

BEST'S COUNTRY RISK REPORT

Gibraltar CRT-1

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

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

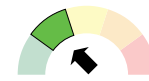
- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Gibraltar, a self-governing British Overseas Territory, is a CRT-1 country, with low levels of economic, political, and financial system risk.
- The economy is dominated by tourism, financial services, and shipping, which combined, account for 85% of GDP. The uncertainty surrounding the potential implications of Brexit may hamper Gibraltar's growth in the future.
- A.M. Best categorizes the majority of countries depicted in the map as CRT-1 and CRT-2. Notable exceptions are many of the Eastern European countries such as Belarus, Romania, and Ukraine.



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: Western Europe

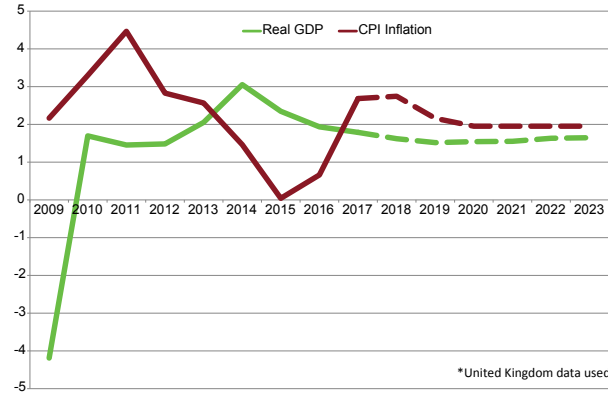
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

Vital Statistics 2017		
Nominal GDP	USD bn	2624.53
Population	mil	0.04
GDP Per Capita	USD	61,700
Real GDP Growth	%	1.8
Inflation Rate	%	2.7
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	100.0
Dependency Ratio	%	n.a.
Life Expectancy	Years	79.6
Median Age	Years	35.7
Insurance Statistics		
Insurance Regulator	Financial Services Commission	
Premiums Written (Life)	USD mil	3
Premiums Written (Non-Life)	USD mil	31
Premiums Growth (2016 - 2017)	%	-0.8
Regional Comparison		
		Country Risk Tier
Gibraltar		CRT-1
Bermuda		CRT-2
Guernsey		CRT-1
Ireland		CRT-2
Isle of Man		CRT-1
United Kingdom		CRT-1

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



Economic Growth (%)



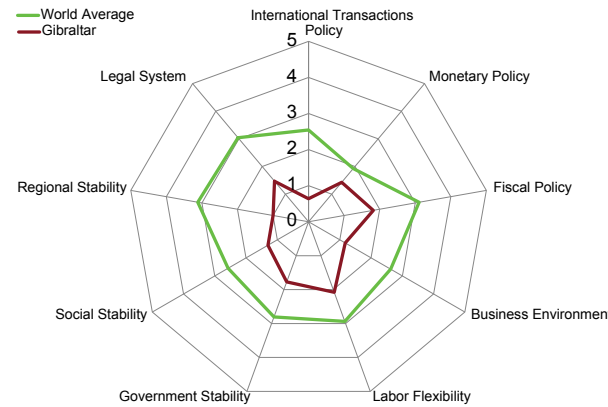
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Low

- Gibraltar's economy is small but somewhat diverse. Main service sectors include tourism, financial services, internet gaming, e-commerce, and shipping.
- A majority of the tourists to Gibraltar come from Spain and the United Kingdom. Tourist arrivals to Gibraltar rose 4.2% from 2016 to 2017.
- The economy of Gibraltar, as a British Overseas Territory, will inevitably be impacted by Brexit. Given the uncertainty and indecision regarding how to carry out Brexit, the full effects of the United Kingdom's departure from the EU likely will be felt over the medium term. Gibraltar has benefited from the EU's free trade agreement, as it is a shipping and tourist-based economy.
- Gibraltar's service economy depends heavily on workers from Spain, who account for approximately 50% of Gibraltar's labor force.

Political Risk Summary

Score 1 (best) to 5 (worst)

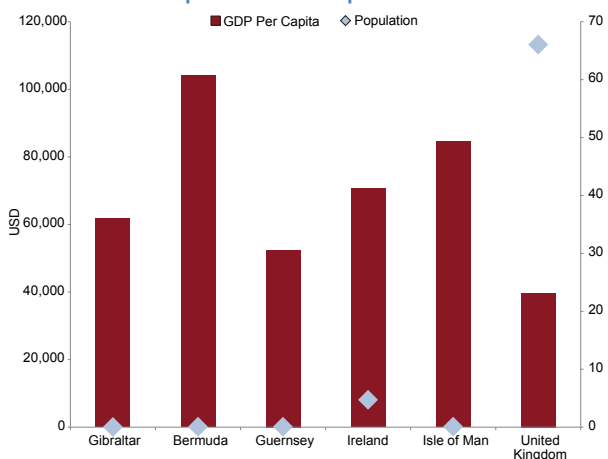


Source: A.M. Best

Political Risk: Low

- A self-governing British Overseas Territory, Gibraltar has a population of around 33,500 people. General elections are held every four years to elect a parliament, which is headed by the chief minister, a position currently held by Fabian Picardo. The United Kingdom is responsible for Gibraltar's military, foreign relations, internal security, and financial stability.
- In a dispute that has lasted for centuries, Gibraltar remains a contested territory between Spain and the United Kingdom. Tensions have elevated over the UK's decision to leave the EU. In post-Brexit negotiations, there has been a discussion of allowing Spain final authority on Gibraltar's trade relationship with the EU. The UK has rebuffed such talk and appears unwilling to grant Spain that authority. It should be noted that the majority of Gibraltar's population was against leaving the EU.
- Gibraltar's legal and governmental structure is relatively strong and stable, and is modeled after the UK's.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Low

- The Gibraltar Financial Services Commission (FSC) regulates all financial services in the territory, including insurance. The Insurance Companies Act of 1987 and the Financial Services Act of 1989 are the primary governing legislation. In the insurance industry, motor insurance dominates.
- Gibraltar is a financial center, due partly to accommodative tax policies. The insurance industry has grown significantly in the past decades, with 65 insurance companies currently registered.
- Gibraltar is a net exporter of insurance, as 97% of insurance premiums are written outside of the country. The UK accounts for more than 80% of premium volume.