

# Best's Ratings: Definitions



## Country Risk Tiers (CRT)

Country Risk Tier (CRT) assignments are reviewed annually, though significant events and developments are tracked continuously and may cause an interim change to a country's tier assignment. CRTs are evaluations of the current conditions in a country, but they are designed to remain stable through the business cycle. Therefore, political and industry outlooks as

well as economic forecasts are integrated into the analysis.

The assignment of CRTs to score ranges is based on A.M. Best's assertion that the risk in countries can be categorized loosely to provide a basis of comparison, provided that country-by-country differences are acknowledged. Therefore, CRTs can be classified, in a typical scenario, by the following:

Country Risk Tier (CRT)	Definition
CRT-1	Predictable and transparent political environment, legal system and business infrastructure; sophisticated financial system regulation with deep capital markets; mature insurance industry framework.
CRT-2	Predictable and transparent political environment, legal system and business infrastructure; sufficient financial system regulation; mature insurance industry framework.
CRT-3	Developing political environment, legal system and business infrastructure with developing capital markets; developing insurance regulatory structure.
CRT-4	Relatively unpredictable and non-transparent 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 Categories

The three risk categories in A.M. Best's country risk analysis – economic risk, political risk and financial system risk – are defined below.

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 determination 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 governmental or bureaucratic inefficiencies, societal tensions, an inadequate legal system or international tensions will cause adverse developments for an insurer. Political risk comprises the stability of a government and society; the effectiveness of international diplomatic relationships; the reliability and integrity of the legal system and business infrastructure; the efficiency of the government bureaucracy; and the appropriateness and effectiveness of the government's economic policies.
Financial System Risk (non-insurance)	The risk that financial volatility may erupt due to inadequate reporting standards, weak banking systems or asset markets or poor regulatory structure. Non-insurance financial system risk considers a country's banking system, accounting standards and government finances, and it assesses how vulnerable the financial system is to external or internal volatility. Basel II, World Bank Insolvency Principles and International Accounting Standards all are referenced in the analysis, as are the performances of banks, equity indices and fixed-income securities.

## Best's Ratings: Definitions (Continued)

### Best's Long-Term Issuer Credit Rating (ICR)

A Best's Issuer Credit Rating (ICR) is an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

A long-term ICR is an opinion of an entity's ability to meet its ongoing senior financial obligations, while a short-term ICR is an opinion of an entity's ability to meet its ongoing financial obligations with original maturities generally less than one year.

An ICR is an opinion regarding the relative future

credit risk of an entity. Credit risk is the risk that an entity may not meet its contractual financial obligations as they come due. An ICR does not address any other risk.

In addition, an ICR is not a recommendation to buy, sell or hold any securities, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa	–	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations.
Superior	aa	aa+ / aa–	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations.
Excellent	a	a+ / a–	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations.
Good	bbb	bbb+ / bbb–	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations.
Fair	bb	bb+ / bb–	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Marginal	b	b+ / b–	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Weak	ccc	ccc+ / ccc–	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Very Weak	cc	–	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations. Credit quality is very vulnerable to adverse changes in industry and economic conditions.
Poor	c	–	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Credit quality is extremely vulnerable to adverse changes in industry and economic conditions.

\*Best's Long-Term Issuer Credit Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).

### Best's Financial Strength Rating (FSR)

A Best's Financial Strength Rating (FSR) is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

An FSR is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment

on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder.

An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

(Continued on next page)

## Best's Financial Strength Rating (FSR) (Continued)

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Superior	A+	A++	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
Excellent	A	A-	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
Good	B+	B++	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Fair	B	B-	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Marginal	C+	C++	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Weak	C	C-	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
Poor	D	-	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

\* Each Best's Financial Strength Rating Category from "A+" to "C" includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus "+" or a minus "-".

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## Top 50 World's Largest Reinsurance Groups

Ranked by Unaffiliated Gross Premiums Written in 2017

2018 Ranking	Company	Reinsurance Premiums Written (US\$ million)				Total Shareholders' Funds <sup>2</sup> (US\$ million)	Ratios <sup>3</sup> (%)		
		Life & Non-Life		Non-Life only			Loss	Expense	Combined
		Gross	Net	Gross	Net				
1	Munich Reinsurance Company	37,821	36,378	21,377	20,330	33,782	80.5	33.5	114.0
2	Swiss Re Ltd.	34,775	32,316	20,371	19,631	34,294	82.3	33.1	115.4
3	Berkshire Hathaway Inc. <sup>4</sup>	22,740	22,740	17,815	17,815	351,954	N/A	N/A	116.4
4	Hannover Rück SE <sup>5</sup>	21,314	18,727	12,832	10,973	11,126	71.3	27.8	99.1
5	SCOR SE	17,718	16,130	7,218	6,468	7,458	71.0	32.7	103.7
6	Lloyd's <sup>6,7</sup>	14,250	10,726	14,250	10,726	36,119	83.8	33.3	117.2
7	Reinsurance Group of America Inc.	10,704	9,841	N/A	N/A	9,570	N/A	N/A	N/A
8	China Reinsurance (Group) Corporation	10,435	9,974	3,628	3,509	11,578	62.6	41.3	103.9
9	Great West Lifeco	7,924	7,823	N/A	N/A	16,148	N/A	N/A	N/A
10	Korean Reinsurance Company	6,775	4,720	5,958	3,988	2,033	77.7	18.7	96.4
11	General Insurance Corporation of India <sup>8</sup>	6,497	5,798	6,430	5,741	7,914	86.3	17.5	103.8
12	PartnerRe Ltd.	5,588	5,120	4,189	3,776	6,745	69.8	29.5	99.3
13	Everest Re Group Ltd.	5,115	4,614	5,115	4,614	8,369	76.6	26.5	103.1
14	XL Group plc	4,916	3,976	4,682	3,964	11,461	79.9	31.5	111.3
15	Transatlantic Holdings, Inc	4,211	3,810	4,211	3,810	5,218	73.1	33.8	106.9
16	MS&AD Insurance Group Holdings, Inc. <sup>8,9</sup>	3,385	N/A	3,385	N/A	27,933	N/A	N/A	N/A
17	R+V Versicherung AG <sup>10</sup>	3,071	3,011	3,071	3,011	2,576	73.8	25.3	99.1
18	MAPFRE RE, Compania de Reaseguros S.A. <sup>11</sup>	2,812	2,517	2,812	2,517	1,559	73.6	23.2	96.8
19	RenaissanceRe Holdings Ltd.	2,798	1,871	2,798	1,871	4,391	108.4	29.6	137.9
20	The Toa Reinsurance Company, Limited <sup>8,9</sup>	2,505	2,198	2,505	2,198	1,887	70.1	26.3	96.4
21	Axis Capital Holdings Limited	2,428	1,939	2,428	1,939	5,341	79.6	29.2	108.8
22	Sompo Holdings, Inc. <sup>8,9</sup>	2,304	1,918	2,304	1,918	18,032	N/A	N/A	N/A
23	Arch Capital Group Ltd. <sup>12</sup>	2,241	1,728	2,241	1,728	10,040	72.3	31.6	103.9
24	Assicurazioni Generali SpA	2,054	2,054	878	878	31,361	104.0	25.8	129.9
25	IRB - Brasil Resseguros S.A.	1,747	1,224	1,438	933	1,082	56.4	28.6	85.0
26	Pacific LifeCorp	1,707	1,707	N/A	N/A	13,704	N/A	N/A	N/A
27	Qatar Reinsurance Company, Limited	1,626	713	1,626	713	705	95.6	26.1	121.6
28	Tokio Millennium Re AG	1,606	1,302	1,606	1,302	1,191	82.0	34.0	116.0
29	Aspen Insurance Holdings Limited	1,549	1,250	1,549	1,250	2,929	92.6	32.6	125.1
30	Caisse Centrale de Reassurance	1,543	1,411	1,392	1,265	2,809	81.8	11.5	93.3

