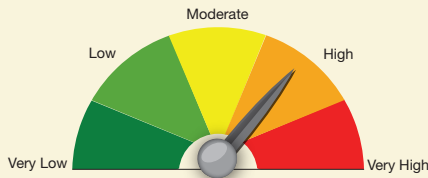


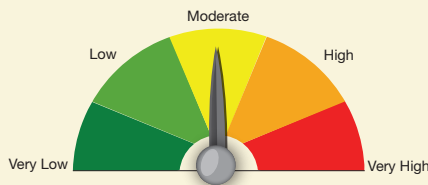
## Country Risk Tier

CRT-4

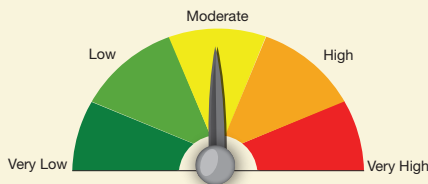
### Economic Risk



### Political Risk



### Financial System Risk



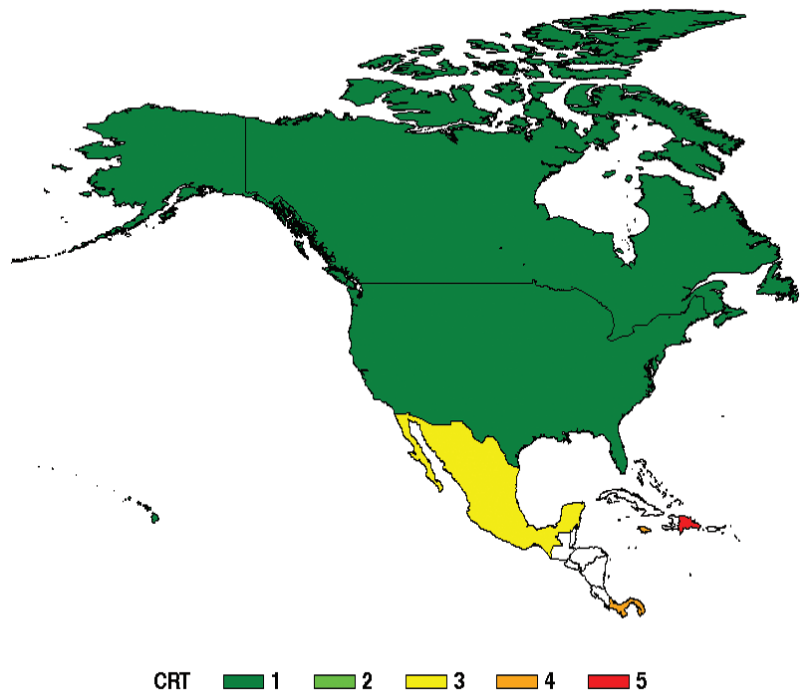
[For information on companies followed](#)

[Market Outlooks](#)

# Antigua and Barbuda

- The Country Risk Tier (CRT) reflects A.M. Best’s assessment of three categories of risk: Economic, Political and Financial System Risk.
- Antigua and Barbuda, a CRT-4 country, was experiencing strong economic growth through 2007 which plummeted to significant economic contraction in 2009 and possibly 2010. This is in the wake of global economic slowdown and global and local financial crisis.
- The Antiguan banking system was under significant stress in 2009 in connection with the US Security and Exchange (SEC) investigation of financial fraud allegedly committed by R. Allen Stanford through his institutions based in Antigua.

• The map below depicts the countries A.M Best evaluates in North America, Latin America and the Caribbean. Economic performance in the region over the course of 2008 and 2009 echoes that of the United States in the form of decreased tourism revenues, slumping financial services sectors, and sharp reduction in overseas remittances. The region is expected to recover in 2010 but countries most vulnerable to a prolonged contraction are those in CRT-4 and CRT-5.



CRT 1 2 3 4 5



### Regional Summary: Caribbean

- The countries of the Caribbean vary in cultural origin, economic foundation and population affluence. However, in all cases, their long-term growth and stability is highly dependent upon their larger regional neighbors.
- As much of the Caribbean relies upon tourism revenues from nationals of developed countries, particularly the United States, economic growth is suffering in 2009.
- The Caribbean financial services sectors will be affected by the current global financial crisis. The exact impact is yet to be determined as the trend of nationalizations and consolidations in finance companies and the collapsing of hedge funds continues.

