



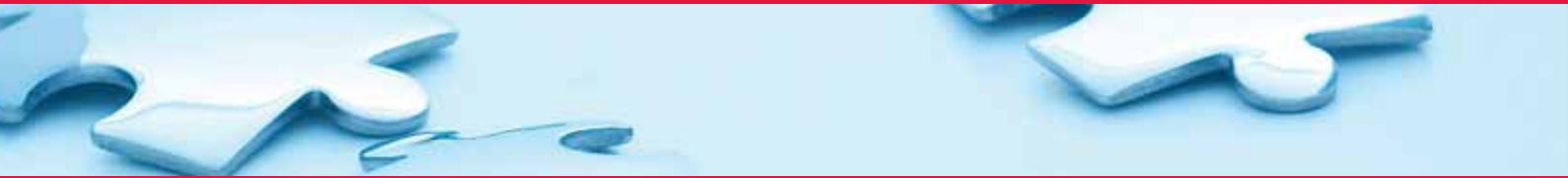
JARDINE LLOYD
THOMPSON
Limited

WORLD RISK REVIEW™



JULY 2008

www.jltgroup.com/worldriskreview



The World Risk Review™ was launched at Chatham House on 30th October 2007, the culmination of 12 months' research and development. It provides political and economic risk assessment in 197 countries and has been designed to help corporations, banks and others involved in international trade and investment develop more robust risk management strategies.

Our ratings will be regularly updated and complemented by frequent bulletins that provide insight and analysis of individual countries and regions.

You can subscribe to receive this information free of charge by registering your details at www.jltgroup.com/worldriskreview.

We promise that you will receive no more than two e-mails per month, other than in extraordinary circumstances.

If you would like a bespoke report and analysis then please contact Elizabeth Stephens or Nick Robson on 020 7528 4312 or Email: worldriskreview@jltgroup.com

We are able to offer a range of services, some of which are detailed in section 7.



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1 INTRODUCTION

The World Risk Review™ has been developed to help corporations, banks and others involved in international trade and investment. It provides short to medium term assessment of the level of risk associated with a range of political and economic perils that could cause financial loss.




Diagram 1: The World Risk Review – nine perils falling into three broad categories

Political risk is expected to pose a considerably greater threat to trade and investment over the next five years than in the recent past. This is particularly true in emerging markets where risk can often be seen as an investment constraint. Organisations with more advanced risk assessment capabilities experience fewer cases of expropriation, government payment default, import/export licence cancellation or currency restrictions¹ as they are able to devise effective strategies to help manage risk.

Jardine Lloyd Thompson, a world leader in credit and political risk insurance and consulting, has developed the World Risk Review to meet client demands for a more comprehensive risk assessment tool. A consultation process highlighted the significant advantage of a ratings tool that analysed a range of perils. Twelve months have been spent developing the final model, which uses independent verifiable data from 53 international sources and is believed to be the most objective political risk ratings tool of its type.

¹ 'World investment prospects to 2011: Foreign direct investment and the challenge of political risk' Economist Intelligence Unit.



Nine perils are rated in 197 countries, under the broad categories of Political Violence, Trading Environment and Investment Environment (diagram 1). This provides a starting point to devise effective strategies to manage these risks with greater granularity, rigor and sophistication. Users will ultimately attain a number of benefits ranging from greater detail in risk assessment, more effective insurance purchasing and a better understanding of how diversification of geographical assets reduces vulnerability to certain types of peril. In Section 5 we discuss how the model can be used.

The World Risk Review is available without charge to clients. It's also available to prospective clients that subscribe for this service. It will be regularly updated and complemented by frequent bulletins that provide insight and analysis of individual countries or regions. To register your details and start to benefit from this service please visit www.jltgroup.com/worldriskreview.

We promise that you will receive no more than two e-mails per month, other than in extraordinary circumstances.

“Users of the World Risk Review can improve the management of their portfolio of investment and define the most cost effective risk transfer strategy.”