## Top 50 World's Largest Reinsurance Groups (continued)

Ranked by Unaffiliated Gross Premiums Written in 2017

2018 Ranking	Company	Reinsurance Premiums Written (US\$ million)				Total Shareholders' Funds <sup>2</sup> (US\$ million)	Ratios <sup>1</sup> (%)		
		Life & Non-Life		Non-Life only			Loss	Expense	Combined
		Gross	Net	Gross	Net				
31	Validus Holdings, Ltd. <sup>13</sup>	1,508	1,289	1,508	1,289	4,916	103.1	26.9	130.0
32	Odyssey Re Holdings Corp.	1,494	1,411	1,494	1,411	4,013	69.6	32.3	101.9
33	Deutsche Rueckversicherung AG	1,440	881	1,372	849	270	66.9	29.3	96.2
34	Taiping Reinsurance Co. Ltd. <sup>9</sup>	1,415	1,279	866	734	1,050	56.7	39.6	96.4
35	Markel Corporation	1,112	978	1,112	978	9,502	99.8	32.2	132.0
36	Peak Reinsurance Company Ltd.	1,098	845	999	746	912	79.3	28.5	107.7
37	American Agricultural Insurance Company <sup>14</sup>	1,053	364	1,053	364	585	87.7	21.0	108.7
38	QBE Insurance Group Limited	1,039	837	1,039	837	8,901	78.8	29.6	108.4
39	Sirius International Group, Ltd. <sup>15</sup>	989	837	989	837	1,917	74.9	N/A	N/A
40	Maiden Holdings, Ltd.	823	807	823	807	1,233	78.1	29.0	107.1
41	African Reinsurance Corporation	747	635	692	584	902	61.6	34.4	96.0
42	Chubb Limited	746	685	746	685	51,172	79.7	31.4	111.1
43	Hiscox Ltd.	734	255	734	255	2,367	70.1	31.8	101.9
44	Allied World Assurance Company Holdings, AG	725	679	725	679	2,524	99.2	30.2	129.4
45	Greenlight Capital Re, Ltd.	693	636	693	636	844	80.3	30.0	110.3
46	Nacional de Reaseguros, S.A.	666	531	561	428	407	67.8	28.4	96.1
47	Third Point Reinsurance Ltd.	642	639	642	639	1,662	67.6	40.1	107.8
48	W.R. Berkley Corporation	607	545	607	545	5,451	80.2	37.4	117.6
49	ACR Capital Holdings Pte, Ltd.	526	448	526	448	846	68.1	39.0	107.1
50	Central Reinsurance Corporation	491	460	362	338	519	66.8	27.1	93.9

<sup>1</sup> All non-USD currencies converted to USD using foreign exchange rate at company's fiscal year-end.

<sup>2</sup> As reported on Balance Sheet.

<sup>3</sup> Non-life only.

<sup>4</sup> Loss and expense ratio detail not available on a GAAP basis.

<sup>5</sup> Net premium written data not reported, net premium earned substituted.

<sup>6</sup> Lloyd's premiums are reinsurance only. Premiums for certain groups within the rankings also may include Lloyd's Syndicate premiums when applicable.

<sup>7</sup> Total shareholders' funds includes Lloyd's members' assets and Lloyd's central reserves.

<sup>8</sup> Fiscal year-end March 31, 2018.

<sup>9</sup> Net asset value used for total shareholders' funds.

<sup>10</sup> Ratios are as reported and calculated on a gross basis.

<sup>11</sup> Premium data excludes intergroup reinsurance.

<sup>12</sup> Based on Arch Capital Group Ltd. consolidated financial statements and includes Watford Re segment.

<sup>13</sup> Based on Validus Holdings, Ltd. consolidated financial statements and includes AlphaCat segment premiums and non-controlling interest.

<sup>14</sup> Data and ratios based on US Statutory Filing.

<sup>15</sup> Expense and combined ratios not available on a segment basis.

N/A Information not applicable or not available at time of publication.

Source: A.M. Best data and research

## Australia – Country Risk Tier



Australia is a CRT-1 country with very low levels of economic, political, or financial system risk. The economy has experienced positive economic growth for over a decade, even during the 2008 financial crisis. In 2017, Australia posted a 2.3% growth rate. Growth is expected to rise towards 3.1% during 2018, before moderating over the medium term. Growth has been underpinned by prudent macroeconomic policies, strong exports, and household consumption.

### Economic Risk: Very Low

- Australia's economy is well diversified and dominated by its services sector, which accounts for nearly 70% of GDP. The largest components are finance, property, and business services.
- The country has benefited from strong public investment in infrastructure as well as an acceleration in private business investment. Infrastructure spending currently adds 0.5% to the GDP growth rate.
- Unemployment has come down, to 5.4% in June 2018, although wage growth remains weak. Inflation is below the central bank's target.
- Housing prices have appreciated significantly due to a housing shortage and a growing population. More housing is being built, but the government has also adopted policies to aid first-time home buyers, including grants and tax relief programs.

### Political Risk: Very Low

- The Liberal-National coalition came into power in 2016, but lacks a strong majority. The government has still been able to pass key legislation, including the strengthening of consumer protections for financial products.

- Australia's legal system is strong, stable, and transparent, with minimal corruption. The stable regulatory environment, combined with a resilient economy, makes Australia an attractive location for foreign direct investment.
- The government passed corporate tax reform legislation, which will lower the corporate tax rate to 25% by 2026. Although a corporate tax cut will increase the budget deficit, it could attract more companies to settle in Australia.
- The government has also focused on accelerating competition, innovation, and productivity in the service sector, particularly in the tech industry.

### Financial System Risk: Very Low

- The Australian Prudential Regulation Authority (ARPA) and the Australian Securities and Investment Commission (ASIC) regulate the insurance industry in Australia. ARPA also serves as the regulator of the entire financial services industry and conforms to international standards.
- Monetary policy is expected to remain accommodative. In August 2016, the Reserve Bank of Australia lowered its policy interest rate to 1.5%, where it remains as of August 2018.
- Interest rates remain low, but housing prices and household debt ratios have risen. According to the IMF, despite the banking system's large exposure to the housing market, the system remains well capitalized and will be able to absorb any dislocations in the market.
- Credit lending to private citizens has grown rapidly in the past several years and is projected to rise even further, which could expose the credit market to risk in the event of an economic downturn.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Ansvar Insurance Limited	a-	Stable	A-	Stable
Chubb Insurance Company of Australia Limited	aa+	Stable	A++	Stable
First American Title Insurance Company of Australia Pty Limited	a	Stable	A	Stable
General Reinsurance Australia Ltd	aa+	Stable	A++	Stable
General Reinsurance Life Australia Ltd.	aa+	Stable	A++	Stable
Guild Insurance Limited	a-	Stable	A-	Stable
The Hollard Insurance Company Pty Ltd	a-	Stable	A-	Stable
The New India Assurance Company Limited (Australia Branch)	a-	Stable	A-	Stable
Pacific International Insurance Pty Limited	bbb	Stable	B++	Stable

Notes: This Country Risk Report is effective as of 22 August 2018. This report is 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. All credit ratings are effective as of 31 August 2018. For current ratings please visit [www.ambest.com](http://www.ambest.com).

## Cambodia – Country Risk Tier



Cambodia, a CRT-5 country, has high levels of economic and political risk, and a very high level of financial system risk. The economy has grown at a rapid pace recently, with 2018 GDP growth estimated at 7.0% for 2018, although it is expected to moderate toward 6% over the medium term. Inflation has been relatively modest and is forecast to remain around 3.0% over the short term.

### Economic Risk: High

- Cambodia was reclassified by the World Bank from a low-income country to a low middle-income country in 2016, which diminished its eligibility to receive international aid.
- The country has grown consistently and strongly, driven by a robust global economy, sustained FDI inflows, and high government spending in the construction sector.
- Poverty has declined, but the population is still vulnerable, with a large portion of the population remaining poor. Income distribution is highly unequal, and job prospects are inadequate. Poor infrastructure at times hinders the efficiency of business operations.
- Cambodia has a young workforce, but a weak public education system has resulted in a shortage of skilled labor. Other pressing challenges include health care and sanitation, as a large portion of the population does not have access to a piped water supply system.

### Political Risk: High

- The main opposition party, the Cambodia National Rescue Party (CNRP), was dissolved in November 2017 and its leader jailed by the politicized Supreme Court. This move has resulted

in international sanctions against the country and the potential for increased tariffs on exports, as the government is becoming increasingly authoritarian.

- Labor strikes have been common and sometimes disruptive. The risk of anti-government protests has increased, although protests are unlikely to be sustained or have the capacity to threaten government stability or impact policy decisions. Political uncertainties have dampened business confidence and investment.
- Corruption is rampant, while the rule of law is weak. Cambodia is ranked 161 out of 180 countries in the Corruption Perception Index.
- The judiciary in Cambodia is opaque and subject to bribery and political interference. Judicial independence is ranked 122 out of 137 countries by the World Economic Forum.

