

# BEST'S COUNTRY RISK REPORT

## Dominican Republic

**CRT-4**

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 Dominican Republic, a CRT-4 country, has a moderate level of economic risk, and high political and financial system risk.
- Over the past few years, the economy has expanded rapidly, up 4.6% in 2017 and an estimated 5.5% in 2018. Inflation for 2018 is estimated at 4.4%, above the 4.0% target.
- The country's narrow base for foreign currency income and its dependence on the US economy for tourism and remittances, however, increases vulnerability.
- The map depicts the countries evaluates in the Caribbean A.M. Best.



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

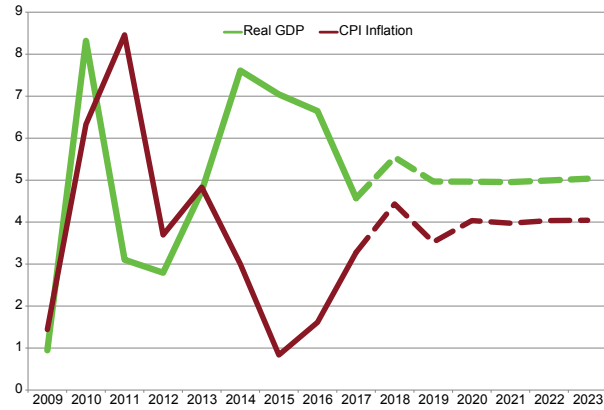
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. 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	75.02
Population	mil	10.2
GDP Per Capita	USD	7,375
Real GDP Growth	%	4.6
Inflation Rate	%	3.3
United Nations Estimates		
Literacy Rate	%	91.8
Urbanization	%	80.6
Dependency Ratio	%	57.8
Life Expectancy	Years	78.3
Median Age	Years	28.1
Insurance Statistics		
Insurance Regulator	Superintendency of Insurance	
Premiums Written (Life)	USD mil	179
Premiums Written (Non-Life)	USD mil	862
Premiums Growth (2016 - 2017)	%	17.7
Regional Comparison		
	Country Risk Tier	
Dominican Republic	CRT-4	
Jamaica	CRT-4	
Mexico	CRT-3	
Panama	CRT-4	
Trinidad and Tobago	CRT-4	
United States	CRT-1	

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



Economic Growth (%)



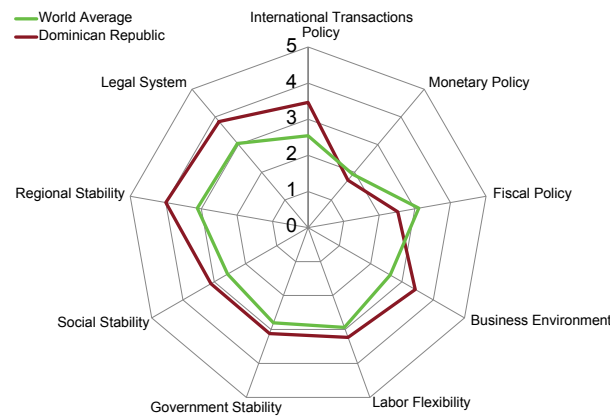
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Moderate

- Tourism is the Dominican Republic's economic mainstay. The sector's strong growth in the past decade has helped stabilize the peso, by generating large foreign exchange inflows. However, the reliance on tourism exposes the economy to shifts in global demand and the impact of severe weather conditions.
- The country's infrastructure is good by regional standards, especially for tourism-related areas. However, the electricity's sector lack of efficient infrastructure and distribution has led to business disruptions.
- The country maintains strong ties with the US, its primary trading partner. Good relations with multilateral institutions also benefit the economy. However, the economy's dependence on both the US's economic performance and tourism increases the vulnerability of the Dominican Republic to external fluctuations.
- Expansionary fiscal policies as well as positive global growth continue to support the country's growth.

Political Risk Summary

Score 1 (best) to 5 (worst)

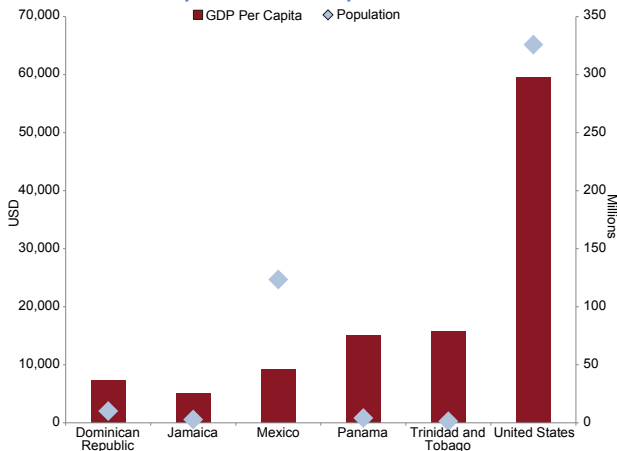


Source: A.M. Best

Political Risk: High

- President Danilo Medina was re-elected in 2016 and continues to implement a consistent pro-business agenda. He also prioritizes social programs related to agriculture and education.
- Despite strong economic growth, the government's popularity is being undermined by high levels of corruption, which disrupted business operations. Corruption, alongside weak democratic practices and institutions, has triggered social unrest.
- The power grid needs improvement. Risks of protests have increased owing to frequent blackouts and power shortages. Economic inequality remains high as well.
- Large numbers of illegal immigrants from Haiti following the 2010 earthquake have increased tension between the two countries, although the risk of war is negligible.
- The Dominican Republic-Central American Free Trade Agreement has helped build a more favorable environment for investment and the protection of intellectual property rights.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: High

- The Superintendencia de Seguros de la República Dominicana regulates the country's insurance industry.
- Numerous reforms have been implemented in recent years to strengthen financial system oversight; however, ongoing efforts to enhance the country's regulatory and supervisory framework are needed.
- Dominican Republic's liquidity remains strong. Foreign reserves are very high, given the amount of the country's projected debt over the short term. The current account remains negative, but a balance is projected if FDI inflows can remain strong.