

BEST'S COUNTRY RISK REPORT

Isle of Man 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 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 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.

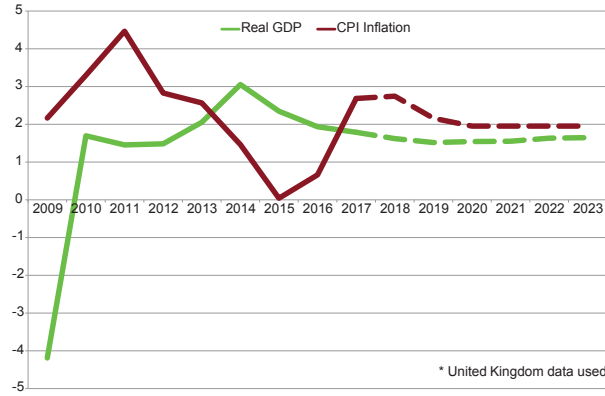
Vital Statistics 2017		
Nominal GDP	USD bn	2624.53
Population	mil	0.1
GDP Per Capita	USD	84,600
Real GDP Growth	%	1.8
Inflation Rate	%	2.7
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	52.4
Dependency Ratio	%	n.a.
Life Expectancy	Years	81.3
Median Age	Years	44.2
Insurance Statistics		
Insurance Regulator	Isle of Man Financial Services Authority	
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
Isle of Man		CRT-1
France		CRT-1
Germany		CRT-1
Ireland		CRT-2
Spain		CRT-2
United Kingdom		CRT-1

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



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Economic Growth (%)



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

Economic Risk: Low

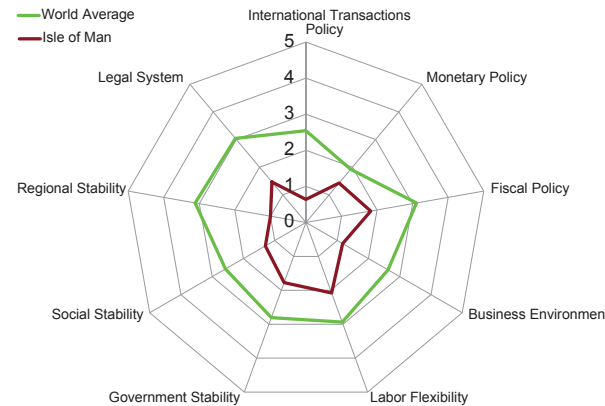
- The Isle of Man's economy depends largely on its sizeable offshore financial services sector. Tourism and manufacturing are other primary industries. Agriculture and fishing, which were once dominant industries, have fallen in economic significance.
- In recent years, the economy has diversified to include e-gaming sites and the film industry. Online gambling contributes an estimated 10% of the island's income.
- The UK's exit from the EU is likely to adversely affect the island's economy, particularly manufacturing, which exports largely to the EU market under Protocol 3.
- Tax rates are low, with the top income tax rate at 20% and the standard corporate tax rate at 0%.

Political Risk: Low

- The Isle of Man is a self-governing dependency of the British Crown, with its own directly elected legislative assembly, administrative, fiscal, and legal systems. It is not a part of the UK or the EU. However, the UK is responsible for its defense and external affairs.
- Although it is not a member of the EU, Protocol 3 of the UK's Act of Accession allows the Isle of Man to partake in the free movement of manufactured goods in the EU. The island's relationship with the EU depends largely on the UK's membership with the EU. As of now, when the UK leaves the EU, the Isle of Man's Protocol 3 relationship will end.
- Other potential implications of Brexit include the imposition of tariffs on goods exported to the EU, as well as changes in customs and value-added taxes and in the free movement of people between the Isle of Man and the EU.
- Most politicians in the Isle of Man classify as independents rather than representatives of a particular political party. Currently, the largest political group in the country is the Liberal Vannin Party.

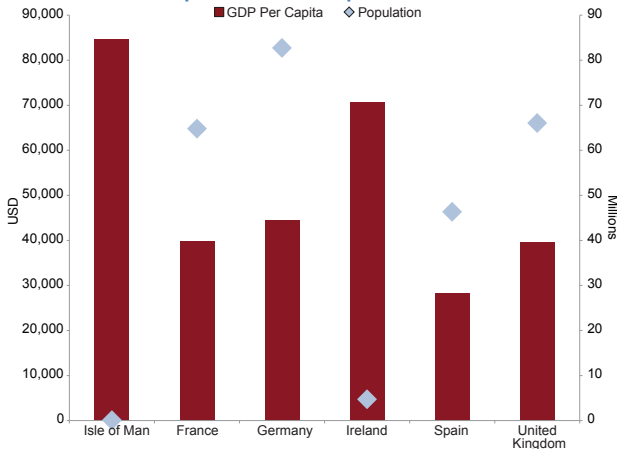
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Low

- The insurance industry is regulated under the Insurance Act of 2008 by the Financial Services Authority. Efforts to update the regulatory framework are underway. Such efforts are aimed at enhancing the island's risk-based capital and solvency regime, improving reporting, and implementing a group supervision framework.
- The Isle of Man remains one of the largest domiciles of offshore life insurance companies.
- EU finance ministers published a list of countries they consider tax havens. The Isle of Man was one of the 47 countries on the grey list, which includes countries that currently qualify as tax havens but have promised reforms.