

BEST'S COUNTRY RISK REPORT

Jersey 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.
- Jersey is not part of the European Union EU, but benefits 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

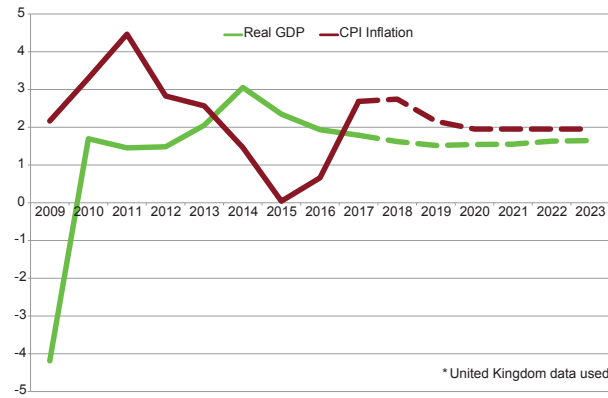
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing 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	56,000
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	81.9
Median Age	Years	38.0
Insurance Statistics		
Insurance Regulator	Jersey 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	
Jersey	CRT-1	
Gibraltar	CRT-1	
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 (%)



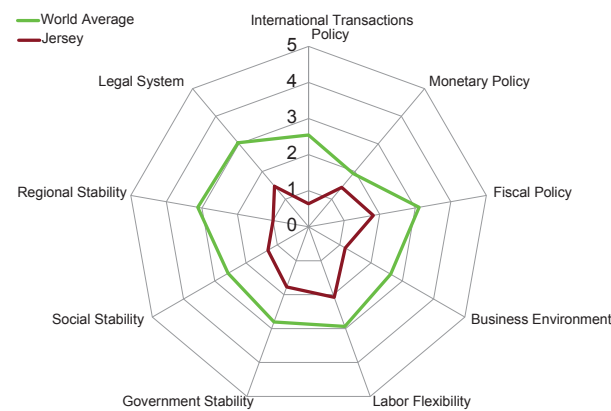
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Low

- Jersey's small but affluent economy depends largely on financial services and tourism. Financial services account for almost 40% of Jersey's GDP, and tourism, roughly 25%.
- Unemployment is relatively low. Financial services is the largest industry employer, employing approximately 20% of the population. Other primary sources of employment include private sector education, health, and other services, which all together employ approximately 14% of the population, and the wholesale/retail trades and the public sector, which employ approximately 13% each.
- As a dependency of the British Crown, Brexit will likely have spillover effects on Jersey's economy. The uncertainty surrounding the UK's financial markets over Brexit could weaken Jersey's own financial sector.
- Jersey is not a member of the EU, but does have access to its single market under Protocol 3. However, Jersey does not export a material amount of goods to the EU.

Political Risk Summary

Score 1 (best) to 5 (worst)

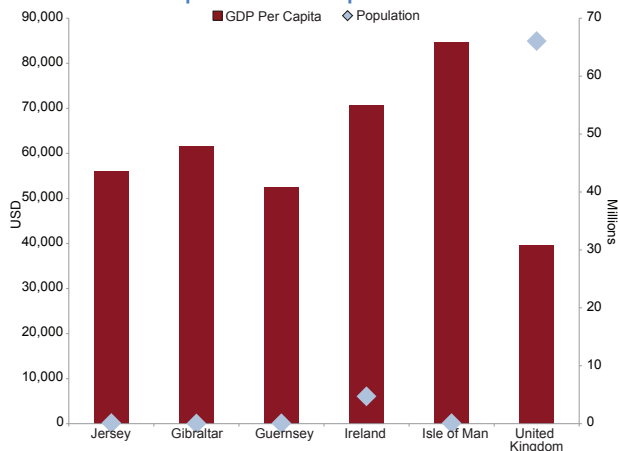


Source: A.M. Best

Political Risk: Low

- The Bailiwick of Jersey is a self-governing dependency of the British Crown, with its own directly elected legislative assembly of 49 members and administrative, fiscal, and legal systems. The UK is constitutionally responsible for Jersey's defense and international representation.
- The government of Jersey does not fund deficits by issuing debt; instead, it liquidates assets. Over the past several years, the government has operated at a slight fiscal deficit owing to its stimulus efforts. The government plans to balance the budget over the medium term.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Low

- The Jersey Financial Services Commission (JFSC) regulates the finance sector in the Bailiwick of Jersey. It is also responsible for regulating insurance companies, including captive insurers. The JFSC publishes codes of practices with which all financial service companies must comply.
- In the past, tax policies have been criticized for their lack of transparency. Jersey has responded to this criticism by signing a number of reciprocal transparency tax agreements. The Organization for Economic Co-operation and Development have assessed Jersey as being fully compliant with regard to tax transparency.
- However, the EU finance ministers published a list of countries they considered tax havens, and Jersey was one of the 47 countries on the grey list, which includes countries that currently qualify as tax havens but have promised to implement reforms.
- Jersey does not have a central bank and thus lacks the security provided by a central bank's role as the lender of last resort.