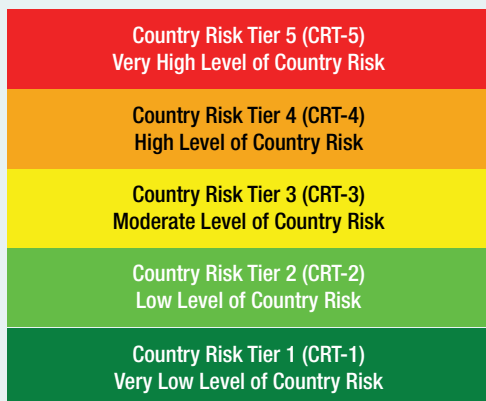
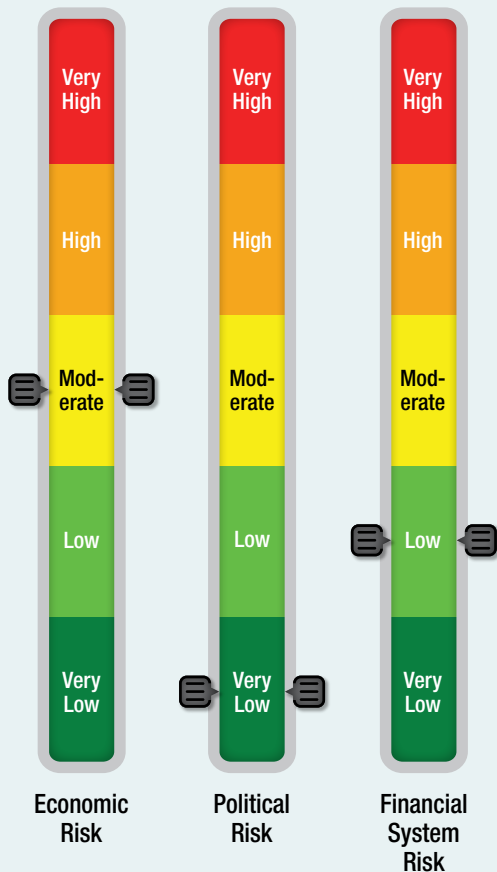
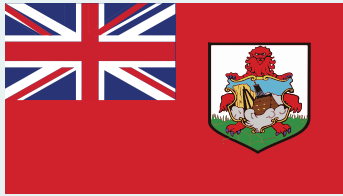


Country Risk Tier CRT-2



Bermuda

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.
- Bermuda is a CRT-2 country with a moderate level of economic risk, a low level of financial system risk and a very low level of political risk. The economy had been in a recession over the last few years, before returning to modest growth in 2015. The economy is vulnerable to external economic conditions and its reliance on international financial services and tourism to drive growth. In 2015, gross domestic product (GDP) growth was 1.8%. Growth in the next few years is expected to be in the range of 1.0-2.5% driven by lower energy prices, well contained inflation and a stronger macroeconomic backdrop.
- The map below depicts the countries A.M. Best evaluates in North America and the Caribbean.



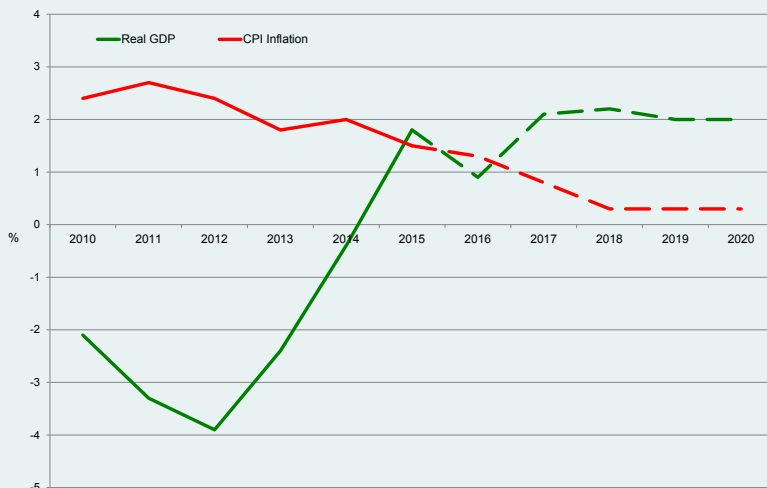
Vital Statistics 2015		
Nominal GDP	USD bn	5.70
Population	mil	0.1
GDP Per Capita	USD	91,748
Real GDP Growth	%	1.8
Inflation Rate	%	1.5
Literacy Rate	%	98.0
Urbanization	%	100.0
Dependency Ratio	%	n.a.
Life Expectancy	Years	81.2
Median Age	Years	43.1

Insurance Statistics		
Insurance Regulator	Insurance Department at Bermuda Monetary Authority	
Premiums Written (Life)	USD mil	-
Premiums Written (Non-Life)	USD mil	-
Premiums Growth (2014 - 2015)	%	-

Regional Comparison	
	Country Risk Tier
Bermuda	CRT-2
Barbados	CRT-3
Canada	CRT-1
Cayman Islands	CRT-2
United Kingdom	CRT-1
United States	CRT-1

