

# BEST'S COUNTRY RISK REPORT

## Bermuda CRT-2

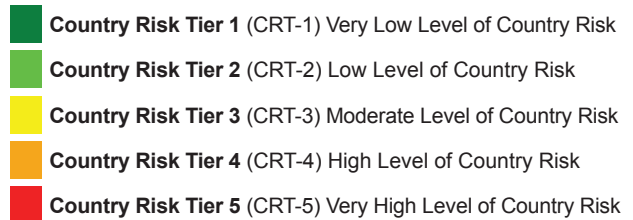
August 22, 2017

Region: North America

[Country Risk Criteria Procedures](#)

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

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.
- Bermuda is a CRT-2 country with a moderate level of economic risk, a low level of financial system risk, and a very low level of political risk. Bermuda's economy contracted 0.5% in 2016 but is expected to return to positive growth in 2017, supported by rising tourism revenues and investment and a strong macro prudential framework. The economy, however, remains vulnerable to natural disasters and external shocks impacting tourism.
- The map depicts the countries A.M. Best evaluates in North America and the Caribbean.



## Regional Summary: North America

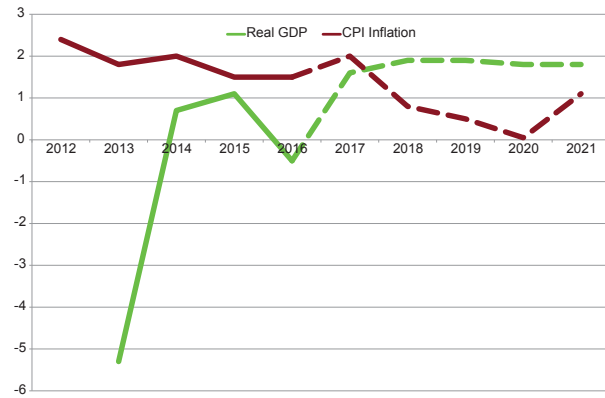
- North America is dominated by the U.S., which accounted for USD 18.6 trillion of the almost USD 21.1 trillion in economic activity for the U.S., Canada, and Mexico in 2016.
- Uncertainty surrounding trade, immigration, and remittances has increased, following the 2016 U.S. presidential election. According to 2015 trade data, Mexico's exports to the U.S. amounted to more than 80% of its total exports, while Canada's amounted to more than 75% of its total exports. Conversely, U.S. imports from Canada amounted to 18.6% of total imports, while imports from Mexico amounted to 15.7% of total imports.
- Both Canada and Mexico depend on commodity exports, most notably energy. Low oil prices have delayed further energy investments and driven fiscal consolidation efforts.
- The U.S. has embarked on a gradual normalization of its monetary policy, raising its policy interest rate as the economy improves. The Federal Reserve is currently discussing divestment of assets purchased during Quantitative Easing.

Vital Statistics 2016		
Nominal GDP	USD bn	5.93
Population	mil	0.07
GDP Per Capita	USD	96,018
Real GDP Growth	%	-0.5
Inflation Rate	%	1.5
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	n.a.
Dependency Ratio	%	n.a.
Life Expectancy	Years	n.a.
Median Age	Years	n.a.
Insurance Statistics		
Insurance Regulator	Insurance Department at Bermuda Monetary Authority	
Premiums Written (Life)	USD mil	n.a.
Premiums Written (Non-Life)	USD mil	n.a.
Premiums Growth (2015 - 2016)	%	n.a.
Regional Comparison		
	Country Risk Tier	
Bermuda	CRT-2	
Barbados	CRT-4	
Canada	CRT-1	
Cayman Islands	CRT-2	
United Kingdom	CRT-1	
United States	CRT-1	

Source: IMF, UN (2015 figures), Swiss Re, Axco and A.M. Best



### Economic Growth (%)



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

### Economic Risk: Moderate

- Bermuda enjoys one of the highest standards of living in the world, with gross domestic product per capita at approximately USD 96,000.
- Its public debt remains relatively low, at roughly 42% of GDP as of 2016. Public debt is expected to slightly increase in 2017 before gradually dropping over the next few years.
- The island is vulnerable to external economic conditions as its economy lacks substantial diversity, relying on imports, tourism, and the financial services industry.
- Bermuda's hosting of the American Cup in 2017, combined with a revitalizing American economy, should spur tourism revenues and contribute to the projected positive growth in GDP.

### Political Risk: Very Low

- Bermuda is a British Overseas Territory. It has an affluent and stable population and is subject to the external relations of the United Kingdom.
- The country's current leadership resides with the One Bermuda Alliance. The government is stable, its policies are effective, and corruption is low.
- The current government is pursuing a pro-business agenda, encouraging increased foreign direct investment through policies such as zero corporate income taxes.
- The government follows a prudent fiscal policy. This year, it plans to tap into more revenue streams following the implementation of new and revised taxes. These efforts will be countered somewhat by political pressures and measures taken to maintain the business environment's competitiveness.

### Political Risk Summary

Score 1 (best) to 5 (worst)

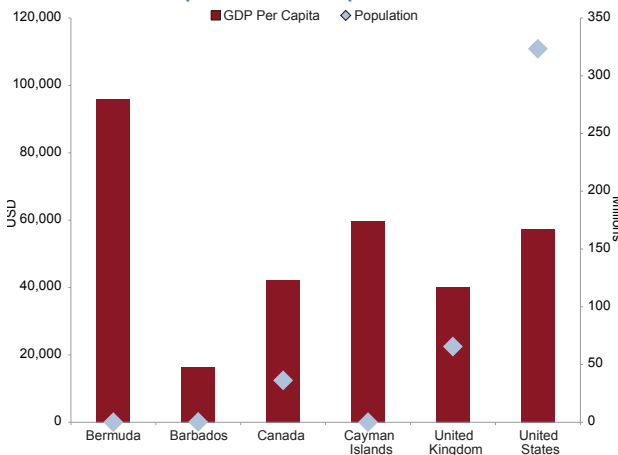


Source: A.M. Best

### Financial System Risk: Low

- The Insurance Department at the Bermuda Monetary Authority (BMA) is responsible for all supervision, regulation, and inspection of Bermuda's insurance companies and licensing of brokers, agents, and managers.
- Bermuda lacks effective monetary policy flexibility due to the holding of almost 80% of foreign denominated currency at Bermudian banks. Most of the foreign currency is denominated in U.S. dollars, to which the Bermudian dollar is pegged one to one.
- Bermuda recently joined the effort to tackle Base Erosion and Profit Shifting (BEPS), demonstrating its commitment to international tax treaties.
- Bermuda's banks maintain their historically strong levels of capital and liquidity, providing an important buffer for unexpected shocks.

### GDP Per Capita and Population



Source: IMF and A.M. Best