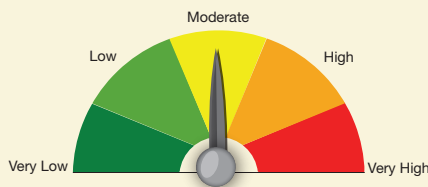


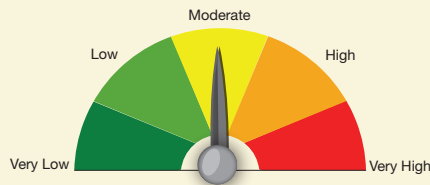
Country Risk Tier

CRT-4

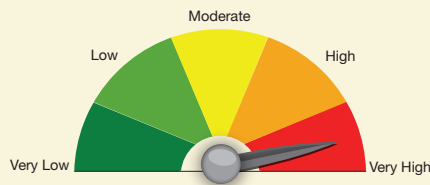
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

[Market Outlooks](#)

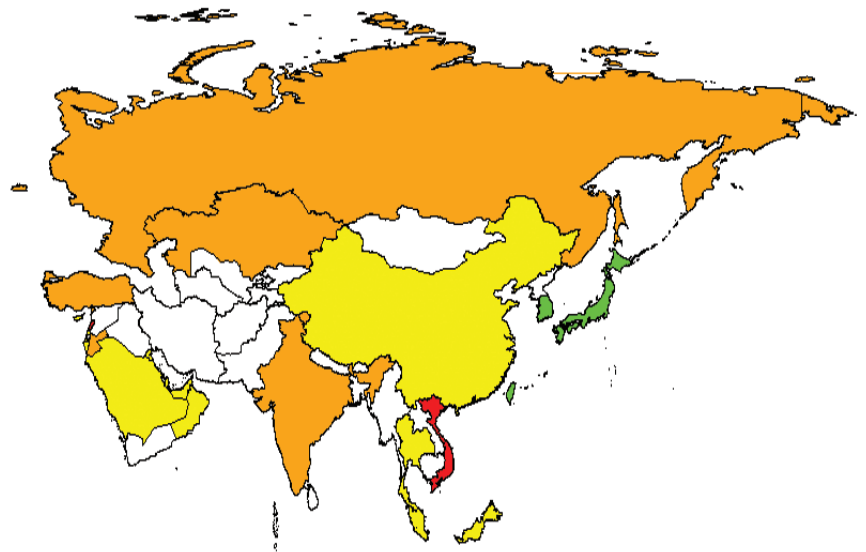
Brunei Darussalam

- The Country Risk Tier (CRT) reflects A.M. Best’s assessment of three categories of risk: Economic, Political and Financial System Risk.

- Brunei Darussalam has very high levels of financial system risk and more moderate political and economic risks. A.M. Best considers the majority of countries in Southeast Asia to be categorized as CRT-3 or CRT-4. The exceptions are Vietnam, the sole CRT-5, and Singapore the sole CRT-1.

- Brunei’s economy is heavily reliant on oil and 2007 and 2008 saw declines in overall oil production. Given that decline, Brunei’s economy contracted by 1.5% in 2008.

- While Brunei will continue to experience a challenging economic environment through 2009, the country’s past efforts towards the development of non-oil related industries is beginning to pay dividends. The non-energy sector of the economy is expected to be an engine for growth in the coming years.



CRT 1 2 3 4 5



Regional Summary: Southeast Asia

• Southeast Asia is a critical part of the world trading system and while the region’s economies remain somewhat dependent on agriculture, manufacturing and services have been the engine for growth.

• 2009-2010 are forecasted to be very difficult times for the region. In fact forecasts suggest these should be the worst years since the Asian financial crisis in 1997-1998. With the economies of their large trading partners slowing significantly (notably U.S. and Europe) demand for exports is plummeting and leading to economic contraction across the region. At the same time as global credit tightens, the amount of foreign direct investment flowing into the economies is drying up.

Economic Risk: Moderate

• Brunei’s economy is heavily reliant upon exporting crude oil and natural gas. Revenues from these sectors account for half of GDP, around 90% of exports and 80% of government revenue.

