Q4 Company

NEWS RELEASE

AM Best Affirms Credit Ratings of Stewart Title Guaranty de México, S.A. de C.V.

9/27/2023

MEXICO CITY--(BUSINESS WIRE)-- 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 Stewart Title Guaranty de México, S.A. de C.V. (STGM) (Mexico). The outlook of these Credit Ratings (ratings) is stable.

STGM is a member of Stewart Title Group (Stewart), which on a consolidated basis has a balance sheet strength that AM Best assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The ratings also reflect the integration of STGM into its parent company, Stewart Title Guaranty Company (STGC) (Houston, TX), and into the group in terms of business model and operational support. Offsetting these positive rating factors are the company’s small market share in Mexico’s insurance industry and its concentration in a single line of business.

In addition to Mexico, STGC offers products through its subsidiaries to markets in the United States, the European Union, Australia, Costa Rica and China. Given the specialized nature of the title product and the institutional strategy, STGM’s sales efforts focus on business referred by STCG on existing customers, which generates a limited number of policies per year.

The company’s capital and surplus performance shows a downward trend in its growth, driven by dividend payments from accumulated retained earnings. Credit and underwriting risks are the main components for required capital. Support from STGC in the past has come through capital injections, with the most recent one in

2012, directed to help strengthen the business when required.

STGM was able to regain premium volume during 2021, propelled by the reopening of public registries and notary offices, a core component for underwriting. Even though premiums decelerated 14% in 2022, the company was able to maintain premium levels as those seen before the pandemic. STGM's flexible cost structure continues to provide significant advantages, which allows it to optimize expenses and achieve positive bottom-line results, further strengthened by investment income.

For the second half of 2023, STGM expects premium volume to keep growing due to stabilization of interest rates and as normal underwriting operations are fully reinstated, supported by its referred business system.

Negative rating actions could occur if challenges from rising interest rates and a slowing economy pose a significant decline in STGM's operating profitability or a material decline in its risk-adjusted capitalization levels that results in rating downgrades. Additionally, negative rating actions could occur if Stewart has a significant deterioration in operating performance, which results in a decline in its risk-adjusted capitalization levels, or if the holding company experiences liquidity issues or a significant increase in leverage, prompting the ratings of STGM to move in tandem. Conversely, positive rating actions could take place on the main operating subsidiaries of Stewart from positive underwriting performance trends, accompanied by growth in risk-adjusted capitalization, prompting the ratings of STGM to move in tandem.

This press release relates to Credit Ratings that have been published on AM Best's website. For all 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. For additional information regarding the use and limitations of Credit Rating opinions, please view **Guide to Best's Credit Ratings** . For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view **Guide to Proper Use of Best's Ratings & Assessments** .

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 London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City. For more information, visit **www.ambest.com** .

Juan Pablo Castro

Associate Financial Analyst
+52 55 1102 2720, ext. 133
juanpablo.castro@ambest.com

Christopher Sharkey
Associate Director, Public Relations
+1 908 882 2310
christopher.sharkey@ambest.com

Eli Sanchez
Director, Analytics
+52 55 1102 2720, ext. 122
eli.sanchez@ambest.com

Al Slavin
Senior Public Relations Specialist
+1 908 882 2318
al.slavin@ambest.com

Source: AM Best