Nick Robson, Head,
Credit, Political &
Terrorism Risk
Jardine Lloyd
Thompson Limited

2 KEY INSIGHTS

This section provides an insight into some of the findings of the World Risk Review™. It is not intended to be an exhaustive list but rather to provide commentary on some of the latest ratings adjustments and key issues emanating from our analyses of the political and economic environment.

DOWNGRADES

Ecuador - Expropriation

Ecuador's government is facing arbitration claims exceeding US\$12 billion. The government responded by offering to reduce the windfall tax from 99% to 70% for oil companies that agree to drop their claims and sign up to new contracts. The tax decree announced last year has significantly reduced the returns for foreign oil companies operating in the country and led to a freeze in investment. Those companies that want to remain in the country are likely to accept modified contracts in return for a reduction in the tax, but concerns about legal security will remain.

In contrast, while the government is trying to reach accommodation with the oil majors, in the mining sector the finishing touches are being put to the new Mining Law which will regulate activities. The law is expected to introduce a new sliding-scale royalty tax, the creation of a state-run mining corporation, combined with boosted environmental and investment requirements. The government has repeatedly denied any intention of nationalising the sector but further details on the new rights and obligations to be imposed on the sector are yet unknown.

Mongolia - Strikes, Riots & Civil Commotion

Our Strikes, Riots & Civil Commotion rating has increased. Violent riots erupted following the defeat of the Democratic Party in recent elections and while demonstrations are common practice in Mongolia, this level of violence is unprecedented. The government has imposed a state of emergency to restore law and order. International observers have described the vote as "mostly fair" and it appears that the declared result of a Mongolian People's Revolutionary Party victory will stand.

The violence reveals the destabilising impact of the growing economic divide between the new rich - made wealthy, in part, by the recent exploitation of the vast landscape for mineral wealth - while one-third of the population struggles to survive on \$2 a day. Unless this inequality is addressed further riots may occur.

Russia - Legal & Regulatory Risk

Russian regulatory reforms have virtually frozen foreign investors out of the mineral resources sector. New regulations that will come into effect in late July will limit foreign investment to 5 per cent of mineral exploration companies and 25 per cent of industries related to national security and defence. Resource nationalism has now been codified in law. The move will undermine a raft of public offerings on foreign stock exchanges by Russian companies and reduce flows of foreign money into Russian markets.

Spain - Country Economic Risk

The Spanish economy is under siege from a downturn in the property market and record levels of personal debt. For the past decade, 1% per year of overall real GDP growth has been attributable to the construction sector and there is now a real possibility that the economy will plunge into a construction-led recession. Soaring property values encouraged households to take on debt which has reached 120% of household disposable income. These economic disparities are compounded by low productivity growth, wage growth and consumer-led price inflation that are eroding competitiveness. The signs are that a recession is on its way.

UNDER REVIEW

Indonesia - Strikes, Riots & Civil Commotion and Country Economic Risk

High oil prices are creating political, economic and social tensions for the Indonesian government. If commodity prices remain at their current level, combined fuel and electricity subsidies for 2009 will be in the region of USD 32 billion - almost one-third of the country's budget.

Increased fuel prices sparked street protests, yet the rises have been insufficient to buy the government the budgetary room for manoeuvre it requires. The government must now choose between fiscal prudence in the form of further price rises that are likely to provoke protests or accepting the financial consequences of continuing massive subsidies in an attempt to secure public support ahead of next year's election.

Romania - Legal & Regulatory Risk

Our Legal & Regulatory Risk peril includes a weighting for corruption which is becoming an increasing concern in Romania. Government pledges to take action against high level corruption were integral to the country's admittance to the EU. Since becoming a member Romania has regressed on its anti-corruption drive with the legal system apparently unable to apply the rule of law to the upper echelon of society. This has implications for the transparency of business operations in the country.

Slovakia - Sovereign Risk

Final approval for Slovakia's entry into the Eurozone in January 2009 has been granted by European Union (EU) Finance Ministers and is expected to improve the country's sovereign credit rating. Euro adoption is considered a net positive for the country's external creditworthiness and will protect Slovakia from currency crises and monetary shocks. The expectation of an improvement in creditworthiness is reinforced by institutional strengths and the political stability that EU membership brings. Fitch upgraded Slovakia's sovereign rating on announcement of the decision. Upon accession, Slovakia will become the poorest Eurozone country and ratings upgrades will be dependent upon the extent of real economic integration and growth.

