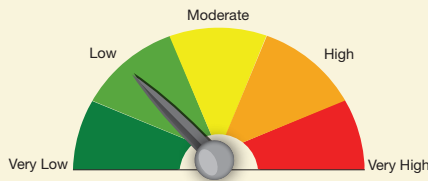


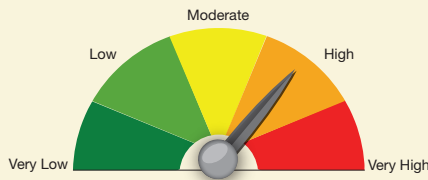
Country Risk Tier

CRT-4

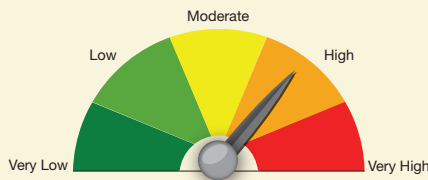
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

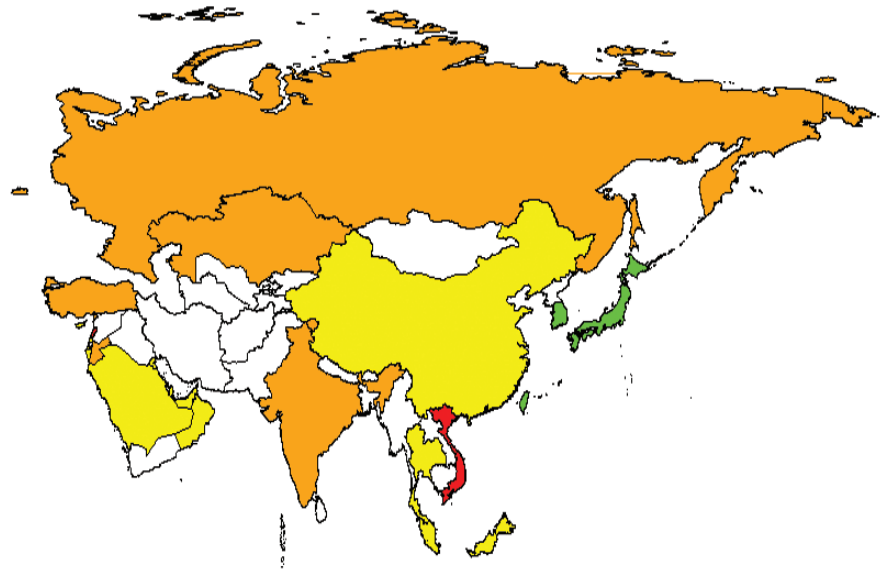
[Market Outlooks](#)

Russia

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

- Russia, a CRT-4 country, shows much economic potential in that it is rich in natural resources, has strategic geography and geopolitical position and houses a large and educated population. The country plays a significant political and economic role in the region and the 2009 decline in Russia’s economy has been felt throughout Central Asia.

- The majority of countries pictured below are categorized as CRT-3 or CRT-4. The exceptions would be Japan and South Korea on the high end and, conversely, Vietnam as the sole CRT-5. The countries pictured here represent a great deal of the world’s economic potential. Three of the four BRIC countries (Brazil, Russia, India, China) are represented.



CRT ■ 1 ■ 2 ■ 3 ■ 4 ■ 5

Regional Summary: Central Asia

- The Central Asian countries surrounding the Caspian Sea, with the exception of Iran, are all at various stages of transition since the collapse of the Union of Soviet and Socialist Republics (U.S.S.R.). All Central Asian countries evaluated by A.M. Best have high risk scores for political risk.
- The transition process had been further complicated by the presence of major petroleum and natural gas resources, the politics surrounding the export of those resources, and continuing historical and ethnic tensions.
- Oil exporters and those that financed domestic lending with foreign capital are under significant financial strain in this region, and global forecasts have been downgraded to suggest economic contraction across the region.

