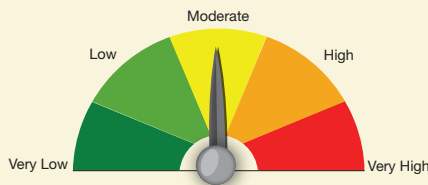


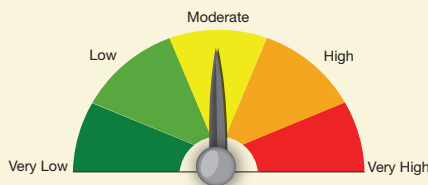
Country Risk Tier

CRT-3

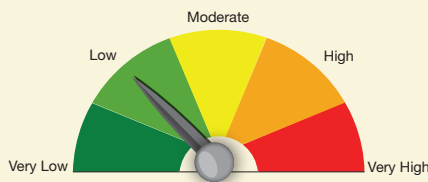
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

[Market Outlooks](#)

South Africa

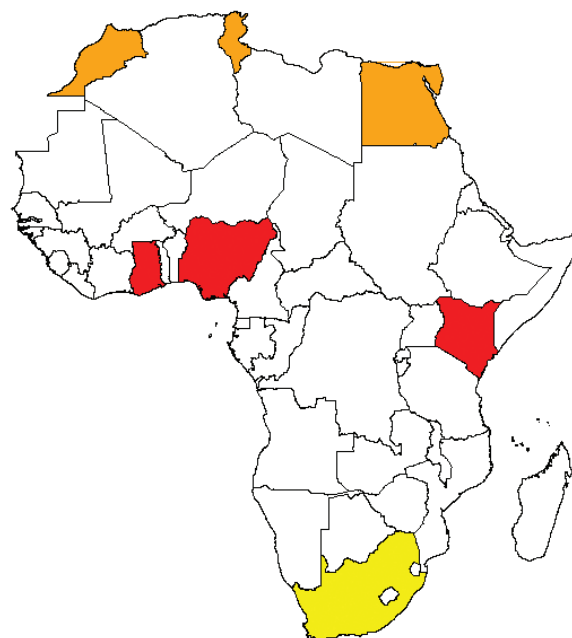
- The Country Risk Tier (CRT) reflects A.M. Best’s assessment of three categories of risk: Economic, Political and Financial System Risk.

- South Africa, a CRT-3 country, is an emerging market with moderate economic and political risk and promising economic prospects. Though growth will contract in 2009 in the wake of the global financial crisis, economic growth will return in 2010.

- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, with the exceptions being South Africa at CRT-3 and Mauritius at CRT-4.

- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, with the single exception being South Africa at CRT-3.

- Though the region as a whole has relatively few economic and financial links with the most developed countries that were the catalyst of the global financial crisis, African countries have felt the impact of the downturn. Sub-Saharan economic growth was 5.5% in 2008 and will fall to approximately 1.7% in 2009.



CRT 1 2 3 4 5



Regional Summary: Sub-Saharan Africa

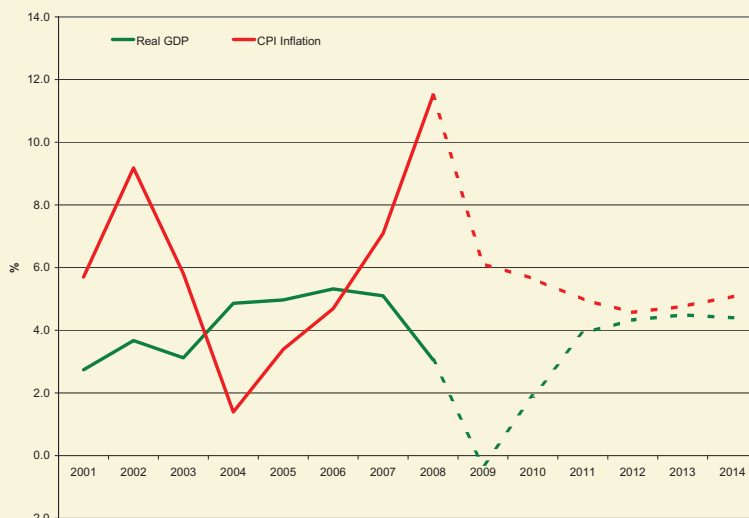
- The region of Sub-Saharan Africa contains a vast array of climates, natural resources and historical and cultural foundations.
- The region as a whole is plagued with violence, crime, malnutrition and corruption, with few of the countries enjoying economic prosperity. In some cases, the region is home to some of the most economically-challenged countries in the world.
- The insurance regulatory environments through most of Sub-Saharan Africa are in a stage of development, working toward compliance with international standards.