UK - Country Economic Risk

The indicators of impending recession are increasing. Like many western European countries the UK is feeling the impact of the credit crunch in conjunction with rising inflation that limits the Bank of England's options for stimulating growth. There are a number of reasons to fear an impending recession. The housing market, a pillar of economic growth, is in decline, creating a real and psychological impact on levels of personal wealth. This is compounded by the indebtedness of UK households who borrowed on the back of high house prices and cheap credit. On the business side, the UK economy thrives when the city performs well but many of the innovative financial deals of recent years have unravelled with negative economic repercussions. As the banking crisis intensifies, so does the economy's vulnerability to recession.

3 THE WORLD RISK REVIEW

	Political Violence			Trading Environment			Investment Environment		
	Strikes Riots & Civil Commotion	Terrorism	War & Civil War	Country Economic Risk	Currency Inconvertibility & Transfer Risk	Sovereign Credit Risk	Expropriation	Contractual Agreement Repudiation	Legal & Regulatory Risk
Afghanistan	7	9	8	8	9	9	9	8	9
Albania	5	4	3	5	6	7	5	5	5
Algeria	6	7	5	4	5	6	6	6	7
Andorra	2	1	1	2	2	3	1	2	3
Angola	6	4	6	5	7	7	6	7	7
Anguilla (Great Britain)	2	1	1	3	5	5	1	2	2
Antigua and Barbuda	2	1	1	4	5	8	1	4	4
Argentina	5	4	2	4	6	9	5	6	6
Armenia	5	3	6	5	6	6	6	6	6
Aruba (Netherlands)	2	1	1	4	3	5	1	2	2
Australia	2	3	1	3	2	2	2	2	2
Austria	2	2	1	3	2	1	2	1	2
Azerbaijan	6	4	4	5	6	6	6	7	7
Bahamas	2	1	1	3	2	4	2	2	2
Bahrain	5	5	3	2	3	4	3	5	4
Bangladesh	7	7	6	7	6	7	7	7	7
Barbados	3	1	1	4	5	4	1	3	2
Belarus	6	2	4	5	7	8	8	7	8
Belgium	3	3	1	2	2	2	2	2	2
Belize	3	1	1	8	7	9	3	5	5
Benin	6	1	5	6	7	7	7	6	7
Bermuda (Great Britain)	1	1	1	3	4	2	1	4	2
Bhutan	3	1	3	6	7	7	6	7	5
Bolivia	7	4	6	5	7	7	8	7	8
Bosnia and Herzegovina	5	3	3	5	8	8	8	8	7
Botswana	4	1	3	3	3	4	3	3	4
Brazil	5	3	2	4	5	5	4	5	5
Brunei	3	3	3	4	3	4	2	5	2
Bulgaria	4	2	1	4	4	5	4	5	5
Burkina Faso	5	2	6	6	7	7	6	6	6
Burundi	7	4	7	7	9	9	7	7	8
Cambodia	6	4	4	5	7	9	6	7	7
Cameroon	7	3	5	5	6	8	6	7	7
Canada	2	2	1	2	2	1	2	2	2
Cape Verde	4	2	3	5	6	7	2	3	6
Cayman Islands (Great Britain)	2	1	1	3	3	4	1	2	2
Central African Republic	7	3	7	7	9	9	8	8	8
Chad	9	5	8	6	8	9	5	8	8
Chile	3	3	1	3	3	4	2	3	3
China	5	3	3	4	4	5	6	7	6

