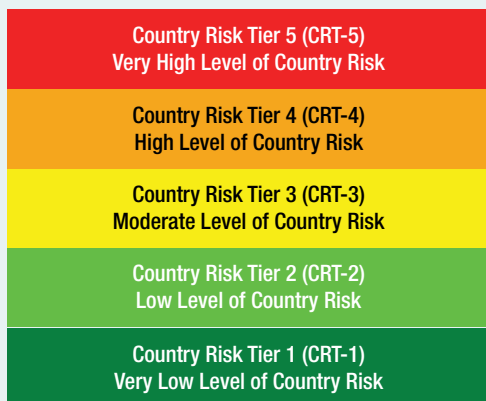
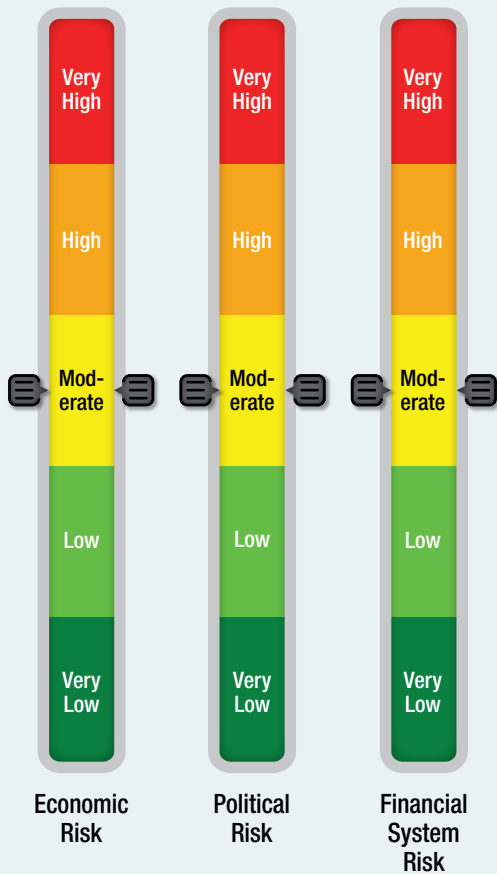
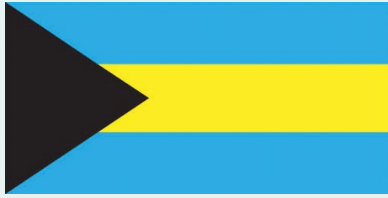


## Country Risk Tier CRT-3



## Bahamas

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.
- The economy of the Bahamas, a CRT-3 country, is heavily dependent on tourism, although it has been diversifying into financial services. Prominent sectors are banking, trusts, mutual funds and insurance.
- The economic outlook for the Bahamas is improving based upon gains in tourism and construction. Tourism represents more than half of gross domestic product (GDP) and employs half the labor force in the Bahamas. Modest growth of 1.5% is expected in 2016, up from 0.5% in 2015.
- The map below depicts the countries A.M. Best evaluates in the Caribbean.



Vital Statistics 2015		
Nominal GDP	USD bn	8.71
Population	mil	0.4
GDP Per Capita	USD	23,903
Real GDP Growth	%	0.5
Inflation Rate	%	1.9
Literacy Rate	%	95.5
Urbanization	%	82.9
Dependency Ratio	%	41.1
Life Expectancy	Years	72.2
Median Age	Years	31.5

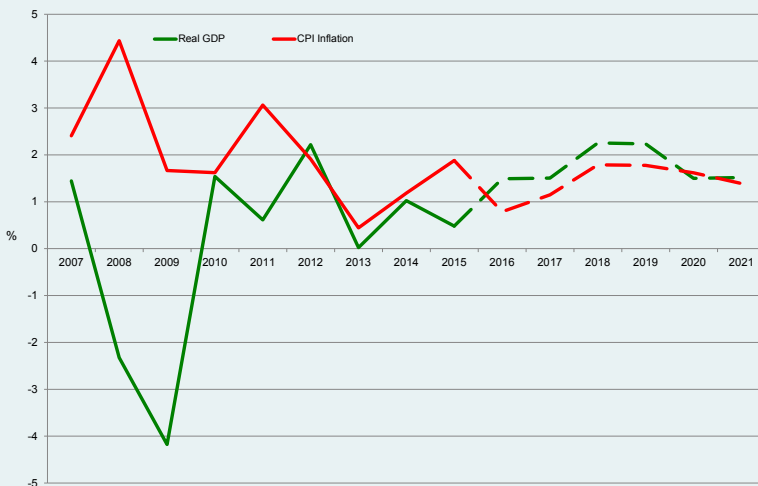
Insurance Statistics - 2013		
Insurance Regulator	Insurance Commission of the Bahamas	
Premiums Written (Life)	USD mil	182
Premiums Written (Non-Life)	USD mil	575
Premiums Growth (2012 - 2013)	%	4.0

Regional Comparison	
	Country Risk Tier
Bahamas	CRT-3
Antigua & Barbuda	CRT-4
Barbados	CRT-3
Cayman Islands	CRT-2
Jamaica	CRT-5
Trinidad and Tobago	CRT-3

