

BEST'S COUNTRY RISK REPORT

United States CRT-1

August 22, 2017

Region: North America

[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.
- The United States (U.S.) is a CRT-1 country with very low levels of political and financial system risk and a low level of economic risk.
- In 2016, the country's economy expanded by 1.6%. Forecasts project GDP growth to range between 1.5% - 2.5% over the medium term. This will be driven by consumer spending, declining unemployment and acceleration in the manufacturing industry. However, uncertainty over U.S. trade and immigration policy does weigh on growth prospects.
- The map depicts the countries A.M. Best evaluates in North America.



- 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: North America

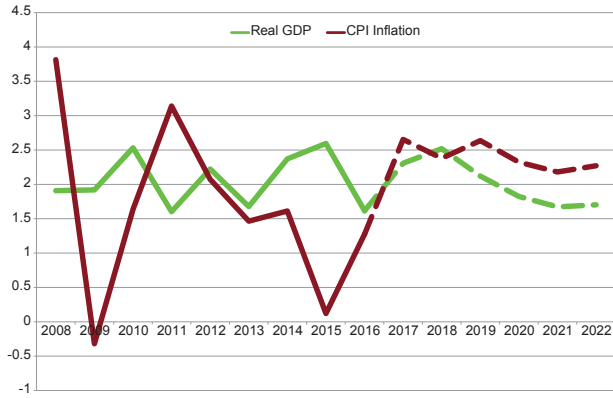
- North America is dominated by the U.S., which accounted for USD 18.6 trillion of the almost USD 21.1 trillion in economic activity for the U.S., Canada, and Mexico in 2016.
- Uncertainty about trade, immigration and remittances has increased, following the 2016 U.S. presidential election. According to 2015 trade data, Mexico's exports to the U.S. amounted to more than 80% of its total exports, while Canada's amounted to more than 75%. Conversely, U.S. imports from Canada amounted to 18.6% of total imports, while imports from Mexico amounted to 15.7%.
- Both Canada and Mexico depend on commodity exports, most notably energy. Low oil prices have delayed further energy investments and driven fiscal consolidation efforts.
- The U.S. has embarked on a gradual normalization of its monetary policy, raising its policy interest rate as the economy improves. The Federal Reserve is currently discussing divesting assets purchased during quantitative easing.

Vital Statistics 2016		
Nominal GDP	USD bn	18569.10
Population	mil	323.3
GDP Per Capita	USD	57,436
Real GDP Growth	%	1.6
Inflation Rate	%	1.3
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	81.6
Dependency Ratio	%	50.9
Life Expectancy	Years	79.2
Median Age	Years	38.0
Insurance Statistics		
Insurance Regulator	Federal Insurance Office under the Department of the Treasury	
Premiums Written (Life)	USD mil	558,847
Premiums Written (Non-Life)	USD mil	793,538
Premiums Growth (2015 - 2016)	%	1.3
Regional Comparison		
	Country Risk Tier	
United States	CRT-1	
Canada	CRT-1	
France	CRT-1	
Germany	CRT-1	
Mexico	CRT-3	
United Kingdom	CRT-1	

Source: IMF, UN (2015 figures), Swiss Re, Axco and A.M. Best



Economic Growth (%)



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

Economic Risk: Low

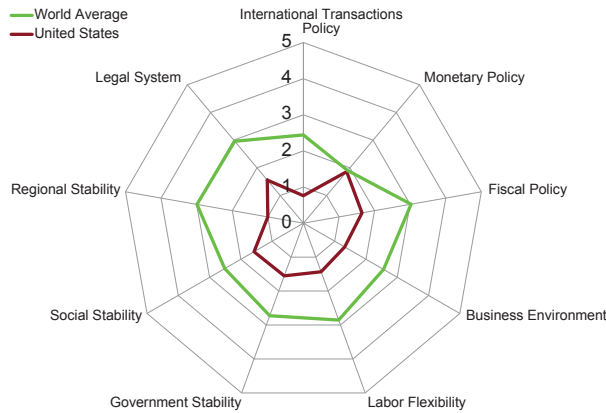
- The U.S. economy is the world's largest, is well diversified and is highly developed. Major industries include agriculture, automobiles, services and energy. Recent growth has been driven by strong domestic consumption which accounts for approximately 70% of the U.S.' economy.
- The U.S. withdrew from the Trans-Pacific Partnership in early 2017, indicating the country's shift towards more protectionist trade policies. President Trump also desires to renegotiate current trade agreements such as NAFTA.
- Risks to the U.S.' long term growth revolve around stagnating wages, rising healthcare costs, an aging population and high levels of public debt.

Political Risk: Very Low

- The 2016 legislative and presidential elections resulted in a Republican dominated House of Representatives and Senate, led by newly elected President Donald Trump. Control of both legislative bodies and of the executive branch should facilitate passage of the Republicans' agenda at least until the midterm elections. However, recent disagreements over health care reforms show the potential for legislative gridlock.
- The U.S' democratic political and legal system is stable. In recent years, hardened party divisions has resulted in policy paralysis.
- Cornerstones of the new government's policy proposed initiatives include an overhaul of the tax system and massive infrastructure investment spending. The American Society of Civil Engineers estimate that USD 2 trillion of spending over the next ten years is needed to update America's aging infrastructure. Thus far, proposed reforms of the tax system focus on reducing the number of tax brackets and reducing tax rates.
- Civil unrest and protests have increased. Protests are largely centered around social issues and include immigration, income inequality, equal rights and environmental concerns.

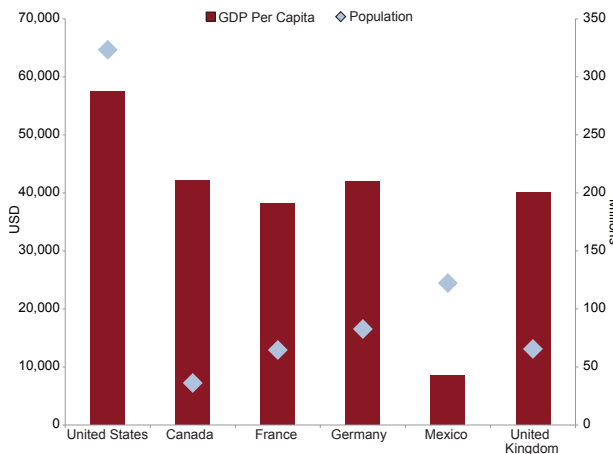
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Very Low

- Insurance regulation in the United States is handled on a state-by-state basis. However, recent legislative changes tasked the Federal Reserve with providing additional oversight on some of the largest U.S. based companies.
- The Federal Reserve raised interest rates in June by 25 basis points. As part of its monetary policy normalization process, in addition to increasing the federal funds rate, the Fed is also seeking to reduce the size of its USD 4.5 trillion balance sheet.
- The IMF noted several pockets of vulnerability in the financial system, partially in response to the prolonged low interest rate environment. While systemic risks have eased, credit risk and market liquidity still remain an issue. Additionally, spillover risk due to global inter connectivity bears watching.