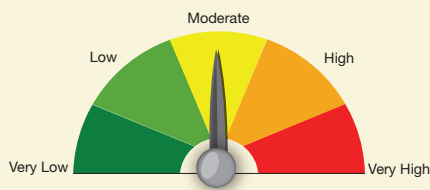


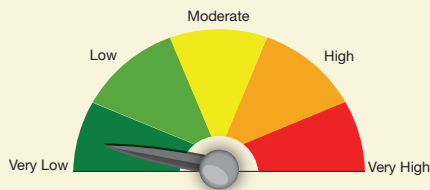
## Country Risk Tier

CRT-2

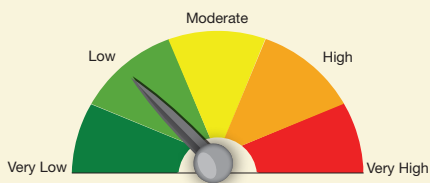
### Economic Risk



### Political Risk



### Financial System Risk



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[Market Outlooks](#)

# New Zealand

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

- New Zealand is a CRT-2 country with moderate levels of economic risk and low levels of political and financial system risk.

- New Zealand’s economy entered into a recession in 2008. A large decline in the housing market, coupled with the global financial turmoil led to New Zealand experiencing an economic contraction in both 2008 and 2009. Economic growth is not expected to return to positive growth until late 2010.

- The map below depicts Oceania and Indonesia. A.M. Best considers Indonesia to be CRT-4, while the two countries evaluated in Oceania, Australia and New Zealand, are CRT-1 and CRT-2 respectively.



CRT    ■ 1    ■ 2    ■ 3    ■ 4    ■ 5

### Regional Summary: Oceania

- Oceania, whose largest two nations, Australia and New Zealand, make up the vast majority of economic activity, is located in the South Pacific Ocean. Australia and New Zealand have strong political and cultural ties with the United Kingdom.
- Australia and New Zealand have close economic ties with Southeast Asia and in 2009 ASEAN-Australia and New Zealand Free Trade Area (AAN-ZFTA) was established.
- The global economic slowdown is impacting the region as the economies of both Australia and New Zealand are set to contract in 2009.

### Economic Risk: Moderate

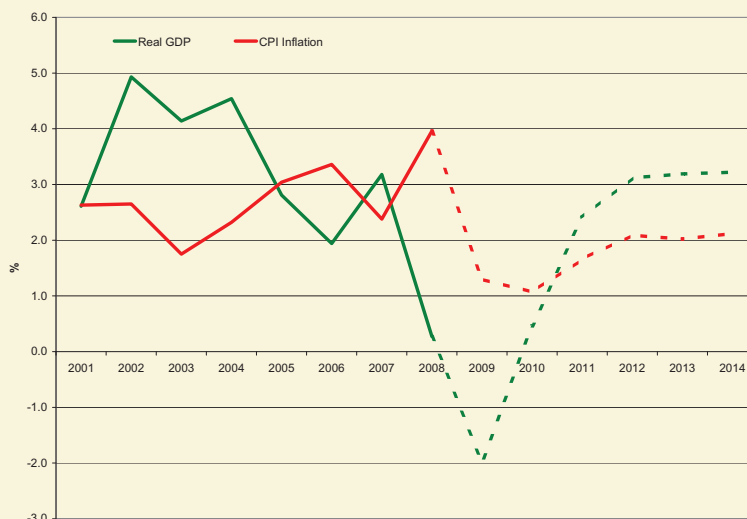
- The New Zealand economy was traditionally based on the production and export of agricultural products. Growth in several industries including food processing, tourism, filmmaking and wine has helped to diversify the economy.
- New Zealand has come to specialize in a number of niche industries like boat building, food processing technology, outdoor equipment and mountain bikes.
- As export demand and tourism revenues declined the New Zealand economy fell into recession in 2008 and is not expected to recover until late 2010.

