Jerry
CRT-1
August 22, 2019
Region: Europe
Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers
• The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.
• Jersey is a British Crown Dependency located in the English Channel and is considered a CRT-1 with low levels of economic, political, and financial system risk. The island is known for its offshore financial services.
• Jersey is not part of the European Union, but benefits from the free movement of goods in the EU due to the UK’s membership. With Brexit, Jersey’s continued access to the EU’s markets is uncertain.
• AM Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. Notable exceptions are some of 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.
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%.
- 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.
- Jersey’s key trading partners are the UK and France. A “no deal” Brexit would impact the current ease by which Jersey is able to conduct business with EU countries.

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. John Le Fondré is the current Chief Minister of Jersey, which is appointed by parliament.
- Sir Stephen Dalton is the current UK appointed Lieutenant Governor on the island. Dalton’s role is primarily diplomatic and ceremonial. The current Bailiff on the Island is Sir William James Bailhache; like Dalton, he is also appointed by the UK. Bailhache acts as the chief justice on the island.
- Beyond the bailiff, legal matters can be taken to the Judicial Committee of the Privy Council in London. The UK is responsible for the defense, foreign affairs and general security of the island.

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.
- Jersey currently regulates 121 insurance entities according to the JFSC. The JFSC has held a code of conduct for insurance companies since 2008, which was last revised in June 2019. The update included additional consumer transparency measures for the sector.
- Like Guernsey and the Isle of Man, Jersey was removed from the EU’s grey list of non-cooperative tax jurisdictions. In response to being placed on the list in 2017, Jersey amended its legislation to ensure that companies domiciled on the island and receiving tax benefits were actually conducting substantive economic business on the island. Jersey’s maximum corporate tax rate is 20%; however, its standard corporate income tax is 0% with financial services being charged 10%.
- Monetary policy is essentially controlled by the Bank of England. Although Jersey uses the Jersey Pound, it is a derivation of the Pound Sterling. The exchange rate of the Jersey Pound to the Pound Sterling is one to one.