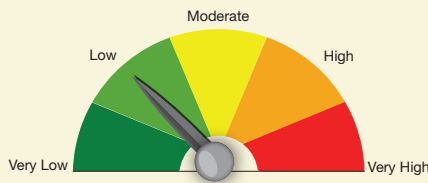


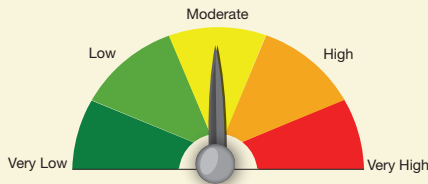
Country Risk Tier

CRT-3

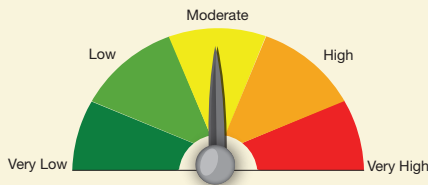
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

[Market Outlooks](#)

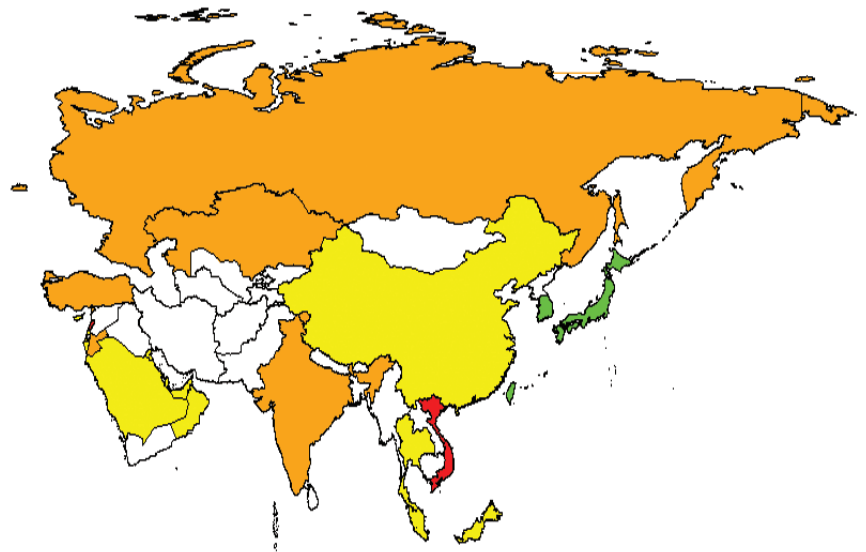
United Arab Emirates

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

- The United Arab Emirates is a CRT-3 country. All six nations that comprise the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) are in CRT-3. The vast majority of countries in the Middle East & Northern Africa region are either CRT-3 or CRT-4.

- The United Arab Emirates are currently experiencing a very sharp economic deceleration. Real gross domestic product grew by more than 7% in 2008; in 2009 the economy is expected to contract. At the same time inflation is expected to drop from double digits to 2-3% for 2009 and 2010.

- Dubai, one of the seven emirates that make up the United Arab Emirates, has been hit particularly hard by the global financial crisis. Real estate and equity prices have fallen precipitously.



CRT 1 2 3 4 5



Regional Summary: Middle East & North Africa

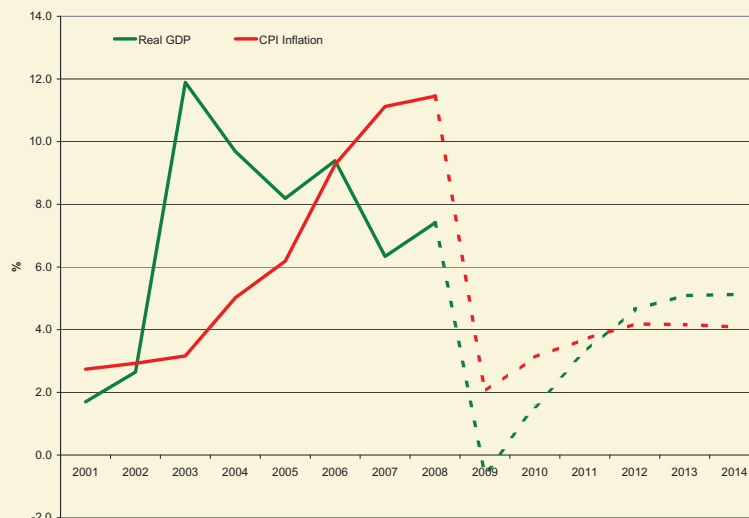
- The Middle East & North Africa region includes several wealthy oil producing nations and is characterized by regional instability and periods of regional violence.
- After more than five years of rapid expansion, driven primarily by a boom in oil prices, the outlook for the Middle East & North Africa region has become more pessimistic.
- With the World Bank forecasting oil prices to remain below their peak levels for the foreseeable future, the region will continue to face economic challenges.
- In addition to falling oil prices, the global economic slowdown has impacted the region through reduced tourism and tightening credit conditions.

