

Best's Credit Rating Effective Date

February 04, 2022

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](#)

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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: [Best's Financial Report](#).

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

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

Ultimate Parent: AMB # 052975 - Trebuchet Group Holdings Limited

Best's Credit Ratings

Financial Strength Rating (FSR)

B
Fair
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

bb
Fair
Outlook: Positive
Action: Affirmed

Assessment Descriptors

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

Rating Rationale

Balance Sheet Strength: **Strong**

- Upward trend in capital and surplus growth mainly driven by positive bottom-line results.
- Capital volume of USD 3.5 million.
- Very conservative investment strategy, allocated in Mexican fixed-income instruments.

Operating Performance: **Strong**

- Growth target was achieved for the year; moderate growth has been forecast for the coming years.
- Positive bottom-line results tied to strong underwriting practices.
- Profitability is fully supported by premium sufficiency, further strengthened by investment income.

Business Profile: **Limited**

- Provides title insurance services on real estate properties in Mexico.
- Only one competitor in the local market.
- Title insurance market in Mexico is very small.

Enterprise Risk Management: **Marginal**

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

Rating Lift/Drag

- Changes in organizational structure have decreased the relevance of financial leverage.
- Stabilization in capital and corporate structure is still an ongoing area of revision for AM Best.

Outlook

- The positive outlook on the Long-Term ICR reflects the potential positive impact of the correct management of financial leverage and capital management at the holding company level, which was derived from changes in the organizational structure of the group that occurred within the last year. The outlook on the FSR remains stable.

Rating Drivers

- Positive rating actions could take place if, in AM Best's view, Armour's holding company correctly manages its financial leverage as well as the current and potential changes in its structure and capital management.
- Negative rating actions could take place if operating performance were to deteriorate to the point of affecting the risk-adjusted capitalization of the company.

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	81.0	72.0	69.0	68.0

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)
Net Premiums Written:					
Non-Life	49,143	90,394	58,207	52,943	46,290
Composite	49,143	90,394	58,207	52,943	46,290
Net Income	4,536	13,390	2,700	10,795	11,204
Total Assets	115,867	117,049	104,047	111,165	110,657
Total Capital and Surplus	68,162	63,626	58,236	67,536	56,124

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account	5,568	21,658	3,187	14,358	8,455	...
Net Income Return on Revenue (%)	8.7	20.2	4.5	20.5	24.4	15.4
Net Income Return on Capital and Surplus (%)	6.9	22.0	4.3	17.5	22.2	14.1
Non-Life Combined Ratio (%)	89.2	66.3	94.5	72.4	81.6	80.4
Net Investment Yield (%)	0.7	2.1	1.4	0.6	0.2	1.0
Leverage:						
Net Premiums Written to Capital and Surplus (%)	72.1	142.1	100.0	78.4	82.5	...

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 2020. Supported by reinvestment of earnings, adjusted policyholder surplus has been continuously 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	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)
Beginning Capital and Surplus	63,626	58,236	67,536	56,124	44,920
Net Income	4,536	13,390	2,700	10,795	11,204
Change in Equalisation and Other Reserves	...	...	...	617	...
Stockholder Dividends	...	-8,000	-12,000	...	...
Net Change in Capital and Surplus	4,536	5,390	-9,300	11,412	11,204
Ending Capital and Surplus	68,162	63,626	58,236	67,536	56,124
Net Change in Capital and Surplus (%)	7.1	9.3	-13.8	20.3	24.9

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2020	2019	2018	2017	2016
Liquid Assets to Total Liabilities	219.6	169.2	208.6	241.4	200.8
Total Investments to Total Liabilities	219.6	169.2	208.6	241.4	200.8

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	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)
Total Cash and Invested Assets	104,751	90,373	95,544	105,317	109,517
Cash (%)	23.9	16.7	21.4	30.8	32.6
Bonds (%)	76.1	83.3	78.6	69.2	67.4
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 is strong, due to its consistent profitable business over the past five years; positive bottom line results have been achieved through technical results and further strengthen by investment income. The company posted an MXN4.5 million profit in 2020, despite the challenges the company faced as offices and notaries closed (key for business) due to quarantine measures. during 2021 the company was able to achieve over 15% 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	2020 MXN (000)	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)
Pre-Tax Income	5,502	19,754	3,952	13,610	14,936
Net Income after Non-Controlling Interests	4,536	13,390	2,700	10,795	11,204

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2020	2019	2018	2017	2016
Overall Performance:					
Return on Assets	3.9	12.1	2.5	9.7	10.4
Return on Capital and Surplus	6.9	22.0	4.3	17.5	22.2
Non-Life Performance:					
Loss and LAE Ratio	-15.2	-40.8	3.1	-19.4	-18.8
Expense Ratio	104.4	107.1	91.4	91.9	100.3
Non-Life Combined Ratio	89.2	66.3	94.5	72.4	81.6

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 60% market share as of June 2021.

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 organizational drag on the ratings prior to 2021 was due to the high financial leverage at the holding company. The proper managemnet of the financial leverage at the holding company level, which was a consequence of the changes in the organizational structure of the group that occurred within the last year, as well as a visible stabilization in its structure and capital management could relieve the drag for year 2022.



Financial Statements

	12/31/2020		12/31/2020
	MXN (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	25,041	21.6	1,259
Bonds	79,710	68.8	4,009
Total Cash and Invested Assets	104,751	90.4	5,268
Debtors / Amounts Receivable	8,521	7.4	429
Other Assets	2,595	2.2	131
Total Assets	115,867	100.0	5,827
Unearned Premiums	34,204	29.5	1,720
Total Gross Technical Reserves	34,204	29.5	1,720
Other Liabilities	13,501	11.7	679
Total Liabilities	47,705	41.2	2,399
Capital Stock	38,245	33.0	1,923
Retained Earnings	29,917	25.8	1,505
Total Capital and Surplus	68,162	58.8	3,428
Total Liabilities and Surplus	115,867	100.0	5,827

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit .05029 = 1 Mexican Peso (MXN)

	12/31/2020			12/31/2020	
	Non-Life MXN (000)	Life MXN (000)	Other MXN (000)	Total MXN (000)	Total USD (000)
Income Statement					
Gross Premiums Written	59,738	...	...	59,738	3,004
Net Premiums Earned	51,549	...	...	51,549	2,592
Net Investment Income	...	...	653	653	33
Total Revenue	51,549	...	653	52,202	2,625
Benefits and Claims	-7,850	...	...	-7,850	-395
Net Operating and Other Expense	53,831	...	719	54,550	2,743
Total Benefits, Claims and Expenses	45,981	...	719	46,700	2,349
Pre-Tax Income	5,568	...	-66	5,502	277
Income Taxes Incurred	...	...	...	966	49
Net Income before Non-Controlling Interests	...	...	...	4,536	228
Net Income/(loss)	...	...	...	4,536	228

Source: BestLink® - Best's Financial Suite
 US \$ per Local Currency Unit .05029 = 1 Mexican Peso (MXN)

Related Methodology and Criteria

[A.M. Best's Ratings On a National Scale, 10/13/2017](#)

[Best's Credit Rating Methodology, 11/13/2020](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Evaluating Country Risk, 10/13/2017](#)

[Rating Title Insurance Companies, 09/16/2021](#)

[Scoring and Assessing Innovation, 03/05/2020](#)

[Understanding Global BCAR, 07/22/2021](#)

Additional Rating Types

National Scale Rating for [Armour Secure Ins S.A. de C.V. \(AMB#091459\)](#) is a.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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