



PRESS RELEASE

OLDWICK, N.J. • NEW YORK • MEXICO CITY • LONDON • AMSTERDAM • DUBAI • SINGAPORE • HONG KONG

FOR IMMEDIATE RELEASE

CONTACTS: Olga Rubo, FRM
Financial Analyst
+52 55 1102 2720, ext. 134
olga.rubo@ambest.com

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

Alfonso Novelo
Senior Director, Analytics
+52 55 1102 2720, ext. 107
alfonso.novelo@ambest.com

Jim Peavy
Director, Public Relations
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

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

MEXICO CITY, January 24, 2020—AM Best has affirmed the Financial Strength Rating of A- (Excellent), the Long-Term Issuer Credit Rating of “a-” and the Mexico National Scale Rating of “aaa.MX” 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 categorizes 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 the strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio. These positive rating factors are limited by AM Best’s view of the highly competitive market in which the company operates.

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 2019, Sofimex’s business portfolio was composed of administrative sureties (85.2%), credit (6.3%), judicial (4.4%) and fidelity (4.1%).

Sofimex projects a 7% gross written premium growth rate for 2020 while staying in line with its recent

—MORE—



PRESS RELEASE

OLDWICK, N.J. • NEW YORK • MEXICO CITY • LONDON • AMSTERDAM • DUBAI • SINGAPORE • HONG KONG

—2—

profitability metrics. AM Best believes that, as Mexico's fourth largest surety writer, 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 continued to post sound underwriting performance during 2018 and up to September 2019. In 2018, the company's loss ratio decreased to 8% from 17%, offsetting a rise in acquisition costs due to the high level of concentration and strong competition in the surety market, accentuated by the entry of new participants. The company's operating performance metrics show very low volatility and compare well with the industry. Retention remained stable at 72%. Overall, the company has been able to maintain a combined ratio below 70% over the last five years.

Sofimex's risk-adjusted capitalization has remained at strongest level, as measured by Best's Capital Adequacy Ratio, and supportive of its ratings, even when stressed by possible losses from contingent claims. Furthermore, Sofimex has a solid reinsurance program with highly rated reinsurers and long-term business relationships.

Positive rating actions could occur if the company is able to maintain an adequate level of acquisition costs and improve its level of claims loss payments, increase profitability and, as a consequence, further strengthen its capital base. Negative rating actions could occur if underwriting performance deteriorates, if there is a significant increase in business risk or net premium risk, or as a result of uncertainty with regard to the government's spending in infrastructure, which could impact the growth of the surety sector.

The methodology used in determining these ratings is Best's Credit Rating Methodology, 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.

—MORE—

—3—

Key insurance criteria reports utilized:

- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Universal BCAR (Version May 23, 2019)
- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)
- Rating Surety Companies (Version Oct. 13, 2017)
- AM Best's Ratings On a National Scale (Version Oct. 13, 2017)

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: Jan. 16, 2019
- Date Range of Financial Data Used: Dec. 31, 2013-Sept. 30, 2019

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.

AM Best does not validate or certify the information provided by the client in order to issue a credit rating.

While the information obtained from the material source(s) is believed to be reliable, its accuracy is not guaranteed. AM Best does not audit the company's financial records or statements, or otherwise independently verify the accuracy and reliability of the information; therefore, AM Best cannot attest as to the accuracy of the information provided.

—MORE—



PRESS RELEASE

OLDWICK, N.J. • NEW YORK • MEXICO CITY • LONDON • AMSTERDAM • DUBAI • SINGAPORE • HONG KONG

—4—

AM Best's credit ratings are independent and objective opinions, not statements of fact. AM Best is not an Investment Advisor, does not offer investment advice of any kind, nor does the company or its Ratings Analysts offer any form of structuring or financial advice. AM Best's credit opinions are not recommendations to buy, sell or hold securities, or to make any other investment decisions. View our [entire notice](#) for complete details.

AM Best receives compensation for interactive rating services provided to organizations that it rates. AM Best may also receive compensation from rated entities for non-rating related services or products offered by AM Best. AM Best does not offer consulting or advisory services. For more information regarding AM Best's rating process, including handling of confidential (non-public) information, independence, and avoidance of conflicts of interest, please read the [AM Best Code of Conduct](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

AM Best is a global credit rating agency, news publisher and data analytics provider specializing in the insurance industry. Headquartered in the United States, the company does business in over 100 countries with regional offices in New York, London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City. For more information, visit www.ambest.com.

Copyright © 2020 by A.M. Best Rating Services, Inc. and/or its affiliates. ALL RIGHTS RESERVED.

####