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## FOR IMMEDIATE RELEASE

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### **AM Best Revises Outlooks to Positive and Affirms Credit Ratings of Sofimex, Institucion de Garantias S.A.**

**MEXICO CITY, January 26, 2024**—AM Best has revised the outlooks to positive from stable and affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of “a-” (Excellent) of Sofimex, Institucion de Garantias S.A. (Sofimex) (Mexico City, Mexico). Concurrently, AM Best has affirmed the Mexico National Scale Rating of “aaa.MX” (Exceptional) with a stable outlook.

The ratings reflect Sofimex’s balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

The ratings also reflect Sofimex’s strong operating performance in terms of profitability and competitiveness within Mexico’s surety bond market, as well as its strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR). These positive rating factors are limited by AM Best’s view of the highly competitive market in which the company operates, and the challenging economic environment.

Sofimex is a Mexico-domiciled surety and bond company that was established in 1940. The company offers surety and fidelity coverages, ranging from low-limit judicial bonds to high-limit contract bonds. As of September 2023, Sofimex’s business portfolio was composed of administrative sureties (86%), credit (7%), judicial (4%) and fidelity (3%).

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Sofimex projects a gross written premium growth rate of 17% for 2024, while staying in line with its historical profitability metrics. AM Best believes that as one of Mexico’s largest surety underwriters, and with a good distribution network and disciplined underwriting, Sofimex has sufficient resources to maintain a stable stream of net income amid current market conditions.

Sofimex’s underwriting performance in 2022 benefited from a very low loss ratio of 16% in contrast to 55% in 2021; however, acquisition and management costs increased slightly, resulting in a combined ratio of 66%. Nevertheless, the company’s historical operating performance metrics have shown very low volatility and compare well with the industry; as of September 2023, the combined ratio stood at 57%.

Sofimex’s risk-adjusted capitalization has remained at the strongest level, as measured by BCAR, and is supportive of its ratings, even when stressed by possible losses from contingent claims. Furthermore, Sofimex has an appropriate reinsurance program with highly rated reinsurers and long-term business relationships.

The positive outlooks reflect the expectation that Sofimex will strengthen its balance sheet further through strong operating results.

Positive rating actions could occur if the company is able to further enhance its balance sheet strength while maintaining the strongest level of risk-adjusted capitalization. Negative rating actions could occur if underwriting performance deteriorates or if there is a significant increase in business risk.

The methodology used in determining these ratings is [Best’s Credit Rating Methodology](#) (Version Jan. 18, 2024), which provides a comprehensive explanation of AM Best’s rating process and contains the different rating criteria employed in the rating process. Best’s Credit Rating Methodology can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

Key insurance criteria reports utilized:

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- Evaluating Country Risk (May 4, 2023)
- Understanding Global BCAR (July 6, 2023)
- Available Capital and Insurance Holding Company Analysis (Jan. 18, 2024)
- Rating Surety Companies (April 7, 2021)
- Best’s National Scale Ratings (June 15, 2023)
- Scoring and Assessing Innovation (Feb. 27, 2023)

View a general description of the [policies and procedures](#) used to determine credit ratings. For information on the meaning of ratings, structure, voting and the committee process for determining the ratings and monitoring activities, relevant sources of information and the frequency for updating ratings, please refer to [Guide to Best’s Credit Ratings](#).

- Previous Rating Date: Feb. 3, 2023
- Initial Rating Date: Oct. 11, 2013
- Date Range of Financial Data Used: Dec. 31, 2018-Sept. 30, 2023

**Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.**

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