

GUIDE TO BEST'S COUNTRY INVESTMENT CLASSES

AM Best considers the level of liquidity and volatility in a country's capital markets as an important part of its analysis. These risks include, but are not limited to, sharper and more frequent business cycles caused by more volatile consumption and investment, and increased uncertainty concerning access to capital. The greater the degree of market volatility, the more difficult the operating environment is for insurers.

Country specific risk factors can also have a direct impact on an insurer's risk-adjusted capital. At the company level, illiquidity, and volatility will depress an asset's valuation, and in extreme scenarios, severely limit access to capital. The potential for market illiquidity and volatility to increase the risk within an insurance company's invested assets or diminish its financial flexibility is captured through country specific risk charges.

Country Investment Classes are evaluated and factored into all of Best's Credit Ratings. CIC's are placed into one of five classes, ranging from "CIC-1" for economies with deep, stable and liquid capital markets, to "CIC-5" for economies with illiquid markets with limited asset availability and stability. It should be noted that while there are five Country Risk Tiers (CRTs) and five CICs; there is not always a direct correlation between the two classes.

Country Investment Classes

Country Investment Classes	Definition
CIC-1	Economies with deep, stable and liquid capital markets
CIC-2	Economies with mature, and largely stable and liquid capital markets
CIC-3	Economies with developing capital markets and moderate asset availability and stability
CIC-4	Economies with emerging capital markets and limited asset availability and stability
CIC-5	Economies with illiquid markets with restricted asset availability and stability

CIC Guide

AM Best Country Investment Classes are designed to provide a brief, high-level explanation of some of the key factors that determine a country's investment class assignment. It is not intended to summarize AM Best's opinion on any particular insurance market or the prospects for that market.

CIC Charges

Investment risk charges are based on the asset's origin, not the companies domicile, using the following table:

Asset Class	Risk Charge CIC-1	Relative Risk Charge CIC-2	Relative Risk Charge CIC-3	Relative Risk Charge CIC-4	Relative Risk Charge CIC-5
Bonds and Preferred Stocks	1.00	1.00	1.25	1.25	1.50
Common Stocks	1.00	1.00	1.25	1.25	1.50
Real Estate	1.00	1.25	1.75	2.25	2.50
Loans	1.00	1.25	1.75	2.25	2.50
Cash	1.00	2.00	5.00	7.00	10.0

Country Investment Class Disclosure

A Country Investment Class (CIC) is not a credit rating; rather it represents a component of AM Best's credit rating methodology that is applied to all insurers. A CIC is not a recommendation to purchase, hold, or terminate any security, insurance policy, contract, or any other financial obligation issued by a government, insurer, or other rated issuer, nor does it address the suitability of any particular policy, contract, or other financial obligations for a specific purpose or purchaser.

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