Vital Statistics 2008		
Nominal GDP	USD bn	128.49
Population	mil	4.3
GDP Per Capita	USD	30,049
Real GDP Growth	%	0.3
Inflation Rate	%	4.0
Premiums Written (Life)	USD mil	1,067
Premiums Written (Non-Life)	USD mil	5,547
Premiums Growth (07-08)	%	1.6

Regional Comparison	
	Country Risk Tier
New Zealand	CRT-2
Australia	CRT-1
Indonesia	CRT-4
Malaysia	CRT-3
Singapore	CRT-1
Japan	CRT-2

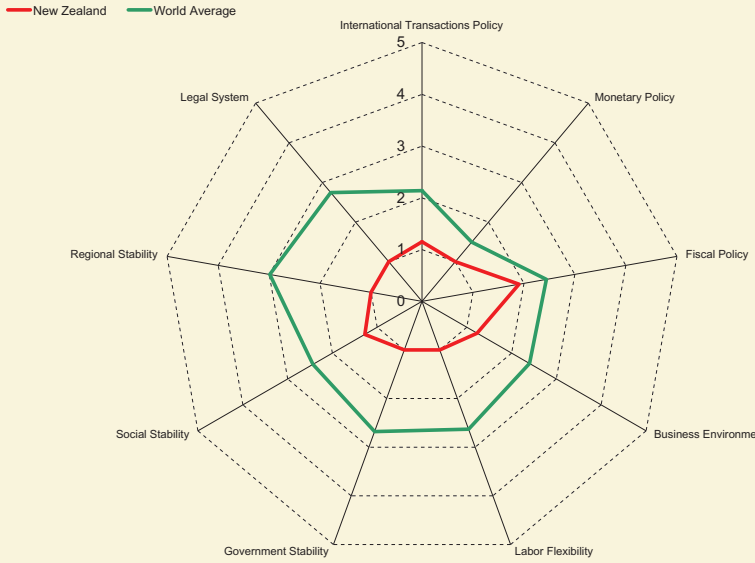
Source: IMF, Swiss Re and A.M. Best



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

### Political Risk Summary

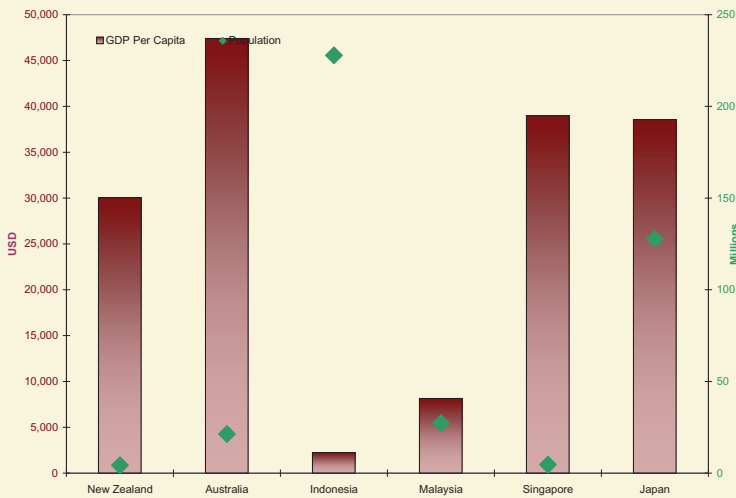
Score 1 (best) to 5 (worst)



Source: A.M. Best

### Political Risk: Very Low

- Corruption is perceived as almost nonexistent as New Zealand ranked first out of 179 countries in Transparency International’s Corruption Perceptions Index in 2007.
- According to the World Bank, New Zealand’s business environment is ranked second in the world (behind only Singapore) in terms of ease of doing business.



Source: IMF and A.M. Best

### Financial System Risk: Low

- The New Zealand insurance industry is overseen by the Insurance and Superannuation Unit of the Ministry of Economic Development.
- New Zealand has undergone massive reforms over the past 2 decades transforming the economy to one that is open and globally competitive.
- The banking system is deregulated and mostly foreign (Australian) owned.

## 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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