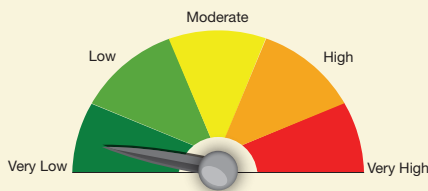


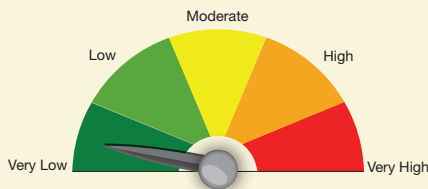
Country Risk Tier

CRT-1

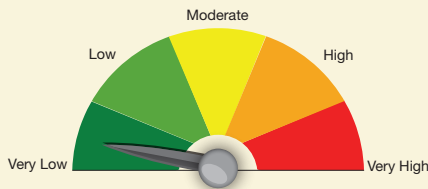
Economic Risk



Political Risk



Financial System Risk



[For information on companies followed](#)

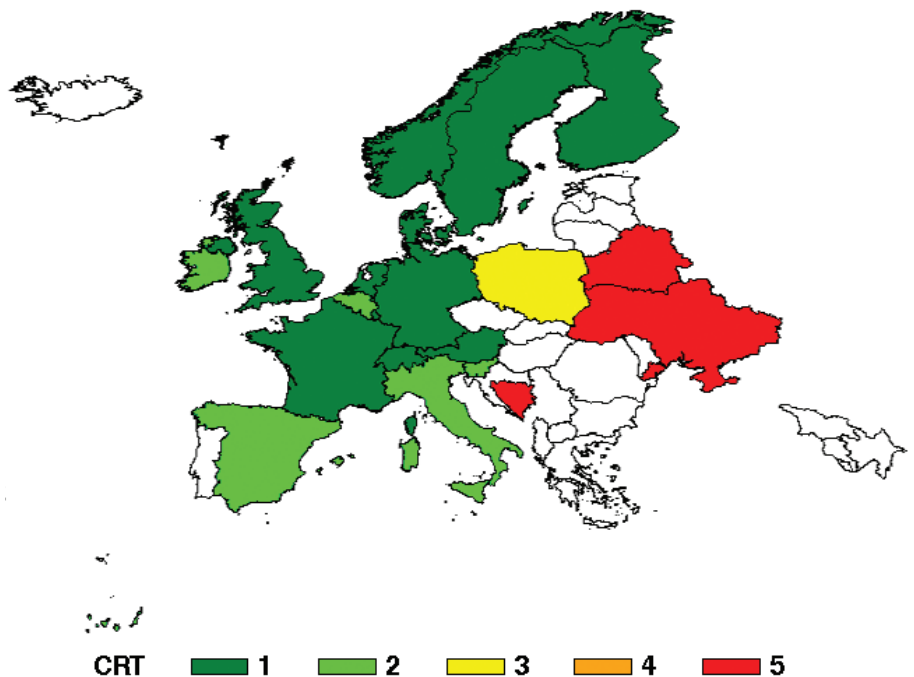
[Market Outlooks](#)

Germany

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

- Germany is a CRT-1 country with very low levels of risk across all three categories. The German economy experienced a sharp recession in 2009, with real GDP contracting by nearly 5%. Germany has experienced a robust economic recovery, much stronger than the vast majority of its European neighbors, with growth of 3.5% in 2010 and 2.5% in 2011.

- A.M. Best considers the majority of countries pictured below to be categorized as CRT-1 and CRT-2. The exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, Ukraine, and Poland.



Regional Summary: Western Europe

- In 2010, Western Europe began to recover from the global economic recession; however, growth has remained modest and has faltered since the start of 2011. This slowdown is partially due to the sovereign debt issues that have arisen in the eurozone and the United States, which have lowered consumer and business confidence, as well as weak global demand for eurozone exports. The European Central Bank (ECB) has bought bonds from several at-risk member states in an attempt to contain the region’s sovereign debt crisis.

- While the ECB has raised interest rates twice in 2011 year-to-date to combat inflation, financial market uncertainty surrounding the sovereign debt issues will likely curb further increases. Moving forward, fiscal policy across the eurozone will likely remain tight in order to keep government deficits in check.

Economic Risk: Very Low

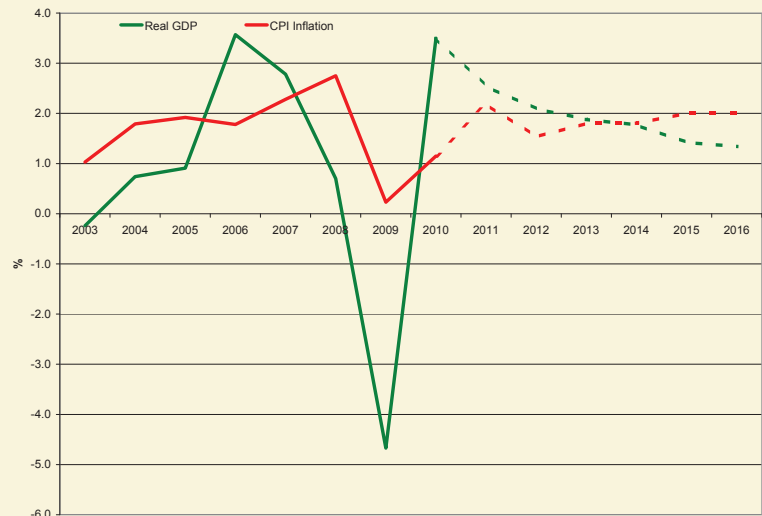
- Germany is a large, diversified, modern economy. Based on gross domestic product (GDP), Germany is the largest country in the EU.

