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FOR IMMEDIATE RELEASE

CONTACTS: Salvador Smith
Senior Financial Analyst
+52 55 1102 2720, ext. 109
salvador.smith@ambest.com

Eli Sanchez
Associate Director, Analytics
+52 55 1102 2720, ext. 108
eli.sanchez@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Al Slavin
Senior Public Relations Specialist
+1 908 439 2200, ext. 5098
al.slavin@ambest.com

AM Best Affirms Credit Ratings of Sofimex, Institucion de Garantias S.A.

MEXICO CITY, February 3, 2023—AM Best has affirmed the Financial Strength Rating of A- (Excellent), the Long-Term Issuer Credit Rating of “a-” (Excellent) and the Mexico National Scale Rating of “aaa.MX” (Exceptional) of Sofimex, Institucion de Garantias S.A. (Sofimex) (Mexico City, Mexico). The outlook of these Credit Ratings (ratings) is stable.

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 current 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 2022, Sofimex’s business portfolio was composed of administrative sureties (84%), credit (9%), judicial (4%) and fidelity (3%).

Sofimex projects a gross written premium growth rate of 11% for 2023 while staying in line with its

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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 2021 was impacted by a non-recurrent large claim, reflecting in a 95% combined ratio, despite well-contained acquisition and operating expenses. Nevertheless, the company’s historical operating performance metrics have shown very low volatility and compare well with the industry; as of September 2022, the combined ratio has improved significantly to 67%.

Sofimex’s risk-adjusted capitalization has remained at the strongest level, as measured by BCAR, and 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.

Positive rating actions could occur if the company is able to strengthen its capital management further while maintaining the strongest level of risk-adjusted capitalization. Negative rating actions could occur if underwriting performance deteriorates, if there is a significant increase in business risk due to a high concentration in the construction sector or because of uncertainty with regard to the government’s infrastructure spending, which could impact the growth of the surety market.

The methodology used in determining these ratings is [Best’s Credit Rating Methodology](#) (Version Nov. 13, 2020), 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.

Key insurance criteria reports utilized:

- AM Best’s Ratings On a National Scale (Version Oct. 13, 2017)
- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)

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- Evaluating Country Risk (Version Oct. 13, 2017)
- Rating Surety Companies (April 7, 2021)
- Scoring and Assessing Innovation (Version March 5, 2020)
- Understanding Global BCAR (Version June 30, 2022)

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, please refer to [Guide to Best's Credit Ratings](#).

- Previous Rating Date: Feb. 4, 2022
- Date Range of Financial Data Used: Dec. 31, 2016-Sept. 30, 2022

This press release relates to rating(s) that have been published on AM Best's website. For additional rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page.

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