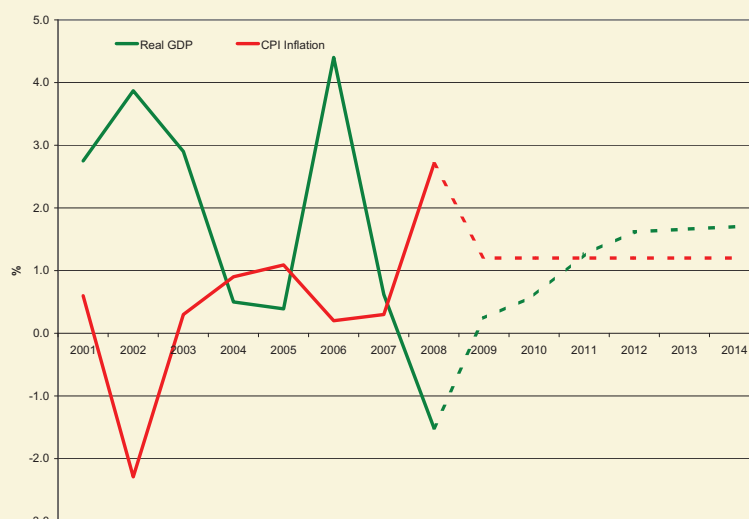
• Brunei has been taking steps to diversify its economy by creating a sovereign wealth fund and developing an offshore financial center.

• Brunei has a currency board which fixes the exchange rate at par with the Singapore dollar.

Vital Statistics 2008		
Nominal GDP	USD bn	14.55
Population	mil	0.4
GDP Per Capita	USD	37,053
Real GDP Growth	%	-1.5
Inflation Rate	%	2.7
Premiums Written (Life)	USD mil	-
Premiums Written (Non-Life)	USD mil	-
Premiums Growth (07-08)	%	-

Regional Comparison	
	Country Risk Tier
Brunei Darussalam	CRT-4
Philippines	CRT-4
Indonesia	CRT-4
Singapore	CRT-1
Thailand	CRT-3
Malaysia	CRT-3

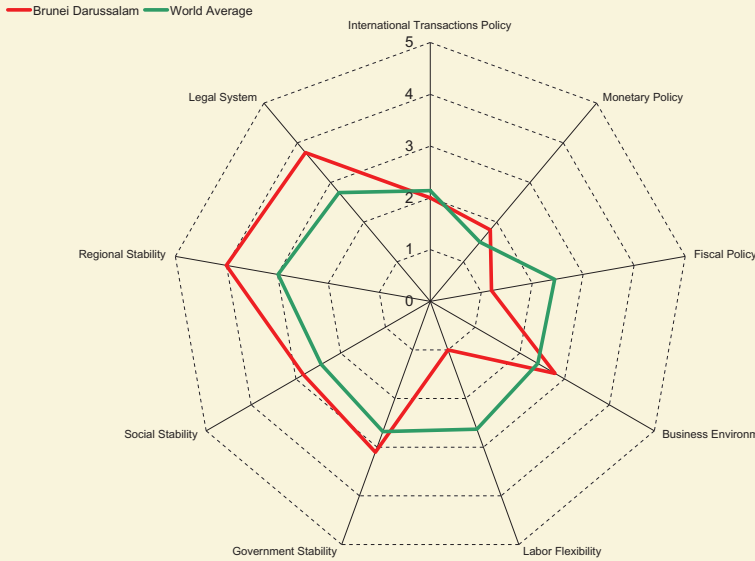
Source: IMF, Swiss Re and A.M. Best



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

Political Risk Summary

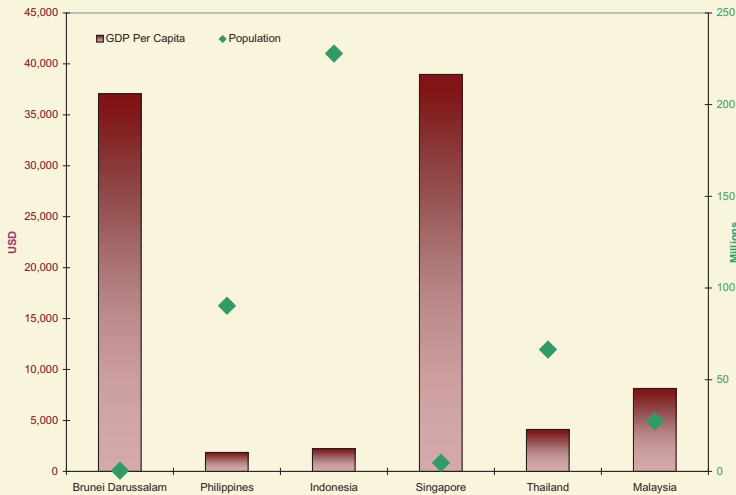
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: Moderate

- Brunei is a constitutional sultanate and the sultan wields broad powers under a state of emergency that has been in effect since 1962.
- Much of the country’s wealth is controlled by the strong central government.
- The Brunei Investment Authority General Reserve Fund has an estimated USD 30 billion in assets and is controlled by the government.



Source: IMF and A.M. Best

Financial System Risk: Very High

- The insurance industry is supervised by the Financial Institutions Divisions, a section of the Ministry of Finance.
- Offshore legislation was passed in 2000 and the Brunei International Finance Centre (BFIC) was established.
- The BFIC hopes to attract international banks, and insurers, including existing as a center for Takaful.

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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