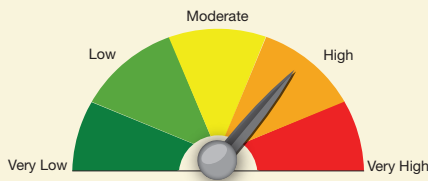


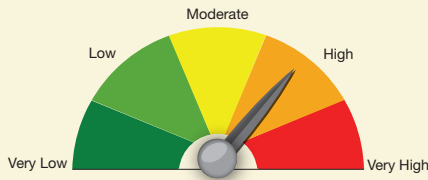
## Country Risk Tier

CRT-4

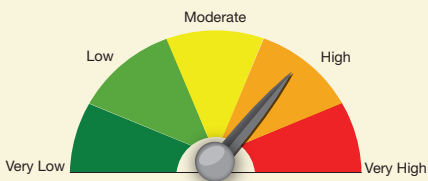
### Economic Risk



### Political Risk



### Financial System Risk



[For information on companies followed](#)

[Market Outlooks](#)

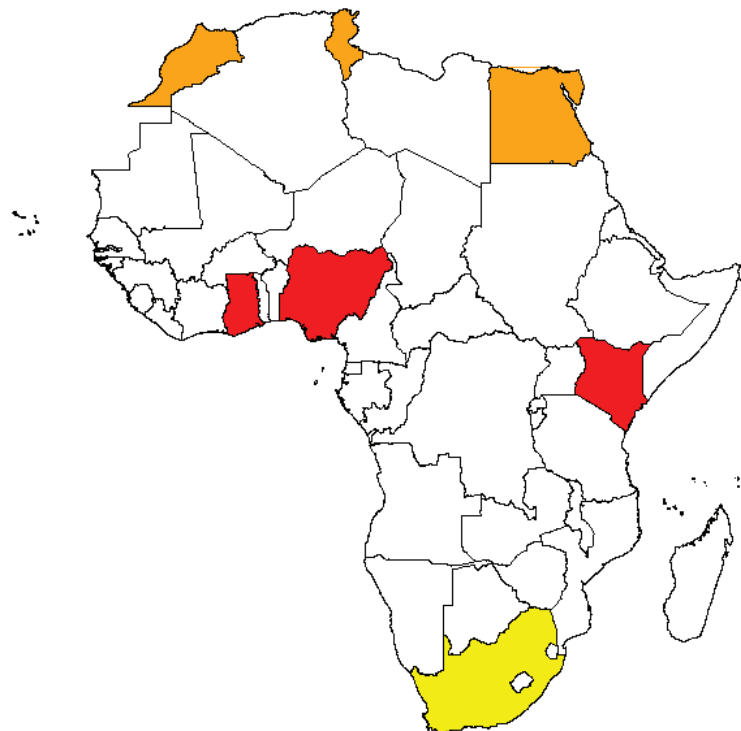
# Morocco

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

- Morocco is a CRT-4 country and has relatively high levels of economic, political and financial system risk. Morocco’s CRT-4 assignment is the same as the other countries evaluated in Northern Africa (Egypt and Tunisia).

- Morocco is heavily reliant on trade, including a strong trading relationship with the European Union (and the United States). Given the current state of the European economy this is now a drag on Morocco’s growth prospects and has led to a slowdown in economic growth from more than 5% in 2008 to just under 4.5% in 2009.

- In addition, the domestic economy continues to face serious challenges which include a continued dependence on the agriculture sector, high urban unemployment, and high poverty in rural areas.



CRT 1 2 3 4 5



## Regional Summary: Middle East & North Africa

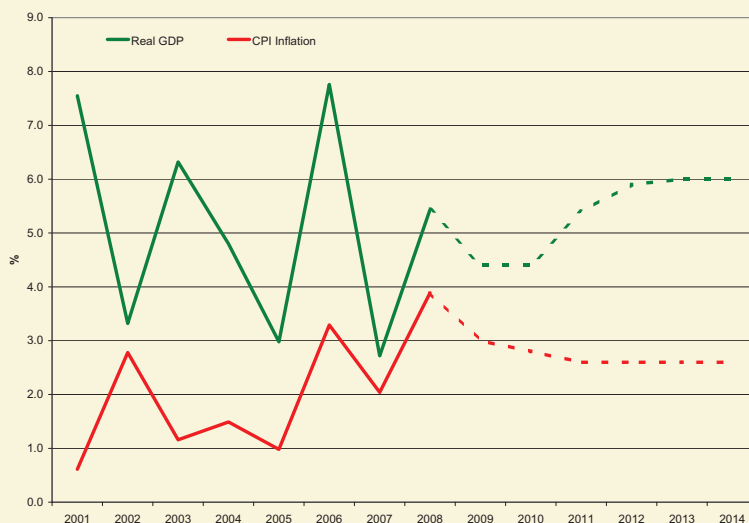
- The Middle East & North Africa region includes several wealthy oil producing nations and is characterized by regional instability and periods of regional violence.
- After more than five years of rapid expansion, driven primarily by a boom in oil prices, the outlook for the Middle East & North Africa region has become more pessimistic.
- With the World Bank forecasting oil prices to remain below their peak levels for the foreseeable future, the region will continue to face economic challenges.
- In addition to falling oil prices, the global economic slowdown has impacted the region through reduced tourism and tightening credit conditions.