### Financial System Risk: High

- The Insurance and Pension Division of the Department of Financial Industry regulates the insurance industry.
- The tax regime is generally friendly to businesses and focused on attracting investment. A hike to the corporate tax rate—to ensure the country's competitiveness—is unlikely. Tax reform will be focused on enhancing tax collection efficiency and broadening the tax base.
- Cambodia's government budget deficit has widened and is estimated to continue to expand owing to the government's higher social spending.
- The pace of bank credit growth has moderated thus far in 2018. The IMF endorsed recently introduced credit risk assessments and capital buffers to build up resilience.
- FDI inflows have been strong, but their prospects are uncertain given the political backdrop.

Cambodia

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# China – Country Risk Tier



China, a CRT-3 country, has a low level of economic risk and moderate levels of political and financial system risk. The country has experienced rapid economic expansion in recent years—real GDP growth in 2017 was 6.9%. Growth is expected to decelerate slightly, moderating around 6% over the next five years. Inflation has been moderate but is rising and is now 2.5%. Recent trade protectionism in the US could have a material influence on China's export-oriented growth and future trade policy. • China, the world's most populous country, is home to the world's second-largest economy by total GDP, according to the International Monetary Fund.

## Economic Risk: Low

- China is becoming a market-oriented economy and has expanded rapidly, but growth has recently slowed and requires policy adjustments to remain sustainable.
- China remains an attractive market to investors owing to its abundant labor force and large market potential.
- Currently the second-largest economy in the world, China is still classified as a developing country. Per capita income ranks low and rapid urbanization over the past two decades has fostered high income inequality. The government terminated its one-child policy to prevent its population from aging further.
- In July, the US imposed levies on USD34 billion of Chinese goods. Although trade conflict with the US is likely to escalate over the near term, China signed a significant trade agreement with India lowering tariffs on pharmaceuticals and capital flows, which could help mitigate the US tariffs.
- The government plays a dominating role in the economy, to which foreign companies can be vulnerable. Cyber security and significant state control increase the difficulty of operations for

foreign business.

## Political Risk: Moderate

- China has experienced a growing consolidation of power in the Chinese Communist Party after the two sessions meeting in March 2018, when the presidency term limit was lifted.
- The National Supervision Commission was recently established to strengthen party allegiance. It is capable of causing commercial disruptions through political means, raising operational risks.
- The judicial system is highly politicized, and intellectual property theft remains a risk for businesses, despite recent efforts for improvement. China's contract enforcement is efficient, ranking fifth globally by the World Bank.
- Although curbing corruption has been one of President Jinping Xi's top priorities, transparency is still inadequate, especially at local levels.
- Social unrest is due mostly to labor disputes, land acquisition, pollution, and corruption. Given the strong central control and intolerance for dissent, the protests' impact on government stability is very low.

## Financial System Risk: Moderate

- The Chinese Insurance Regulatory Commission (CIRC) regulates the insurance industry.
- China maintains a strong external financial position. It holds ample foreign exchange reserves and the current account is at a consistent surplus.
- Credit growth has been a primary driver of China's rapid economic expansion, but excessive lending weakens the country's resilience to shocks. Reforms to transition growth from credit towards consumption should mitigate this risk. Furthermore, China has been working to strengthen the supervision of financial institutions.

China

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Aioi Nissay Dowa Insurance (China) Company Limited	a-	Stable	A-	Stable
China Continent Property & Casualty Insurance Company Ltd	a	Stable	A	Stable
China Life Reinsurance Company Ltd.	a	Stable	A	Stable
China Property & Casualty Reinsurance Company Ltd.	a	Stable	A	Stable
China Reinsurance (Group) Corporation	a	Stable	A	Stable
General Reinsurance AG (Shanghai Branch)	aa+	Stable	A++	Stable
Hyundai Insurance (China) Co., Ltd.	bbb	Negative	B++	Negative
LIG Insurance (China) Co Ltd	a-	Stable	A-	Stable
Lloyd's Insurance Company (China) Limited	a+	Stable	A	Stable
Ping An Health Insurance Company of China, Ltd.	a-	Stable	A-	Stable
Qianhai Reinsurance Co., Ltd.	a-	Stable	A-	Stable
Starr Property & Casualty Insurance (China) Company, Limited	a	Stable	A	Stable
Taiping Reinsurance (China) Company Ltd.	a	Stable	A	Stable

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## Hong Kong – Country Risk Tier



**H**ong Kong is a CRT-2 financial services center with low levels of economic and political risk, and very low levels of financial system risk. The country's economy is closely tied to mainland China's. Real GDP grew 3.8% in 2017, but is projected to slow slightly in 2018. The economy is forecast to expand moderately, between 2.0% and 3.0% over the medium term, as China's growth decelerates somewhat and US monetary policy tightens. Inflation is expected to remain moderate, in the 2.5% to 3.0% range.

### Economic Risk: Low

- Hong Kong's economy is free and open. Growth is supported by strong consumer spending, as well as strong international demand and rising exports. With major infrastructure and housing projects in the works, investment is projected to rise.
- The population is affluent and well-educated but aging rapidly. Higher global food and oil prices will likely drive up consumer price inflation over the near term, while housing price increases are projected to remain broadly stable.
- Hong Kong depends heavily on trade. Its main trading partners are mainland China and the US.
- While a favorable business environment, low tax burden, minimal government intervention, and open economy attract robust foreign investments, Hong Kong's deep integration in the global economy may increase the country's vulnerability to external shocks.

### Political Risk: Low

- Hong Kong is a Special Administrative Region (SAR) of China and operates under the "One Country, Two Systems" model. Its autonomy has decreased somewhat recently, with Beijing's increasingly

tightening control.

- Pro-democracy protests are likely to grow as mainland China increases its influence in the territory. Current protests are largely peaceful.
- Chief Executive Carrie Lam was voted into office by an overwhelmingly pro-Beijing committee. Although Lam seeks cooperation with her opponents, she recognizes and upholds China's sovereignty over the SAR.
- The government seeks to attract foreign investments. Lam's administration is focusing on economic and social concerns such as research, education, and technology, avoiding direct political confrontation with Beijing.
- The legal system in Hong Kong is highly efficient. Contract enforcement is effective, and individual and property rights are well upheld. In the Ease of Doing Business Index, Hong Kong is ranked the 5th in the world.

### Financial System Risk: Very Low

- In June 2017, the Independent Insurance Authority for Hong Kong (IIA) assumed the regulatory duties of the Office of the Commissioner of Insurance for the insurance industry. The IIA is planning to move Hong Kong towards a risk-based capital system, which will improve the system's viability.
- Hong Kong's tax regime is highly competitive, with low tax rates and no tariffs, while providing various incentives.
- Hong Kong is a net creditor, with ample foreign exchange reserves and strong FDI inflows. The current account also enjoys a comfortable surplus.
- However, tighter global financial conditions and uncertainty with regard to China's economic transition may bring potential volatility.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
AlIG Insurance Hong Kong Limited	a	Stable	A	Stable
Asia Capital Reinsurance Group Pte. Ltd. (Hong Kong Branch)	a-	Negative	A-	Negative
Blue Cross (Asia-Pacific) Insurance Limited	a	Stable	A	Stable
China BOCOM Insurance Company Limited	a-	Stable	A-	Stable
China Merchants Insurance Company Limited	a-	Stable	A-	Stable
China Taiping Insurance (HK) Company Limited	a	Stable	A	Stable
Federal Insurance Company (Hong Kong Branch)	aa+	Stable	A++	Stable
Hong Leong Insurance (Asia) Limited	a-	Stable	A-	Stable
The New India Assurance Company Limited (Hong Kong Branch)	a-	Stable	A-	Stable
Peak Reinsurance Company Limited	a-	Stable	A-	Stable
The People's Insurance Company of China (Hong Kong), Limited	a-	Stable	A-	Stable
Starr International Insurance (Asia) Limited	a	Stable	A	Stable
Sun Hung Kai Properties Insurance Limited	a	Stable	A	Stable
Taiping Reinsurance Company Limited	a	Stable	A	Stable
Tugu Insurance Company Limited	bbb-	Negative	B+	Negative
Wing Lung Insurance Company Limited	a-	Stable	A-	Stable

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# India – Country Risk Tier



India, a CRT-4 country, has a moderate level of economic and financial system risk and a high level of political risk. It has recently become the world's fastest-growing major economy, with GDP growth projected to reach 7.4% this year. Its economy has benefited from a well-diversified economic base and rapid expansion in multiple sectors. The government has instituted economic reforms aimed at sustaining growth. Ensuring the country's rapid growth is inclusive will remain a challenge.

