

BEST'S CREDIT REPORT

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

Bosque de Radiatas Num. 50, Pis 4, Colonia Bosque de las Lomas, Delegación Cuajimalpa de Juarez, Ciudad de Mexico D.F. 05120, Mexico

AMB #: 091459

NAIC #: N/A

AIIN#: AA-2730047

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Website: www.armoursecure.com/

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

Credit Report

Report Release Date:

December 18, 2017

Group Members Rating Effective Date:

October 27, 2017

Disclosure Information: View A.M. Best's [Rating Disclosure Form](#)

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Ultimate Parent: [052975 - Armour Group Holdings Limited](#)**A.M. Best Rating Unit:** 091459 - Armour Secure Insurance S.A. de C.V.

Best's Credit Ratings:

Rating Effective Date: October 27, 2017

Best's National Scale Rating:	a.MX	Outlook:	Stable		
Best's Financial Strength Rating:	B	Outlook:	Stable	Action:	Affirmed
Best's Issuer Credit Rating:	bb	Outlook:	Stable	Action:	Affirmed

Last Five Rating Events:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
10/27/2017	B	Stable	Affirmed	bb	Stable	Affirmed
07/29/2016	B	Stable	First	bb	Stable	Assigned

Rating Rationale:

Balance Sheet Strength: Weak

- Balance Sheet Strength is affected by the Holding Company's high level of financial leverage, inadequate risk-adjusted capitalization, and decreasing capital base.
- Upward trend in capital and surplus growth mainly driven by positive bottom line results.

Operating Performance: Strong

- Consistently positive bottom line results tied to strong underwriting practices.
- Moderate volatility in key metrics.

Business Profile: Neutral

- Provides title insurance and escrow services on real estate properties in Mexico.
- Experienced management team.
- Low competition in the local market.

Enterprise Risk Management: Appropriate

- Most business areas within the company are responsible of 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.

Outlook

Stable outlook is contemplated for this company due to its consistent results, and moderate volatility.

Rating Drivers

Key rating drivers that could lead to positive rating actions for Armour include a considerable reduction in the financial leverage and improvements in the capitalization of its holding company.

Key factors that could lead to negative rating actions include a sustained deterioration in operating performance resulting from adverse real estate market conditions or a significant decline in its risk-adjusted capitalization to levels no longer supportive of the current ratings.

Financial Data Notes:

Time Period: Annual - 2016

Status: A.M. Best Quality Cross Checked

Data as of: 12/13/2017

Key Financial Indicators:

Key Financial Indicators (000)

	Year End				
	2016	2015	2014	2013	2012
Premiums					
Direct Premiums Written - combined	56,215	61,993	58,352	50,157	38,404
Direct premiums written - non life	56,215	61,993	58,352	50,157	38,404
Net premiums written - combined	46,290	51,705	48,295	41,466	32,004
Net premiums written - non life	46,290	51,705	48,295	41,466	32,004
Capital & Surplus	56,124	44,920	38,314	34,255	33,772
Total Assets	110,657	103,962	93,937	63,986	56,859

Source: Bestlink - Best's Statement File - Global

Local Currency: Mexican Peso

US \$ per Local Currency Unit .04837 = 1 Mexican Peso (MXN)

Key Financial Indicators - A.M. Best Ratios (%)

	Year End				
	2016	2015	2014	2013	2012
Combined Ratio	81.6	91.6	92.3	97.9	92.1
Net Premiums Written to Equity	82.5	115.1	126.1	121.1	94.8
Liquidity					
Liquid Assets to Total Liabilities	200.8	168.5	159.0	194.4	215.4
Total Investments to Total Liabilities	200.8	168.5	159.0	194.4	215.4

Source: Bestlink - Best's Statement File - Global

Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	70.0	55.0	49.0	47.0

Source: Best's Capital Adequacy Ratio Model - Universal

Credit Analysis:

Balance Sheet Strength: Weak

Armour has a consistently strong risk-adjusted capitalization, without showing significant impact to the BCAR scores when stress tested. The company shows an upward trend in capital and surplus growth during the past five years, mainly driven by consistent positive bottom line results, and the absence of dividend payments.

Current BCAR score positions balance sheet strength at a secure level, however, it is susceptible to underwriting risk, which represents the highest percentage of GRC. This is a common characteristic of title insurance companies, as premium revenues are directly tied to the real estate market environment.

The company's low operating leverage is at excellent levels.

Profitability metrics, such as ROA and ROE also follow an upward trend.

Armour follows a very conservative investment strategy in which all securities investments are allocated in fixed income government and government backed obligations. The investment yield is very low, mainly attributed to low interest rates. Investment results are offset by the company's strong underwriting performance.

Reserves are constituted adequately to fulfill policyholder and company's obligations as required by CNSF guidelines and certified by the actuarial reports. According to BCAR, reserves represent the highest source of risk, due to the nature of the title insurance business.

