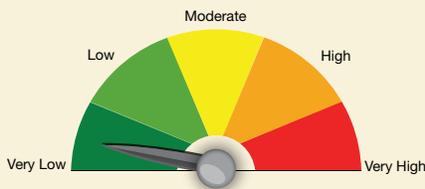


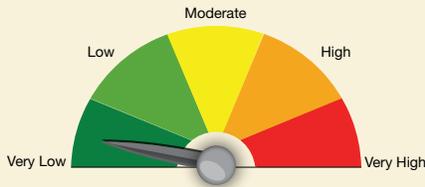
## Country Risk Tier

CRT-1

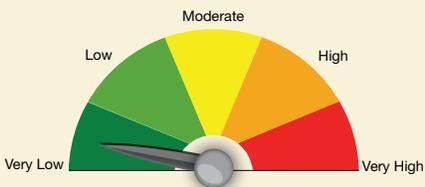
### Economic Risk



### Political Risk



### Financial System Risk



[For information on companies followed](#)

[Market Outlooks](#)

## Gibraltar

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political and Financial System Risk.

- Gibraltar, a self-governing British Overseas Territory, is a CRT-1 country with low levels of economic, political and financial system risk.

- A.M. Best considers the majority of countries rated below to be categorized as CRT-1 and CRT-2. Notable exceptions are many of the Eastern European countries such as Belarus, Romania and the Ukraine.



**CRT**   **1**   **2**   **3**   **4**   **5**

**Regional Summary: Western Europe**

- Western Europe is a highly developed and affluent region. The 28 countries of the European Union (EU) accounted for 25% of world GDP in 2014. The EU is facilitating a single European market with standardized regulatory systems and free movement of people, goods, services and capital. The 17 EU members of the euro-zone use the euro as their currency.

- Western Europe has been experiencing a prolonged period of slow economic growth, with the EU growing 1.4% in 2014. Growth is largely expected to remain muted at 1.8% and 1.9% in 2015 and 2016 respectively. On-going concerns over Greece’s economic and political future have increased the potential downside risks to growth and stability throughout the European Union.

- In March 2015 the European Central Bank (ECB) launched a program of Quantitative Easing, expected to last through September 2016. The program entails the purchase of 60 Billion EUR of assets monthly in an effort to boost growth, encourage lending and increase inflation.

**Economic Risk: Very Low**

- Gibraltar’s economy is small, with a GDP of just over 2.3 billion USD in 2014, and based on services such as tourism, financial services, internet gaming and shipping.

- As a member of the European Economic Area (EEA), goods and services can be freely traded within the EU. The official currency is the Gibraltar Pound which is issued alongside the British Pound sterling at par value.

- Gibraltar’s economy has continued to grow in recent years, driven by lower commodity prices, a business friendly environment and an open economy.

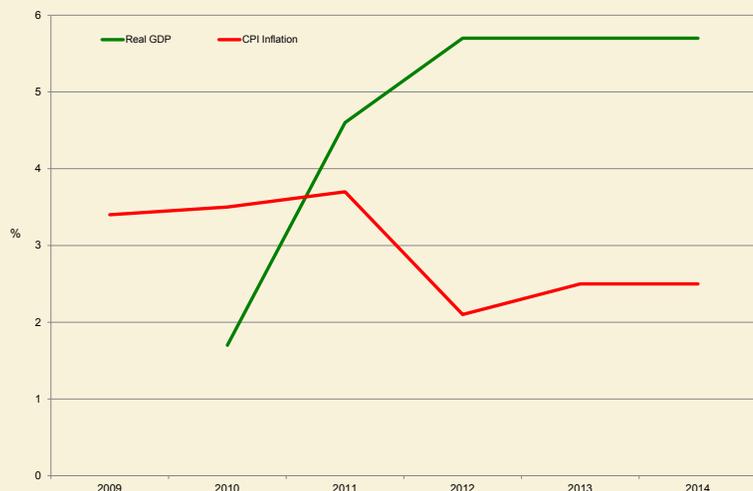
Vital Statistics 2014		
Nominal GDP (2013)	USD bn	2.30
Population	mil	0.03
GDP Per Capita (2013)	USD	70,716
Real GDP Growth (2013)	%	5.7
Inflation Rate (2013)	%	2.5
Premiums Written (Life - 2013)	USD mil	2
Premiums Written (Non-Life - 2013)	USD mil	39
Premiums Growth (2012 - 2013)	%	14.4

