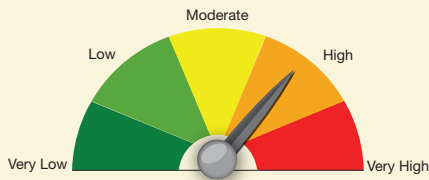


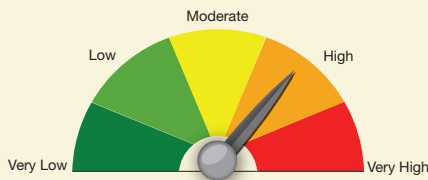
Country Risk Tier

CRT-4

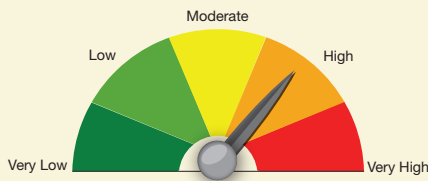
Economic Risk



Political Risk



Financial System Risk

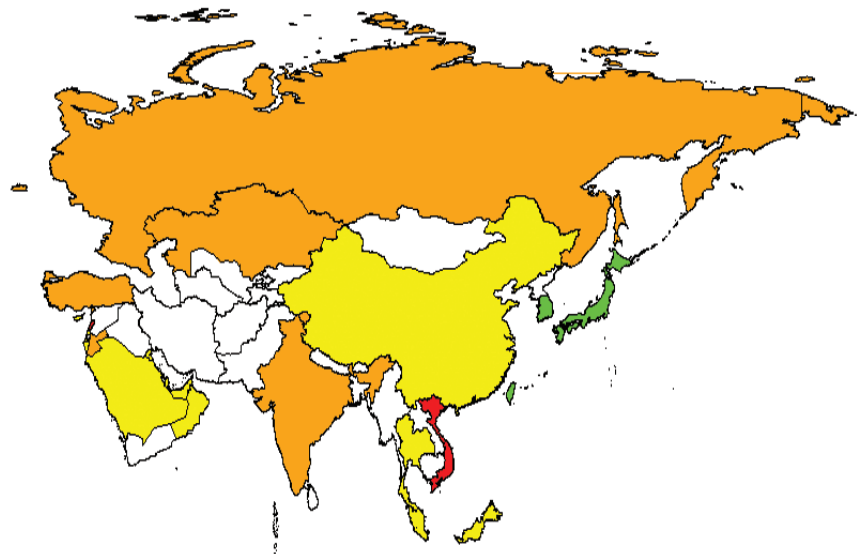


[For information on companies followed](#)

[Market Outlooks](#)

Philippines

- The Country Risk Tier (CRT) reflects A.M. Best’s assessment of three categories of risk: Economic, Political and Financial System Risk.
- The Philippines has high levels of economic, political and financial system 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.
- The global economic slowdown has led to a decline in demand for exports from the Philippines. At the same time domestic consumption has slowed as remittance inflows wane. These negative factors will result in the country’s economy slowing from an annual growth rate of around 4% in 2008 to 0% for 2009 and then return to modest positive growth 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.

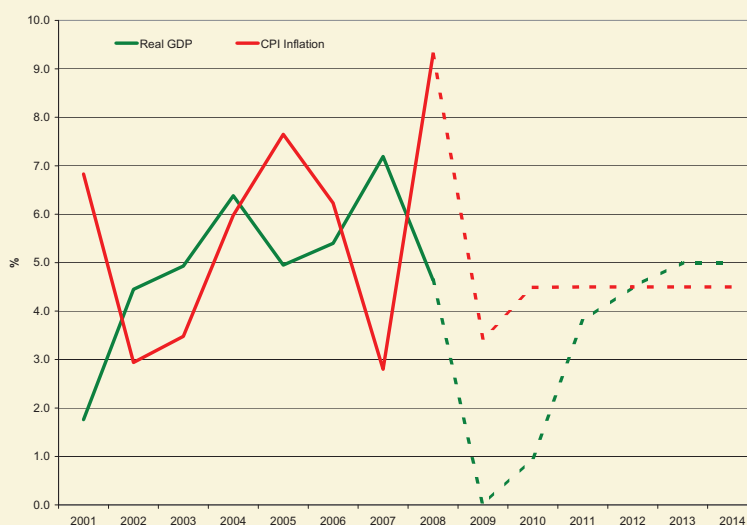
Economic Risk: High

- Agriculture, food processing, textiles, electronics and automobile parts are the driving industries of the Philippine economy. The islands also have significant mineral and natural gas reserves that have yet to be exploited.
- Approximately one third of the Philippine population is younger than the working age of 15.
- Inflation became a major concern in 2008 reaching double digits. However, a significant slowdown in economic growth will lower inflation back to single digits.

Vital Statistics 2008		
Nominal GDP	USD bn	168.58
Population	mil	90.4
GDP Per Capita	USD	1,866
Real GDP Growth	%	4.6
Inflation Rate	%	9.3
Premiums Written (Life)	USD mil	1,449
Premiums Written (Non-Life)	USD mil	850
Premiums Growth (07-08)	%	9.2

Regional Comparison	
	Country Risk Tier
Philippines	CRT-4
Malaysia	CRT-3
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

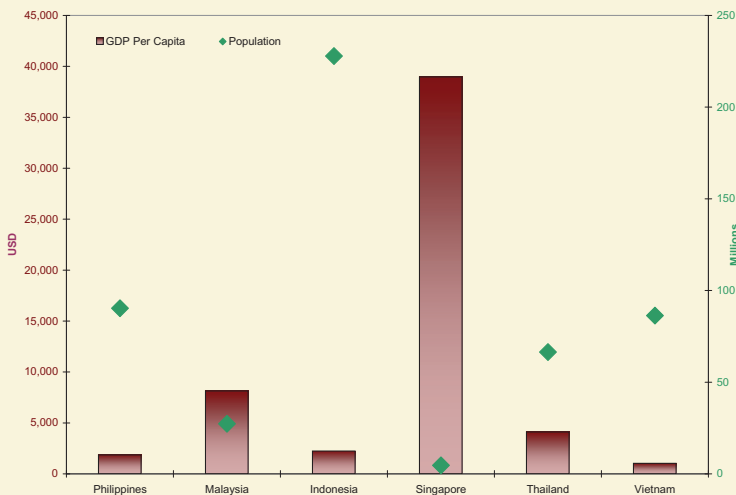
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: High

- Political stability is a challenge in the Philippines where President Gloria Arroyo, who took office in 2001, has weathered multiple impeachment and coup attempts.
- The Philippines has worked to build close ties with neighboring countries in Southeast Asia through the Association of Southeast Asian Nations (ASEAN).
- Domestic insurgencies, terrorism and security issues negatively impact the Philippines' ability to attract much-needed foreign investment.



Source: IMF and A.M. Best

Financial System Risk: High

- The Philippine insurance sector is regulated by the Insurance Commission, which is under the Department of Finance, according to the provisions of the 1974 Insurance Code.
- Government involvement in the economy remains high and attempts to liberalize the economy have been unsuccessful to date.

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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