Since 2008, inflation has declined and is expected to stabilize around 5% over the medium term.

## Economic Risk: Moderate

- India has the sixth highest GDP in the world, having recently overtaken China as the world's fastest-growing major economy. The economy consists primarily of IT, financial services, and manufacturing. Agriculture accounts for only 15% of the economy but employs nearly half the population.
- India's economy has grown steadily since the 1990s. The IT sector has expanded rapidly and the export of goods has increased. The 2016 demonetization of the economy and the implementation of a new tax structure slowed growth but the slowdown is expected to be short-lived.
- India is increasingly becoming more integrated into the global market. It is a member of the WTO and the South Asian Association for Regional Cooperation (SAARC), and has signed bilateral trade agreements with various economies. India's economy benefits from a diverse export base, a low cost of labor, a young population, and a large domestic market.
- Inflation is expected to rebound in 2018, and therefore the Reserve Bank of India is likely to tighten monetary policy.

## Political Risk: High

- The current government is led by the Bharatiya Janata Party, which holds a majority in the lower house. Reforms are expected to slow owing to the possibility of a fractured parliament after the next general elections.
- The government welcomes foreign direct investment. The Commercial Act of 2016 created new commercial centered courts in an effort to accelerate the resolution of commercial arbitration cases.
- The bureaucracy is cumbersome and is likely to lead to project delays, especially in the energy sector. Bribery is common and unlikely to decline in the short term, owing to the lack of capacity of anti-corruption authorities.
- Tensions with Pakistan over Kashmir remain elevated. In July 2017, India rejected China's offer to mediate, affirming its commitment to only bilateral negotiations.
- Protests are frequent but largely non-violent. The demonstrations are usually sparked by concerns about social inequality, farmers' rights, and perceived land and environmental law violations.

## Financial System Risk: Moderate

- The insurance industry is regulated by the Insurance Regulatory and Development Authority (IRDA).
- The capital markets are strong and have large potential for growth. The banking system is healthy and stable, dominated by public and nationalized banks. The financial system also benefits from the ample foreign exchange reserves and comfortable external liquidity.
- The Goods and Services Tax (GST) passed in 2017 is an indirect tax that has triggered protests by stakeholders owing to disagreements on the rates.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
General Insurance Corporation of India	a-	Stable	A-	Stable
National Insurance Company Limited	b u	Negative	C++u	Negative
The New India Assurance Company Limited	a-	Stable	A-	Stable
The Oriental Insurance Company Limited	bbb+	Negative	B++	Stable
United India Insurance Company Limited	bbb	Negative	B++	Negative

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India

# Indonesia – Country Risk Tier



Indonesia, a CRT-4 country, has moderate levels of economic and financial system risk and a high level of political risk. The country's economy has grown steadily and robustly over the past few years, and expanded 5.1% in 2017.

Inflation, which has been relatively stable in recent years, is projected to return to 3.5% in 2018 and moderate gradually towards 3.0% over the medium term.

### Economic Risk: Moderate

- Oil and gas production is Indonesia's largest industry, but growth has been hindered by inadequate investment and volatile global energy pricing and demand. Tourism has been robust and has significant development potential.
- Indonesia is the fourth most populous nation in the world, with a large and young labor force. The country has made significant progress in reducing poverty, although further efforts are needed. Infrastructure needs to be upgraded for further economic growth.
- Indonesia's commodity exports are expected to grow owing to recovering commodity prices and rising demand.
- Indonesia is a member of the WTO, ASEAN, and the G-20, and enjoys relatively few trade barriers.
- Government deficits and debt-to-GDP ratios are expected to remain stable and manageable in the coming years, reflecting the government's fiscal reform efforts.

### Political Risk: High

- President Joko Widodo took office in October 2014 on a platform focused on improving the business climate and economic growth. He enjoys a

parliamentary majority but faces growing internal tensions.

- The president favors domestic firms and resource nationalization. Tax obligations for the crucial mining and technology industries have been increased under his administration. A rise in interest rate risk has raised the likelihood of tax revenue shortfalls, according to the IMF.
- Contract enforcement is inefficient, and corruption in the legal system is relatively widespread. Bureaucratic inefficiency obstructs smooth business operations. The Corruption Perception Index ranks Indonesia 96 out of 190 countries.
- Protests are based mostly on labor disputes or religious grounds. They are more common in major cities and can be large scale but are largely peaceful.

### Financial System Risk: Moderate

- The Financial Services Authority of Indonesia (OJK) regulates the insurance industry and is responsible for supervising the entire financial services sector.
- Indonesia's solvency measures have weakened, and the currency is sensitive to changes in investor sentiment. Indonesia is dependent on foreign capital inflows.
- The Basel III framework has been implemented in the financial sector, leading to an improvement in financial sector supervision. A stronger focus on certain weak spots of the financial system and areas of the economy with high volatility potential is recommended.
- The banking system appears resilient and is capitalized well enough to withstand severe shocks. Asset quality is expected to improve, and systemic risk appears minimal.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
PT Asuransi Jasa Indonesia (Persero)	bbb+	Stable	B++	Stable
PT Asuransi Samsung Tugu	a-	Stable	A-	Stable
PT Asuransi Tokio Marine Indonesia	a-	Stable	A-	Stable
PT Asuransi Tugu Pratama Indonesia, Tbk	a-	Stable	A-	Stable

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## Japan – Country Risk Tier



**A**s a CRT-2 country, Japan has low levels of economic, political, and financial system risk. Growth is projected to decelerate slightly to 1.2% in 2018, from 1.7% in 2017. A further slowdown is expected in the medium term, with projected growth of 0%-1% through 2023. Issues hindering growth are mostly chronic and structural, including an aging population and low inflation, that remain a challenge for the government to overcome.

Inflation remains low, but is expected to remain positive over the short term.

### Economic Risk: Low

- The Japanese economy is dominated by its automotive industry, industrial machinery, and construction sectors, which have been enlivened by the upcoming 2020 Olympic games, stimulus policies, and reconstruction efforts following the 2011 natural disasters.
- Geographic location makes Japan vulnerable to earthquakes and tsunamis. The scarcity of critical natural resources was further impacted by the 2011 meltdown at the Fukushima Nuclear Power Plant. More than 95% of the country's energy is imported, exposing Japan to external shocks.
- Japan's population is aging rapidly, constraining the size of its workforce, which brings a long-term challenge. The labor market's inflexibility also calls for improvements.

### Political Risk: Low

- The Japanese government is democratic and relatively stable. Prime Minister Shinzo Abe has been successful in addressing the country's persistently low inflation, while attempting to implement structural reforms.

- Abe's involvement in a political scandal raises the risk of social unrest and has dampened the public's confidence in the government. Protests in Japan are peaceful and driven mostly by environmental concerns and the government's planned expansion of the Japanese Self-Defense Forces.
- Business operations are costly due to heavy government regulation. The business environment is somewhat closed; cooperation between the government and some industries makes it difficult for start-up companies to enter the market.
- The judiciary in Japan is highly independent and advanced. Law enforcement is consistent, but judicial processes can be inefficient and certain regulations lack transparency.
- Regional tensions with Japan's neighbors—including China, Russia, and North Korea—persist, but direct military confrontation is unlikely.

### Financial System Risk: Low

- The Financial Services Agency (FSA) regulates the banking and insurance industries.
- Japan's tax system is transparent and well-developed, but tax rates are high by regional standards, which reduces the country's competitiveness. The tax base is relatively narrow, and incentives are inadequate to encourage start-up companies.
- The financial system is stable, but profitability is low. As a result of the aging population, the banks' role in the economy is likely to decrease in importance.
- Growth has been persistently weak and the country faces stagnation. The Bank of Japan introduced negative interest rates designed to encourage banks to lend to businesses and enhance investment levels.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Aflac Life Insurance Japan Ltd	aa-	Stable	A+	Stable
Aioi Nissay Dowa Insurance Company Limited	aa	Stable	A+	Stable
Assicurazioni Generali S.p.A. (Japan Branch)	a	Positive	A	Stable
The Dai-ichi Life Insurance Company, Limited	aa-	Stable	A+	Stable
Hyundai Marine and Fire Insurance Co., Ltd. (Japan Branch)	a	Negative	A	Negative
Meiji Yasuda Life Insurance Company	aa-	Stable	A+	Stable
Mitsui Sumitomo Insurance Company, Limited	aa	Stable	A+	Stable
The New India Assurance Company Limited (Japan Branch)	a-	Stable	A-	Stable
Nippon Life Insurance Company	aa-	Stable	A+	Stable
Sompo Japan Nipponkoa Insurance Inc.	aa-	Stable	A+	Stable
Starr Indemnity & Liability Company (Japan Branch)	a	Stable	A	Stable
The Toa Reinsurance Company, Limited	a+	Stable	A	Stable
Tokio Marine & Nichido Fire Insurance Co., Ltd.	aa+	Stable	A++	Stable

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## South Korea – Country Risk Tier



South Korea, a CRT-2 country, has low levels of economic, political, and financial system risk. Its economy and financial markets are well integrated with the global economy, and it is a large exporter. Despite a divided government, politics are largely stable. The recent peace agreement with North Korea has significantly mitigated external security risk.