Rating guide: 1 = Low, 10 = High

	Political Violence			Trading Environment			Investment Environment		
	Strikes Riots & Civil Commotion	Terrorism	War & Civil War	Country Economic Risk	Currency Inconvertibility & Transfer Risk	Sovereign Credit Risk	Expropriation	Contractual Agreement Repudiation	Legal & Regulatory Risk
Colombia	7	8	6	5	6	6	5	6	6
Comoros	9	3	6	7	9	9	5	7	9
Congo, Democratic Republic of	9	3	8	7	8	9	8	8	9
Congo Brazzaville	5	2	5	7	7	9	6	6	7
Costa Rica	4	2	2	4	4	6	5	4	5
Croatia	4	3	2	4	5	5	4	5	6
Cuba	4	1	4	6	8	9	8	9	7
Cyprus (South)	3	3	3	3	3	4	2	3	4
Czech Republic	3	3	1	4	4	4	3	3	5
Denmark	1	2	1	2	2	1	2	2	1
Djibouti	6	4	5	5	8	8	5	7	7
Dominica	4	2	3	5	6	7	4	4	5
Dominican Republic	5	4	3	5	5	7	5	5	6
Ecuador	6	3	5	5	7	9	8	8	7
Egypt	5	7	3	5	5	5	5	6	6
El Salvador	5	3	3	4	5	6	5	5	6
Equatorial Guinea	6	2	6	4	9	9	5	8	8
Eritrea	6	4	8	8	7	9	8	8	8
Estonia	2	2	2	3	3	4	2	2	3
Ethiopia	7	5	8	6	7	7	6	6	7
Fiji	6	4	6	5	5	6	5	6	5
Finland	2	2	1	2	2	1	3	2	2
France	5	3	2	3	2	1	3	3	2
French Guiana (France)	4	1	3	4	4	6	3	4	4
Gabon	5	1	5	7	5	8	5	6	6
Gambia	6	2	5	6	6	9	5	6	7
Georgia	6	4	4	5	7	7	7	6	6
Germany	2	3	1	3	2	1	2	1	2
Ghana	4	1	2	6	5	6	4	4	5
Greece	3	5	1	4	3	3	3	4	4
Grenada	5	1	3	5	6	8	5	4	6
Guam (United States)	6	5	3	5	5	4	5	6	2
Guatemala	7	3	4	5	5	6	5	5	6
Guinea	7	3	7	7	8	9	6	8	8
Guinea-Bissau	7	2	5	7	8	9	6	7	7
Guyana	6	3	5	6	7	9	6	5	6
Haiti	9	3	8	7	8	9	8	9	8
Honduras	6	3	2	5	7	7	6	6	6
Hong Kong (China)	3	2	3	2	2	3	2	1	2
Hungary	3	2	2	4	3	5	3	3	4

Rating guide: 1 = Low, 10 = High

	Political Violence			Trading Environment			Investment Environment		
	Strikes Riots & Civil Commotion	Terrorism	War & Civil War	Country Economic Risk	Currency Inconvertibility & Transfer Risk	Sovereign Credit Risk	Expropriation	Contractual Agreement Repudiation	Legal & Regulatory Risk
Iceland	2	1	1	4	3	3	2	2	1
India	6	8	4	5	5	5	4	5	6
Indonesia	6	7	4	5	6	6	6	6	7
Iran	7	3	6	7	8	7	7	7	7
Iraq	10	10	10	8	8	9	9	8	9
Ireland	3	3	1	2	2	1	2	2	3
Israel	5	8	7	4	4	4	3	3	3
Italy	4	4	1	4	2	3	4	4	4
Ivory Coast (Côte d'Ivoire)	7	3	7	6	8	9	7	7	8
Jamaica	4	2	1	5	5	7	4	4	6
Japan	2	3	1	3	2	1	3	2	2
Jordan	5	6	2	5	5	6	4	5	5
Kazakhstan	4	2	3	4	5	5	5	6	6
Kenya	7	6	4	5	6	8	5	6	7
Kiribati	6	1	3	7	6	6	4	5	6
Korea (North)	4	2	6	10	10	10	10	10	10
Korea (South)	4	3	4	3	3	3	3	4	3
Kuwait	4	5	3	1	3	4	3	5	5
Kyrgyzstan	7	4	6	8	8	8	5	7	7
Laos	6	3	3	7	8	8	8	8	6
Latvia	3	2	1	4	4	5	3	3	5
Lebanon	7	7	8	6	7	8	6	7	6
Lesotho	5	2	4	5	6	6	4	5	6
Liberia	7	3	7	9	8	9	6	7	9
Libya	2	2	3	4	5	6	4	6	7
Liechtenstein	2	2	1	2	2	1	1	2	2
Lithuania	3	2	1	3	3	5	3	4	4
Luxembourg	1	3	1	2	1	1	2	1	1
Macau (China)	3	2	3	3	4	3	5	5	4
Macedonia	6	3	5	4	6	6	6	6	6
Madagascar	5	3	4	6	6	8	5	5	6
Malawi	6	2	3	6	7	8	5	5	6
Malaysia	5	4	3	4	4	4	4	5	4
Maldives	6	1	3	5	6	6	4	7	2
Mali	5	3	4	6	6	7	6	5	6
Malta	2	2	1	4	3	4	2	2	3
Martinique (France)	5	1	1	5	4	6	3	5	4
Mauritania	6	3	5	5	7	7	7	7	7
Mauritius	3	2	2	4	4	5	3	3	5
Mexico	4	3	3	4	4	5	4	5	5

