

# BEST'S COUNTRY RISK REPORT

## Guernsey 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.
- Guernsey, Jersey, and the Isle of Man are British Crown Dependencies and are CRT-1 countries, with low levels of economic, political, and financial system risk. All three dependencies serve as off-shore financial centers.
- The three dependencies are not part of the European Union, but benefit from the free movement of goods in the EU.
- A.M. Best categorizes the majority of countries pictured in the map below as CRT-1 and CRT-2. Notable exceptions are many of the Eastern European countries including Bosnia and Herzegovina, Belarus, 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

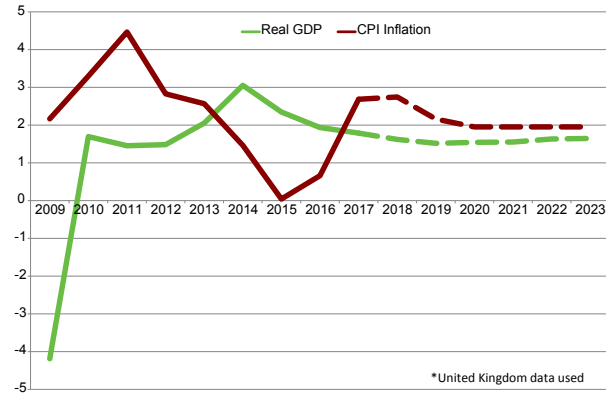
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing 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	0.1
GDP Per Capita	USD	52,500
Real GDP Growth	%	1.8
Inflation Rate	%	2.7
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	31.7
Dependency Ratio	%	47.1
Life Expectancy	Years	82.6
Median Age	Years	43.8
Insurance Statistics		
Insurance Regulator	Guernsey 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	
Guernsey	CRT-1	
Bermuda	CRT-2	
Gibraltar	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 (%)



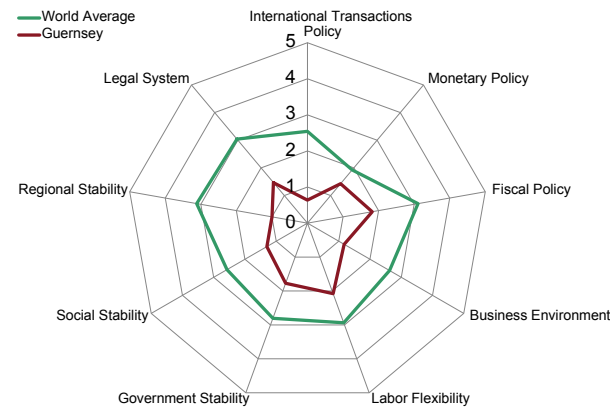
Source: IMF World Economic Outlook and A.M. Best

### Economic Risk: Low

- Guernsey's small but wealthy economy is centered on industries like finance and tourism. The financial services sector plays a critical role in the economy, as it employs over 20% of the workforce and contributes more than half of the nation's GDP. Insurance accounts for roughly 20% of financial industry revenues.
- Low crime rates, low public debt, and extraordinarily low unemployment are key strengths. The country's 0% tax policy on corporate profits also makes it an attractive destination for foreign investment.
- The country is experiencing a decline in population due to declining fertility rates and low levels of immigration, as well as a rapidly aging population. Labor participation rates have increased despite the decline in population.
- As a dependency of the British crown, Guernsey's economy will very likely be affected by Brexit. Uncertainty in the UK's financial sector could spill over into Guernsey's. Trade will not be affected, as Guernsey has its own agreements with the EU.

### Political Risk Summary

Score 1 (best) to 5 (worst)

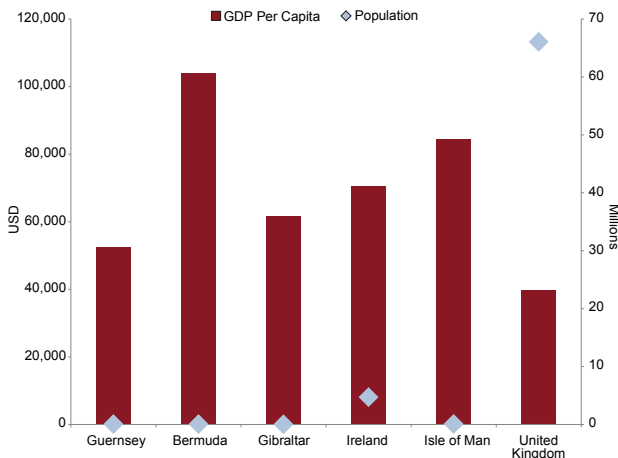


Source: A.M. Best

### Political Risk: Low

- The Bailiwick of Guernsey is a self-governing dependency of the British Crown, with its own directly elected legislative assembly, administrative, fiscal, and legal systems. Although dependent on the UK for defense and international representation, Guernsey is not a member of the EU. However, the country has special arrangements for the free movement of goods between it and the EU.
- The Bailiwick of Guernsey has no political parties and the country is viewed as politically stable.
- The government does provide a pension and welfare benefits for older citizens. However, to avoid putting too much pressure on the system, the government has suggested implementing a secondary pension scheme.

### GDP Per Capita and Population



Source: IMF and A.M. Best

### Financial System Risk: Low

- The Guernsey Financial Services Commission is the regulatory body for the financial sector, including insurance. Currently, the commission regulates more than 350 insurance companies. In the insurance industry, there is a particular emphasis on international and captive insurance.
- Although not part of the EU, the country does implement critical EU directives regarding financial services, bolstering the sector's stability.
- Guernsey has tried to get itself removed from numerous tax blacklists. Although the EU did not include Guernsey on its most recent blacklist, it did include the country on its grey list. As a result, the country needs to address non-compliant behavior by the end of the year.
- According to the Guernsey Economic Review, the insurance sector has been experiencing growth that is expected to continue over the short term.