United States

**CRT-1**

August 22, 2019

**Region:** North America

**Country Risk Criteria Procedures**

**Guide to Best's Country Risk Tiers**

- The United States is a CRT-1 country, with very low levels of risk in all three categories.
- In 2018, the US economy expanded 2.9%, dominated by growth in consumer spending. Growth in 2019 is expected at 2.3%, driven by continued domestic demand. Risks to the forecast include slower global growth, continued trade tensions, and continued decline in consumer confidence.
- Medium term growth is expected to range between 1.5% and 2.5%.
- The map depicts the countries AM Best evaluates in North America.

<table>
<thead>
<tr>
<th>Vital Statistics 2018</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Nominal GDP USD bn</td>
<td>20494.05</td>
</tr>
<tr>
<td>Population mil</td>
<td>327.4</td>
</tr>
<tr>
<td>GDP Per Capita USD</td>
<td>62,606</td>
</tr>
<tr>
<td>Real GDP Growth %</td>
<td>2.9</td>
</tr>
<tr>
<td>Inflation Rate %</td>
<td>2.4</td>
</tr>
</tbody>
</table>

**United Nations Estimates**

- Literacy Rate %
- Urbanization %
- Dependency Ratio %
- Life Expectancy Years
- Median Age Years

**Insurance Statistics**

- Decentralized; monitoring by Federal Insurance Office under the Department of the Treasury
- Premiums Written (Life) USD mil 565,822
- Premiums Written (Non-Life) USD mil 833,400
- Premiums Growth %

**Regional Comparison**

<table>
<thead>
<tr>
<th>Country Risk Tier</th>
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<tbody>
<tr>
<td>United States</td>
<td>CRT-1</td>
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<tr>
<td>Canada</td>
<td>CRT-1</td>
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<tr>
<td>France</td>
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<tr>
<td>Germany</td>
<td>CRT-1</td>
</tr>
<tr>
<td>Mexico</td>
<td>CRT-3</td>
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<tr>
<td>United Kingdom</td>
<td>CRT-1</td>
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</tbody>
</table>

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

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**Regional Summary: North America**

- Growth in the region has decelerated, with various trade-related disputes involving the US (the region’s largest economy at USD 21 trillion), resulting in increased uncertainty. Canada (the second largest economy at USD 1.7 trillion)—is expected to grow below potential owing to several factors, including declining oil prices and decelerating private consumption. Mexico’s growth prospects (economy of USD 1.2 trillion) have been constrained by a decline in business confidence owing to policy uncertainty.
- In the face of slowing global growth and heightened trade tensions, the US Federal Reserve has halted the normalization of monetary policy and signaled a potentially more accommodative stance over the coming year.
- Job growth remains strong, while inflation remains moderate. The region has seen moderate to strong wage growth.
- Mexico has ratified the United States-Mexico-Canada Agreement (USMCA—successor to the NAFTA agreement), but the agreement must still be ratified by Canada and the US to enter into force.
Economic Risk: Very Low

- The US economy continues its historic expansion run, with continued low unemployment that averaged 3.9% in 2018. The strong job market and low inflation has helped fuel consumer spending, which accounts for approximately two-thirds of US GDP. The labor market is seeing stronger growth among the well-educated.

- Low gas prices and government social benefits (tax cuts) increased discretionary spending, which should help stimulate the economy throughout 2019.

- The trade war brings uncertainty. Tariffs were increased from 10% to 25% on USD 200 billion of Chinese goods, and China has imposed retaliatory tariffs. The cost of the trade war has the potential to increase inflation. The USD has appreciated against its major trading partners, but has been relatively stable through trade tensions.

Political Risk: Very Low

- In the recent November 2018 elections, the Democrats took a majority in the House of Representatives, while Republicans held their Senate majority. Policy gridlock is likely, with major legislation passage likely to be difficult. The president is likely to rely on executive authority to pursue his agenda.

- Presidential elections are scheduled for 2020, and the Democratic field for the presidential nominee is crowded. The 2020 election is likely to focus on the key issues of the economy, healthcare, and trade.

- President Trump has reversed various policies passed under the Obama administration and holds an “America First” principle when it comes to foreign policy. Rising trade protectionism may bring uncertainty over existing legislation and trade agreements.

- The US legal system is clear, business friendly, and broadly transparent. The judiciary is regarded as independent, and the bureaucracy is generally efficient.

- Domestically, demonstrations are relatively common, but they are generally peaceful. Terrorist attacks inspired by right-wing extremist ideologies, the Islamic State, or Al-Qaeda pose security threats.

Financial System Risk: Very Low

- In the US, insurance is decentralized and regulated at the state level. However, recent legislative changes have tasked the Federal Reserve with providing additional oversight on some of the largest US-based companies.

- The Federal Reserve increased its federal funds rate by 25 basis points in July 2019. Many analysts believe the Federal Reserve will maintain an accommodative monetary policy environment, due to concerns over a global economic slowdown. The interest cut was the first cut since the financial crisis.