

BEST'S COUNTRY RISK REPORT

Cayman 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 Cayman Islands are a British overseas territory. The country's primary sectors include tourism and highly sophisticated offshore financing.
- Gross Domestic Product is projected to grow 2.4% in 2018 and 2.2% in 2019. Growth is projected to decelerate slightly in the near term. Inflation turned positive in 2017 from -0.6% in 2016 and is forecast to increase further in 2018 owing to higher global oil prices.
- The map depicts the countries A.M. Best evaluates in the Caribbean.



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

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.

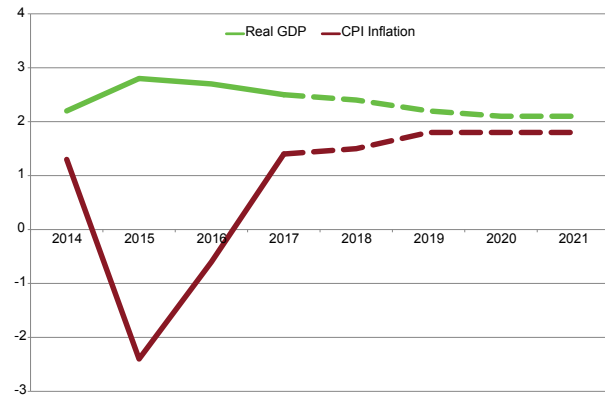
Vital Statistics 2017		
Nominal GDP	USD bn	3.80
Population	mil	0.1
GDP Per Capita	USD	61,530
Real GDP Growth	%	2.5
Inflation Rate	%	1.4
United Nations Estimates		
Literacy Rate	%	98.9
Urbanization	%	100.0
Dependency Ratio	%	n.a.
Life Expectancy	Years	81.3
Median Age	Years	40.0
Insurance Statistics		
Insurance Regulator	Insurance Supervision Division under Cayman Islands Monetary Authority	
Premiums Written (Life)	USD mil	30
Premiums Written (Non-Life)	USD mil	716
Premiums Growth (2016 - 2017)	%	n.a.
Regional Comparison		
		Country Risk Tier
Cayman Islands		CRT-2
Antigua & Barbuda		CRT-4
Bahamas		CRT-3
Barbados		CRT-4
Jamaica		CRT-4
Trinidad and Tobago		CRT-4

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



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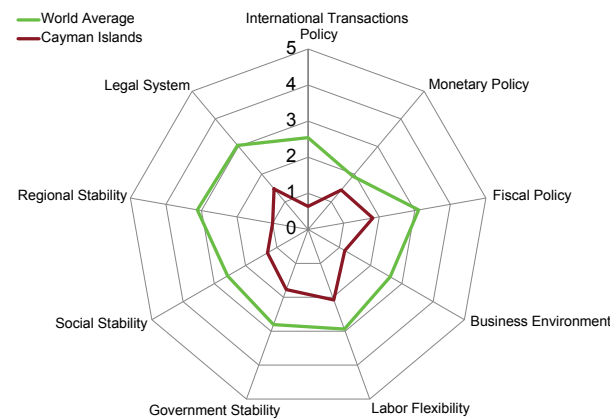
Economic Growth (%)



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

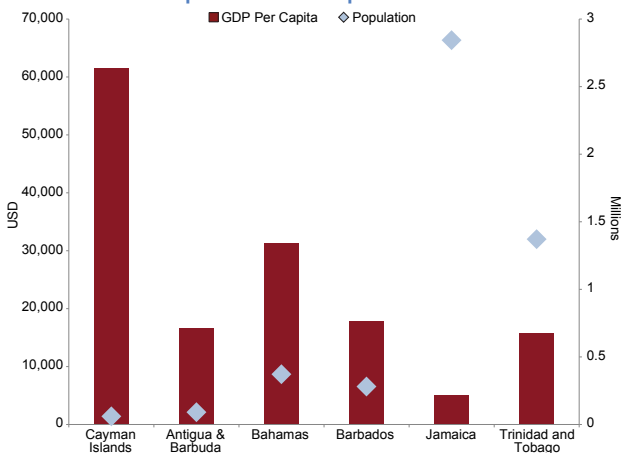
Political Risk Summary

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 is a mainstay in the Cayman Islands, accounting for approximately 80% of GDP. The country's geography exposes it to severe weather conditions, including hurricanes, but the government's adequate preparation mitigates some of this risk.
- The country has a highly developed infrastructure, a well-educated workforce, and a high per-capita income that ranks 38 in the world, according to the CIA.
- The economy is closely associated with the US, whose economic expansion has bolstered revenues in a number of the islands' sectors.
- However, the country is vulnerable to external fluctuations, owing to its narrow income base and its reliance on imported food and consumption goods. The government is working to target money laundering and financial fraud, as well as accountability in state institutions, which has room for improvement.

Political Risk: Low

- An autonomous overseas territory of the UK, the Cayman Islands are a parliamentary democracy. The coalition government consists of the People's Progressive Movement and the Cayman Democratic Party, and is led by Premier Alden McLaughlin. Local politics are becoming increasingly fragmented, but McLaughlin is expected to remain in office until the end of his term.
- The government actively addresses most concerns of the US and EU about the country's tax system and offshore finance sector. It is working on enhancing financial transparency. For instance, a Charities Bill was passed in 2016 to prevent money laundering through non-profit organizations.
- McLaughlin plans to merge the country's customs and immigration departments to improve border security, as Cayman's have historically been vulnerable to being used for drug transshipments.

Financial System Risk: Moderate

- The insurance industry is regulated by the Cayman Islands Monetary Authority.
- The country has a fiscal environment that attracts many foreign investors. It is a tax haven, as there are no personal, corporation, or capital gains taxes.
- The Cayman Islands has a highly developed offshore financial industry. A new law from the UK requiring the disclosure of beneficial owners could significantly diminish offshore tax evasion and other financial crimes.
- The country benefits from extremely strong foreign direct investment inflows and capital inflows, which more than offset the large current-account deficit and leave the country with a very high surplus, equivalent to 80% of its GDP. Foreign reserves, however, are estimated to be below IMF recommendations.