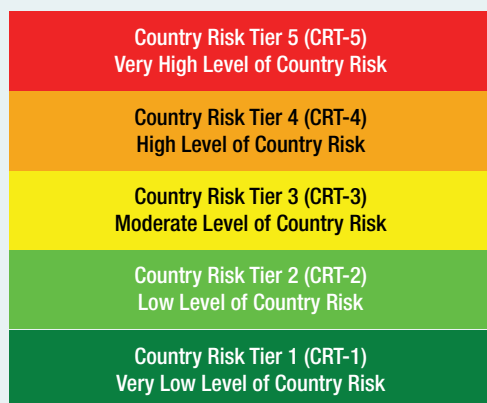
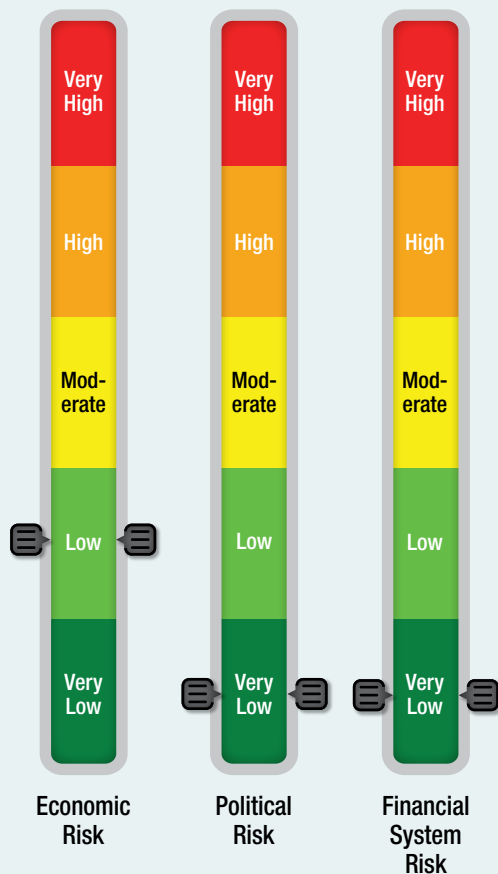


## Country Risk Tier CRT-1



## United States

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.
- The United States (U.S.) is a CRT-1 country with very low or low levels of economic, political and financial system risk. Gross domestic product (GPD) growth has been moderate at rate of 2.4% in 2015 and an expected 2.4% in 2016. Medium term growth is expected to be between 2.0% and 2.5%. Global uncertainty and low levels of business investment have been headwinds for the U.S. economy.
- Economic performance in the region echoes that of the United States, the dominate economy. U.S. consumer spending, which accounts for approximately 70% of the economy, has been resilient due to low levels of unemployment, gains in disposable incomes and higher asset prices.



Vital Statistics 2015		
Nominal GDP	USD bn	17947.00
Population	mil	321.6
GDP Per Capita	USD	55,805
Real GDP Growth	%	2.4
Inflation Rate	%	0.1
Literacy Rate	%	n.a.
Urbanization	%	81.6
Dependency Ratio	%	50.9
Life Expectancy	Years	79.7
Median Age	Years	37.8

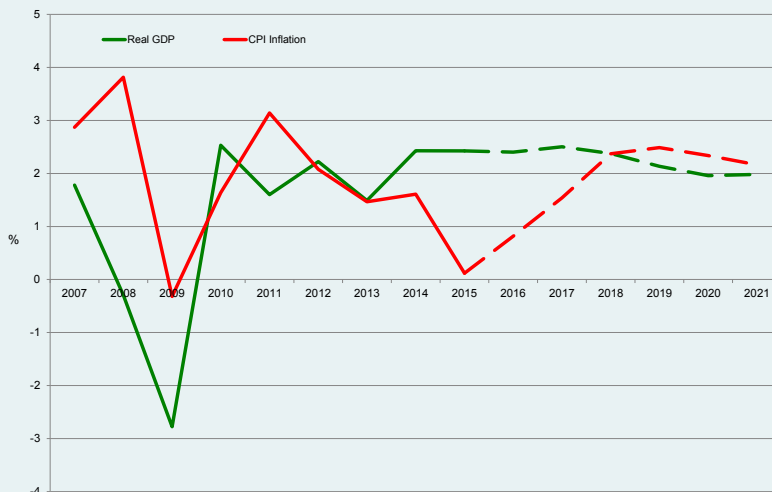
Insurance Statistics		
Insurance Regulator	Federal Insurance Office under the Department of the Treasury	
Premiums Written (Life)	USD mil	552,506
Premiums Written (Non-Life)	USD mil	763,766
Premiums Growth (2014 - 2015)	%	3.5

Regional Comparison	
	Country Risk Tier
United States	CRT-1
Canada	CRT-1
France	CRT-1
Germany	CRT-1
Mexico	CRT-3
United Kingdom	CRT-1