Capitalization:

Capital Generation Analysis (000)

	Year End				
	2016	2015	2014	2013	2012
Capital & surplus brought forward	44,920	38,315	34,255	33,773	33,523
Profit or loss for the year	11,204	6,605	4,063	484	251
Capital gains or (losses)	-3	-2	-1
Total change in capital & surplus	11,204	6,605	4,060	482	250
Capital & surplus carried forward	56,124	44,920	38,315	34,255	33,773

Source: Bestlink - Best's Statement File - Global

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Holding Company Assessment:

Associated Ultimate Parent: 052975 - Armour Group Holdings Limited

Armour's holding company is Armour Group Holdings Limited (AGH), domiciled in Bermuda.

AGH shows a very high unadjusted debt leverage, which has increased from previous year.

AGH has a very weak risk adjusted capitalization according to its 2015 BCAR score, which has been further deteriorated by the net loss posted by the company in 2015, which represented more than half of 2014's equity.

Capital and surplus are also very weak, given that the company sustains a highly leveraged operation as shown by its debt to equity ratio.

Currently the company's investment portfolio is mostly concentrated in fixed income securities and cash.

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	93.5
Adjusted Financial Leverage Ratio (%)	93.5

Source: Bestlink - Best's Statement File - Global

Operating Performance: Strong

Armour has remained a profitable business over the past 5 years. Historically, the company has been able to generate income mainly through strong underwriting practices.

Investment yield is low; however, most title insurers produce low investment income given that the proportion of the premium available for investment is reduced, because of the large up-front commissions designated to title agents.

Return on premium has followed an upward trend, reflecting the company's consistent improvement in bottom line results.

Combined ratio metrics have been under the 100% threshold, and the company shows moderate volatility.

As of June 2017, Armour managed to achieve more than half of its expected GWP, and its net income.

According to projections, the company will continue posting positive bottom line results, although more conservative than in previous years. Armour also expects to maintain low loss ratios, and combined ratios close to the 100% threshold.

Financial Performance Summary (000)

	Year End				
	2016	2015	2014	2013	2012
Pre-Tax Income	14,936	8,825	5,778	1,142	1,184
Net Income	11,204	6,605	4,063	484	251

Source: Bestlink - Best's Statement File - Global

Local Currency: Mexican Peso

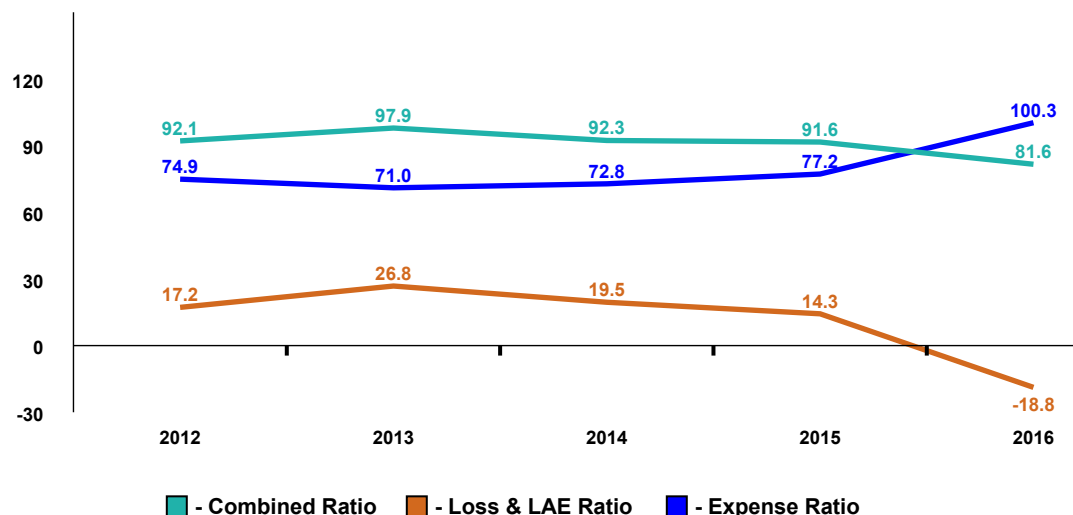
US \$ per Local Currency Unit .04837 = 1 Mexican Peso (MXN)

A.M. Best Ratios (%)

	Year End				
	2016	2015	2014	2013	2012
Overall Performance:					
Return on Assets	10.4	6.7	5.1	0.8	0.4
Return on Equity	22.2	15.9	11.2	1.4	0.7
Non-Life Performance:					
Loss & LAE Ratio	-18.8	14.3	19.5	26.8	17.2
Expense Ratio	100.3	77.2	72.8	71.0	74.9
Combined Ratio	81.6	91.6	92.3	97.9	92.1
Combined less Investment Ratio	81.2	91.8	92.0	97.4	91.2

Source: Bestlink - Best's Statement File - Global

Combined Ratio (%)



Business Profile: Neutral

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 more than 100 years of management responsibility 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 mostly owned by Trebuchet Mexico Limited. Armour Secure's ultimate parent and holding company is Armour Group Holding Limited (AGH).