GDP rose 3.1% during 2017 and is projected to decelerate slightly over the medium term. Inflation is expected to increase slightly, towards 2%, owing to healthy domestic spending as well as higher global oil prices.

### Economic Risk: Low

- South Korea has a free market that is heavily export-oriented, which increases the economy's vulnerability to global shifts in demand and changes in trade. Strong global growth recently has supported the economy. Healthy domestic spending, along with global oil price increases, should result in a slight increase in inflation.
- South Korea has been successful in reducing poverty, but its aging population remains a concern. As the labor market shrinks, the government will have to raise tax rates to maintain revenues or cut services. Labor market inflexibility is another concern the government needs to address.
- Growth is generally sustainable, however, the standard of living, education, and social welfare have all improved in tandem with economic growth.
- Business operations in South Korea benefit from its advanced infrastructure, especially in key sectors such as communications and transport. The World Bank's Ease of Doing Business survey ranks South Korea 4th in the world out of 190 countries.

### Political Risk: Low

- President Moon Jae-In promotes liberal policies and enjoys relatively high popularity, although his Democratic Party lacks a majority in the National Assembly.
- The president's policy priorities include bolstering job creation, and raising both corporate tax rates and the minimum wage, as well as addressing corruption, which is especially rampant among high-level government agencies.
- South Korea's legal system is well-established. Contract enforcement is strong and efficient, placing the country first in the world according to the World Bank.
- Protests and demonstrations led by unions can be large, having the potential of causing disruptions in major cities.
- North Korea and South Korea have recently reached an agreement to sign a peace treaty and move towards complete denuclearization, which is expected to remove the major external security risk for South Korea.

### Financial System Risk: Low

- The insurance sector is regulated by the Financial Services Commission and the Financial Supervisory Service.
- The tax system is well established and broadly attractive for foreign investment.
- The country benefits from a large current-account surplus and consistent status as a net creditor. Despite fluctuations, the external liquidity gap has generally been low and diminishing.
- South Korea's overall financial system is sound, according to the IMF. However, a more prudent fiscal policy is recommended, to build a more resilient economy. Labor market inflexibility and low female participation in the workforce are concerns that need to be addressed.

South Korea

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Construction Guarantee Cooperative	aa-	Stable	A+	Stable
DB Insurance Co., Ltd.	a+	Stable	A	Stable
Federal Insurance Company (Korea Branch)	aa+	Stable	A++	Stable
General Reinsurance AG (Seoul Branch)	aa+	Stable	A++	Stable
Hanwha General Insurance Company Limited	a	Stable	A	Stable
Hyundai Marine & Fire Insurance Co., Ltd.	a	Negative	A	Negative
KB Insurance Co., Ltd.	a	Stable	A	Stable
Korea P&I Club	a-	Stable	A-	Stable
Korean Reinsurance Company	a	Stable	A	Stable
Meritz Fire & Marine Insurance Co., Ltd.	a-	Stable	A-	Stable
NongHyup Property and Casualty Insurance Company Limited	a-	Stable	A-	Stable
RG Reinsurance Company (South Korea Branch)	aa-	Stable	A+	Stable
Samsung Fire & Marine Insurance Co., Ltd.	aa+	Stable	A++	Stable

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## Macau – Country Risk Tier



**M**acau, a CRT-2 region, is a Special Administrative Region of China, and a former Portuguese colony. It has a moderate level of political risk and low levels of economic and financial system risk. Its economy is closely tied to China's and depends highly on the tourism and gaming sectors.

Macau has recovered from a recession in 2016 that resulted from China's anti-corruption initiative (which placed limits on currency withdrawals in Macau) and decelerating Chinese growth. The country is expected to grow 7% in 2018. Stronger demand and higher global oil and energy prices, however, are likely to increase inflation.

### Economic Risk: Low

- Macau has one of the world's most open free market economies. Tourism, including the gaming market, accounts for 55% of GDP.
- The gaming sector has grown robustly, fueled by Chinese consumers' rising spending power and less restrictive policies on tourists from the mainland.
- A corruption crackdown in 2014 in China led to a sharp decline in gaming revenues, which spilled over into the broader economy, leading to a recession.
- Current growth is supported by strong domestic demand, which, along with higher global oil and energy prices, are expected to drive inflation up at a faster pace.
- The Macau and Mainland Closer Economic Partnership Arrangement (CEPA) has significantly lowered trade and investment barriers between the two entities.
- The population enjoys one of the highest per capita incomes in the world. The labor market remains tight, with unemployment consistently below 2%. However, the uneven distribution of income is worsening.

### Political Risk: Moderate

- Macau enjoys a high level of autonomy over internal affairs. The government is broadly pro-Beijing, with its main political opposition

largely weakened.

- The government seeks to attract foreign investments and is committed to maintaining an attractive business environment and tax system. The government has adopted policies to encourage businesses in sectors other than gaming to promote economic diversification.
- Public unrest is minimal. There is, however, some dissent owing to high housing prices, income inequality, and the government's inadequate response to the 2018 typhoon. Nonetheless, support for the government is relatively high, and political stability has been unshaken.
- Because of the nature of the gaming sector and institutional weaknesses, corruption and money laundering remain concerns. The legal system faces a shortage of qualified professionals and can be inefficient at times.

### Financial System Risk: Low

- Macau's insurance industry is regulated by the Insurance Supervision Department of the Macau Monetary Authority (AMCM). The AMCM also regulates the banking industry.
- Macau's currency is pegged to the Hong Kong dollar, limiting its control over interest rates. However, an ample amount of foreign reserves helps mitigate this restriction.
- Macau's external position is strong, with high foreign exchange liquidity, ample external assets, and robust FDI inflows. The slowdown in China's economy may have inevitable spillover effects on Macau's performance.
- The IMF has encouraged a more diversified economy for economic growth and foreign exchange earnings.
- Housing prices have fallen to their 2013 levels, but the sector remains closely regulated. Concerns over the lack of affordable housing persist.
- According to the International Monetary Fund, the financial sector is stable and maintains strong earnings, good asset quality, and sufficient liquidity.

Macau

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
AIIG Insurance Hong Kong Limited (Macau Branch)	a	Stable	A	Stable
China Taiping Insurance (Macau) Co., Ltd.	a	Stable	A	Stable
Luen Fung Hang Insurance Company Limited	a u	Negative	A u	Negative
Macau Insurance Company Limited	a-	Stable	A-	Stable

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## Malaysia – Country Risk Tier



Malaysia, a CRT-3 country, has moderate levels of political and financial system risk and a low level of economic risk. Economic growth has been rapid and consistent. GDP expanded 5.9% in 2017, but the rate is expected to moderate in 2018. Consumption and trade are expected to support future growth. Challenges to the economy include income inequality, fiscal consolidation efforts, and ongoing corruption investigations. Inflation was 3.8% in 2017 and is projected to moderate to 3.2% in 2018.

### Economic Risk: Low

- Malaysia, an upper-middle income country, has one of the most open economies in the world. It is well-diversified and has enjoyed sustained growth.
- Malaysia is heavily trade-oriented. Exports are robust and dominated by electronics, oil, and gas. Growth in the electronics sector is likely to slow owing to moderating global demand, but rising oil prices will sustain the positive outlook for the country's exports.
- Thanks to fiscal consolidation measures, fiscal deficits have fallen in recent years, and the country continues to generate a current account surplus.
- Malaysia has made significant progress improving the well-being of its population. High-quality infrastructure has enabled the economy to expand at a rapid pace.
- In May, Prime Minister Mahathir Mohamad replaced the Goods and Services Tax with a Sales and Services Tax, transferring tax burdens from consumers to producers.

