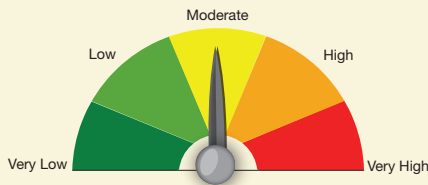


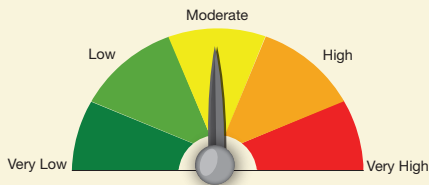
Country Risk Tier

CRT-4

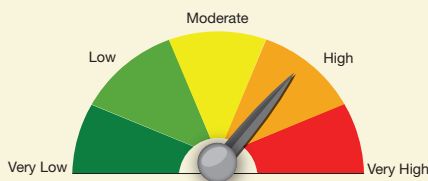
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

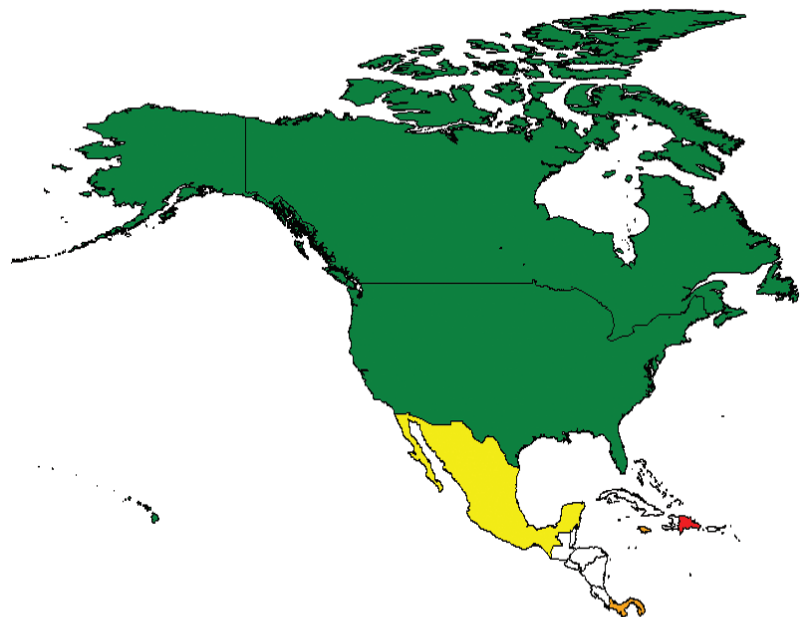
[Market Outlooks](#)

Panama

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

- The economy of Panama, a CRT-4 country, has been experiencing a period of rapid expansion throughout this decade. The global economic slowdown has tempered growth in 2009 but the trend should recommence by the end of 2010.

- 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: Latin America

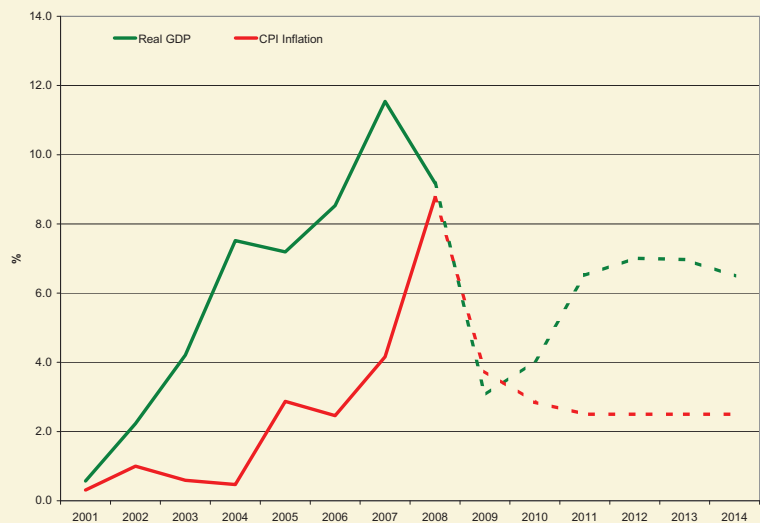
- The entire region is feeling the weight of the global economic decline as reliance on exports to developed countries – particularly the United States – and reliance on commodity industries and tourism will result in growth decelerations if not economic contractions in 2009. Weathering the storm will depend greatly on sound government policies and institutions.
- Forecasts for growth in all of Latin America are being revised downward – in many cases predicting a sharp region-wide contraction.
- The Latin American insurance industry is dominated by Mexico and Brazil, who represent 63% of premiums written in the region.