The main and only competitor within the local market is Stewart Title Guaranty de Mexico.

Armour's overall business growth for the company during 2016 has been below the P/C segment compared to the P/C industry and to its main competitor.

Armour operates through a network of local agents.

By-Line Business (000)

	Year End - December 31				
	2016	2015	2014	2013	2012
Other classes	56,215	61,993	58,352	50,157	38,404
Total non-life	56,215	61,993	58,352	50,157	38,404

Source: Bestlink - Best's Statement File - Global

Local Currency: Mexican Peso

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Enterprise Risk Management: Appropriate

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

Armour settles a risk committee 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 of 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.

Financial Statements:

Balance Sheet:

Balance Sheet:

Assets	12/31/2016	12/31/2016	12/31/2016
	MXN(000)	% of total	USD(000)
Cash & deposits with credit institutions	35,734	32.3	1,728
Bonds & other fixed interest securities	73,787	66.7	3,569
Liquid assets	109,521	99.0	5,298
Total investments	109,521	99.0	5,298
Insurance/reinsurance debtors	87	0.1	4
Other debtors	446	0.4	22
Total debtors	533	0.5	26
Other assets	603	0.5	29
Total assets	110,657	100.0	5,352

Liabilities	12/31/2016	12/31/2016	12/31/2016
	MXN(000)	% of total	USD(000)
Capital	38,245	34.6	1,850
Paid-up capital	38,245	34.6	1,850
Retained earnings	6,675	6.0	323
Current year net income	11,204	10.1	542
Capital & surplus	56,124	50.7	2,715
Gross provision for outstanding claims	35,961	32.5	1,739
Total gross technical reserves	35,961	32.5	1,739
Deposits received from reinsurers	929	0.8	45
Insurance/reinsurance creditors	5,136	4.6	248
Total creditors	5,136	4.6	248
Other liabilities	12,507	11.3	605
Total liabilities & surplus	110,657	100.0	5,352

Source: Bestlink - Best's Statement File - Global

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Summary of Operations:

Statement of Income (000)

Technical account:

	12/31/2016 MXN(000)	12/31/2016 USD(000)
Direct premiums	56,215	2,719
Gross premiums written	56,215	2,719
Reinsurance ceded	9,925	480
Net premiums written	46,290	2,239
Increase/(decrease) in gross unearned premiums	455	22
Net premiums earned	45,835	2,217
Total underwriting income	45,835	2,217
Net claims incurred	-8,612	-417
Management expenses	42,505	2,056
Acquisition expenses	3,487	169
Net operating expenses	45,992	2,225
Total underwriting expenses	37,380	1,808
Balance on technical account	8,455	409

Source: Bestlink - Best's Statement File - Global

Local Currency: Mexican Peso

US \$ per Local Currency Unit .04837 = 1 Mexican Peso (MXN)

Combined technical account:

	12/31/2016 MXN(000)	12/31/2016 USD(000)
Direct premiums	56,215	2,719
Gross premiums written	56,215	2,719
Reinsurance ceded	9,925	480
Net premiums written	46,290	2,239
Increase/(decrease) in gross unearned premiums	455	22
Net premiums earned	45,835	2,217
Total revenue	45,835	2,217
Net claims incurred	-8,612	-417
Management expenses	42,505	2,056
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Net operating expenses	45,992	2,225
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Source: Bestlink - Best's Statement File - Global

Local Currency: Mexican Peso

US \$ per Local Currency Unit .04837 = 1 Mexican Peso (MXN)

Summary of Operations: (Continued...)

Statement of Income (000) (Continued...)

Non-technical account:

	12/31/2016	12/31/2016
	MXN(000)	USD(000)
Net investment income	163	8
Unrealised capital gains/(losses)	52	3
Exchange gains/(losses)	6,266	303
Profit/(loss) before tax	14,936	722
Taxation	3,732	181
Profit/(loss) after tax	11,204	542
Retained Profit/(loss) for the financial year	11,204	542

Source: Bestlink - Best's Statement File - Global

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

Report Revision Date:
December 18, 2017

Company Attributes:

Industry: Insurance
Business Type: Property/Casualty
Entity Type: Operating Company
Organization Type: Stock
Business Status: In Business - Actively Underwriting
Marketing Type: Not Available
Financial Size: III (\$2 Million to \$5 Million)

Company History:

Date Incorporated: N/A

Date Commenced: N/A

Domicile: Mexico

Company Management:

Last significant update on 12/18/2017

Officers

CEO: Juan Pablo Arroyuelo Estrada
CFO: Victor T. Mendoza Botello
Director: Pablo Marti Martinez del Rio (Sales & New Business)
Director and General Counsel: Lucia Treviño Barrera (Escrow)
Director: Carlos Moran (Underwriting)

Directors

Juan Pablo Arroyuelo Estrada (Chairman)
Victor M. Lachica Bravo
Ricardo M. Zuñiga Massieu
Roberto V. Calderon
Lucia B. Treviño Barrera (Secretary)

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