Libya

CRT-5

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Region: Middle East & North Africa

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.

• Libya is a CRT-5 country and has very high levels of economic, political, and financial system risk.

• As a consequence of an extended political conflict, Libya’s economic growth has been highly volatile in recent years. Following four years of economic contraction from 2013 to 2016, Libya’s economy returned to growth in 2017. GDP growth was 17.9% in 2018 and is expected at 4.3% in 2019.

• The map depicts countries in the region that AM Best evaluates for country risk. The region contains countries with risk levels ranging from CRT-3 to CRT-5.

Vital Statistics 2018

Nominal GDP USD bn 43.59
Population mil 6.5
GDP Per Capita USD 6,692
Real GDP Growth % 17.9
Inflation Rate % 23.1

United Nations Estimates

Literacy Rate % n.a.
Urbanization % 79.8
Dependency Ratio % 48.4
Life Expectancy Years 72.1
Median Age Years 27.2

Insurance Statistics

Insurance Regulator Insurance Supervision and Controlling Authority

Premiums Written (Life) USD mil 6
Premiums Written (Non-Life) USD mil 260
Premiums Growth % 63.2

Regional Comparison

Country Risk Tier
Libya CRT-5
Algeria CRT-5
Egypt CRT-5
Ghana CRT-5
Morocco CRT-4
Tunisia CRT-4

Source: IMF, UN, Swiss Re, Axco and AM Best

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: Middle East & North Africa

• The slowdown in global growth will weigh on the region, dampening the prospects for the region’s oil exporters. Volatility in oil pricing (spurred in part by the re-imposition of US sanctions against Iran), combined with increased geopolitical tensions, has resulted in a soft outlook.

• Protests in Sudan and Algeria led to leadership changes in both countries in 2019. Rising instances of social unrest throughout the region highlight the need for inclusive structural reforms that diversify the region’s economies and address its high unemployment, especially among its youth.

• Growing debt may limit the ability of the region’s governments to insulate their economies from unfavorable financial conditions through pro-cyclical policies and spending. The IMF reports that two thirds of the region’s countries had debt levels amounting to at least 70% of GDP in 2018.

• To the extent they can, countries in the region are likely to pursue supportive monetary policy, but several operate with a pegged currency, limiting their maneuverability.
Economic Risk: Very High

- Libya’s economy, while rich in natural resources, has been severely debilitated by erratic leadership, economic policies that have distorted incentives, and international and civil war. The economy depends almost entirely on oil exports.

- Economic growth has been highly volatile over the years, but is largely dependent on the hydrocarbon sector and being able to navigate the country’s operating and political challenges.

- Libya has not undergone an IMF Article IV consultation since May 2013. The IMF notes the reason for the delay is an “unsettled and/or security situation.”

- According to the World Bank’s Ease of Doing Business Survey, Libya ranks 186 out of 190 countries, which makes the country one of the most difficult operating environments in the world.

- The country has several structural issues that need to be addressed, including inadequate and decaying infrastructure, high levels of unemployment, housing shortages, and poverty.

Political Risk: Very High

- The level of political instability is very high owing to armed militant interference in the political system, government mismanagement of the country’s oil revenues, and lingering resentment over the legacy of Muammar Gaddafi’s regime.

- The organization of a general election by the end of 2019, collapsed after the Libyan National Army started a challenge in April 2019. The country has not had a stable, elected government since the overthrow of the Gaddafi government. The country’s governance is split between the UN-backed Government of National Accord in Tripoli and the House of Representatives in Tobruq.

- Security issues pose one of the biggest challenges for the country. Pressing security concerns include the civil war between competing governments, militia coalitions, and terrorism threats from Islamic State.

Financial System Risk: Very High

- Libya’s insurance industry is supervised by the Insurance Supervision and Controlling Authority.

- Much of the country’s foreign direct investment left in 2011 and has been slow to return. Many investors are waiting for clarity on the political situation, as well as better security. The country is open to foreign direct investment.

- Due to a collapse in the government’s authority, financial sector reforms have largely been on hold. Confidence in the banking sector is low.

- Libya has a sovereign wealth fund, the Libyan Investment Authority, with an estimated value of USD 66 billion in 2018. However, the assets have been frozen by the United Nations, to safeguard the money from potential misappropriation.