BEST'S COUNTRY RISK REPORT

Colombia

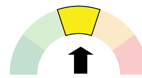
CRT-4

August 22, 2018

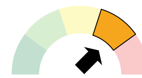
Region: Latin America

[Country Risk Criteria Procedures](#)

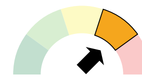
[Guide to Best's Country Risk Tiers](#)



Economic Risk



Political Risk



Financial System Risk

- **Country Risk Tier 1** (CRT-1) Very Low Level of Country Risk
- **Country Risk Tier 2** (CRT-2) Low Level of Country Risk
- **Country Risk Tier 3** (CRT-3) Moderate Level of Country Risk
- **Country Risk Tier 4** (CRT-4) High Level of Country Risk
- **Country Risk Tier 5** (CRT-5) Very High Level of Country Risk

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Colombia, a CRT-4 country, has a moderate level of economic risk and high levels of political and financial system risk. After seven years of declining growth rates, the Colombian economy is expected to grow 2.7% in 2018. Conflict resolution with the FARC, the stabilization of oil prices, and greater foreign direct investment will support growth. Inflation is expected to decline and converge to the target of 3%.
- The map depicts the countries A.M. Best evaluates in Central America, South America and the Caribbean. The majority of Latin American countries are categorized as CRT-4 or CRT-5, with the exceptions of Chile (CRT-2), Mexico (CRT-3), and Peru (CRT-3).

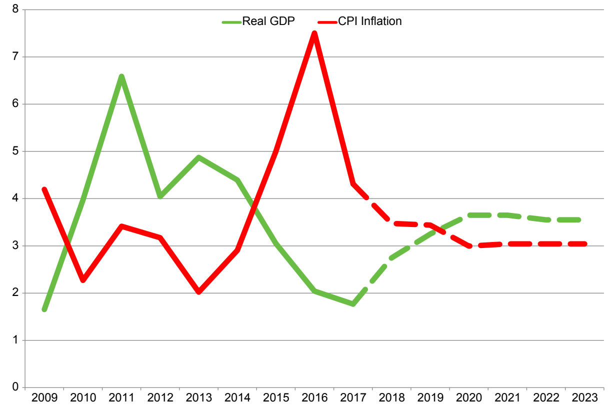
Vital Statistics 2017		
Nominal GDP	USD bn	309.20
Population	mil	49.3
GDP Per Capita	USD	6,273
Real GDP Growth	%	1.8
Inflation Rate	%	4.3
United Nations Estimates		
Literacy Rate	%	94.2
Urbanization	%	77.0
Dependency Ratio	%	45.6
Life Expectancy	Years	75.9
Median Age	Years	30.0
Insurance Statistics		
Insurance Regulator	Financial Superintendency of Colombia	
Premiums Written (Life)	USD mil	2,802
Premiums Written (Non-Life)	USD mil	6,089
Premiums Growth (2016 - 2017)	%	5.5
Regional Comparison		
	Country Risk Tier	
Colombia	CRT-4	
Argentina	CRT-5	
Brazil	CRT-4	
Chile	CRT-2	
Peru	CRT-3	
Venezuela	CRT-5	

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

Regional Summary: Latin America

- Growth in the region is likely to continue in 2018 due to expanding global growth, rebounding commodity prices, and strengthening domestic demand. However, risks are tilted to the downside owing to rising domestic political uncertainty, currency volatility, growing trade protectionism, rising fiscal deficits, and negative spillover effects from international financial markets.
- Conditions are largely positive, but several countries in the region are experiencing heightened risk. Years of unsustainable social programs, higher spending, and growing corruption have led to significant challenges for Venezuela, as well as Brazil and Argentina, albeit to a lesser extent.
- So far this year, there have been several presidential elections in Colombia, Mexico, and Venezuela; Brazil's is scheduled for later this year. The election environment is complex owing to mounting social conflicts, corruptions scandals, and policy uncertainty. According to the IMF's 2017 estimates, four countries are responsible for the largest proportion of the region's economic output: Brazil at USD2,055 billion, Mexico at USD1,149 billion, Colombia at USD309 billion, and Venezuela at USD210 billion.

