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Armour Secure Insurance S.A. de C.V.

Best's Credit Rating Effective Date

April 12, 2024

Best's Country Risk Reports Utilized

Mexico - CRT - 3

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Information

Best's Credit Rating Methodology
Guide to Best's Credit Ratings
Market Segment Outlooks

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: .

AMB #: 091459 | **AIIN #:** AA-2730047

Ultimate Parent: AMB # 052975 - Trebuchet Group Holdings Limited

Best's Credit Ratings

Financial Strength Rating (FSR)

B+
Good
Outlook: Stable
Action: Upgraded

Issuer Credit Rating (ICR)

bbb-
Good
Outlook: Stable
Action: Upgraded

Assessment Descriptors

Balance Sheet Strength	Strong
Operating Performance	Strong
Business Profile	Limited
Enterprise Risk Management	Marginal

Rating Rationale

Balance Sheet Strength: **Strong**

- Strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), driven by positive bottom-line results.
- Capital volume of USD 5 million. Annual dividend payments, with pay-out ratio between 20% and 25%.
- Very conservative investment strategy, allocated in Mexican fixed-income instruments.

Operating Performance: **Strong**

- Significant premium growth during 2023, driven by industrial activity in the north of the country.
- Improved combined ratio as a result of efficiencies in expenses and strong underwriting practices, translated into positive bottom-line results.
- Investment income has been impacted by foreign exchange results; however, losses are completely offset by technical profitability.

Business Profile: **Limited**

- Provides title insurance services on real estate and industrial properties in Mexico.
- Holds a market share of over 75%. Only one competitor in the local market.
- Title insurance market in Mexico is very small.

Enterprise Risk Management: **Marginal**

- Solvency II implementation has strengthened the company's risk management practices.
- Sound reinsurance program placed with Lloyd's.
- Deficiencies in communication and governance at Armour's holding company level.

Rating Lift/Drag

- Changes in organizational structure have eliminated financial leverage at the holding company level.
- Stabilization in capital and corporate structure is key to the ratings moving forward.

Outlook

- The stable outlooks reflect Armour's capability to maintain its balance sheet strength through profitable results.

Rating Drivers

- Negative rating actions could take place if the risk-adjusted capitalization of the company weakened due to significant cash withdrawals or excessive premium growth, or if operating performance deteriorated to a point no longer supportive of its current assessment.
- Positive rating actions could take place if, in AM Best's view, Armour and its holding company keep improving communication, demonstrating transparency and efficiency in information and processes.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	71.0	56.0	51.0	49.0

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)
Net Premiums Written:					
Non-Life	73,361	60,786	49,143	90,394	58,207
Composite	73,361	60,786	49,143	90,394	58,207
Net Income	7,668	6,511	4,536	13,390	2,700
Total Assets	128,018	118,930	115,867	117,049	104,047
Total Capital and Surplus	74,008	74,673	68,162	63,626	58,236

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account	10,838	3,977	5,568	21,658	3,187	...
Net Income Return on Revenue (%)	10.5	10.8	8.7	20.2	4.5	11.2
Net Income Return on Capital and Surplus (%)	10.3	9.1	6.9	22.0	4.3	10.4
Non-Life Combined Ratio (%)	84.8	93.3	89.2	66.3	94.5	85.2
Net Investment Yield (%)	1.3	0.7	0.7	2.1	1.4	1.2
Leverage:						
Net Premiums Written to Capital and Surplus (%)	99.1	81.4	72.1	142.1	100.0	...
Net Income Return on Revenue (%)	11.2	13.0	15.4	16.1	13.7	...
Net Income Return on Capital and Surplus (%)	10.4	11.7	16.9	24.1	28.4	...
5yr NI Comb Ratio	85.2	82.9	80.4	81.0	86.7	...
Net Investment Yield (%)	1.2	1.1	1.2	1.4	1.1	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Balance sheet strength assessment of Armour Secure is strong. The company has widened its capital base through the reinvestment of earnings. Armour follows a very conservative investment strategy, and its reserves are constituted adequately to fulfill policyholder and company's obligations.

Capitalization

Armour Secure adjusted capitalization remained at the strongest level in 2022 and 2023. Supported by reinvestment of earnings after record breaking years, adjusted policyholder surplus has been strengthened over the years. The company shows consistent capital and surplus growth during the past five years, mainly driven by consistent positive bottom line results.

Capital Generation Analysis	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)
Beginning Capital and Surplus	74,673	68,162	63,626	58,236	67,536
Net Income	7,668	6,511	4,536	13,390	2,700
Stockholder Dividends	-8,333	...	...	-8,000	-12,000
Net Change in Capital and Surplus	-665	6,511	4,536	5,390	-9,300
Ending Capital and Surplus	74,008	74,673	68,162	63,626	58,236
Net Change in Capital and Surplus (%)	-0.9	9.6	7.1	9.3	-13.8

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2022	2021	2020	2019	2018
Liquid Assets to Total Liabilities	212.7	237.5	219.6	169.2	208.6
Total Investments to Total Liabilities	212.7	237.5	219.6	169.2	208.6

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Asset Liability Management - Investments

Armour follows a very conservative investment strategy in which all securities' investments are allocated to fixed income government and government backed obligations.

Composition of Cash and Invested Assets	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)
Total Cash and Invested Assets	114,859	105,115	104,751	90,373	95,544
Cash (%)	28.8	21.7	23.9	16.7	21.4
Bonds (%)	71.3	78.3	76.1	83.3	78.6
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Balance sheet strength is susceptible to underwriting and reserve risk. Reserves are constituted adequately to fulfill policyholder and company's obligations as required by CNSF guidelines and certified by the actuarial reports.