Rating guide: 1 = Low, 10 = High

	Political Violence			Trading Environment			Investment Environment		
	Strikes Riots & Civil Commotion	Terrorism	War & Civil War	Country Economic Risk	Currency Inconvertibility & Transfer Risk	Sovereign Credit Risk	Expropriation	Contractual Agreement Repudiation	Legal & Regulatory Risk
Micronesia	4	1	3	7	6	7	4	5	3
Moldova	5	2	5	6	7	8	5	5	6
Mongolia	5	1	3	6	6	7	5	5	6
Montenegro	5	3	5	5	7	6	5	5	6
Morocco	5	4	2	4	4	6	5	5	6
Mozambique	5	3	5	6	6	7	5	5	6
Myanmar (Burma)	9	4	8	7	9	9	8	9	8
Namibia	4	1	3	4	4	5	4	5	5
Nepal	7	7	7	6	8	7	5	8	7
Netherlands	2	3	1	2	1	1	2	2	1
New Zealand	3	2	1	3	1	3	2	1	3
Nicaragua	6	3	5	6	6	9	5	6	7
Niger	7	3	4	6	6	8	6	6	7
Nigeria	8	5	6	5	7	6	6	7	8
Norway	2	2	1	2	2	1	2	2	1
Oman	3	3	2	3	3	4	3	3	4
Pakistan	8	8	7	6	7	7	7	7	7
Palestine	10	10	10	10	10	10	10	10	10
Panama	4	3	2	4	4	6	5	4	6
Papua New Guinea	6	3	5	7	5	7	7	7	7
Paraguay	6	3	6	5	6	7	6	5	7
Peru	5	5	5	4	5	6	5	5	5
Philippines	6	7	6	5	5	6	6	5	6
Poland	3	2	1	4	3	5	4	4	5
Portugal	4	3	1	4	2	3	3	3	3
Puerto Rico (United States)	2	2	3	4	2	5	1	2	2
Qatar	4	4	3	2	3	4	4	5	4
Romania	4	2	2	4	4	5	5	5	6
Russia	6	7	5	4	5	5	8	8	8
Rwanda	7	3	8	8	8	9	6	7	8
Samoa (American)	6	2	1	6	5	5	7	8	7
Samoa (Western)	6	2	1	6	6	6	5	6	4
Sao Tome and Principe	6	2	3	7	8	9	5	8	6
Saudi Arabia	5	7	5	2	4	3	4	6	6
Senegal	5	2	4	5	5	7	5	4	6
Serbia	6	3	5	6	6	7	7	6	8
Seychelles	2	1	2	5	7	6	4	4	5
Sierra Leone	6	3	5	7	7	9	6	7	8
Singapore	1	2	1	2	1	1	2	3	1
Slovakia	2	1	2	4	3	4	3	3	5