### Political Risk: Moderate

- In May 2018, the National Front (BN) party was voted out of power for the first time in 61 years and replaced by the Hope's Pact (PH) coalition; despite

the change, the government is projected to remain stable.

- The Hope's Pact, a four-party coalition, is led by the prime minister, who has criticized the increasing levels of Chinese investments, heightening the risk of contract alteration and delays of Chinese projects in Malaysia's key sectors.
- The judiciary is efficient, capable, and relatively independent. Perceived high levels of corruption, especially in the government, weakens public trust. By regional standards, however, the risks raised to business operations by corruption are insignificant.
- The business environment is ranked 24 out of 180 countries by the World Bank's Ease of Doing Business Index. Labor relations are good, although protests over ethnic and religious tensions are frequent.

### Financial System Risk: Low

- The insurance industry in Malaysia is regulated by the central bank, Bank Negara Malaysia.
- The country's financial system is sophisticated and closely regulated. The banking sector is well-capitalized and profitable, and the capital markets are deep.
- Malaysia is vulnerable owing to its integration into the global market. Although it has been resilient, its trade-oriented economy exposes the country to volatility in global prices and capital flows. A slowdown in China's economic growth may also have a negative impact.
- Household mortgages and property development also pose risks that require vigilance. The IMF has called for efforts to raise productivity and female participation in the workforce, to ensure sustainable growth.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Asia Capital Reinsurance Malaysia Sdn Bhd	a-	Negative	A-	Negative
Energas Insurance (L) Limited	a	Stable	A	Stable
General Insurance Corporation of India (Labuan Branch)	a-	Stable	A-	Stable
Labuan Reinsurance (L) Ltd	a-	Stable	A-	Stable
Lonpac Insurance Bhd	a-	Positive	A-	Positive
Malaysian Reinsurance Berhad	a-	Stable	A-	Stable
Singapore Reinsurance Corporation Limited (Labuan Branch)	a-	Stable	A-	Stable
Trust International Insurance & Reinsurance Company B.S.C. (c) Trust Re, Labuan (Malaysia Branch)	a- u	Negative	A- u	Negative
Tune Protect Re Ltd	bbb+	Stable	B++	Stable
Wentworth Insurance Company Limited (Labuan Branch)	a	Stable	A	Stable

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## New Zealand – Country Risk Tier



New Zealand is a CRT-2 country with low levels of economic and financial system risk and a very low level of political risk. In 2017, New Zealand experienced solid growth of 3%, driven by infrastructure investment and rebuilding following the 2016 earthquake, a pick up in exports, positive net migration, and tourism. Growth is expected to remain between 2% and 3% over the medium term. Inflation is forecast to stabilize at 2%, remaining within the central bank's targeted range of 1% to 3%.

### Economic Risk: Low

- New Zealand's economy depends largely on services (70% of GDP) and industry (26%) for growth.
- Short-term growth is expected to moderate, as earthquake reconstruction efforts wane and strong growth in the housing market moderates. Consumption is expected to remain strong, driven by positive migration, residential and business investment, and the continuation of accommodative monetary policy.
- The government currently plans to increase investment in infrastructure, education, and healthcare, which will support long-term growth.
- The unemployment rate has continued to fall in 2018, hitting 4.5%, while labor market participation remains high at 71%.

### Political Risk: Very Low

- The Labour Party came to power in September 2017 with a focus on improving social welfare through targeted tax hikes and increased benefits to the low-income population. Governance is strong, as evidenced by stable democratic institutions and practices.

- The 2018 government budget will increase spending on infrastructure, healthcare, and education. Even with the increase, the country is expected to continue to run a fiscal surplus of 2%.
- In the World Bank's 2018 Ease of Doing Business Index, New Zealand ranked as the best country in the world in which to do business, making it an ideal destination for foreign direct investment.
- New Zealand is currently one of the least regulated countries in the world, but this could change under the Labour government. Current government policies aim to minimize governmental interference in the markets, favoring low taxes and free trade agreements, and limiting business regulation.

### Financial System Risk: Low

- In 2010, the regulatory responsibilities of the Reserve Bank of New Zealand were expanded to cover the insurance industry.
- The Reserve Bank of New Zealand is independent and benefits from a flexible exchange rate and a deep and sophisticated financial system.
- In 2016, the banking sector tightened lending standards in response to the housing boom. As a result, the housing market has cooled, and credit growth to households has slowed. Although household debt-to-income ratios remain high, at 168%, the IMF believes the banking sector would be able to absorb any significant market dislocations.
- Monetary policy has been stable and accommodative since 2016, following the most recent earthquake. Inflation is expected to remain moderate, even with fiscal policy becoming slightly more expansive in 2018.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Aioi Nissay Dowa Insurance Company, Limited (New Zealand Branch)	aa	Stable	A+	Stable
American Income Life Insurance Company (New Zealand Branch)	aa-	Negative	A+	Negative
Beneficial Insurance Limited	bbb	Stable	B++	Stable
BNZ Life Insurance Limited	a	Stable	A	Stable
Brightsideco Insurance Limited	bbb	Negative	B++	Negative
CBL Insurance Limited	e		E	
CIGNA Life Insurance New Zealand Limited	a u	Negative	A u	Negative
Co-operative Life Limited	bbb+	Stable	B++	Stable
Consumer Insurance Services Limited	bbb	Stable	B++	Stable
DPL Insurance Limited	bbb-	Stable	B+	Stable
The Education Benevolent Society Incorporated	bbb	Stable	B++	Stable
Fidelity Life Assurance Company Limited	a-	Stable	A-	Stable
First American Title Insurance Company of Australia Pty Limited (New Zealand Branch)	a	Stable	A	Stable
FMG Insurance Limited	a	Stable	A	Stable
Foundation Life (NZ) Limited	a-	Stable	A-	Stable
General Reinsurance Australia Ltd (New Zealand Branch)	aa+	Stable	A++	Stable
General Reinsurance Life Australia Limited (New Zealand Branch)	aa+	Stable	A++	Stable
Health Services Welfare Society Limited	bbb-	Stable	B+	Stable
The Hollard Insurance Company Pty Ltd (New Zealand Branch)	a-	Stable	A-	Stable
Kiwi Insurance Limited	a-	Stable	A-	Stable
Lifetime Income Limited	bb-	Stable	B-	Stable
Mitsui Sumitomo Insurance Company Limited (New Zealand Branch)	aa	Stable	A+	Stable
Momentum Life Limited	bbb	Stable	B++	Stable
The New India Assurance Company Limited (New Zealand Branch)	a-	Stable	A-	Stable
New Zealand Medical Professional Limited	bbb-	Stable	B+	Stable
Pacific International Insurance Pty Ltd (New Zealand Branch)	bbb	Stable	B++	Stable
Partners Life Limited	bbb+	Positive	B++	Positive
Pinnacle Life Limited	bb+	Stable	B	Stable
Police Health Plan Limited	a-	Stable	A-	Stable
Provident Insurance Corporation Limited	bbb	Stable	B++	Stable
Quest Insurance Group Limited	bb+	Stable	B	Stable
RGA Reinsurance Company (New Zealand Branch)	aa-	Stable	A+	Stable
Sovereign Assurance Company Limited	aa- u	Developing	A+ u	Developing
Tokio Marine & Nichido Fire Insurance Company Limited (New Zealand Branch)	aa+	Stable	A++	Stable
TOWER Insurance Limited	a-	Stable	A-	Stable
Union Medical Benefits Society Limited	a	Stable	A	Stable
Virginia Surety Company, Inc. (New Zealand Branch)	a	Stable	A	Stable
Youi NZ Pty Limited	bbb	Stable	B++	Stable

New Zealand

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# Pakistan – Country Risk Tier



Pakistan, a CRT-5 country, has a high level of economic risk and very high levels of political and financial system risk. Real GDP growth accelerated in 2017 to 5.3%, driven by improvements in macroeconomic stability. GDP growth is projected to continue to remain steady, as economic reforms continue.

Pakistan lags the region in terms of human development indicators. Much can be done to improve the educational system and to increase spending on key social services.

### Economic Risk: High

- Pakistan’s economy is driven primarily by services, which account for 56% of GDP, and agriculture, accounting for 25%. The importance of the agriculture sector increases the country’s vulnerability to severe climate conditions.
- The China–Pakistan Economic Corridor (CPEC) is likely to continue to benefit Pakistan’s economy. The geo-strategic location benefits the country’s external trades as well.
- Public debt remains high, at 68.1% of GDP in 2017, exacerbated by inefficient fiscal policy management. The fiscal deficit has also been rising in recent years.
- The population is very young and labor costs are low which could help improve the economic competitiveness. However, poverty is widespread and social issues such as the lack of education, sanitation, and vulnerability to natural disasters remain concerns.