### Economic Risk: High

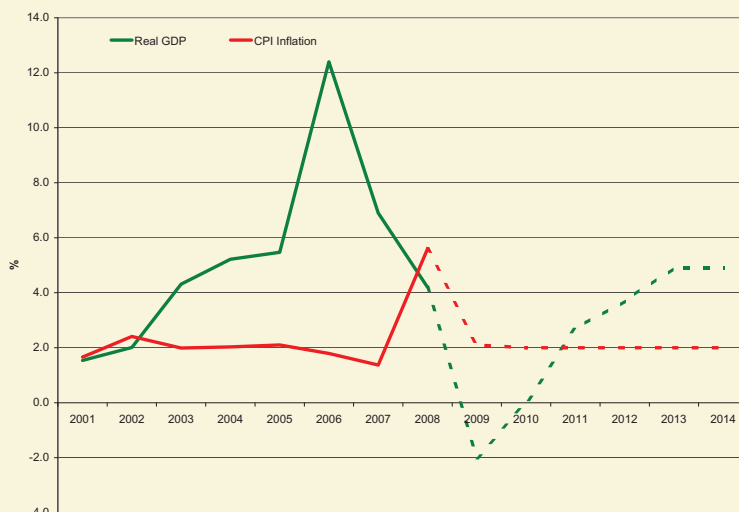
- The Antigua and Barbuda economy relies on tourism, financial services and some agriculture. Tourism employs about three quarters of the workforce.
- The Antiguan economy’s decline in the wake of the global economic downturn in 2009 accents the over-reliance on tourism. The imbalances are excessive and have the effect of making an already difficult economic environment worse.
- Gross domestic product (GDP) growth spiked in 2006 to over 12.5%. In 2009 there is an economic contraction likely followed by modest growth in 2010.

Vital Statistics 2008		
Nominal GDP	USD bn	1.26
Population	mil	0.1
GDP Per Capita	USD	14,929
Real GDP Growth	%	4.2
Inflation Rate	%	5.6
Premiums Written (Life)	USD mil	-
Premiums Written (Non-Life)	USD mil	-
Premiums Growth (07-08)	%	-

Regional Comparison	
	Country Risk Tier
Antigua & Barbuda	CRT-4
Cayman Islands	CRT-2
Barbados	CRT-2
Bahamas	CRT-3
Trinidad and Tobago	CRT-3
Jamaica	CRT-4

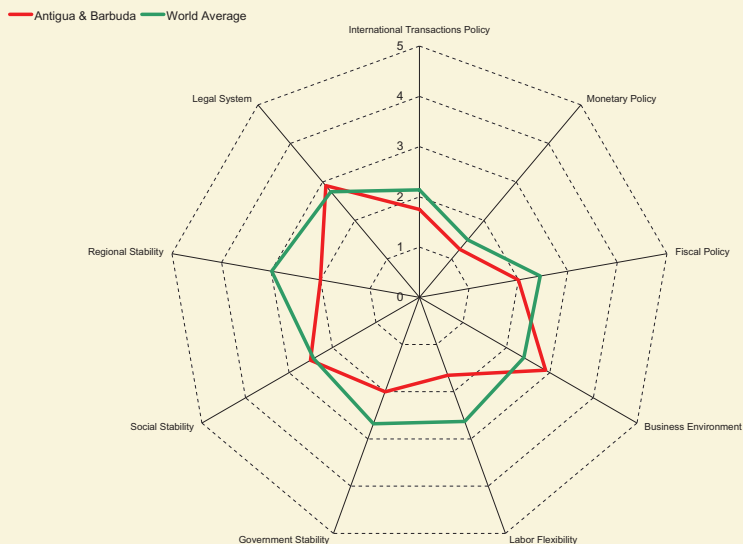
Source: IMF, Swiss Re and A.M. Best



Source: IMF World Economic Outlook (10/08) and A.M. Best

### Political Risk Summary

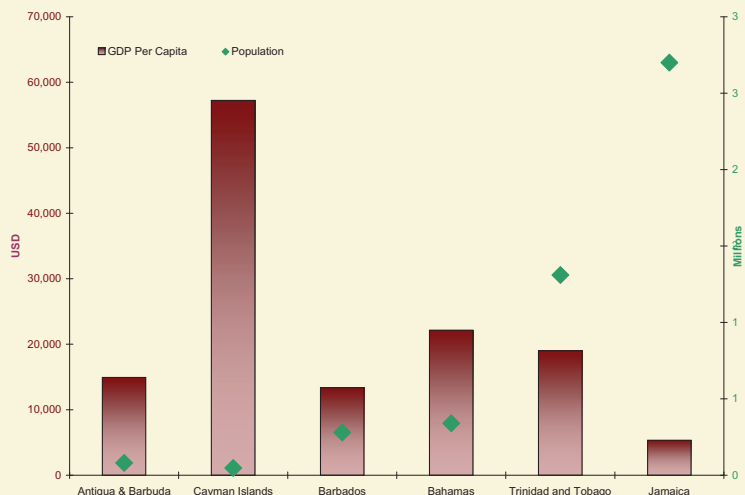
Score 1 (best) to 5 (worst)



Source: A.M. Best

### Political Risk: Moderate

- Antigua and Barbuda is part of the Eastern Caribbean Currency Union (ECCU). This entire group, reliant on pro-cyclical industries and suffering widely from fiscal imbalances, is affected by the downturn in global growth.
- The Eastern Caribbean dollar is legal tender and is pegged to the US dollar.
- Public sector debt is significant at approximately 100% of GDP and the fiscal balance will end 2009 in deficit.
- The current account deficit is massive at approximately one third of GDP.



