

BEST'S COUNTRY RISK REPORT

British Virgin Islands CRT-2

August 22, 2018

Region: Caribbean

[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.
- The British Virgin Islands (BVI), a CRT-2 country, is a Dependent Territory of the United Kingdom. The islands have low levels of economic and political risk and a moderate level of financial system risk.
- The BVIs are an off-shore business center and rely on tourism. The US dollar is the legal currency and they have close ties with the US Virgin Islands.
- In 2017, Hurricanes Irma and Maria caused severe flooding and significant infrastructure damage to the islands leading to an economic contraction of an estimated 2.7%. Inflation increased slightly to 1.2%.



- 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: Caribbean

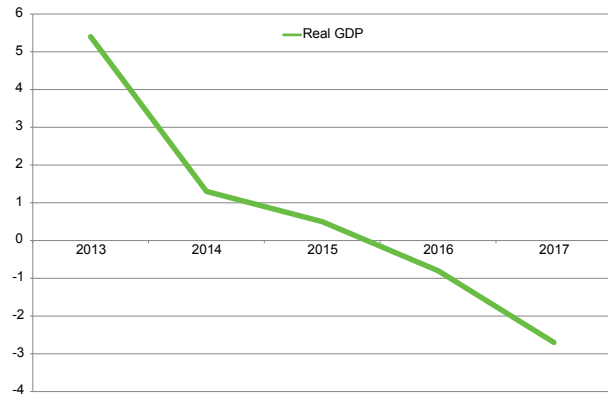
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. They need to increase investment and savings, and build up their resilience to external shocks, which includes social, economic, and climate-related events.
- Most of the countries in the Caribbean depend on tourism to generate economic growth. Strong global growth will provide a tailwind for further tourism development. However, recent natural disasters have highlighted the region's dependence on this sector, as well as its continued vulnerability.
- Downside risks include a rise in US trade protectionism, further deterioration in fiscal deficits, and an economic slowdown resulting from either domestic policy uncertainty or a slowdown in global growth.

Vital Statistics 2017		
Nominal GDP	USD bn	1.00
Population	mil	0.04
GDP Per Capita	USD	34,200
Real GDP Growth	%	-2.7
Inflation Rate	%	n.a.
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	46.8
Dependency Ratio	%	n.a.
Life Expectancy	Years	78.8
Median Age	Years	36.5
Insurance Statistics		
Insurance Regulator	Financial Services Commission	
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	
British Virgin Islands	CRT-2	
Antigua & Barbuda	CRT-4	
Bahamas	CRT-3	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Trinidad and Tobago	CRT-4	

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



Economic Growth (%)



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

Economic Risk: Low

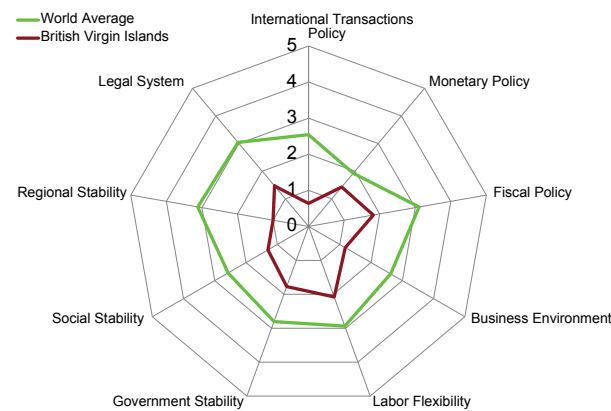
- The BVIs have a traditionally high labor participation rate, with unemployment estimated at 2.9% in 2017. The population, however, declined by 9.1%.
- Tourism accounts for more than half of GDP. Sector revenues were expected to rise but actually contracted, by 43%, in 2017 owing primarily to natural disasters, which the World Bank estimates caused economic losses equivalent to 350% of the nation's annual income. The severe loss highlights the sensitivity of the BVIs' economy because of its reliance on tourism, which is vulnerable to external shocks and catastrophes.
- Reconstruction and rehabilitation efforts, along with the recovering tourism sector, should drive faster than long-term average growth in the economy in the next three years.

Political Risk: Low

- The BVIs are a parliamentary representative democracy. The United Kingdom is responsible for the BVIs' international relations and security. The government consists of an elected premier, governor, and House of Assembly. The legal system is based on English common law.
- In 2018, the UK parliament imposed new finance transparency laws on the BVIs that required revealing the names of all public registers, superseding the islands' government opposition. This move triggered popular protests and a questioning of the laws' constitutionality in the BVIs, elevating political backlash. Despite the tension, the UK assured a £300 million loan to the BVIs to help recovery efforts.
- Changes were recently made to the country's labor code and Immigration and Passport Act to be more conducive to business interests.

Political Risk Summary

Score 1 (best) to 5 (worst)

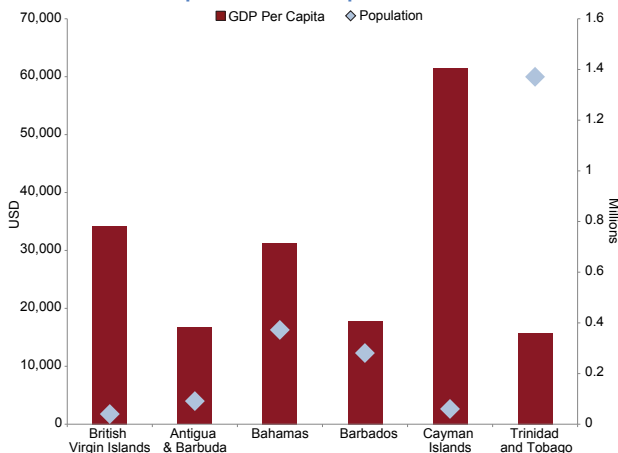


Source: A.M. Best

Financial System Risk: Moderate

- The Financial Services Commission (FSC) regulates financial services companies in the British Virgin Islands.
- In 2012, the government adopted the Protocols for Effective Financial Management, which mandate active governmental oversight and management of fiscal targets and reserve fund maintenance. The ratio of liquid assets to recurring revenue was 4.6% below the required minimum.
- The natural disasters in 2017 also impacted the territory's fiscal balance. Almost all sources of revenue declined, although taxes collected for goods and services rose 2.5%. Total private banking sector assets increased 2.1%, and total liabilities increased at 13.9%. The BVIs' fiscal situation is expected tighten further because of the government's need to increase borrowing and capital spending to rebuild infrastructure.
- The EU will make a decision on the blacklisting of the BVIs by the end of 2018, increasing downside risk.

GDP Per Capita and Population



Source: IMF and A.M. Best