Economic Risk: Low

- Petroleum dominates the United Arab Emirates' economy and most of the petroleum resources are in Abu Dhabi.
- Together, Abu Dhabi and Dubai (which accounts for 70% of U.A.E.'s non-oil business in the form of trade and finance) account for 80% of the U.A.E.'s GDP.
- After years of a booming property prices the real estate market has burst in Dubai. This has had very large negative effects on both the U.A.E and its regional neighbors.

Vital Statistics 2008		
Nominal GDP	USD bn	260.14
Population	mil	4.8
GDP Per Capita	USD	54,607
Real GDP Growth	%	7.4
Inflation Rate	%	11.5
Premiums Written (Life)	USD mil	937
Premiums Written (Non-Life)	USD mil	4,079
Premiums Growth (07-08)	%	26.3
Regional Comparison		
	Country Risk Tier	
United Arab Emirates	CRT-3	
Kuwait	CRT-3	
Oman	CRT-3	
Qatar	CRT-3	
Saudi Arabia	CRT-3	
Bahrain	CRT-3	

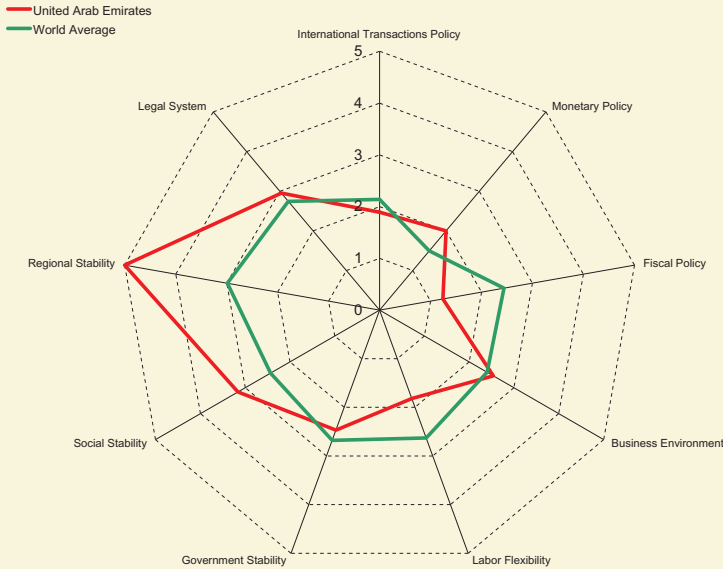
Source: IMF, Swiss Re and A.M. Best



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

Political Risk Summary

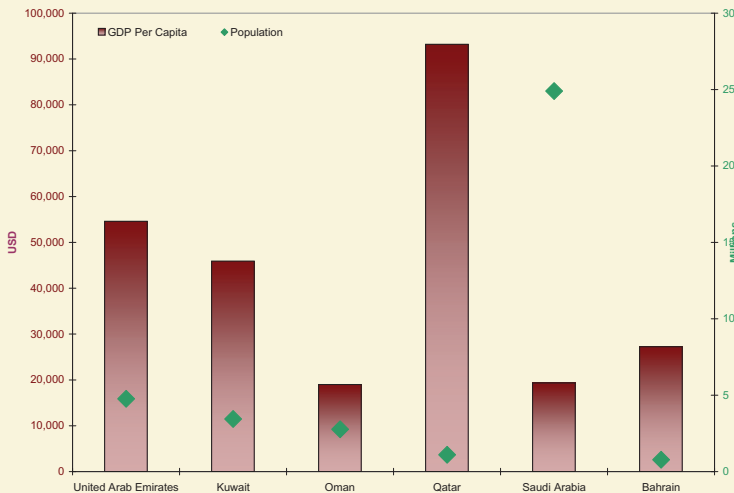
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: Moderate

- The U.A.E. is one of the six nations that make up the Gulf Cooperation Council (GCC). The GCC’s objectives include private sector cooperation, formulating consistent regulatory environments and at some point establishing a common currency.
- Each federation within the U.A.E. has its own ruler and power over its own petroleum and revenues. Political and economic power is concentrated in Abu Dhabi.



Source: IMF and A.M. Best

Financial System Risk: Moderate

- Dubai developed the Dubai International Financial Center (DIFC) in 2004 and designated it a free trade financial zone.
- The DIFC is regulated by the Dubai Financial Services Authority, which is an independent regulatory body officially recognized by the federal U.A.E. government.

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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