Regional Comparison	
	Country Risk Tier
Gibraltar	CRT-1
Bermuda	CRT-2
Guernsey	CRT-1
Ireland	CRT-2
Isle of Man	CRT-1
United Kingdom	CRT-1

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

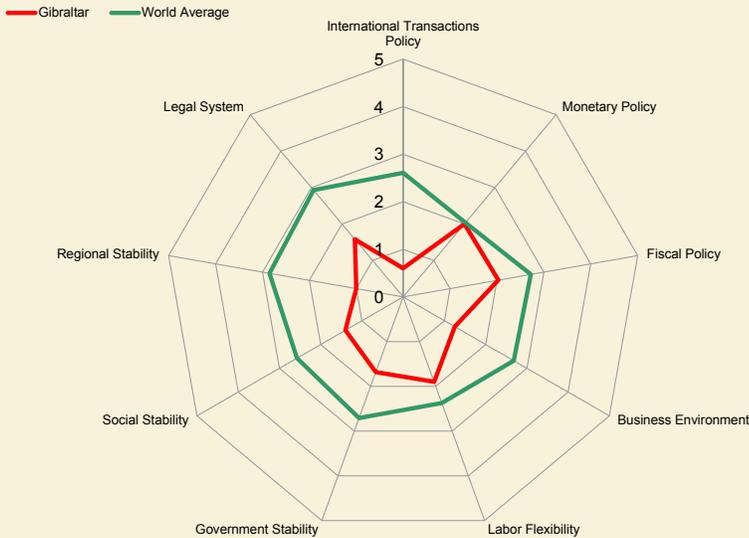
**Economic Growth**



Source: IMF World Economic Outlook, IHS Global Insight and A.M. Best

### Political Risk Summary

Score 1 (best) to 5 (worst)

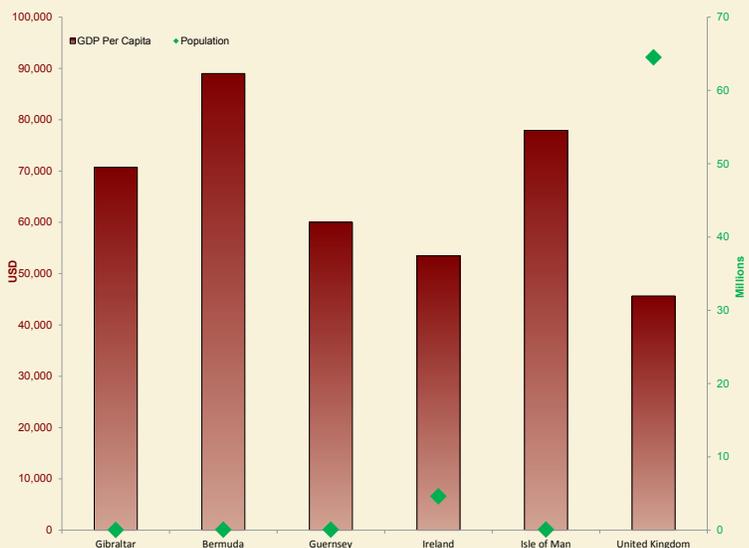


Source: A.M. Best

### Political Risk: Very Low

- Gibraltar is a self-governing British Overseas Territory with a population of over 32,000 people. The United Kingdom maintains responsibility for defense, foreign relations, internal security, and financial stability.
- Tensions between the United Kingdom and Spain over Gibraltar lasted for many years; however, all countries reached an agreement in 2006 and a new constitution went into effect in Gibraltar in 2007.
- Recently there has been some dispute over fishing and shipping territories, though maritime business around Gibraltar is largely uninterrupted.
- A 17 member elected Parliament, a Governor and a Speaker represent the small nation.

### GDP Per Capita and Population for Selected Countries



Source: IMF and A.M. Best

### Financial System Risk: Very Low

- The Financial Services Commission (FSC) regulates all financial services in Gibraltar, including insurance.
- Gibraltar is a financial center. The insurance industry has grown significantly from 13 licensed insurers in 2000 to 56 most recently with 3.8 billion GBP in premiums and over 9 billion GBP in held assets. Several British and international banks have operations based in Gibraltar.
- The financial and other corporate sectors benefit from no capital gains tax. In January 2011 the government imposed an across the board corporate tax rate of 10%.
- In January 2015 Gibraltar introduced a new legislative and regulatory framework for financial and professional services, aimed at rationalizing and streamlining the current system.