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

### Economic Growth



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

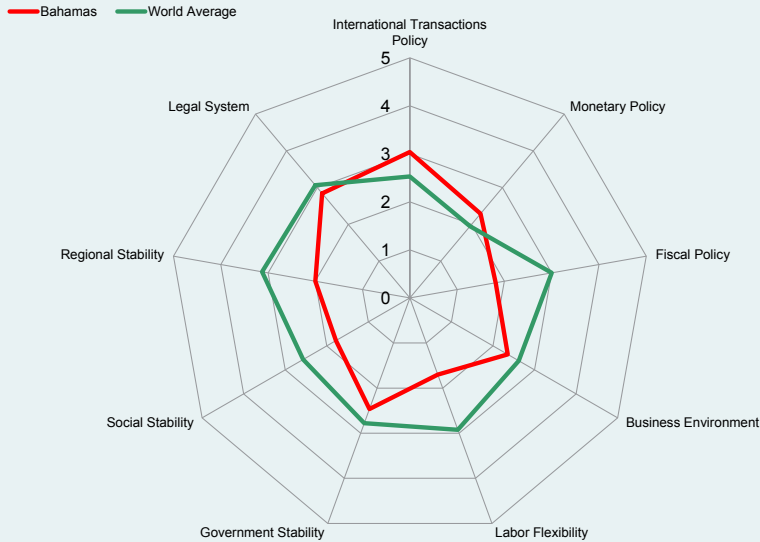
### Regional Summary: Caribbean

- The countries of the Caribbean vary in cultural origin, economic foundation and population affluence. However, in all cases, their long-term growth and stability is highly dependent upon their larger regional neighbors.
- Economic prospects should continue to improve for the Caribbean, especially tourism-based economies that depend on U.S. and European visitors, as global growth rates pick up. Additionally, lower oil prices will support growth and subdue inflation. Trinidad and Tobago is the only Caribbean island that is a net oil exporter.
- The Eastern Caribbean Currency Union (ECCU) is making progress towards strengthening weak local banks. However, additional progress is needed to strengthen the general legal and regulatory framework to enhance supervision and facilitate crisis management in the future.

### Economic Risk: Moderate

- The Bahamas is a small economy that is heavily reliant upon tourism revenues as it comprises over 50% of the GDP. As a result, the economy is vulnerable to external economic conditions, particularly in the United States, as approximately 80% of incoming tourists originate from the US.
- A new tourism complex, Baha Mar, funded by China, which was supposed to bring some much needed growth to the country, has been severely delayed and may not be finished. Baha Mar has filed for Chapter 11 bankruptcy and has sued their largest creditor.
- The economic outlook is expected to improve in the near term, growing by 1.5% in 2016 and 2017. This rate of growth, however, will not be sufficient to lower the level of unemployment. The overall unemployment rate stood at 12.7% as of May 2016 with the young adult (ages 15-24) demographic of unemployed at 25.8%.

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



Source: A.M. Best

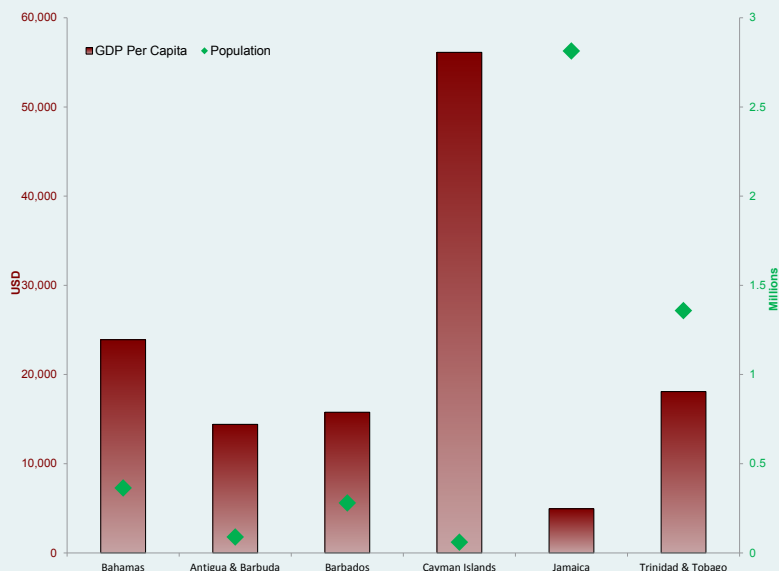
### Political Risk: Moderate

- The Bahamas is an independent Commonwealth of the United Kingdom. Government policies have provided for a business-friendly environment and promote the island as a destination for business conferences.
- The current government has been subject to recent defections, though they still hold 27 of 38 seats in Parliament. This could lead Prime Minister Christie to step down as leader of the Progressive Liberal Party in the future election in 2017.
- In late 2014 the government proposed legislation for oil exploration and drilling, leading to concerns about the potential impact on the environment and the country’s tourism industry. This legislation recently passed in 2016, and vows to protect the environment in the exploration.

