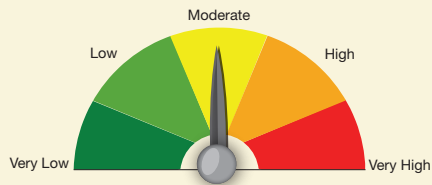


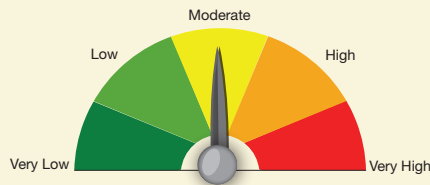
Country Risk Tier

CRT-3

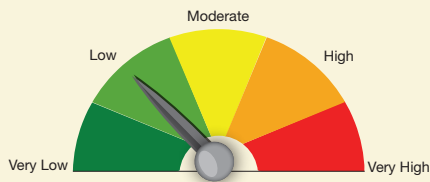
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

[Market Outlooks](#)

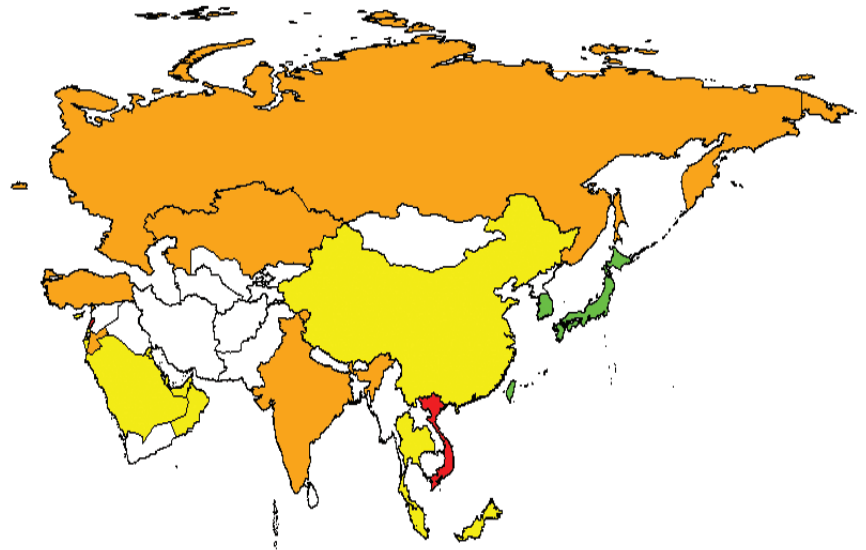
Malaysia

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

- Malaysia has moderate levels of economic and political risk. 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.

- In Malaysia real gross domestic product (GDP) has grown around 6% over the past 5 years. However, the global economic slowdown has led to a decline in demand for Malaysia’s exports and this in turn has led to a sharp decline in Malaysia’s economic growth.

- The Malaysian economy is experiencing a significant recession and the economy is expected to contract by 3.5% in 2009 and then grow at a modest 1.5% in 2010.



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.

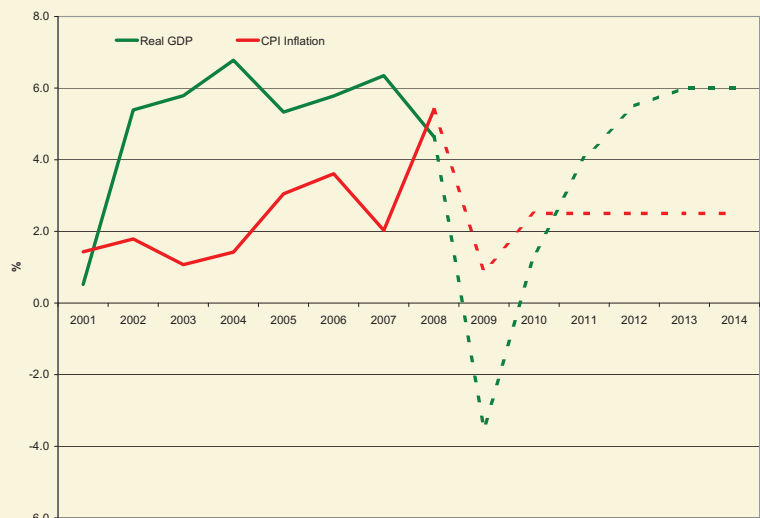
Economic Risk: Moderate

- At independence, in the 1960s, the Malaysian economy depended upon rubber and tin. Since then, the economy has transformed to become a regional manufacturing center, services provider and offshore financial center.
- The government encourages foreign investment but maintains approval rights for individual investments, often opting to restrict foreign equity or encouraging the transfer of technology from foreign firms.