Economic Risk: Moderate

- South Africa has a largely industrialized economy with a large services sector.
- Gross domestic product (GDP) per capita is high relative to other African nations (USD 5693) but there is a great deal of income disparity as half the country lives in poverty.
- Inflation was high in 2008 at 11.5% but price increases slowed considerably with the global economic slowdown.

Vital Statistics 2008		
Nominal GDP	USD bn	277.19
Population	mil	48.7
GDP Per Capita	USD	5,693
Real GDP Growth	%	3.1
Inflation Rate	%	11.5
Premiums Written (Life)	USD mil	34,525
Premiums Written (Non-Life)	USD mil	7,990
Premiums Growth (07-08)	%	-0.6
Regional Comparison		
	Country Risk Tier	
South Africa	CRT-3	
Nigeria	CRT-5	
Ghana	CRT-5	
Kenya	CRT-5	
Mauritius	CRT-4	
Morocco	CRT-4	

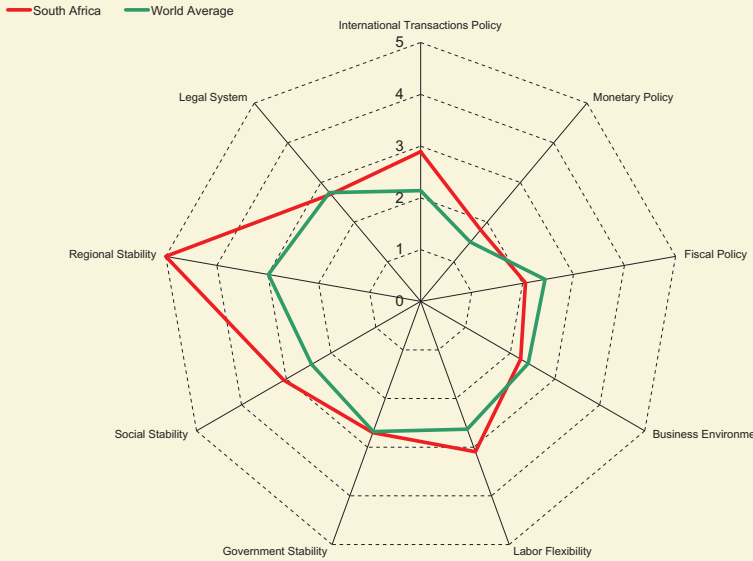
Source: IMF, Swiss Re and A.M. Best



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

Political Risk Summary

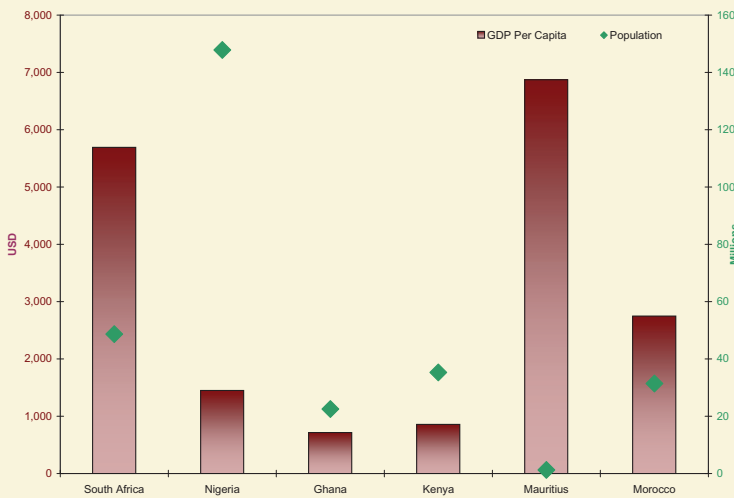
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: Moderate

- Though regional stability is low, South Africa is a stronghold of political and societal progress.
- There has been a political shift in South Africa due to the forced exit of the former president in the wake of a corruption scandal.
- Aggressive fiscal spending is combating economic conditions, and the South African central bank has cut interest rates aggressively.
- Both the high crime rate in South Africa and the AIDS epidemic pose serious societal problems and have interfered with prospects for growth and investment.



Source: IMF and A.M. Best

Financial System Risk: Low

- The Financial Services Board (FSB) regulates the insurance industry in South Africa.
- The basic regulatory and legal framework is established in South Africa and, like many emerging market countries, and the government is working toward meeting to global best practices.

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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