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

### Economic Growth



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

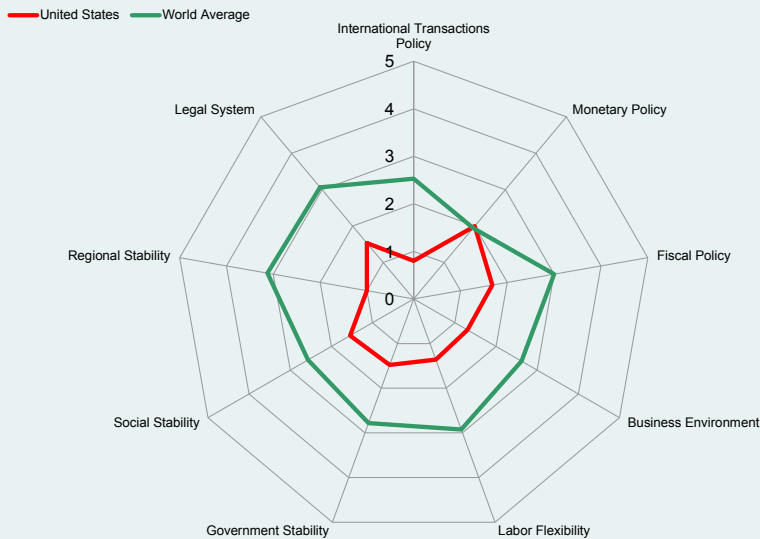
### Regional Summary: North America

- 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: Low

- The U.S. economy is the largest and most advanced in the world, with GDP of more than 18.2 trillion USD at the end of the first quarter of 2016.
- Economic growth continues to be stable, driven by personal consumption and steady job creation. Healthy job creation translated into higher personal disposable income, further supporting rising household spending.
- The housing market continues to recover due to low interest rates, increasing demand, higher rental prices, improving credit conditions and rising real estate prices.
- The federal funds rate forecast at the beginning of 2016 largely predicted at least one interest rate hike in 2016, as the Federal Reserve attempts to normalize monetary policy from the current historically low interest rates. Any move in rates will be dictated by the macroeconomic conditions.

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

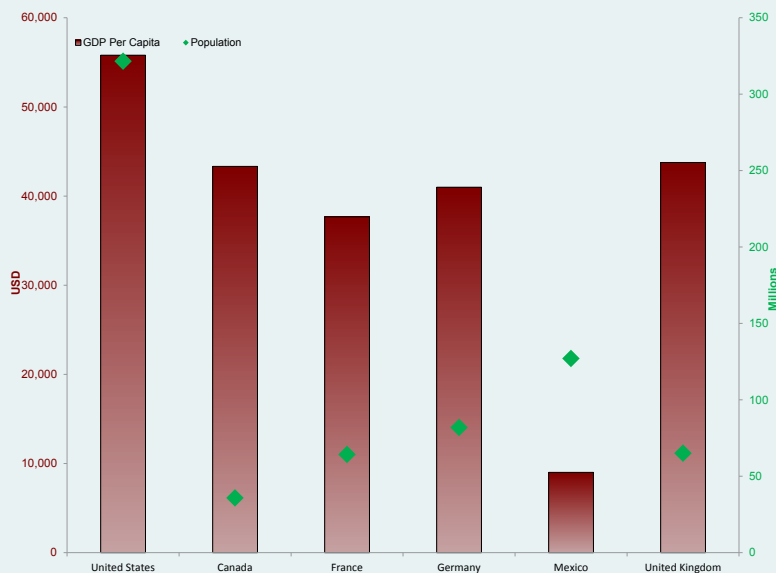


Source: A.M. Best

#### Political Risk: Very Low

- The U.S. has a stable democratic political system and a strong legal system. Political infighting has led to significant dysfunction and inaction in Washington in recent years.
- The House and Senate are currently controlled by the Republican party, following gains in the 2014 mid-term election. Infighting in the party and posturing ahead of the presidential election will limit effective policy making.
- The United States has seen a rise in political populism as voters increasingly view government and corporate interests as aligned. National security, immigration, race relations, and income inequality will continue to dominate much of U.S. politics heading into the Presidential election of 2016.
- Uncertainty over the 2016 presidential election could lead to uncertainty over international relations and the potential for trade deals in the near future.

### GDP Per Capita and Population for Selected Countries



Source: IMF and A.M. Best

#### Financial System Risk: Very Low

- Insurance regulation in the United States is decentralized and handled on a state-by-state basis. However, recent legislative changes tasked the Federal Reserve with providing additional oversight on some of the largest U.S. based companies.
- As of July 2010, the Federal Insurance Office, under the Department of the Treasury, is responsible for monitoring the insurance industry for regulatory gaps, systemic risk, and international issues.
- The financial system is stable with deep and liquid markets and well capitalized firms.
- In June 2016, the Federal Reserve released the results of its Dodd-Frank Act Stress Tests on the largest banks in the United States. Almost all of these banks passed the stress tests, which are performed to ensure adequate levels of capitalization.

## 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.