Source: IMF, World Bank, Swiss Re, Axco and A.M. Best

Economic Growth



Source: IMF World Economic Outlook and A.M. Best

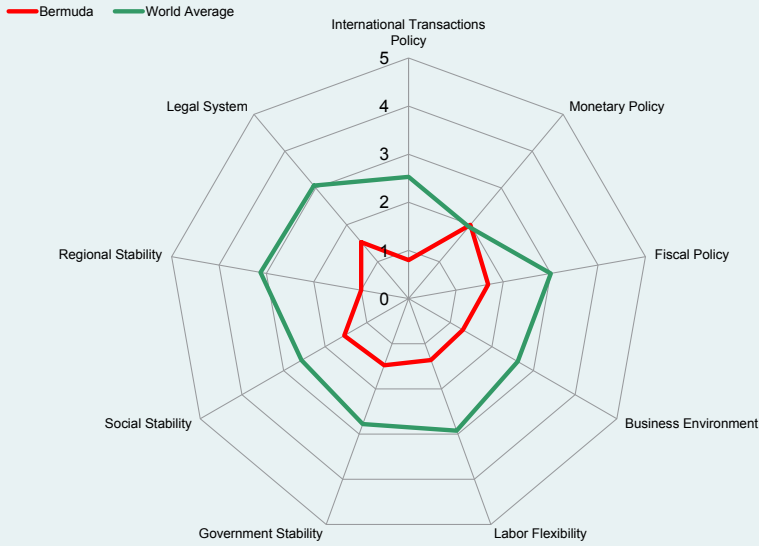
Regional Summary: North America

- The North American region is dominated by the United States of America (U.S.) which accounted for USD 179 trillion of the total USD 20.6 trillion in economic activity between the U.S., Canada and Mexico in 2015.
- Recent strength in the U.S. economy has provided support to both Canada and Mexico as the U.S. represents their largest trading partner. A strong US dollar has also helped Canada and Mexico to maintain their competitiveness over the past year. The Canadian and Mexican economies, however are in large part dependent on commodity exports, most notably energy. Persistently weaker global oil prices have been delaying energy investments and weighing on business sentiment.
- Increased international trade, the availability of natural resources and continued accommodative monetary policy has bolstered the economic recovery in recent years.

Economic Risk: Moderate

- The islands of Bermuda consist of 21 square miles with a population of approximately 65,000. Bermuda enjoys one of the highest standards of living in the world with per capita GDP at approximately USD 92,000.
- The island is vulnerable to external economic conditions as its economy is driven by international business, financial intermediation and tourism. The financial sector contributes over half of the GDP and more than a quarter of total employment. Tourism is expected to increase, as economic conditions in the U.S. improve.
- Bermuda is recovering from a 6-year recession, with real GDP expected to grow by 0.9% in 2016.
- The United Kingdom's departure from the European Union leaves great uncertainty of its overall economic impact on Bermuda tourism and finance.

Political Risk Summary Score 1 (best) to 5 (worst)

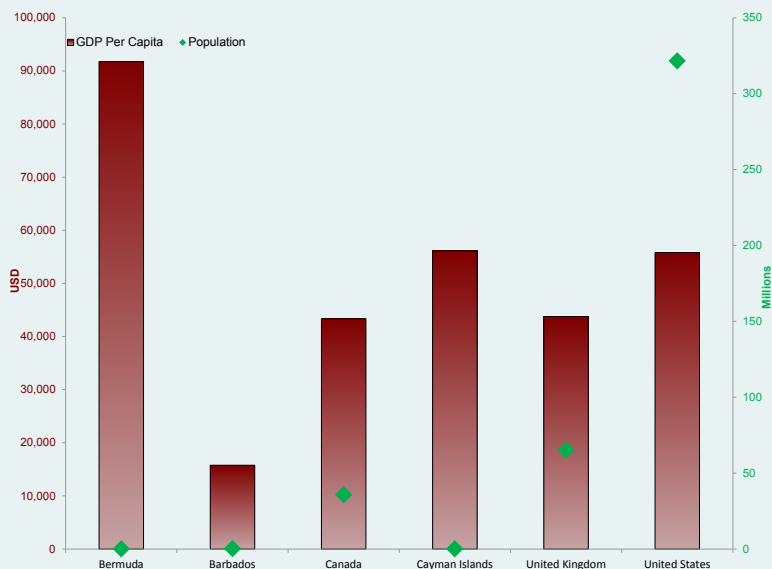


Source: A.M. Best

Political Risk: Very Low

- Bermuda is the United Kingdom’s oldest and largest remaining colony. It has an affluent and stable population and is subject to the external relations of the United Kingdom.
- Bermuda is an off-shore financial center with a favorable tax regime that is appealing to many multinational corporations. Regulation and transparency conform to international standards. The current government is pursuing a pro-business agenda, encouraging increased foreign direct investment.
- The political agenda is largely dominated by the economy. Government spending will be limited by attempts to reduce its budget deficit.
- Bermuda faces few security risks, with crime decreasing following a series of government policies to reduce gang violence.

GDP Per Capita and Population for Selected Countries



Source: IMF and A.M. Best

Financial System Risk: Low

- All supervision, regulation, and inspection of Bermuda’s insurance companies and licensing for brokers, agents, and managers is the responsibility of the Insurance Department at the Bermuda Monetary Authority (BMA).
- Bermuda is the third largest reinsurance center after London and New York, and the second largest captive insurance domicile after the United States.
- Bermuda lacks monetary policy flexibility due to the high levels of foreign denominated currency at Bermudian banks. Most of the foreign currency is denominated in U.S. dollars, to which the Bermudian dollar is pegged one to one.
- In an effort to improve its credentials as a transparent economic hub, Bermuda has approved several tax treaties in recent years.

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. In addition, it includes an evaluation of whether 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 one to five with one being the least amount of risk and five 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 does it address the suitability of any particular policy, contract or other financial obligation for a specific purpose or purchaser.