### Political Risk: Very High

- Imran Khan won the July 2018 general election, defeating the incumbent Pakistan Muslim League party.

- The change in political power can bring major challenges to the status quo. Khan ran on a platform of curbing corruption, improving relations with China, as well as improving the country’s healthcare and educational systems.
- The legal system is subject to government influence. Contract enforcement is weak, and business operations are often thwarted by a shortage of critical resources such as electricity and water. The World Bank Ease of Doing Business Index ranks Pakistan 147 out of 190 countries.
- Corruption remains pervasive. Pakistan ranked 117 out of 176 countries in Transparency International’s 2017 Corruption Perceptions Index.
- Protests driven by religious and political motives are expected to continue and can become violent. The recent election itself was plagued by violence and irregularities.

### Financial System Risk: Very High

- The State Bank of Pakistan, the country’s central bank, is responsible for regulating the financial sector. The insurance industry is regulated by the Securities and Exchange Commission of Pakistan.
- Fiscal imbalances and high levels of debt, as well as rising external borrowing, will raise the financial system risks.
- The foreign exchange rate needs to be made more flexible, to reinforce external buffers and increase competitiveness.
- Macroeconomic stability must be reached through structural reforms, according to the IMF. The IMF also recommends enhancing financial inclusion to drive growth, particularly for women, low-income citizens, and rural populations.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Adamjee Insurance Company Limited	bbb-	Stable	B+	Stable
Jubilee General Insurance Company Limited	bbb-	Stable	B+	Stable

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## Philippines – Country Risk Tier



The Philippines is a CRT-4 country with a moderate level of economic risk and high levels of political and financial system risk. The economy grew 6.7% in 2017, spurred by investment and domestic consumption. Growth prospects are favorable, as real GDP is expected to reach 7% over the medium term. Ensuring this growth is inclusive will be important to the country's long-term prospects.

Inflation rose in 2017 and is expected to pick up further, reaching 4.2% in 2018.

### Economic Risk: Moderate

- The economy of the Philippines is well diversified and resilient. The country has a lower dependence on exports than some regional neighbors.
- Economic growth has been consistently strong in recent years. Major sectors include electronics, software technology, energy, and financial services. Domestic consumption is strong, driving the robust expansion.
- The economy benefits from growing urbanization and a young population. The workforce is large and competitive.
- Rapid growth does not translate well into improved living standards, however. Income distribution is highly unequal, and more than 21% of the population lives in poverty, although these figures have seen improvements recently.
- The Philippines ranked 113 out of 190 countries in the World Bank Ease of Doing Business Survey.

### Political Risk: High

- Politics generally lack stability in the Philippines. Historically, political institutions lack capacity, there have been coup attempts, and corruption is rampant.

- President Rodrigo Duterte was elected in 2016. He has been criticized internationally with regard to human rights but remains broadly popular in the Philippines. He enjoys strong support in the parliament and is not politically challenged.
- Duterte's policy initiatives have targeted infrastructure spending and attracting foreign direct investment as a means to creating a more equitable society.
- The government seeks to raise tax revenues by enhancing tax collection. The increase in tax collected is required to finance planned infrastructure projects.
- The judicial system is not independent; contract enforcement is poor and extremely time-consuming.
- Corruption is widespread, both in the bureaucracy and the legal system. The country ranks 111 out of 180 countries in the Corruption Perceptions Index.
- Protests are common and politically motivated, but they are mostly peaceful. The risk of terrorist attacks by extreme Islamist militants are high.

### Financial System Risk: High

- The Philippine's insurance sector is regulated by the Insurance Commission, which is under the Department of Finance.
- Foreign exchange earnings are sound owing to solid remittance inflows.
- The financial system remains shallow and non-inclusive, dampening potential growth. Efforts to deepen and diversify the system should be made.
- The central bank has kept inflation low. Strengthening the central bank's oversight of the financial sector would bolster financial system stability.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Malayan Insurance Co., Inc.	bbb+	Stable	B++	Stable
National Reinsurance Corporation of the Philippines	bbb	Negative	B++	Negative
The New India Assurance Company Limited (Philippines Branch)	a-	Stable	A-	Stable
Starr International Insurance (Philippines Branch)	a	Stable	A	Stable

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## Singapore – Country Risk Tier



Singapore, a CRT-1 country, has a low level of economic risk and very low levels of political and financial system risk. The country is highly integrated globally, which makes the economy vulnerable to fluctuations in global prices and demand shocks. Last year, the economy grew 3.6%, and inflation turned positive after two years of deflation. GDP growth is expected to moderate towards 2.6% over the medium term. Although growth could be further jeopardized by more protectionist trade policies worldwide.

### Economic Risk: Low

- Singapore's economy is open, highly developed, and affluent. Its per-capita GDP ranks seventh in the world. Unemployment remains below 3%. High-quality infrastructure supports economic expansion.
- The economy depends heavily on exports. The export base is relatively diversified, and the growing financial services sector further diminishes the reliance on trade. However, the country can still be vulnerable to periodic international fluctuations.
- Economic development is limited by geographic constraints, as land is scarce.
- The regulatory environment is extremely business-friendly: The World Bank currently ranks Singapore as the second-easiest country in the world to do business in.
- Singapore's ageing population will pressure fiscal budgeting. Reliance on foreign labor is also a concern, but the government has been attempting to lessen that dependence.

### Political Risk: Very Low

- The government of Singapore is highly stable and popular. Although politics are dominated by one party, such concentration of power has brought about benefits, including policy continuity and predictability.
- Recent PAP policies have focused on immigration issues, the lack of affordable housing, as well as the enhancement of social services. These policies have been met with widespread public support.
- The legal system is mostly independent and is attractive to foreign investments owing to its impartiality. The judiciary has a high capacity, and laws are straightforward and business-friendly. Corruption levels are very low, with the country ranking sixth in the Corruption Perceptions Index.
- Demonstrations are typically peaceful and well-organized. The government responds to workers' grievances promptly.

### Financial System Risk: Very Low

- The Monetary Authority of Singapore (MAS) is Singapore's central bank, administering the Insurance Act and rigorously supervising the financial sector.
- Strong liquidity and solvency positions, significant foreign reserves, and the country's status as a strong next external creditor all contribute to an adequate buffer against any external shocks.
- The banking system is healthy, with high levels of capital, excellent asset quality, and a low number of non-performing loans.
- Inflation turned positive in 2017, after two years of negative rates. The current-account surplus remains strong.
- The IMF has recommended strengthened supervision in the household and corporate sector owing to elevated leverage.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
AIG Asia Pacific Insurance Pte. Ltd.	a+	Stable	A	Stable
Asia Capital Reinsurance Group Pte. Ltd.	a-	Negative	A-	Negative
China Reinsurance (Group) Corporation (Singapore Branch)	a	Stable	A	Stable
China Taiping Insurance (Singapore) Pte. Ltd.	a	Stable	A	Stable
ECICS Limited	bbb+	Stable	B++	Stable
EQ Insurance Company Limited	bbb+	Stable	B++	Stable
ERGO Insurance Pte. Ltd.	bbb+	Negative	B++	Stable
Federal Insurance Company (Singapore Branch)	aa+	Stable	A++	Stable
Great American Insurance Company (Singapore Branch)	aa-	Stable	A+	Stable
Korean Reinsurance Company (Singapore Branch)	a	Stable	A	Stable
MS First Capital Insurance Limited	a	Stable	A	Stable
Samsung Reinsurance Pte. Ltd.	a	Stable	A	Stable
SCOR Reinsurance Asia-Pacific Pte Ltd	aa-	Stable	A+	Stable
Singapore Reinsurance Corporation Limited	a-	Stable	A-	Stable
Starr International Insurance (Singapore) Pte. Ltd.	a	Stable	A	Stable
Swiss Re Asia Pte. Ltd.	aa	Stable	A+	Stable
United Overseas Insurance Limited	aa-	Stable	A+	Stable

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## Taiwan – Country Risk Tier



Taiwan, a CRT-2 region, has a low risk profile. Its economy is closely tied to mainland China's, as China is its primary destination for exports. Consequently, as China transitions to a more consumption-based economy, Taiwan should benefit from positive spillover effects resulting from increased demand. Political relations with China have deteriorated recently, but the economic integration is largely stable.