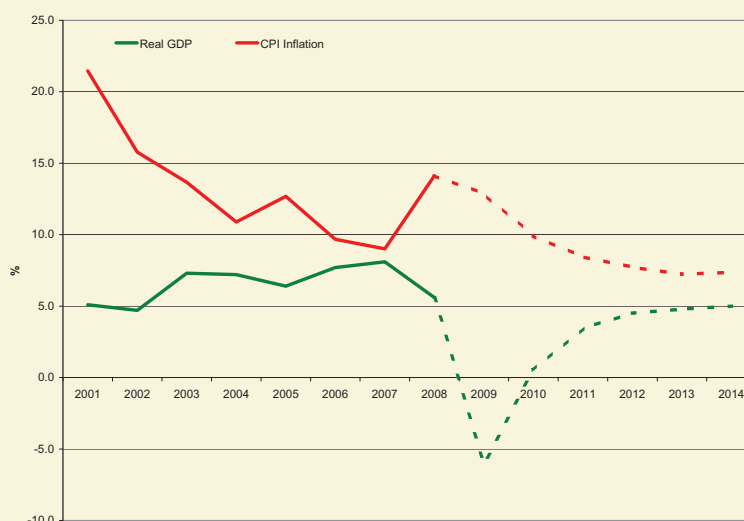
Economic Risk: Low

- Russia has vast energy reserves and the industry contributes about one quarter of gross domestic product (GDP). Russia is the world's largest exporter of natural gas.
- The decline in energy prices and the drying up of capital inflows have been devastating to the Russian economy. Growth has fallen sharply as the real GDP growth rate contracted severely in 2009, though some rebound is expected in 2010.
- The balance of payments has likely hit its trough and recovering energy prices in the second half of 2009 will help the current account deficit to decline in 2010.

Vital Statistics 2008		
Nominal GDP	USD bn	1676.59
Population	mil	142.0
GDP Per Capita	USD	11,807
Real GDP Growth	%	5.6
Inflation Rate	%	14.1
Premiums Written (Life)	USD mil	765
Premiums Written (Non-Life)	USD mil	38,013
Premiums Growth (07-08)	%	27.8

Regional Comparison	
	Country Risk Tier
Russia	CRT-4
Belarus	CRT-5
Kazakhstan	CRT-4
China	CRT-3
Ukraine	CRT-5
Poland	CRT-3

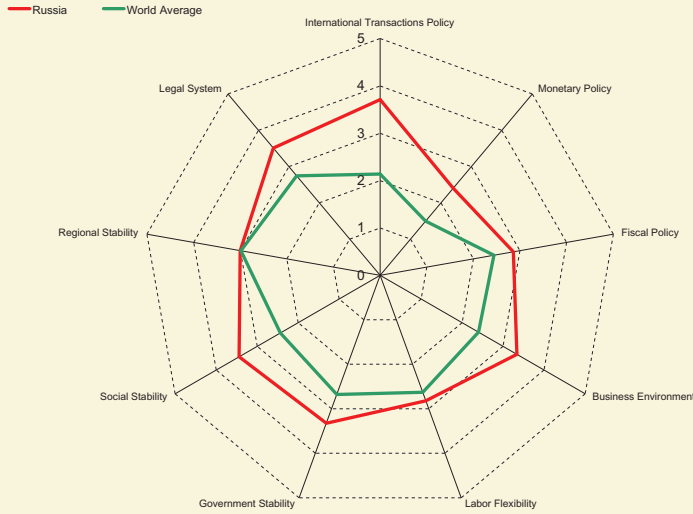
Source: IMF, Swiss Re and A.M. Best



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

Political Risk Summary

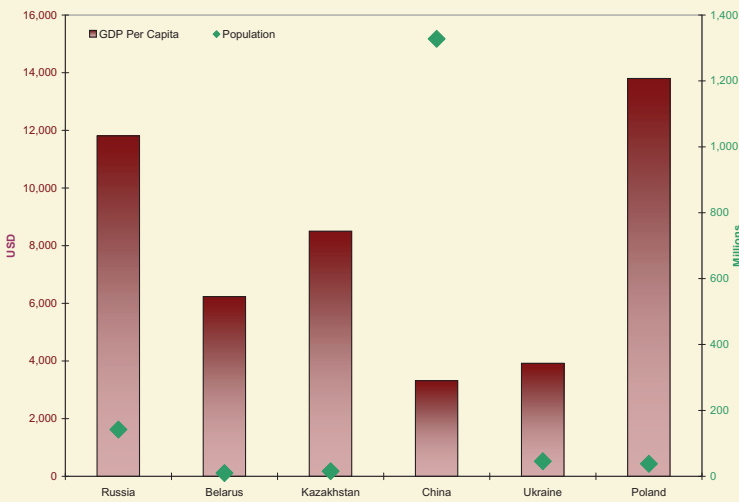
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: High

- The central government, including former President Putin, maintains a dominating presence in Russia. The Russian government is highly involved in economic activity, particularly in the energy sector.
- Continued regional military conflicts, government intervention in the private sector, opaque regulations and an inefficient and corrupt legal system weigh on the cost and pace of doing business.
- A suffering energy sector and failing financial system weighs on government finances. The government budget surplus will likely fall to deficit in 2009.



Source: IMF and A.M. Best

Financial System Risk: High

- The insurance industry is regulated by the Federal Service for Insurance Supervision, under the Ministry of Finance.
- During the current financial crisis the Russian government has been injecting trillions of rubles into the banking sector. The ruble has fallen sharply in value in 2009, likely ending the year with a 40% depreciation.
- Overdue loans have been increasing since the summer of 2008, and credit extended to the private sector is limited.

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 erupt 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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