Operating Performance

Armour's operating performance assessment is considered strong, due to its consistent profitable business over the past five years; positive bottom line results have been achieved through technical results, which has been sufficient to offset negative valuations in investments, driven by the appreciation of the Mexican peso, since the company has a long position in US dollars. The company posted an MXN20 million profit in 2023, and was able to achieve over 70% premium growth. Armour has historically maintained good levels of premium sufficiency, well under the 100% threshold. Return on premium remained at high levels, reflecting the company's consistent positive bottom line results.

Financial Performance Summary	2022 MXN (000)	2021 MXN (000)	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)
Pre-Tax Income	8,467	5,188	5,502	19,754	3,952
Net Income after Non-Controlling Interests	7,668	6,511	4,536	13,390	2,700

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	6.2	5.5	3.9	12.1	2.5
Return on Capital and Surplus	10.3	9.1	6.9	22.0	4.3
Non-Life Performance:					
Loss and LAE Ratio	2.9	2.4	-15.2	-40.8	3.1
Expense Ratio	81.9	90.9	104.4	107.1	91.4
Non-Life Combined Ratio	84.8	93.3	89.2	66.3	94.5

Source: BestLink® - Best's Financial Suite

Business Profile

Armour Secure Insurance, S.A. de C.V. (Armour) is a Mexican company providing title insurance on real estate properties in Mexico, backed up by Lloyd's of London reinsurance syndicates.

The company initiated operations as Fidelity National Title de Mexico, S.A. de C.V in 2007 and has introduced an essential part of a Real Estate transaction known as the escrow. Fidelity operates separately from Armour.

Business Profile (Continued...)

Armour's senior team has a solid background in management of insurance companies as well as structured and reinsurance deals. Armour has an excellent reputation, both through the transactional process, and in the ongoing management of assumed portfolios and managing insurance operations. Armour is still market the leader of the Title Insurance sector, with over 70% market share as of December 2023.

The very small size of the Tile Insurance market in Mexico (niche market), coupled with the hardened conditions of the real estate market due to the general slowdown of the economy are limiting Armour's business profile.

Enterprise Risk Management

Armour has followed the regulator's guidelines for the adequate management of financial risks.

Armour's risk committee meets on a monthly basis in order to assess risk exposure, report risk metrics every three months to the executive board, and inform all business units regarding risk management status. Most business areas within the company are responsible for identifying potential risks that might affect the current financial situation of the company.

Solvency II two implementation has strengthened the company's risk management practices.

Reinsurance Summary

The company holds a facultative reinsurance program with highly rated Lloyd's of London.

Armour and Lloyd's business relationship is unique in the Mexican title insurance market, thus leveraging the company's position among its main competitors.

Environmental, Social & Governance

The company does not take them into account for its operation.

Rating Lift/Drag

The two notches of drag were derived from the high financial leverage on holding company, presented until December 2020, before the Bedivere companies were deconsolidated from the group. The elimination of the financial leverage at the holding company level, following the changes in the organizational structure of the group, as well as a visible stabilization in its structure and capital management are the factors relieving the drag.

Financial Statements

	12/31/2022		12/31/2022
	MXN (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	33,022	25.8	1,694
Bonds	81,837	63.9	4,199
Total Cash and Invested Assets	114,859	89.7	5,893
Debtors / Amounts Receivable	6,618	5.2	340
Other Assets	6,541	5.1	336
Total Assets	128,018	100.0	6,569
Unearned Premiums	39,558	30.9	2,030
Total Gross Technical Reserves	39,558	30.9	2,030
Other Liabilities	14,452	11.3	742
Total Liabilities	54,010	42.2	2,771
Capital Stock	38,245	29.9	1,962
Retained Earnings	35,763	27.9	1,835
Total Capital and Surplus	74,008	57.8	3,797
Total Liabilities and Surplus	128,018	100.0	6,569

Source: BestLink® - Best's Financial Suite

				12/31/2022	12/31/2022
	Non-Life MXN (000)	Life MXN (000)	Other MXN (000)	Total MXN (000)	Total USD (000)
Income Statement					
Gross Premiums Written	87,646	...	...	87,646	4,497
Net Premiums Earned	71,264	...	...	71,264	3,657
Net Investment Income	...	...	1,444	1,444	74
Total Revenue	71,264	...	1,444	72,708	3,731
Benefits And Claims	2,088	...	...	2,088	107
Net Operating And Other Expenses	58,338	...	3,815	62,153	3,189
Total Benefits, Claims And Expenses	60,426	...	3,815	64,241	3,296
Pre-Tax Income	10,838	...	-2,371	8,467	434
Income Taxes Incurred	...	...	...	799	41
Net Income before Non-Controlling Interests	...	...	...	7,668	393
Net Income/(loss)	...	...	...	7,668	393
Gross premiums written - non life	...	...	...	87,646	4,497
Earned Premiums	...	...	...	71,264	3,657
Tot Underwriting Income	...	...	...	71,264	3,657
Net Claims Incurred	...	...	...	2,088	107

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

Best's National Scale Ratings, 06/15/2023

Best's Credit Rating Methodology, 01/18/2024

Available Capital and Insurance Holding Company Analysis, 01/18/2024

Evaluating Country Risk, 05/04/2023

Rating Title Insurance Companies, 08/31/2023

Scoring and Assessing Innovation, 02/27/2023

Understanding Global BCAR, 03/07/2024

Additional Rating Types

National Scale Rating for Armour Secure Ins S.A. de C.V. (AMB#091459) is aa-.MX

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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