Rating guide: 1 = Low, 10 = High

	Political Violence			Trading Environment			Investment Environment		
	Strikes Riots & Civil Commotion	Terrorism	War & Civil War	Country Economic Risk	Currency Inconvertibility & Transfer Risk	Sovereign Credit Risk	Expropriation	Contractual Agreement Repudiation	Legal & Regulatory Risk
Slovenia	2	1	1	3	3	3	3	3	4
Solomon Islands	9	4	6	7	8	9	6	7	6
Somalia	9	6	9	8	9	10	10	9	10
South Africa	6	3	3	4	4	5	4	4	5
Spain	4	4	1	4	2	2	3	2	3
Sri Lanka	8	7	8	6	6	7	4	5	6
Sudan	7	6	8	7	8	9	7	9	9
Suriname	5	3	5	5	6	7	6	5	6
Swaziland	7	2	3	5	5	6	5	6	6
Sweden	2	2	1	2	2	1	3	2	2
Switzerland	1	2	1	2	1	1	2	1	1
Syria	2	2	5	5	7	9	7	8	6
Taiwan	3	2	3	3	3	3	2	3	3
Tajikistan	8	4	6	6	8	9	7	8	8
Tanzania	6	4	4	6	7	7	6	6	6
Thailand	6	6	5	7	6	5	6	7	6
Togo	6	1	6	6	7	9	6	6	8
Tonga	6	2	3	7	6	7	4	6	5
Trinidad and Tobago	4	2	3	3	3	4	3	4	6
Tunisia	4	3	3	4	4	5	4	6	5
Turkey	5	6	3	7	5	6	4	5	5
Turkmenistan	9	3	8	5	8	8	9	9	8
Tuvalu	6	1	3	7	6	7	4	5	5
Uganda	6	5	7	7	6	8	6	6	6
Ukraine	5	2	3	6	6	7	5	4	6
United Arab Emirates	4	4	3	2	3	4	4	6	4
United Kingdom	2	3	1	3	1	1	2	1	1
United States	3	4	2	3	1	1	2	1	3
Uruguay	5	1	3	4	4	7	3	3	4
Uzbekistan	7	4	6	6	8	8	7	9	8
Vanuatu	6	1	3	7	6	6	4	5	5
Venezuela	4	3	4	6	7	7	8	7	7
Vietnam	5	2	5	5	5	6	6	7	6
Virgin Islands (American)	2	2	3	5	3	5	1	2	2
Yemen	6	6	4	8	7	7	8	8	8
Zambia	5	2	3	6	7	8	6	6	6
Zimbabwe	10	2	9	10	10	10	10	10	10

Rating guide: 1 = Low, 10 = High

4 DEFINING THE PERILS

As definitions of political and economic risk vary between corporations, banks and insurance markets, our classifications aim to present the broadest market consensus. We have used a rating scale of 1 (low) to 10 (high) to deliver an understanding of the relative level of risk associated with each peril.

Political Violence	Trading Environment	Investment Environment
<p>Strikes, Riots & Civil Commotion A disturbance of the public peace by three or more private persons assembled together and acting with common intent, including worker or student demonstrations, general strikes and riots.</p>	<p>Country Economic Risk An indicator of the propensity for economic adjustment including significant devaluation and/or high inflation and increases in the level of credit defaults among domestic businesses.</p>	<p>Expropriation Government action or inaction, which has the effect of depriving the owner of an asset of all or some of their rights and benefits, whether due to a single measure or to a series of measures.</p>
<p>Terrorism The use of force or violence by one or more persons or of any organisation, the object of which includes the intimidation or coercion of a government and/or the civil population for political and/or religious and/or ideological objectives.</p>	<p>Currency Inconvertibility and Transfer Risk An indicator of foreign exchange reserves and government (including central bank) action or conditions that may prevent an investor or entity trading with the country from converting local currency (capital, interest, principal, profits, royalties, payment obligations and other remittances) into foreign exchange and/or transferring foreign currency outside the host country.</p>	<p>Contractual Agreement Repudiation The failure of a government entity to honour, or the repudiation by a government entity of, its obligations under an operating agreement or licence that sets out the rights of or terms upon which a foreign investor conducts business in a territory.</p>
<p>War & Civil War Declared or undeclared hostile action between states or different sections or parties of the same country or nation. These events include military invasion and/or aerial bombardment by sovereign and/or international armed forces or a state of hostility among opposing citizens of the same country or nation.</p>	<p>Sovereign Credit Risk The risk that the government of a country will default on its payment or delivery obligations in local or foreign currency.</p>	<p>Legal/Regulatory Risk An indicator of the effectiveness of the legal system, the freedom of the judiciary, the possibility of adverse or discriminatory legal or regulatory decisions. This is also an indicator of transparency, levels of corporate governance and corruption.</p>

5 COMPILING THE COUNTRY RISK RATINGS

“The diversity and breadth of the data sources we have used is intended to reduce, to the greatest extent possible, cultural bias, political influence and personal interpretation.”