Despite risks, the economy's growth is expected to accelerate over the medium term, given higher global demand for the country's sophisticated technology exports.

### Economic Risk: Low

- Taiwan's exports, especially industrial manufacturing exports, are the key driver of economic growth, supported by a healthy global economic outlook and is expected to further expand in 2018. A heavy reliance on trade leads to the economy's vulnerability to external fluctuations.
- Taiwan has a highly developed infrastructure, including advanced communications and transport systems. Its geography exposes Taiwan to natural disasters, but an excellent infrastructure partially mitigates the risk.
- The labor market is flexible, and the workforce is highly educated. However, the population is aging rapidly—the region has one of the world's lowest birth rates.
- Cross-strait investments from mainland China declined in 2015 and 2016, but trade between the two entities increased in 2017 to levels higher than under the previous administration.

### Political Risk: Low

- The ruling Democratic Progressive Party (DPP) is pro-independence and controls both the

presidency and the unicameral parliament.

- President Tsai Ing-wen has pledged to maintain the country's close economic ties with mainland China, with the cross-strait integration generally stable. However, the political relationship, which has deteriorated somewhat in recent years, may cause some political destabilization.
- The ageing population is constraining the current pension system. Tsai's decision to lower public sector pensions has hurt her popularity.
- The legal system is well-established, and the rule of law is strong. Contract enforcement in Taiwan ranks 10th in the world, according to the World Bank.
- Corruption and the cumbersome bureaucracy can obstruct efficient business operations, but the country is making progress diminishing corruption.
- The main external security risk is an increased authoritarian relationship with China.

### Financial System Risk: Low

- The Insurance Bureau, a branch of the Financial Supervisory Commission, is the main insurance regulator.
- The KMP, the opposition party, and the DPP are both pro-business and seek to attract foreign investments, and the administration focuses on encouraging domestic consumption. An increase in corporate tax rates over the near term is thus unlikely.
- Taiwan's current-account runs a consistent surplus, and its foreign-exchange reserves and liquidity are extremely strong, serving as a buffer for global fluctuations.
- However, the banking sector needs strengthening and consolidation, and the current policy environment prevents crucial reforms from being implemented.

Taiwan

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Central Reinsurance Corporation	a	Stable	A	Stable
Fubon Insurance Co., Ltd.	a+	Stable	A	Stable
Hotai Insurance Co., Ltd.	a-	Stable	A-	Stable
Insurance Company of North America (Taiwan Branch)	aa+	Stable	AA+	Stable
Shinkong Insurance Company Limited	a	Stable	A	Stable
South China Insurance Co., Ltd.	a	Stable	A	Stable
Union Insurance Company Limited	a-	Stable	A-	Stable

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# Thailand – Country Risk Tier



Thailand, a CRT-3 country, has a low level of economic risk and moderate levels of political and financial system risk. Thailand's economy experienced an uptick in growth last year and expanded by 3.9%. Growth is projected to remain steady in 2018 and moderate towards 3.5% over the medium term. Structural reforms such as improvements to economic competitiveness and education are critical to ensuring long-term inclusive growth.

### Economic Risk: Low

- The economy depends on light manufacturing, automotive, and tourism. Agriculture accounts for 10% of the economy but employs nearly a third of the population. Exports are crucial, accounting for two-thirds of national income.
- The tax system is straightforward and modern. Incentives designed to encourage foreign investments in certain sectors and economic activities in the special economic zones are in place. The corporate income tax is likely to remain the same, but the government may revise tax rules to enhance collection, owing to rising expenditures.
- Structural constraints are the main obstacle to sustained and rapid growth in the industrial sector. Headline inflation has been below target, but may pick up due to higher commodity prices and minimum wage.
- Thailand's poverty rate has shrunk substantially since the 1980s, but the aging population remains a concern. The country's infrastructure is well developed and should see further advancements, thanks to planned project upgrades.

### Political Risk: Moderate

- The current government is led by the military, which has consolidated political power through

the strengthening of the Senate and the passage of a new constitution. The Senate is subject to heavy influence by the military, and the new constitution weakened elected politicians' power.

- Political uncertainties are relatively high because of the tension between the country's two leading factions. General elections have been delayed to February 2019 and may be delayed further.
- Thailand ranks favorably at 26 out of 190 countries in the World Bank's Ease of Doing Business Index. Despite the pro-business government, political uncertainties can dampen foreign investors' confidence and heighten contract alteration and cancellation risks. The judiciary is also subject to military influence, although it is largely efficient on cases not involving the government.
- Labor relations are generally good, but the risks of large, disruptive, and violent political protests are high.

### Financial System Risk: Moderate

- The insurance industry is regulated by the Office of the Insurance Commission under the Ministry of Commerce.
- The financial system's soundness is ensured by a large current account surplus, a light debt service burden, and good relations with external agencies and creditors. The major risk stems from political uncertainty, which can lead to the outflow of capital.
- The banking sector is relatively stable; capitalization and liquidity are sufficient. The number of non-performing loans is relatively low.
- The IMF has highlighted the need for critical structural reforms and close supervision of the non-bank financial sector's vulnerabilities.

Thailand

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Asian Reinsurance Corporation	bbb-	Stable	B+	Stable
Bangkok Insurance Public Company Limited	a-	Stable	A-	Stable
The New India Assurance Company Limited (Thailand Branch)	a-	Stable	A-	Stable
Thaire Life Assurance Public Company Limited	a-	Stable	A-	Stable

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## Vietnam – Country Risk Tier



Vietnam, a CRT-4 country, has a moderate level of economic risk, a high level of political risk, and a very high level of financial system risk. Its large agricultural sector is vulnerable to the rising frequency of droughts and excessive rainfall. Nevertheless, the economy expanded by 6.8% in 2017 and is projected to maintain a similar growth rate over the medium term. Strong growth stems from the country's flourishing service and manufacturing sectors.

### Economic Risk: Moderate

- Vietnam is a developing country that has made remarkable progress in the past few years. Economic mainstays include manufacturing, hydrocarbons, and fisheries. Industrial production has posted robust growth recently.
- Stronger commodity prices and rising demand, along with solid foreign direct investment inflows, have been supportive of growth recently, but risk increasing inflation.
- The country's agricultural sector, which employs half of the workforce, accounts for more than 18% of GDP. The sector rebounded last year, after years of subdued growth.
- Poverty is relatively low, and the population is densely concentrated and young. The labor market is competitive.
- Risks lie in persistent budget deficits and rising debt, which equals roughly half the country's GDP. More rigorous fiscal consolidation should be pursued to address this rising concern.

### Political Risk: High

- Vietnam's one-party political system is very stable. Policy objectives are predictable, although the government, headed by Prime Minister Nguyễn Xuân Phúc and General Secretary Nguyễn Phú

Trọng, lacks transparency.

- The government encourages private-sector activities and participation, and seeks to attract foreign investments.
- The judicial system is not independent, but given the government's friendly attitude towards businesses and foreign investments, contract alteration and expropriation risks are low.
- Social unrest is becoming more common, mostly over land acquisition and environmental concerns. Protests can be violent at times but are rarely large-scale.
- Corruption is a major concern, and invokes criticism of the government. Vietnam ranked 107 out of 180 countries in the Corruption Perceptions Index.

### Financial System Risk: Very High

- The Ministry of Finance's Insurance Supervisory and Authority department is responsible for regulating the insurance industry.
- Foreign direct investment inflows have been strong and are expected to remain so. Bank balance sheets are strengthening and the current account surplus has widened. Currency depreciation has led to high exports, remittances, and tourism, according to the IMF.
- The IMF has urged building financial buffers and creating more flexible macroeconomic policy frameworks to increase the country's resilience to shocks.
- Some banking sector reforms, such as improved supervision, have occurred. Additional improvements, however, are necessary for enhanced stability. Needed reforms include recapitalization of bank balance sheets and improved resolution of non-performing loans.

Rated Companies	ICR	Outlook/ Implication	FSR	Outlook/ Implication
Bao Minh Insurance Corporation	bbb	Stable	B++	Stable
BIDV Insurance Corporation	bbb	Stable	B++	Stable
PVI Insurance Corporation	bbb	Stable	B++	Stable
PVI Reinsurance Joint-stock Corporation	bbb-	Stable	B+	Stable
Samsung Vina Insurance Co., Ltd.	a-	Stable	A-	Stable
Vietnam National Reinsurance Corporation	bbb+	Stable	B++	Stable

Vietnam

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