### Financial System Risk: Moderate

- The insurance industry regulator is the Insurance Commission of the Bahamas.
- The domestic financial system is dominated by banks, mostly subsidiaries and branches of U.S. and Canadian entities. The offshore banking sector dwarfs the domestic sector. Increased international focus on off-shore financial centers should help to increase regulatory effectiveness and transparency over time.
- The banking sector has undergone consolidation in recent years. Liquidity remains high, however, stricter lending standards and weak demand have muted the impact of loose monetary policy. Recent stress tests by the IMF have shown that, with this level of liquidity banking sector will survive various liquidity and solvency shocks.
- Monetary policy is largely determined by the US as the Bahamian dollar is pegged to the US dollar at a one for one ratio, limiting monetary flexibility.

### GDP Per Capita and Population for Selected Countries



Source: IMF and A.M. Best

## GUIDE TO BEST'S COUNTRY RISK TIERS

A.M. Best defines country risk as the risk that country-specific factors could adversely affect the claims-paying ability of an insurer. Country risk is evaluated and factored into all Best's Credit Ratings. Countries are placed into one of five tiers, ranging from "CRT-1" (Country Risk Tier 1), denoting a stable environment with the least amount of risk, to "CRT-5" (Country Risk Tier 5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength and performance.

A.M. Best's Country Risk Tiers are not credit ratings and are not directly comparable to a sovereign debt rating, which evaluates the ability and willingness of a government to service its debt obligations.

### Country Risk Tiers

Country Risk Tier	Definition
CRT-1	Predictable and transparent legal environment, legal system and business infrastructure; sophisticated financial system regulation with deep capital markets; mature insurance industry framework.
CRT-2	Predictable and transparent legal environment, legal system and business infrastructure; sufficient financial system regulation; mature insurance industry framework.
CRT-3	Developing legal environment, legal system and business environment with developing capital markets; developing insurance regulatory structure.
CRT-4	Relatively unpredictable and nontransparent political, legal and business environment with underdeveloped capital markets; partially to fully inadequate regulatory structure.
CRT-5	Unpredictable and opaque political, legal and business environment with limited or nonexistent capital markets; low human development and social instability; nascent insurance industry.

### Country Risk Reports

A.M. Best Country Risk Reports are designed to provide a brief, high-level explanation of some of the key factors that determine a country's Country Risk Tier assignment. It is not intended to summarize A.M. Best's opinion on any particular insurance market or the prospects for that market.

### Categories of Risk

Country Risk Reports provide scores for three categories of risk for each country. These scores are (1) Very Low; (2) Low; (3) Moderate; (4) High and (5) Very High.

Category of Risk	Definition
Economic Risk	The likelihood that fundamental weaknesses in a country's economy will cause adverse developments for an insurer. A.M. Best's assessment of economic risk evaluates the state of the domestic economy, government finances and international transactions, as well as prospects for growth and stability.
Political Risk	The likelihood that government or bureaucratic inefficiencies, societal tensions, inadequate legal system or international tensions will cause adverse developments for an insurer. Political risk comprises the stability of the government and society, the effectiveness of international diplomatic relationships, the reliability and integrity of the legal system and of the business infrastructure, the efficiency of the government bureaucracy, and the appropriateness and effectiveness of the government's economic policies.
Financial System Risk	Financial system risk (which includes both insurance and non-insurance financial system risk) is the risk that financial volatility may erupt due to inadequate reporting standards, weak banking system or asset markets, and/or poor regulatory structure. In addition, it includes an evaluation of whether the insurance industry's level of development and public awareness, transparent and effective regulation and reporting standards, and sophisticated regulatory body will contribute to a volatile financial system and compromise the ability of an insurer to pay claims.

### Political Risk Summary

To provide additional detail on the political risk in a given domicile the Country Risk Reports include the Political Risk Summary. The Political Risk Summary is a radar chart that displays scores for nine different aspects of political risk scored on a scale of one to five with one being the least amount of risk and five being the highest amount of risk.

Category	Definition
International Transactions Policy	Measures the effectiveness of the exchange rate regime and currency management.
Monetary Policy	Measures the ability of a country to effectively implement monetary policy.
Fiscal Policy	Measures the ability of a country to effectively implement fiscal policy.
Business Environment	Measures the overall quality of the business environment and ease of doing business.
Labor Flexibility	Measures the flexibility of the labor market, including the company's ability to hire and fire employees.
Government Stability	Measures the degree of stability in a government.
Social Stability	Measures the degree of social stability, including human development and political rights.
Regional Stability	Measures the degree of stability in the region.
Legal System	Measures the transparency and level of corruption in the legal system.

### Country Risk Tier Disclosure

A Country Risk Tier (CRT) is not a credit rating, rather it represents a component of A.M. Best's Credit Rating Methodology that is applied to all insurers. A CRT is not a recommendation to purchase, hold or terminate any security, insurance policy, contract or any other financial obligation issued by a government, an insurer or other rated issuer, nor does it address the suitability of any particular policy, contract or other financial obligation for a specific purpose or purchaser.

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