

BEST'S COUNTRY RISK REPORT

Curaçao CRT-3

August 22, 2019

Region: Caribbean

[Country Risk Criteria Procedures](#)

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

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Curaçao, a CRT-3 country, has moderate levels of economic, political, and financial stability risk.
- Curaçao was formerly a part of the Netherlands Antilles; a dissolution agreement signed in October 2010 granted Curaçao *status aparte*. The island remains part of the Kingdom of the Netherlands and uses the Netherlands Antillean guilder as its currency.
- Gross domestic product (GDP) growth registered 2.0% and inflation at 2.4% in 2018.
- The map depicts the countries in the Caribbean AM Best evaluates for country 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

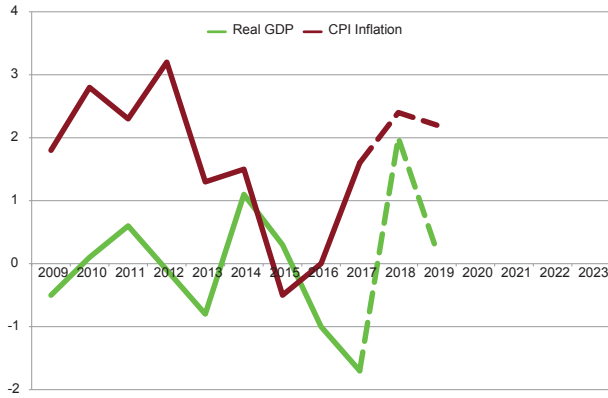
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability depend highly on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. They need to increase investment and savings and build up their resistance to external shocks—including social, economic, and climate-related events.
- Most of the countries in the Caribbean depend on tourism for economic growth. However, recent natural disasters have highlighted the region's dependence on this sector as well as its continued vulnerability. Those countries that do not rely on tourism depend largely on commodity exports, which makes them sensitive to global economic conditions.
- The number of non-performing loans in the region is high and limits economic growth and credit availability, as well as making banks more vulnerable to shocks.

Vital Statistics 2018		
Nominal GDP	USD bn	3.10
Population	mil	0.2
GDP Per Capita	USD	19,350
Real GDP Growth	%	2.0
Inflation Rate	%	2.4
United Nations Estimates		
Literacy Rate	%	96.7
Urbanization	%	89.1
Dependency Ratio	%	n.a.
Life Expectancy	Years	78.6
Median Age	Years	36.3
Insurance Statistics		
Insurance Regulator	Central Bank of Curacao and St. Maarten	
Premiums Written (Life)	USD mil	n.a.
Premiums Written (Non-Life)	USD mil	n.a.
Premiums Growth	%	n.a.
Regional Comparison		
	Country Risk Tier	
Curacao	CRT-3	
Antigua & Barbuda	CRT-4	
Barbados	CRT-4	
Cayman Islands	CRT-2	
Jamaica	CRT-4	
Trinidad and Tobago	CRT-4	

Source: IMF, UN, Swiss Re, Axco and AM Best



Economic Growth (%)



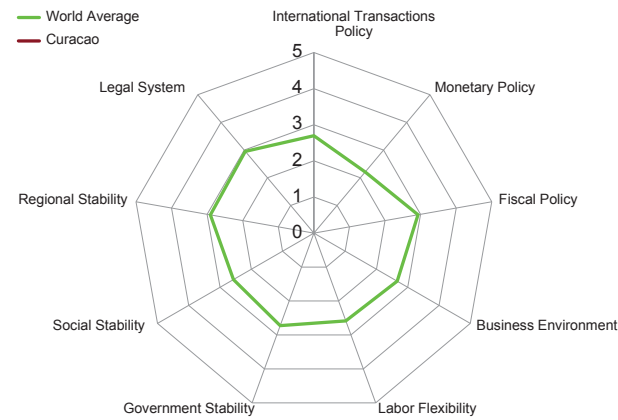
Source: IMF World Economic Outlook and AM Best

Economic Risk: Moderate

- Curaçao's economy has been declining in recent years. The oil industry has been struggling due to Curaçao's refineries primarily processing Venezuelan oil.
- Tourism is a major component of the economy, accounting for about 15% of GDP. The economy's reliance on oil and tourism make it extremely susceptible to global changes in the world economy, especially from the slowing eurozone and the US.
- GDP growth has been limited, and per capita income has been falling. The current-account balance is also high. The country does receive monetary support from the European Development Fund, and its association with the Dutch Kingdom also helps the country attract the EU's associate members.
- The country has an attractive environment for business. It has adopted the Netherlands Antilles' fiscal framework, which provides tax exemptions for offshore businesses. Its tax legislation is also designed to attract international internet companies.

Political Risk Summary

Score 1 (best) to 5 (worst)

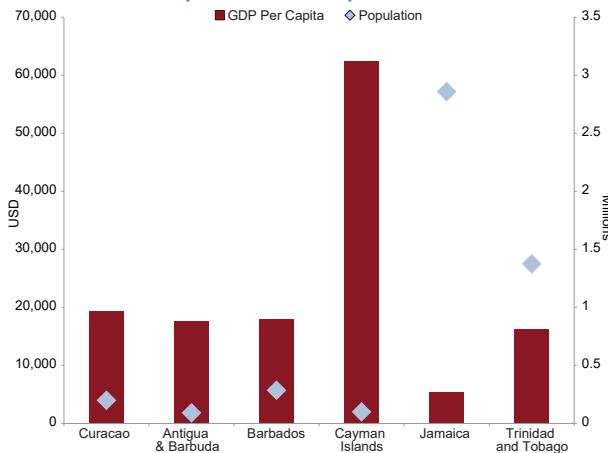


Source: AM Best

Political Risk: Moderate

- Curaçao became an autonomous territory in the Dutch Kingdom in October 2010. The Netherlands monitors the island's political and economic activities and controls its foreign policy.
- The prime minister of Curaçao is Eugene Rhuggenaath, whose administration maintains close relations with the Netherlands. The government's main priority is to lower its fiscal deficit.
- Parliament is fragmented, with seven different parties holding seats—12 of the 21 seats are held by those generally supportive of Rhuggenaath. His party is the Real Alternative Party (PAR), which differs from the other major parties in Curaçao by its pro-Dutch relations philosophy.
- The political system is based on Dutch and English law. Curaçao has an independent court system, but appeals can be made to the Dutch Supreme Court.
- Inflows of Venezuelan refugees has placed a strain on the country's resources. An estimated 15,000 Venezuelans fled to Curaçao.

GDP Per Capita and Population



Source: IMF and AM Best

Financial System Risk: Moderate

- The Central Bank of Curaçao and St. Maarten serves as the regulator for Curaçao's insurance industry.
- Curaçao and St. Maarten share the Netherlands Antillean guilder as their currency. Monetary policy is focused on keeping a consistent exchange rate with the USD.
- The corporate income tax for Curaçao operates as a flat tax rate of 22%. This measure should qualify the country for meeting the EU's economic substance requirements to not be considered a tax haven.