Economic Risk: Moderate

- About three quarters of Panama’s economy is produced in the services sector, including financial services, the Panama Canal and the Colon Free Zone.
- Gross domestic product (GDP) growth will decline sharply in 2009 from its 2008 level of 9.2% though will remain positive. Inflation will also moderate but will increase again in 2010 as economic expansion returns.
- Despite the global economic downturn, the medium term outlook for domestic economic growth is positive due to the current project designed to expand the capacity of the canal.

Vital Statistics 2008		
Nominal GDP	USD bn	23.09
Population	mil	3.4
GDP Per Capita	USD	6,784
Real GDP Growth	%	9.2
Inflation Rate	%	8.8
Premiums Written (Life)	USD mil	222
Premiums Written (Non-Life)	USD mil	552
Premiums Growth (07-08)	%	27.5
Regional Comparison		
	Country Risk Tier	
Panama	CRT-4	
Mexico	CRT-3	
Trinidad and Tobago	CRT-3	
Jamaica	CRT-4	
Dominican Republic	CRT-5	
United States	CRT-1	

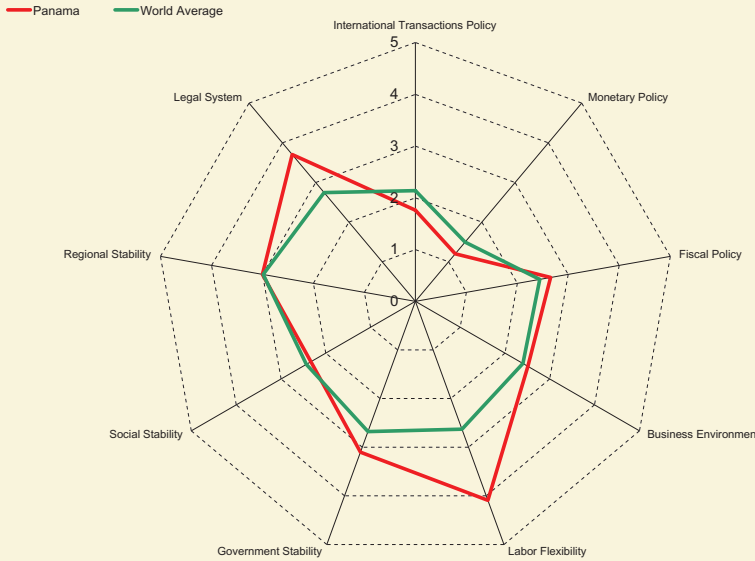
Source: IMF, Swiss Re and A.M. Best



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

Political Risk Summary

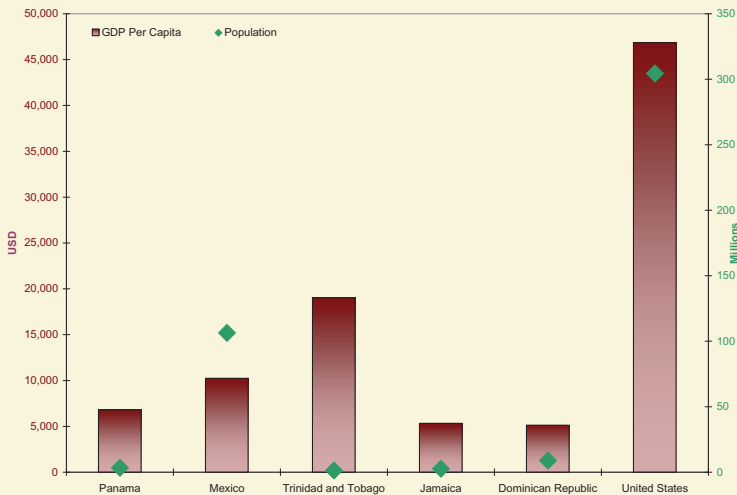
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: Moderate

- The government has been cautious in its fiscal policy, which is key to maintaining national and global confidence as the country seeks to extend the Canal with help from international lenders.
- However, during the election year of 2009, there is likely to be some politically-motivated spending, likely resulting in a budget deficit.
- The US dollar is legal tender in Panama.



Source: IMF and A.M. Best

Financial System Risk: High

- Insurance is regulated by the Superintendent of Insurance and Reinsurance.
- The banking system is well-capitalized as banking regulation is effective and in line with most international standards.
- Panama’s sovereign bonds are rated “vulnerable,” but the government is working to reduce its debt and has maintained a fiscal surplus since 2006.

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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