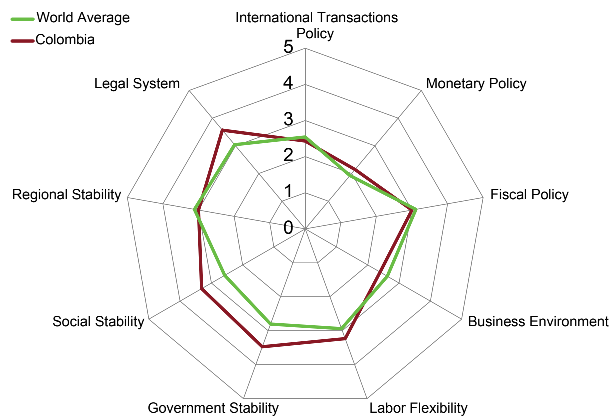
Economic Growth (%)



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

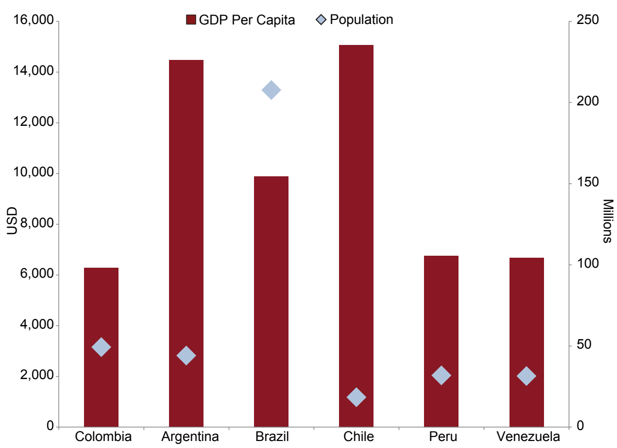
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Moderate

- Colombia's heavy reliance on exports of energy and minerals makes it vulnerable to shifts in global commodity prices and demand conditions.
- The economy has been growing at a healthy pace on high oil prices and strong private consumption. The increase in investment encouraged by lowered corporate taxes has also been supportive. The Colombian peso is expected to depreciate in 2019 as prices fall, further encouraging domestic and international consumption of Colombian goods.
- Free trade agreements with many countries continue to promote trade and economic integration.
- Union strength in the private sector poses property damage and operational risks to businesses. Strikes and demonstrations may increase in 2018 due to oil mining plans.
- The International Monetary Fund has recommended focusing on several economic priorities, including promoting labor formality and education, as well as improving infrastructure to raise productivity.

Political Risk: High

- Iván Duque came into office on August 7 as the new president, replacing Juan Manuel Santos. The government under Duque is projected to remain broadly stable in 2018.
- Duque's policy priorities are curbing corruption, reducing tax evasion, and revising the FARC agreement, which has greatly reduced the risk of terrorism from the group. Any revision is likely to meet strong opposition.
- High levels of judicial intervention, particularly in the extractive industries sector, owing to environmental concerns, continue to hinder project implementation. Legal uncertainties and inconsistent regulations create difficulties for business operation.
- The judiciary is relatively independent and perceived as less corrupt than other institutions, but legal processes are highly inefficient.
- Corruption levels are moderate in Colombia. The anti-corruption referendum in 2018 aims to reduce corruption by increasing corresponding penalties.

Financial System Risk: High

- The Financial Superintendency of Colombia is responsible for supervising the insurance sector.
- The Conglomerates Law approved in 2017 will increase supervision and gear the economy further towards Basel III standards. The financial system is deemed by the IMF to be generally resilient to shocks.
- Non-performing loans have increased to above 4%. Real credit growth has been broadly stable and the credit gap has closed. The contraction in commercial credit growth has decelerated, pointing at a positive investment outlook.