

BEST'S COUNTRY RISK REPORT

Bermuda CRT-2

August 22, 2018

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 British overseas territory with low levels of economic risk, political risk, and financial system risk.
- The economy contracted in 2016, but returned to growth in 2017 and is projected to expand further in 2018. Inflation rose moderately in 2017 at 2.0% and is likely to rise slightly in 2018.
- The map depicts the countries A.M. Best evaluates in North America and the Caribbean.



- 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

Regional Summary: North America

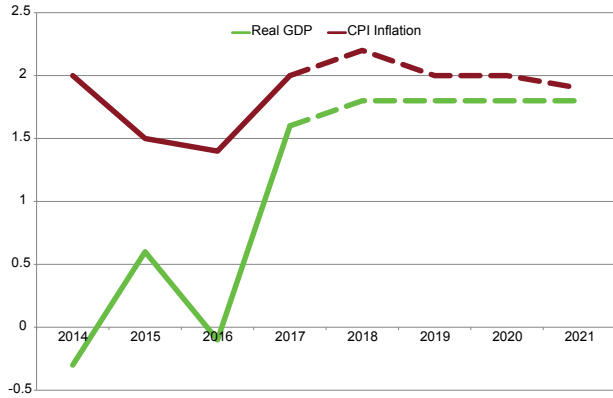
- North America is dominated by the US, which accounted for USD19.4 trillion of the almost USD22.2 trillion in economic activity in 2017 for the US, Canada, and Mexico.
- Economic conditions in the US and Canada are largely favorable due to low unemployment, moderate but steady growth, and relatively low inflation. Although conditions in Mexico have been more volatile, they are still considered largely positive.
- Risks in the region are growing owing to rising fiscal deficits, the potential for a spike in inflation and the resulting need for a faster than expected monetary policy tightening, frothy asset markets, uncertainty about trade policy, geopolitical tensions, political gridlock and upcoming elections, and growing consumer debt.
- The US Federal Reserve continues to normalize monetary policy, after ending asset purchases in 2014, raising interest rates for the first time in 2015, and starting to shrink its USD4.5 trillion balance sheet in 2017. To date, the process has been relatively smooth, but unanticipated monetary policy has the potential to cause volatility.

Vital Statistics 2017		
Nominal GDP	USD bn	6.40
Population	mil	0.1
GDP Per Capita	USD	104,149
Real GDP Growth	%	1.6
Inflation Rate	%	2.0
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	100.0
Dependency Ratio	%	n.a.
Life Expectancy	Years	81.4
Median Age	Years	43.4
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 (2016 - 2017)	%	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, Swiss Re, Axco and A.M. Best



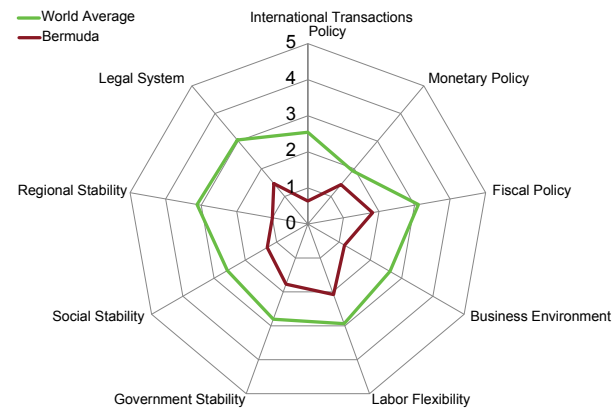
Economic Growth (%)



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

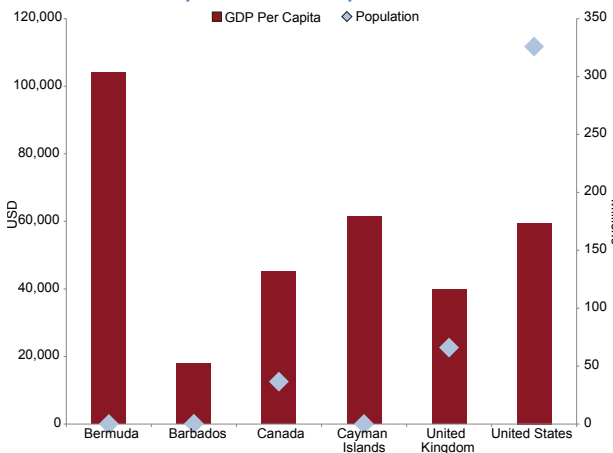
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- Tourism and international financial services are Bermuda's dominant sectors. The island is traditionally known for luxury tourism, but it is slowly losing its competitiveness owing to neighboring states' investments in their own tourism industries. Robust global economic growth will likely bolster tourism growth.
- Moderate inflation, of approximately 2.0% in 2017, and growing domestic demand will help expand private consumption. Retail sales volume rose in January 2018, for the first time in five months.
- The public debt remains relatively low, at roughly 42% of GDP. Meanwhile, Bermuda benefits from strong liquidity, efficient macroeconomic policies, and a developed offshore finance sector. Investments in the private sector have also increased.
- Labor is relatively costly, but per-capita income is very high, with Bermuda ranking eighth globally according to the CIA; the island has one of the highest living standards in the world.

Political Risk: Low

- Bermuda's government is a stable, two-party system and is subject to the external relations of the United Kingdom.
- The Progressive Labor Party (PLP) came out of the July 2017 election victorious, defeating the One Bermuda Alliance (OBA). The leader of the PLP, David Burt, became the new premier, and his position is likely to remain secure.
- The new government maintains a pro-business agenda, focusing on attracting foreign investments. The legal system is regarded as independent and largely efficient, providing for a stable framework for business.

Financial System Risk: Low

- The Bermuda Monetary Authority's Insurance Department supervises, regulates, and inspects the island's insurance industry and licenses brokers, agents, and managers.
- Bermuda has a strong insurance and reinsurance industry, with financial regulations being generally held to high standards. Taxation is low and mostly indirect, which, together with macroeconomic management, creates an attractive framework for foreign investors. However, recent tax reform in the US, which lowered corporate taxes, makes Bermuda's tax environment less competitive. Additionally, a new law in the UK aimed at increasing transparency now requires disclosure of beneficial owners.
- Almost 80% of foreign-denominated currency is held at Bermuda's banks, limiting the country's flexibility and capacity to raise additional revenues. The island maintains historically strong levels of capital and liquidity and foreign exchange reserves, providing an important buffer for external shocks.