Source: IMF and A.M. Best

### Financial System Risk: Moderate

- The domestic insurance market is regulated through the Ministry of Finance and Economics and the off-shore sector is regulated by the Financial Services Regulatory Commission (FSRC).
- The FSRC regulates offshore financial institutions according to the International Business Corporations (IBC) Act. Domestic insurers are regulated by the Ministry of Finance’s Supervisor of Insurance office.
- In 2009, a scandal involving R. Allen Stanford brought international attention. His financial institutions in Antigua & Barbuda were taken over by local regulators on suspicion of financial fraud. Local government officials were investigated in connection with this and, in some cases, suspended or fired.

## GUIDE TO BEST'S COUNTRY RISK TIERS

A.M. Best defines country risk as the risk that country-specific factors could adversely affect the claims paying ability of an insurer. Country risk is evaluated and factored into all Best's Credit Ratings. Countries are placed into one of five tiers, ranging from "CRT-1" (Country Risk Tier 1), denoting a stable environment with the least amount of risk, to "CRT-5" (Country Risk Tier 5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength and performance.

A.M. Best's Country Risk Tiers are not credit ratings and are not directly comparable to a sovereign debt rating, which evaluates the ability and willingness of a government to service its debt obligations.

### Country Risk Tiers

Country Risk Tier	Definition
CRT-1	Predictable and transparent legal environment, legal system and business infrastructure; sophisticated financial system regulation with deep capital markets; mature insurance industry framework.
CRT-2	Predictable and transparent legal environment, legal system and business infrastructure; sufficient financial system regulation; mature insurance industry framework.
CRT-3	Developing legal environment, legal system and business environment with developing capital markets; developing insurance regulatory structure.
CRT-4	Relatively unpredictable and nontransparent political, legal and business environment with underdeveloped capital markets; partially to fully inadequate regulatory structure.
CRT-5	Unpredictable and opaque political, legal and business environment with limited or nonexistent capital markets; low human development and social instability; nascent insurance industry.

### Country Risk Reports

A.M. Best Country Risk Reports are designed to provide a brief, high level, explanation of some of the key factors that determine a country's Country Risk Tier assignment. It is not intended to summarize A.M. Best's opinion on any particular insurance market, or the prospects for that market.

### Categories of Risk

Country Risk Reports provide "scores" for three categories of risk for each country. These "scores" are: (1) Very Low; (2) Low; (3) Moderate; (4) High and (5) Very High.

Category of Risk	Definition
Economic Risk	The likelihood that fundamental weaknesses in a country's economy will cause adverse developments for an insurer. A.M. Best's assessment of economic risk evaluates the state of the domestic economy, government finances and international transactions, as well as prospects for growth and stability.
Political Risk	The likelihood that government or bureaucratic inefficiencies, societal tensions, inadequate legal system or international tensions will cause adverse developments for an insurer. Political risk comprises the stability of the government and society, the effectiveness of international diplomatic relationships, the reliability and integrity of the legal system and of the business infrastructure, the efficiency of the government bureaucracy and the appropriateness and effectiveness of the government's economic policies.
Financial System Risk	Financial system risk (which includes both insurance and non-insurance financial system risk) is the risk that financial volatility may erupts due to inadequate reporting standards, weak banking system or asset markets and/or poor regulatory structure. Along with the risk that the insurance industry's level of development and public awareness, transparent and effective regulation and reporting standards and sophisticated regulatory body will contribute to a volatile financial system and compromise the ability of an insurer to pay claims.

### Political Risk Summary

To provide additional detail on the political risk in a given domicile the Country Risk Reports include the Political Risk Summary. The Political Risk Summary is a radar chart that displays scores for nine different aspects of political risk scored on a scale of 1-5 with 1 being the least amount of risk and 5 being the highest amount of risk.

Category	Definition
International Transactions Policy	Measures the effectiveness of the exchange rate regime and currency management.
Monetary Policy	Measures the ability of a country to effectively implement monetary policy.
Fiscal Policy	Measures the ability of a country to effectively implement fiscal policy.
Business Environment	Measures the overall quality of the business environment, and ease of doing business.
Labor Flexibility	Measures the flexibility of the labor market, including the company's ability to hire and fire employees.
Government Stability	Measures the degree of stability in a government.
Social Stability	Measures the degree of social stability including human development and political rights.
Regional Stability	Measures the degree of stability in the region
Legal System	Measures the transparency and level of corruption in the legal system.

### Country Risk Tier Disclosure

A Country Risk Tier (CRT) is not a credit rating, rather it represents a component of A.M. Best's credit rating methodology that is applied to all insurers. A CRT is not a recommendation to purchase, hold or terminate any security, insurance policy, contract or any other financial obligation issued by a government, an insurer or other rated issuer, nor do they address the suitability of any particular policy, contract or other financial obligation for a specific purpose or purchaser.

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