## GUIDE TO BEST'S COUNTRY RISK TIERS

A.M. Best defines country risk as the risk that country-specific factors could adversely affect the claims-paying ability of an insurer. Country risk is evaluated and factored into all Best's Credit Ratings. Countries are placed into one of five tiers, ranging from "CRT-1" (Country Risk Tier 1), denoting a stable environment with the least amount of risk, to "CRT-5" (Country Risk Tier 5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength and performance.

A.M. Best's Country Risk Tiers are not credit ratings and are not directly comparable to a sovereign debt rating, which evaluates the ability and willingness of a government to service its debt obligations.

### Country Risk Tiers

Country Risk Tier	Definition
CRT-1	Predictable and transparent legal environment, legal system and business infrastructure; sophisticated financial system regulation with deep capital markets; mature insurance industry framework.
CRT-2	Predictable and transparent legal environment, legal system and business infrastructure; sufficient financial system regulation; mature insurance industry framework.
CRT-3	Developing legal environment, legal system and business environment with developing capital markets; developing insurance regulatory structure.
CRT-4	Relatively unpredictable and nontransparent political, legal and business environment with underdeveloped capital markets; partially to fully inadequate regulatory structure.
CRT-5	Unpredictable and opaque political, legal and business environment with limited or nonexistent capital markets; low human development and social instability; nascent insurance industry.

### Country Risk Reports

A.M. Best Country Risk Reports are designed to provide a brief, high-level explanation of some of the key factors that determine a country's Country Risk Tier assignment. It is not intended to summarize A.M. Best's opinion on any particular insurance market or the prospects for that market.

### Categories of Risk

Country Risk Reports provide scores for three categories of risk for each country. These scores are (1) Very Low; (2) Low; (3) Moderate; (4) High and (5) Very High.

Category of Risk	Definition
Economic Risk	The likelihood that fundamental weaknesses in a country's economy will cause adverse developments for an insurer. A.M. Best's assessment of economic risk evaluates the state of the domestic economy, government finances and international transactions, as well as prospects for growth and stability.
Political Risk	The likelihood that government or bureaucratic inefficiencies, societal tensions, inadequate legal system or international tensions will cause adverse developments for an insurer. Political risk comprises the stability of the government and society, the effectiveness of international diplomatic relationships, the reliability and integrity of the legal system and of the business infrastructure, the efficiency of the government bureaucracy, and the appropriateness and effectiveness of the government's economic policies.
Financial System Risk	Financial system risk (which includes both insurance and non-insurance financial system risk) is the risk that financial volatility may erupt due to inadequate reporting standards, weak banking system or asset markets, and/or poor regulatory structure. In addition, it includes an evaluation of whether the insurance industry's level of development and public awareness, transparent and effective regulation and reporting standards, and sophisticated regulatory body will contribute to a volatile financial system and compromise the ability of an insurer to pay claims.

### Political Risk Summary

To provide additional detail on the political risk in a given domicile the Country Risk Reports include the Political Risk Summary. The Political Risk Summary is a radar chart that displays scores for nine different aspects of political risk scored on a scale of one to five with one being the least amount of risk and five being the highest amount of risk.

Category	Definition
International Transactions Policy	Measures the effectiveness of the exchange rate regime and currency management.
Monetary Policy	Measures the ability of a country to effectively implement monetary policy.
Fiscal Policy	Measures the ability of a country to effectively implement fiscal policy.
Business Environment	Measures the overall quality of the business environment and ease of doing business.
Labor Flexibility	Measures the flexibility of the labor market, including the company's ability to hire and fire employees.
Government Stability	Measures the degree of stability in a government.
Social Stability	Measures the degree of social stability, including human development and political rights.
Regional Stability	Measures the degree of stability in the region.
Legal System	Measures the transparency and level of corruption in the legal system.

### Country Risk Tier Disclosure

A Country Risk Tier (CRT) is not a credit rating, rather it represents a component of A.M. Best's Credit Rating Methodology that is applied to all insurers. A CRT is not a recommendation to purchase, hold or terminate any security, insurance policy, contract or any other financial obligation issued by a government, an insurer or other rated issuer, nor does it address the suitability of any particular policy, contract or other financial obligation for a specific purpose or purchaser.

