BEST'S COUNTRY RISK REPORT

Ireland

CRT-2

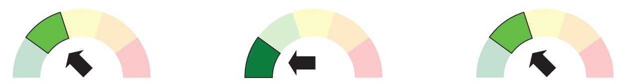
August 22, 2018

Region: Europe

Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Ireland is a CRT-2 country, with low levels of economic and financial system risk and very low political risk.
- Ireland continues to grow above the European Union average. Its GDP in 2017 was 7.8%, driven by increases in domestic demand and exports.
- GDP growth in 2018 is expected to moderate due to ongoing uncertainty surrounding Brexit and rising trade concerns.
- A.M. Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. The notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.



Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk

Country Risk Tier 2 (CRT-2) Low Level of Country Risk

Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk

Country Risk Tier 4 (CRT-4) High Level of Country Risk

Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

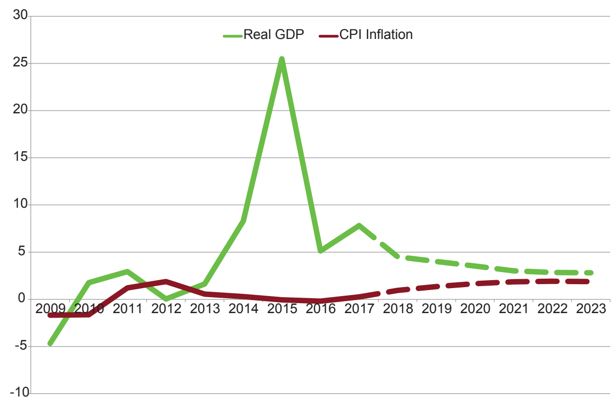
Regional Summary: Western Europe

- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

Vital Statistics 2017		
Nominal GDP	USD bn	333.99
Population	mil	4.7
GDP Per Capita	USD	70,638
Real GDP Growth	%	7.8
Inflation Rate	%	0.3
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	63.8
Dependency Ratio	%	53.8
Life Expectancy	Years	80.9
Median Age	Years	36.8
Insurance Statistics		
Insurance Regulator	Central Bank of Ireland	
Premiums Written (Life)	USD mil	55,680
Premiums Written (Non-Life)	USD mil	8,626
Premiums Growth (2016 - 2017)	%	
Regional Comparison		
	Country Risk Tier	
Ireland	CRT-2	
France	CRT-1	
Germany	CRT-1	
Italy	CRT-2	
Spain	CRT-2	
United Kingdom	CRT-1	

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

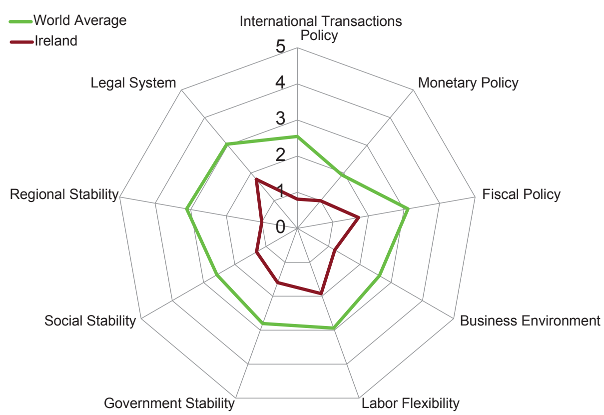
Economic Growth (%)



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

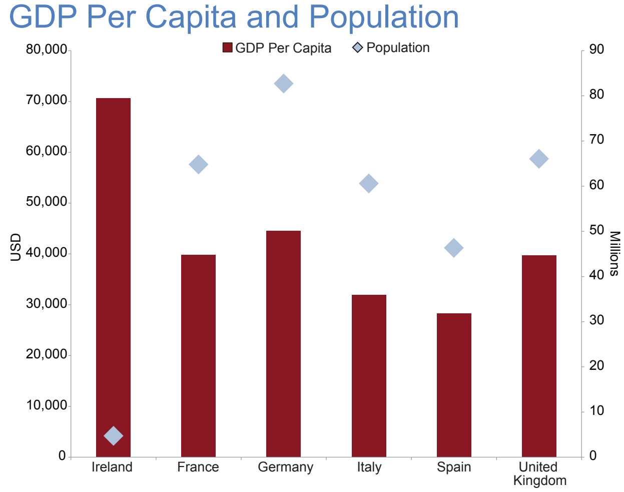
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- The country's economy is small and depends highly on trade, which leaves Ireland vulnerable to external economic conditions—particularly to economic conditions in the eurozone.
- Ireland benefits from flexible labor markets, a stable legal environment, a young and highly educated workforce, and a mature regulatory environment.
- Ireland's low corporate tax rate of 12.5% has been a primary attraction for foreign companies and investment in the country. However, the country's small size has been a deterrent for some foreign investors.
- Brexit could complicate Ireland's economic forecast, given many Irish businesses' close ties with Britain, and Britain's status as one of Ireland's main export destinations. However, some negative repercussions could be lightened by the relocation of UK-based businesses to Ireland.

Political Risk: Very Low

- Ireland is a member of the European Union and one of the original 11 countries to adopt the euro as its currency in 1999.
- The current prime minister of Ireland is Leo Varadkar of the Fine Gael party. He was elected in 2016. Varadkar leads a minority coalition, with his party winning 50 of the parliament's 158 seats. The lack of a majority in parliament may make it difficult to pass legislation.
- Despite dramatic improvement since the financial crisis, the political agenda remains dominated by economic policy and public finances.
- Ireland should take measures to strengthen the Social Insurance Fund program, to ensure its viability. Pension and other social expenditures are expected to increase dramatically over the next couple of decades due to a rapidly aging population.
- Concerns over the implications of Brexit for the essentially invisible border between the Republic of Ireland and Northern Ireland are growing. Given the island's history, the Irish government is keen to avoid a hard border between itself and Northern Ireland.

Financial System Risk: Low

- The Central Bank of Ireland is responsible for the authorization and prudential supervision of the insurance industry in Ireland.
- Non-performing loans are still high but are improving. Banks remain profitable and have strengthened their financial metrics. However, they still face the challenging effects from lingering crisis legacies.
- The IMF has recommended close engagement with insurance companies to ensure their readiness for a potential change in the regulatory landscape due to the continued uncertainty surrounding Brexit negotiations.