| Vital Statistics 2008 | | |
|-----------------------------|---------|--------|
| Nominal GDP | USD bn | 222.22 |
| Population | mil | 27.3 |
| GDP Per Capita | USD | 8,141 |
| Real GDP Growth | % | 4.6 |
| Inflation Rate | % | 5.4 |
| Premiums Written (Life) | USD mil | 6,105 |
| Premiums Written (Non-Life) | USD mil | 3,230 |
| Premiums Growth (07-08) | % | 8.1 |

| Regional Comparison | |
|---------------------|-------------------|
| | Country Risk Tier |
| Malaysia | CRT-3 |
| Philippines | CRT-4 |
| Indonesia | CRT-4 |
| Singapore | CRT-1 |
| Thailand | CRT-3 |
| Vietnam | CRT-5 |

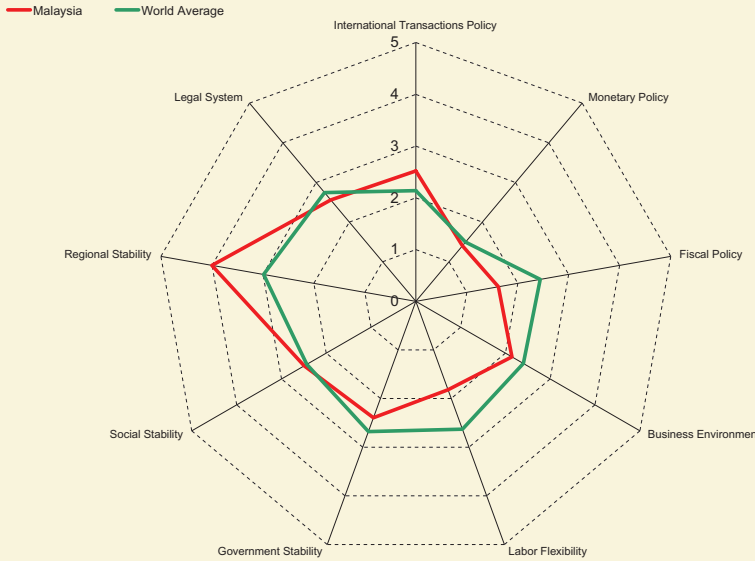
Source: IMF, Swiss Re and A.M. Best



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

Political Risk Summary

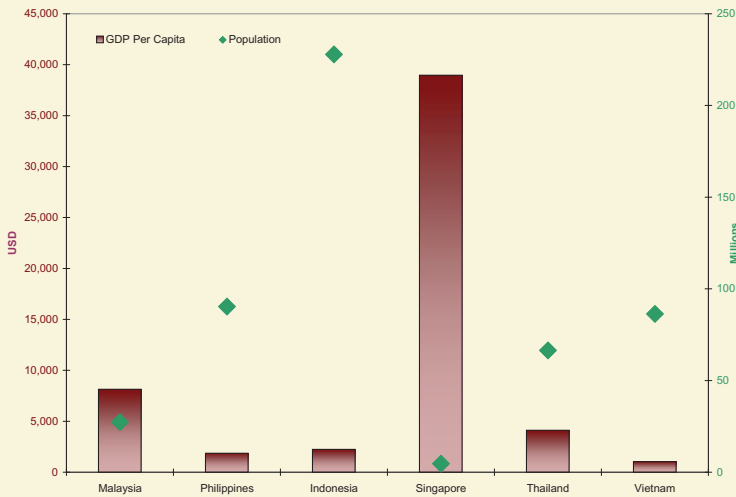
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: Moderate

- The government has been slowly implementing initiatives that allow for somewhat more transparency in public contracts, fewer government subsidies and price controls, less government involvement in various economic sectors, and increased foreign participation.
- It has been a priority to cultivate growth and advancement in high-end economic sectors, with the overall goal to become a “developed country” by 2020.



Source: IMF and A.M. Best

Financial System Risk: Low

- The insurance industry in Malaysia is regulated by the central bank, Bank Negara Malaysia.
- Though their role is declining, the government maintains significant ownership in major sectors such as oil and banking.

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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