

BEST'S COUNTRY RISK REPORT

St. Maarten CRT-3

August 22, 2018

Region: Caribbean

[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.
- St. Maarten, a CRT-3 country, has a moderate level of economic, political, and financial system risk. The country suffered widespread damage from Hurricanes Irma and Maria in September 2017, which hurt its crucial tourism sector.
- The World Bank estimates that damages exceeded USD2.7 billion, constituting more than 270% of the country's annual GDP. In response, the Netherlands established the Sint Maarten Recovery, Reconstruction and Resilience Trust Fund.
- The map below depicts the countries A.M. Best country risk evaluates in the Caribbean.



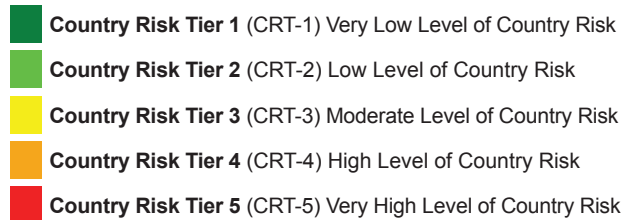
Economic Risk



Political Risk



Financial System Risk



Regional Summary: Caribbean

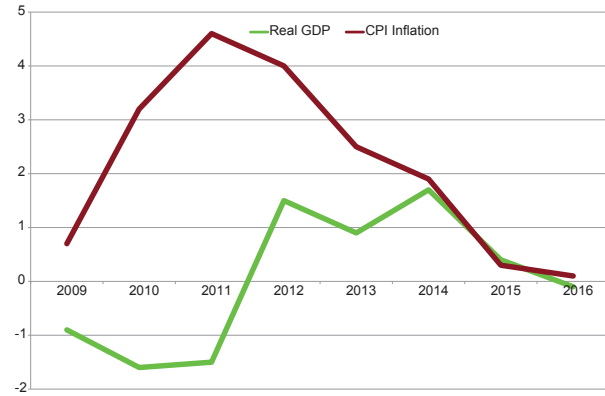
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability are highly dependent on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. They need to increase investment and savings, and build up their resilience to external shocks, which includes social, economic, and climate-related events.
- Most of the countries in the Caribbean depend on tourism to generate economic growth. Strong global growth will provide a tailwind for further tourism development. However, recent natural disasters have highlighted the region's dependence on this sector, as well as its continued vulnerability.
- Downside risks include a rise in US trade protectionism, further deterioration in fiscal deficits, and an economic slowdown resulting from either domestic policy uncertainty or a slowdown in global growth.

Vital Statistics 2016		
Nominal GDP	USD bn	1.90
Population	mil	0.04
GDP Per Capita	USD	66,800
Real GDP Growth	%	-0.1
Inflation Rate	%	0.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	n.a.
Dependency Ratio	%	n.a.
Life Expectancy	Years	n.a.
Median Age	Years	n.a.
Insurance Statistics		
Insurance Regulator	Central Bank of Curacao and St. Maarten	
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
Saint Martin		CRT-3
Antigua & Barbuda		CRT-4
Barbados		CRT-4
Cayman Islands		CRT-2
Jamaica		CRT-4
Trinidad and Tobago		CRT-4

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



Economic Growth (%)



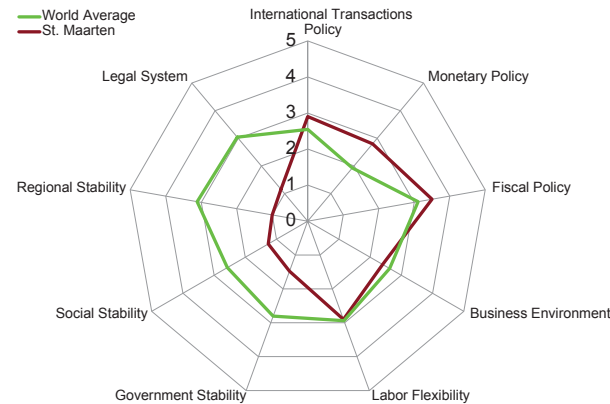
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: Moderate

- St. Maarten's island economy depends highly on tourism, which generates over 80% of GDP. Hurricanes Irma and Maria in 2017 caused severe damage to the country's infrastructure—caused approximately USD3 billion of loss—highlighting the economy's fragility and vulnerability to natural disasters.
- The country's fiscal position remains under the oversight of the College Financieel Toezicht (CFT), which monitors its fiscal performance. Owing to inadequate budget proposals, the CFT's oversight of the country was extended from 2015 to 2018.
- The newly formed USD580 million Sint Maarten Recovery, Reconstruction and Resilience Trust Fund, managed by the World Bank, focuses on repairing homes and critical infrastructure, restoring emergency services, and building the island's resilience.

Political Risk Summary

Score 1 (best) to 5 (worst)

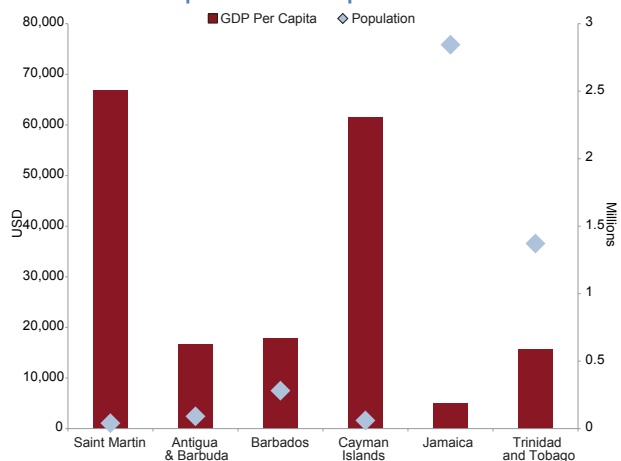


Source: A.M. Best

Political Risk: Moderate

- The island became an autonomous territory in the Dutch Kingdom in October 2010. The government is responsible for all internal matters and exerts control over the judicial, executive, and legislative branches.
- Since gaining its independence, there have been frequent changes in government, which slows policy implementation, invoking public criticism.
- Hurricane Irma also brought political instability. Then Prime Minister William Marlin was criticized for rejecting Dutch aid and forced to resign. Aid was accepted following his resignation by new Prime Minister Leona Romeo-Marlin. The government has partnered with the World Bank and the Netherlands to administer the aid.
- Establishing credible fiscal institutions will be critical to successful independence from the College Financieel Toezicht, but poses a challenge to the government. The levels of protest and violent crime are low, but financial transparency remains an issue.
- The government has announced a 10-year tourism plan, and will focus on reconstruction efforts.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Moderate

- The Central Bank of Curaçao and St. Maarten (CBCS) serves as the regulator for the insurance industry. It recently announced plans to launch new strategic goals for the next two years, focusing on openness and transparency. CBCS requires that insurance companies report their claims monthly.
- Credit growth in the private sector remains subdued, and asset quality has deteriorated somewhat.
- Banks have relatively healthy capital levels, but are still vulnerable to external shocks. The budget deficit calls for corresponding fiscal policies to increase revenues and cut spending.
- St. Maarten is a member of a currency union with Curaçao.