

# BEST'S COUNTRY RISK REPORT

## Turks and Caicos

**CRT-3**

August 22, 2019

**Region:** Caribbean

[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.
- Turks and Caicos, a CRT-3 country, is a British Overseas Territory with moderate levels of economic, political and financial system risk.
- The country's economy is driven by tourism and offshore financial services. According to the Caribbean Development Bank, GDP growth turned positive in 2018, after contracting in 2017.
- The map depicts the countries in the Caribbean AM Best evaluates for country risk.



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: Caribbean

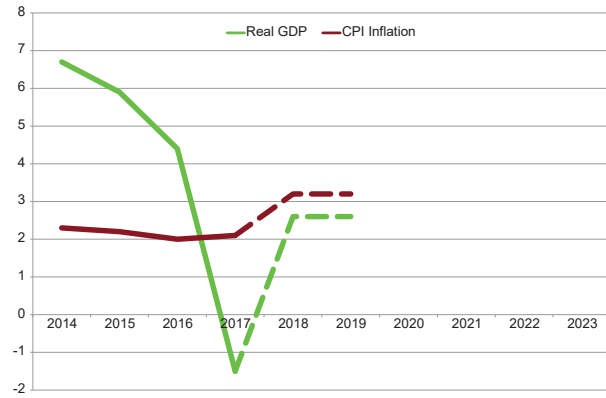
- The countries in the Caribbean vary by cultural origin, economic foundation, and population affluence, but their long-term growth and stability depend highly on their larger regional neighbors.
- Countries need to strengthen regional economic integration to become more globally competitive. They need to increase investment and savings and build up their resistance to external shocks—including social, economic, and climate-related events.
- Most of the countries in the Caribbean depend on tourism for economic growth. However, recent natural disasters have highlighted the region's dependence on this sector as well as its continued vulnerability. Those countries that do not rely on tourism depend largely on commodity exports, which makes them sensitive to global economic conditions.
- The number of non-performing loans in the region is high and limits economic growth and credit availability, as well as making banks more vulnerable to shocks.

Vital Statistics 2018		
Nominal GDP	USD bn	1.00
Population	mil	0.1
GDP Per Capita	USD	25,000
Real GDP Growth	%	2.5
Inflation Rate	%	3.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	93.1
Dependency Ratio	%	n.a.
Life Expectancy	Years	80.1
Median Age	Years	33.8
Insurance Statistics		
Insurance Regulator	Financial Services Commission	
Premiums Written (Life)	USD mil	n.a.
Premiums Written (Non-Life)	USD mil	n.a.
Premiums Growth	%	n.a.
Regional Comparison		
	Country Risk Tier	
Anguilla	CRT-3	
Curacao	CRT-3	
Saint Lucia	CRT-3	
British Virgin Islands	CRT-2	
St. Kitts & Nevis	CRT-3	

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



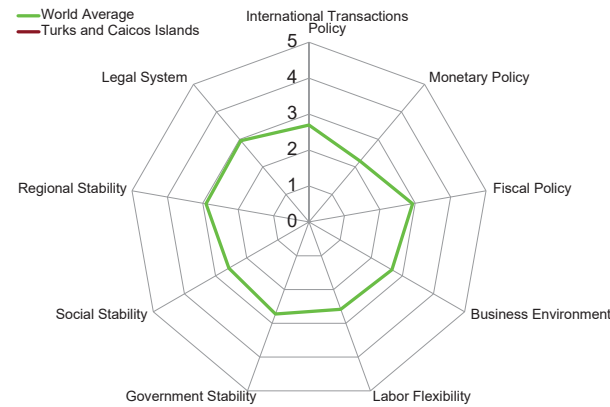
### Economic Growth (%)



Source: IMF World Economic Outlook and AM Best

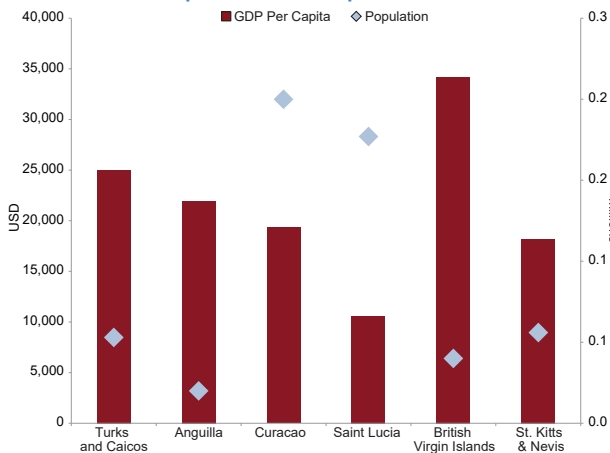
### Political Risk Summary

Score 1 (best) to 5 (worst)



Source: AM Best

### GDP Per Capita and Population



Source: IMF and AM Best

### Economic Risk: Moderate

- Tourism dominates the economy, accounting for almost 40% of the island's gross domestic product (GDP). Turks and Caicos receives an estimated one million-plus visitors a year.
- Tourism took a hit in 2017, as Hurricanes Irma and Maria devastated the island, with costs estimated over USD 550 million. Recent economic activity has centered on rebuilding the island's infrastructure. Two large-scale construction projects totaling over USD 300 million are scheduled to open in 2020.
- Turks and Caicos is vulnerable to weather-related events as well as changes in global demand conditions, particularly in the US. The US is the leading source of tourism revenues, accounting for over 50% of the island's visitors. The limited size and diversification of the economy leaves it vulnerable to volatility.
- Almost all consumer goods are imported. The Caribbean Development Bank estimated inflation at 3.2% for 2018, above the four-year average of 2.1%. The increase was due mainly to the heightened demand for construction related activity.

### Political Risk: Moderate

- Turks and Caicos is a British Overseas Territory, but the island is self-governing. The current premier is Sharlene Cartwright-Robinson of the People's Democratic Movement. She was appointed premier in December 2016.
- Government priorities will be focused on strengthening the economy and maintaining its relationship with the UK. A "no-deal" Brexit will cause uncertainty for the island, but this is somewhat minimized due to its links with the US. Additionally priorities include a review of the National Health Insurance Board and of the constitution.
- The government has largely followed prudent fiscal policy since establishing the Fiscal Framework Document (FFD) in 2012. The policy has generally resulted in the government running fiscal surpluses since 2012.
- Turks and Caicos has relatively strong institutions due to its relationship with the UK.

### Financial System Risk: Moderate

- The insurance industry is regulated by the Turks and Caicos Financial Services Commission (FSC).
- Turks and Caicos uses the USD as its currency. The government's policy flexibility is constrained by its inability to carry out monetary and exchange rate policy, and the lack of a central bank.
- Turks and Caicos is tied at the 19th highest Financial Secrecy Index score out of 112 countries, with a score of 77 out of 100.