



**Best's Credit Rating Effective Date**

June 05, 2020

**Best's Country Risk Reports Utilized**

[Mexico - CRT - 3](#)

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**Information**

- [Best's Credit Rating Methodology](#)
- [Understanding 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: [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>B u</b> <b>Fair</b>
Implication: <b>Developing</b> Action: <b>Under Review</b>

**Issuer Credit Rating (ICR)**

<b>bb u</b> <b>Fair</b>
Implication: <b>Developing</b> Action: <b>Under Review</b>

u Denotes Under Review Best's Credit Rating

**Assessment Descriptors**

Balance Sheet Strength	<b>Weak</b>
Operating Performance	<b>Strong</b>
Business Profile	<b>Neutral</b>
Enterprise Risk Management	<b>Appropriate</b>



## Under Review Rationale

The ratings of Armour Secure Insurance S.A. de C.V. (Armour Secure) continue to be under review with developing implications following an announcement that Axa XL has recently acquired Secure Legal Title Limited and has signed an agreement to acquire its affiliate, Armour Secure. In past years, the previous holding company, Trebuchet Holding Group, had a very negative impact on Armour Secure, for its financial leverage ratio is very high. With this acquisition, the holding company assessment is expected to improve. The ratings will remain under review as AM Best continues its evaluation of the transaction as new information becomes available in order to assess whether the ratings are reflective of this change in ownership.

## Rating Rationale

### Balance Sheet Strength: **Weak**

- Axa XL has agreed to acquire Armour Secure. After the transaction is completed, pressure on Armour Secure's balance sheet strength, exerted by the current highly leveraged holding company should be relieved. Until the acquisition is completed successfully, combined balance sheet strength remains weak.
- Upward trend in capital and surplus growth mainly driven by positive bottom-line results.
- Risk-adjusted capitalization has remained consistently strong over the years.

### Operating Performance: **Strong**

- Potential operating synergies with Axa XL.
- Positive bottom-line results tied to strong underwriting practices.
- Moderate volatility in key metrics.
- Low investment yield due to a conservative investment portfolio.

### Business Profile: **Neutral**

- Provides title insurance and escrow services on real estate properties in Mexico.
- Experienced management team.
- Only one competitor in the local market.
- Armour will take advantage of the strategic synergies with Axa XL

### Enterprise Risk Management: **Appropriate**

- Most business areas within the company are responsible for identifying potential risks that might affect the current financial situation of the company.
- Solvency II implementation has strengthened the company's risk management practices.
- Conservative investment strategy consisting mainly of fixed income securities.

### Rating Drivers

- Positive rating actions could take place if the influence of the holding company improves as a result of the successful implementation of the acquisition.
- Negative rating actions could take place if operating performance deteriorates 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	62.0	42.0	34.0	32.0

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)	2015 MXN (000)
Net Premiums Written:					
Non-Life	90,394	58,207	52,943	46,290	51,705
Composite	90,394	58,207	52,943	46,290	51,705
Net Income	13,390	2,700	10,795	11,204	6,605
Total Assets	117,049	104,047	111,165	110,657	103,962
Total Capital and Surplus	63,626	58,236	67,536	56,124	44,920

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2019	2018	2017	2016	2015	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account (MXN 000)	21,658	3,187	14,358	8,455	4,501	...
Net Income Return on Revenue (%)	20.2	4.5	20.5	24.4	12.4	16.1
Net Income Return on Capital and Surplus (%)	22.0	4.3	17.5	22.2	15.9	16.1
Non-Life Combined Ratio (%)	66.3	94.5	72.4	81.6	91.6	81.0
Net Investment Yield (%)	2.1	1.4	0.6	0.2	-0.1	0.8
Leverage:						
Net Premiums Written to Capital and Surplus (%)	142.1	100.0	78.4	82.5	115.1	...

Source: BestLink® - Best's Financial Suite

**Credit Analysis****Balance Sheet Strength**

Armour Secure adjusted capitalization remained at the strongest level in 2019. Supported by reinvestment of earnings, adjusted policyholder surplus increased despite dividend payments. The company shows consistent capital and surplus growth during the past five years, mainly driven by consistent positive bottom line results. A COVID-19 Stress test was applied to Armour's BCAR without showing significant impact to its risk adjusted capitalization levels.

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.

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

**Capitalization**

Capital Generation Analysis	2019 MXN (000)	2018 MXN (000)	2017 MXN (000)	2016 MXN (000)	2015 MXN (000)
Beginning Capital and Surplus	58,236	67,536	56,124	44,920	38,315
Net Income	13,390	2,700	10,795	11,204	6,605
Change in Equalisation and Other Reserves	...	...	617	...	...
Stockholder Dividends	-8,000	-12,000	...	...	...
Net Change in Capital and Surplus	5,390	-9,300	11,412	11,204	6,605
Ending Capital and Surplus	63,626	58,236	67,536	56,124	44,920
Net Change in Capital and Surplus (%)	9.3	-13.8	20.3	24.9	17.2

Source: BestLink® - Best's Financial Suite

**Balance Sheet Strength (Continued...)**

<b>Liquidity Analysis (%)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Liquid Assets to Total Liabilities	169.2	208.6	241.4	200.8	168.5
Total Investments to Total Liabilities	169.2	208.6	241.4	200.8	168.5

Source: BestLink® - Best's Financial Suite

**Asset Liability Management - Investments**

<b>Composition of Cash and Invested Assets</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Cash and Invested Assets (MXN 000)	90,373	95,544	105,317	109,517	99,510
Cash (%)	16.7	21.4	30.8	32.6	36.1
Bonds (%)	83.3	78.6	69.2	67.4	63.9
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

**Holding Company Assessment**

Armour's holding company, Trebuchet Group Holdings Limited (TGH), is domiciled in Bermuda and presents a negative influence on Armour due to its very high debt leverage and its very weak risk adjusted capitalization according to its 2018 BCAR score. In turn, capital and surplus are also very weak, given that the company sustains a highly leveraged operation as shown by its debt to equity ratio.

