

BEST'S COUNTRY RISK REPORT

United States CRT-1

August 22, 2018

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 is a CRT-1 country, with low levels of economic risk and very low levels of political and financial system risk.
- In 2017, the economy expanded 2.3% and is expected to grow at a higher rate in 2018. Forecasts project GDP growth to range between 1.5% and 2.5% over the medium term, driven by consumer spending, declining unemployment, and rising investment levels. However, uncertainty over trade policy and rising levels of public debt will be a constraint on economic growth.
- The map depicts the countries A.M. Best evaluates in North America.



Regional Summary: North America

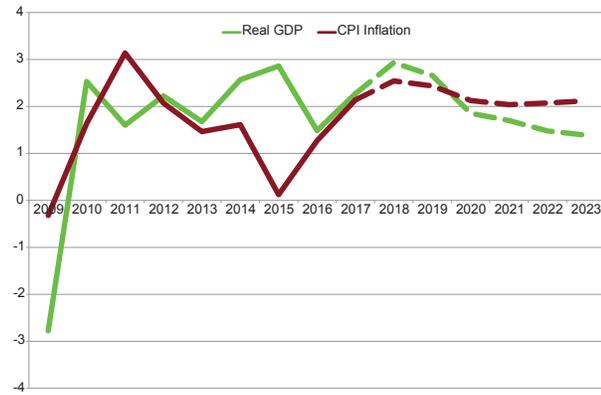
- North America is dominated by the US, which accounted for USD19.4 trillion of the almost USD22.2 trillion in economic activity for the US, Canada, and Mexico in 2017.
- Economic conditions in the US and Canada are largely favorable due to low unemployment, moderate but steady growth, and relatively low inflation. Although conditions in Mexico have been more volatile, they would still be considered largely positive.
- Risks in the region are growing due to rising fiscal deficits, the growing potential for a spike in inflation and the resulting need for a faster than expected monetary policy tightening, frothy asset markets, uncertainty surrounding trade policy, geopolitical tensions, political gridlock and upcoming elections, and growing consumer debt.
- The US Federal Reserve continues to normalize monetary policy, after first ending asset purchases in 2014, raising interest rates for the first time in 2015, and starting to shrink its USD4.5 trillion balance sheet in 2017. To date, the process has been relatively smooth, but unanticipated monetary policy has the potential to cause volatility.

Vital Statistics 2017		
Nominal GDP	USD bn	19390.60
Population	mil	325.9
GDP Per Capita	USD	59,501
Real GDP Growth	%	2.3
Inflation Rate	%	2.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	82.0
Dependency Ratio	%	51.2
Life Expectancy	Years	80.0
Median Age	Years	38.1
Insurance Statistics		
Insurance Regulator	Federal Insurance Office under the Department of the Treasury	
Premiums Written (Life)	USD mil	546,800
Premiums Written (Non-Life)	USD mil	830,315
Premiums Growth (2016 - 2017)	%	-0.1
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, Swiss Re, Axco and A.M. Best



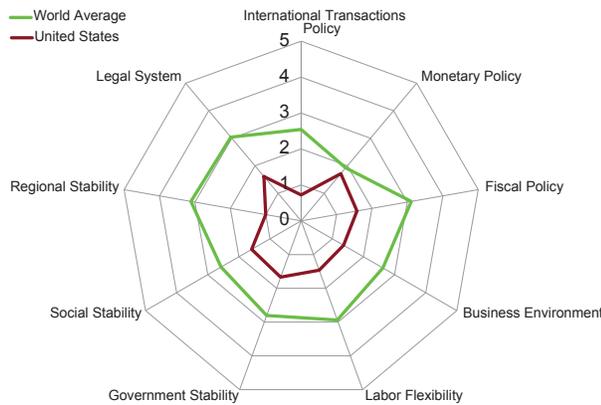
Economic Growth (%)



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

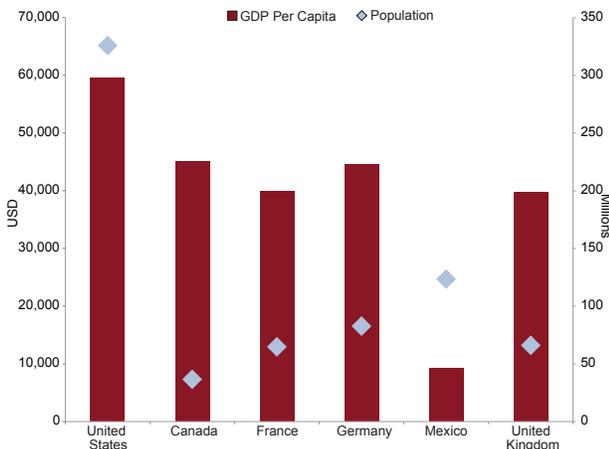
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- The US economy is large and well diversified, with numerous large industries. The agriculture sector, despite its small proportion of the national GDP, is one of the world's most important. The automotive industry and energy production are similarly significant.
- The economic outlook for the near term is positive, with accelerating growth expected and historically low levels of unemployment. The population is well-educated, and the labor market is highly flexible.
- Firm domestic consumption, strong exports, and rising private investment, along with other fiscal stimulus in place, are drivers for near term growth that is estimated to last through 2019.
- Recent trade tension with China, including a 25% tariff on USD36 billion of Chinese goods and retaliatory Chinese tariffs, brings uncertainties, although the impact on the US GDP will be minimal, according to IHS Markit.

Political Risk: Very Low

- The Republican Party holds firm control of the government, with majorities in both legislative houses and the presidency. However, due to divisions in the party, major legislation passage is likely to be difficult.
- 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.
- Violent crimes in the US are decreasing, but still pose higher risks than in other developed countries. Although military conflicts within the US borders are unlikely, armed engagements globally have escalated under the current administration.
- Domestically, demonstrations are relatively common. Demonstrations 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 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.
- President Trump signed the Tax Cuts and Jobs Act in December 2017, primarily cutting corporate taxes and, to a lesser extent, personal tax rates.
- The financial system is deep and well-developed. The Bipartisan Budget Act of 2018 extended the debt ceiling until March 2019, but is unlikely to affect debt payments. High public debt is a major constraint that needs to be addressed.