Guernsey
CRT-1
August 22, 2019
Region: Europe
Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers

- Guernsey is a British Crown Dependency located in the English Channel off the coast of Normandy, France. The dependency is a CRT-1, with low levels of economic, political, and financial system risk.
- The main industry in Guernsey is financial services, which benefits from Guernsey’s self-governing status.
- AM Best categorizes the majority of countries pictured in the map below as CRT-1 and CRT-2. Notable exceptions are the Eastern European countries including Bosnia and Herzegovina, Belarus, and Ukraine.

Regional Summary: Western Europe

- Composed of 28 countries, the EU accounts for slightly over a fifth of the world’s GDP. The IMF predicts that GDP for the region will be 18.71 trillion euros in 2019, largely flat from 18.75 trillion euros in 2018.
- Uncertainty about Britain’s exit from the EU lingers, weighing on regional growth prospects. A decision on Brexit is due in October, with a “no deal” Brexit remaining a possibility.
- Growth in Western Europe has stagnated; impediments include weakness in the region’s manufacturing sectors, heightened trade tensions, and a general worldwide economic slowdown.
- The European Central Bank (ECB) ended its unprecedented quantitative easing program in December 2018. However, the ECB has signaled that further stimulus could be forthcoming if economic softness persists.
Guernsey

Economic Risk: Low

- Guernsey’s small but wealthy economy is centered on industries such as finance and tourism. The financial services sector plays a critical role in the economy, employing more than 20% of the workforce and contributing more than half of the nation’s GDP. Insurance accounts for roughly 20% of financial industry revenues.

- Guernsey has a high GDP per capita but an aging working population is expected to strain its long-term economic stability. In its 2017 Annual Independent Fiscal Policy Review, only 40% of workers had some type of occupational or personal pension set up. The lack of retirement planning is likely to further strain the government’s resources.

- Guernsey’s fiscal deficit is almost at its legal maximum of 3% of GDP.

- Guernsey’s relationship with the EU remains uncertain owing to Brexit, since Guernsey is under the authority of the UK. Guernsey is viewed by the EU as a separate country in some regards; the financial services industry is able to operate without control from the EU or UK.

Political Risk: Low

- The government in Guernsey is the Bailiwick of Guernsey, which has jurisdiction on four other islands in addition to Guernsey. The government has no political parties. Guernsey has a population of around 65,000; the other islands under the Bailiwick have a population of around 3,000 people.

- The government of Guernsey is composed of 38 elected deputies from Guernsey and two from Alderney. The highest elected official on the island is the Gavin St Pier, president of the Policy & Resources Committee.

- Sir Richard Collas has been the appointed Bailiff of Guernsey since 2012 but is expected to retire in 2020. The bailiff’s responsibilities include any legal matters on the island.

Financial System Risk: Low

- The Guernsey Financial Services Commission (FSC) is the regulatory body governing the financial sector, including insurance. As of 2019, the FSC was regulating more than 400 insurance companies.

- The official currency of Guernsey is the Guernsey pound. The currency maintains a consistent exchange rate with the UK at approximately one to one, since the currency is in a currency union with the pound sterling.

- The insurance industry in Guernsey is vital to the jurisdiction’s economy. The industry is highly regulated without being overly bureaucratic, with international business dominating the sector. The jurisdiction has carved out a niche as a captive insurance domicile.

- The FSC is currently in the process of improving standards for external auditors, following findings that depicted weakness in reporting and assurance.