The under review status with developing implication recognizes the potential implications of the successful acquisition of Armour by AXA XL, as it would be released from the negative influence of the current holding company.

**Financial Leverage Summary - Holding Company**

Financial Leverage Ratio (%)	67.90
Adjusted Financial Leverage Ratio (%)	65.10

**Operating Performance**

Armour's operating performance remains strong, due to its profitable business over the past five years. The company posted an MXN13.3 million profit in 2019, and surpassed its projected growth for the year, while maintaining 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. Profitability metrics, such as ROA and ROE improved significantly in 2019 because of better bottom line results.

<b>Financial Performance Summary</b>	<b>2019 MXN (000)</b>	<b>2018 MXN (000)</b>	<b>2017 MXN (000)</b>	<b>2016 MXN (000)</b>	<b>2015 MXN (000)</b>
Pre-Tax Income	19,754	3,952	13,610	14,936	8,825
Net Income after Non-Controlling Interests	13,390	2,700	10,795	11,204	6,605

Source: BestLink® - Best's Financial Suite



## Operating Performance (Continued...)

Operating and Performance Ratios (%)	2019	2018	2017	2016	2015
Overall Performance:					
Return on Assets	12.1	2.5	9.7	10.4	6.7
Return on Capital and Surplus	22.0	4.3	17.5	22.2	15.9
Non-Life Performance:					
Loss and LAE Ratio	-40.8	3.1	-19.4	-18.8	14.3
Expense Ratio	107.1	91.4	91.9	100.3	77.2
Non-Life Combined Ratio	66.3	94.5	72.4	81.6	91.6

Source: BestLink® - Best's Financial Suite

## Business Profile

Armour Secure Insurance, S.A. de C.V. (Armour) is a Mexican company providing title insurance and escrow services 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.

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 65% market share as of December 2019.

The under review status recognizes the company's expectations to increase its risk capacity and take advantage of the operating synergies provided by AXA XL once the acquisition takes place. AM Best will review its business plan to assess the impact that the AXA XL acquisition will have on 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.



## Financial Statements

	12/31/2019		12/31/2019
	MXN (000)	%	USD (000)
<b>Balance Sheet</b>			
Cash and Short Term Investments	15,129	12.9	802
Bonds	75,244	64.3	3,991
<b>Total Cash and Invested Assets</b>	90,373	77.2	4,793
Reinsurers' Share of Reserves	9,457	8.1	502
Debtors / Amounts Receivable	8,833	7.5	469
Other Assets	8,386	7.2	445
<b>Total Assets</b>	117,049	100.0	6,208
Unearned Premiums	37,116	31.7	1,969
Total Gross Technical Reserves	37,116	31.7	1,969
Other Liabilities	16,307	13.9	865
<b>Total Liabilities</b>	53,423	45.6	2,834
Capital Stock	38,245	32.7	2,029
Retained Earnings	11,991	10.2	636
Other Capital and Surplus	13,390	11.4	710
<b>Total Capital and Surplus</b>	63,626	54.4	3,375
<b>Total Liabilities and Surplus</b>	117,049	100.0	6,208

Source: BestLink® - Best's Financial Suite  
US \$ per Local Currency Unit .05304 = 1 Mexican Peso (MXN)

	Non-Life MXN (000)	Life MXN (000)	Other MXN (000)	12/31/2019	12/31/2019
				Total MXN (000)	Total USD (000)
<b>Income Statement</b>					
Gross Premiums Written	113,297	...	...	113,297	6,009
Net Premiums Earned	64,243	...	...	64,243	3,407
Net Investment Income	...	...	1,995	1,995	106
Total Revenue	64,243	...	1,995	66,238	3,513
Benefits and Claims	-26,200	...	...	-26,200	-1,390
Net Operating and Other Expense	68,785	...	3,899	72,684	3,855
Total Benefits, Claims and Expenses	42,585	...	3,899	46,484	2,466
<b>Pre-Tax Income</b>	21,658	...	-1,904	19,754	1,048
Income Taxes Incurred	...	...	...	6,364	338
<b>Net Income before Non-Controlling Interests</b>	...	...	...	13,390	710
<b>Net Income/(loss)</b>	...	...	...	13,390	710

Source: BestLink® - Best's Financial Suite  
US \$ per Local Currency Unit .05304 = 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, 03/05/2020](#)

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

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

[Rating Title Insurance Companies, 08/01/2019](#)

[Understanding Universal BCAR, 06/11/2020](#)



## Additional Rating Types

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

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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