Dr. Elizabeth Stephens Political Risk Analyst
Credit, Political & Terrorism Risk, Jardine Lloyd Thompson

Methodology

The model has been launched against a backdrop of unprecedented foreign direct investment and trade volumes in a very unpredictable geopolitical environment. This has created the need for organisations to spend greater time evaluating the risk and reward balance, which is a time consuming task not least because many of the current models tend to examine a limited number of perils, frequently just one or two.

The World Risk Review rates nine perils in 197 countries that fall into three broad categories: Political Violence, Investment Environment and Trading Environment. To produce these risk ratings a number of data types are analysed:

- Key economic and financial indicators
- Statistical information on frequency of events, duration and severity
- Industry and NGO studies and surveys of business opinion and experience
- Insurance industry premium rate data
- Forward-looking assessments of political, economic and financial change.

Financial and economic indicators, statistical information of events and insurance industry premium rate data provide a quantitative framework for the ratings. Using our internal algorithms we model this data in conjunction with forward-looking assessments of political, economic and financial change drawn from our network of academic, think tank, business and political contacts across the world.

The independently verifiable data comes from 53 international sources, drawn from Europe, the Americas, Australia, Asia, Africa and the Middle East. The diversity and breadth of the data sources we have used is intended to reduce cultural bias, political influence and personal interpretation. This approach contributes significantly to the robustness and integrity of the model. It recognises that most country risk ratings have traditionally been heavily influenced by western bias, reflecting the historical dominance of western foreign investors and trading businesses.

In limited instances, we have made a qualitative adjustment to the quantitative data. This occurs when there is a paucity of data or it is our opinion that the available data is unable to take into account the dynamic nature of political or economic change that will impact on investment and insurance decisions. These adjustments are made in consultation with our Advisory Board and we are happy to discuss the rationale underpinning a qualitative adjustment to a risk rating.



The Advisory Board

The Advisory Board enhances Jardine Lloyd Thompson's ability to provide expert advice on the compilation of the "Country Ratings" and ensures that these reflect the complexity and speed of international political and economic developments.

All Advisory Board members have at least 20 years experience managing country risk or with involvement in international relations and economics. Their experience has been gained in the banking and corporate environment, academia or through association with world-renowned think tanks.

The range and complementary nature of their knowledge and perspective adds depth and dynamism to our analyses. In particular, this enhances our ability to quickly respond to the impact of short term events, such as the risks associated with terrorist attacks or the longer term risks emanating from the election of populist governments or to currency crises.

Full details of the board members can be found by visiting www.jltgroup.com/worldriskreview.



6 USING THE WORLD RISK REVIEW

Users of the World Risk Review can clearly see the individual country risk landscape and benchmark the types of peril and level of risk between countries and across regions. This knowledge can be used to improve the management of a portfolio of investments and to define the most effective risk transfer strategy.

This makes it an invaluable tool for those involved in international trade and investment and a key part of Jardine Lloyd Thompson's political risk insurance and consulting service.

Portfolio Risk Management

Geographical location is often a key determinant for companies and investors that seek to diversify their assets. Understanding country and regional risk will add another dimension to this decision process by enabling vulnerability to certain types of peril to be taken into account. Our Country Portfolio Review and Country Portfolio Modelling services have been tailored to help in this regard and further details can be found in section 7.

Insurance Purchasing Benefits

Improved understanding of the types of peril in different countries enables insurance programme design and purchasing decisions to be tailored to meet the actual needs of the portfolio, rather than buying blanket coverage for perils that may affect assets on one Continent and not another.