- Germany has enjoyed a relatively strong recovery since 2009, which is sustained by domestic demand and international competitiveness. However, weak global demand for exports and uncertainties regarding the eurozone sovereign debt crisis may dampen growth prospects moving forward.

Vital Statistics 2010		
Nominal GDP	USD bn	3315.64
Population	mil	81.6
GDP Per Capita	USD	40,631
Real GDP Growth	%	3.5
Inflation Rate	%	1.2
Premiums Written (Life)	USD mil	118,432
Premiums Written (Non-Life)	USD mil	69,257
Premiums Growth (08-09)	%	-0.2

Regional Comparison	
	Country Risk Tier
Germany	CRT-1
France	CRT-1
Spain	CRT-2
Austria	CRT-1
Denmark	CRT-1
United Kingdom	CRT-1

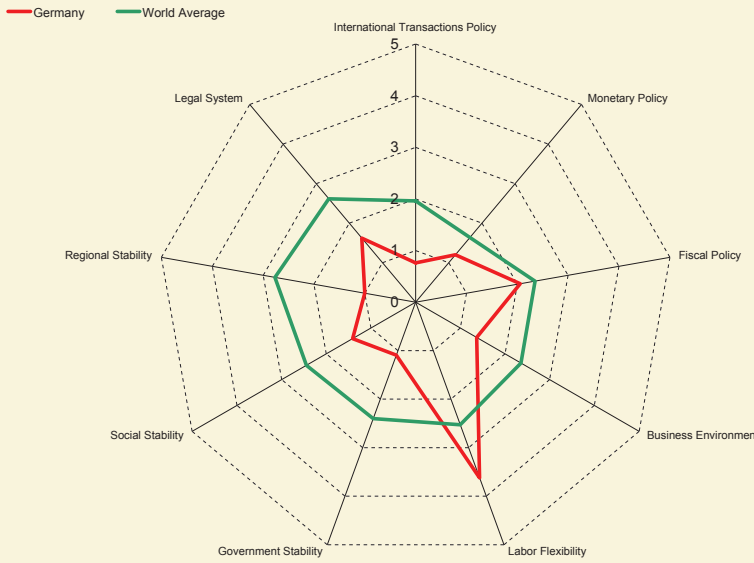
Source: IMF, Axco, Swiss Re and A.M. Best



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

Political Risk Summary

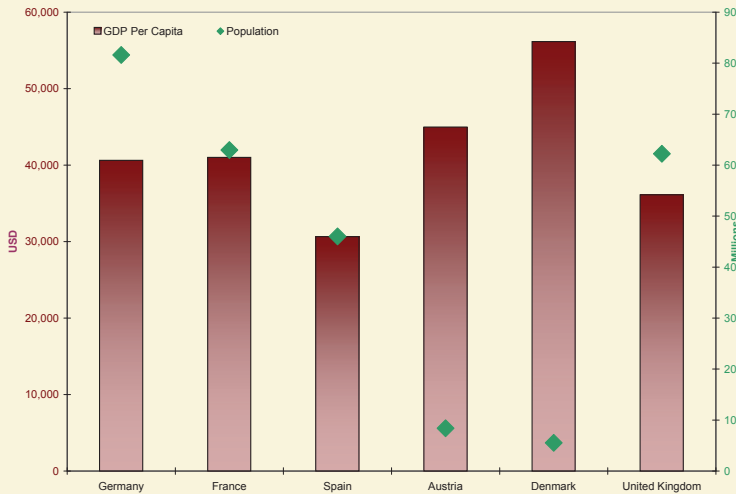
Score 1 (best) to 5 (worst)



Source: A.M. Best

Political Risk: Very Low

- Germany is a member of the European Union and one of the original 11 countries to adopt the euro as its currency in 1999.
- After using expansionary fiscal policy to help jump-start the economy in 2009, the government has only modestly tightened it in 2011. However, Germany's public finances are in much better shape than most other European countries.



Source: IMF and A.M. Best

Financial System Risk: Very Low

- The German insurance sector is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).
- While the German financial system has not experienced the systematic crisis that has affected some other countries, weakening balance sheets and tightening credit in the financial system will continue to be issues.

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.

Financial Strength Ratings are distributed via press release and/or the A.M. Best Web site at www.ambest.com and are published in the *Rating Actions* section of *BestWeek*®. Financial Strength Ratings are proprietary and may not be reproduced without permission.

Copyright © 2011 by A.M. Best Company, Inc.

Version 070208