## Economic Risk: High

- Morocco is an important international trade location and its government is active in seeking foreign direct investment, allowing for the free movement of foreign exchange and has actively sought free trade agreements.
- Morocco's economy is based on industrial sectors such as phosphate mining and processing, food processing, agriculture, leather goods and textiles.

Vital Statistics 2008		
Nominal GDP	USD bn	86.39
Population	mil	31.4
GDP Per Capita	USD	2,748
Real GDP Growth	%	5.4
Inflation Rate	%	3.9
Premiums Written (Life)	USD mil	846
Premiums Written (Non-Life)	USD mil	1,692
Premiums Growth (07-08)	%	17.9
Regional Comparison		
	Country Risk Tier	
Morocco	CRT-4	
Nigeria	CRT-5	
Ghana	CRT-5	
Tunisia	CRT-4	
Spain	CRT-2	
Egypt	CRT-4	

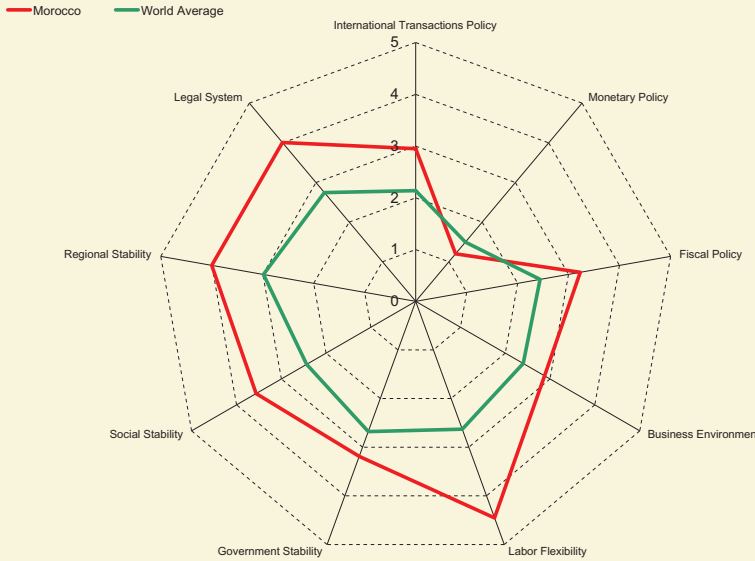
Source: IMF, Swiss Re and A.M. Best



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

### Political Risk Summary

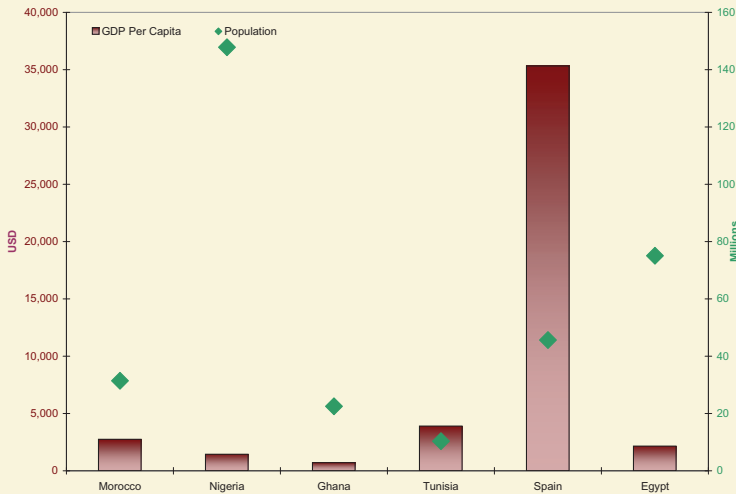
Score 1 (best) to 5 (worst)



Source: A.M. Best

### Political Risk: High

- Morocco’s political and security cooperation with both the European Union (EU) and the United States has gotten it significant aid packages designed to support economic and social development.
- Morocco’s international alliances with both the EU and the United States have enabled the government to hold up against pressure over the protracted Western Sahara dispute, which remains a barrier to regional political and economic integration.



Source: IMF and A.M. Best

### Financial System Risk: High

- The Moroccan insurance market is regulated by the Director of Insurance and Social Welfare which is part of the Ministry of Finance and Privatization.
- Recent privatization of the telecom sector, radio and its largest bank represents steps towards making Morocco a more market based economy.

## 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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