We anticipate that the World Risk Review will improve our ability to negotiate insurance rates and terms, contributing to the achievement of competitive risk transfer for our clients.



7 OUR SERVICES

Our insurance and consulting services help many of the world's leading corporations to quantify, prioritise and mitigate their exposure to emerging market and credit risk. Our clients value our proven tools and methodologies and the leverage we have as one of the strongest and most successful credit and political risk insurance brokers.

We also offer a number of consultancy services that complement our more traditional insurance offerings. Information about these services can be seen below.

Bespoke Country Risk Modelling

We use our proprietary model as a basis for quantifying vulnerabilities a company will be exposed to when investing in specific countries and the ways in which different perils, both within and across countries, interact. Our experience has shown that risk should not be viewed as generic across a given country, but rather as something that is specific to each asset within that country and will vary according to the nuances of that asset. The World Risk Review provides detailed and objective data but the ratings are essentially generic. For this reason we also bespoke assessments and analysis for clients, which deliver ratings tailored to reflect the risk exposure to their specific asset.

Country Portfolio Review

We provide a tailored review of the country risk exposure to a company's assets improving the understanding of concentrations of a particular peril that may affect the balance of a portfolio. We analyse risk correlations between specific countries and/or regions and identify exposure to particular perils.

For example:

- A high level of exposure to Expropriation in Central Asia and South America could be offset by a low level of exposure to the same peril in Western Europe.
- A high level of exposure to Strikes, Riot and Civil Commotion in China may be offset by a low level of exposure to the same peril in South America.

Country Briefings

We provide detailed analysis and understanding of the political, trade and investment environment in a country or region and its potential impact on the business environment in the context of Political Risk (Re)Insurance for banks, corporates and insurance companies. Country briefings are tailored to specific transactions, industry sectors or territory, addressing perils such as political violence, legal & regulatory risk, currency inconvertibility and country economic risk.



Credit Portfolio Modelling

Credit Portfolio Modelling is an essential component of proactive risk management. It provides the Chief Financial Officer or risk manager with an enhanced understanding of their company's risk exposure. Using an advanced mathematical simulation, Jardine Lloyd Thompson models the business risk profile to identify the probabilities of suffering a potential credit default loss based on key parameters, fundamental assumptions and derived payout schedules.

The reports are tailored to identify the contribution of the individual elements within the portfolio as well as the incremental change associated with taking on, or laying off, additional risk.

Our in-house actuaries and quantitative analysts can develop a bespoke credit portfolio model based on the business objectives, requirements and available data. A modelling consultancy project performed by us can operate in two ways. We can either develop and deliver a working model, which is then operated by you with Jardine Lloyd Thompson providing appropriate training, support and updates. Alternatively we can develop the model and perform the analysis on a regular basis on your behalf.

The model is tested against a basket of exposure. To date such exercises have been found to be 98% accurate.

Typical applications of the model include:

- Quantitative analysis of current risk management operations
- Optimisation/identification of structured insurance programmes
- Modelling and allocating capital between risk classes
- Assessing future solvency from the viewpoint of regulators rating agencies and investors.



Jardine Lloyd Thompson is a world leader in insurance and reinsurance broking, risk management advice, employee benefit administration and consultancy.

The Jardine Lloyd Thompson Group is the biggest European-headquartered insurance broker and risk consultant. Market-leading industry knowledge and expertise in specialist fields enables us to provide solutions to some of the world's largest companies through to SME's, private individuals and public organisations.

Today, the Jardine Lloyd Thompson Group is a FTSE250 company, employing over five thousand people worldwide and, through JLT Network™, able to provide a comprehensive service in more than 120 countries.

Jardine Lloyd Thompson has one of the strongest and most successful Credit, Political & Terrorism Risk teams within the London market. Handling insurance capacity for our clients of approximately US\$40billion at any one time, Jardine Lloyd Thompson is one of the largest brokers of political risk insurance worldwide, with specialists located in London, Stockholm, Dubai, Singapore Hong Kong and Tokyo. Our expertise includes a dedicated consultancy team of risk management and insurance experts who provide clients with bespoke solutions to mitigate risks in their emerging market investment portfolios.



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