



Core Specialty ratings removed from under review by AM Best

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The ratings of StarStone Specialty Insurance Company and StarStone National Insurance Company, collectively called Core Specialty, have been removed from under review with developing implications by AM Best.

The ratings agency's move has been made after the sale of the platform to its new ultimate parent company, Core Specialty Insurance Holdings, was completed, AM Best explained.

Core Specialty holds a financial strength rating (FSR) of A- (Excellent), and the long-term issuer credit rating (ICR) of "a-". The outlook on both ratings is stable.

As this publication has previously reported, the Jeff Consolino and Ed Noonan-led Core Specialty is the rebooted and recapitalised StarStone US Holdings platform. The recapitalisation included \$610mn of new equity capital from private equity investors including SkyKnight Capital, Dragoneer Investment Group and Aquiline Capital Partners.

The rollover of Enstar's existing ownership combined with an additional equity purchase of more than \$60mn from Core Specialty's management and selected other investors has increased the capitalisation of the new business to over \$900mn.

AM Best had placed the ratings of StarStone Insurance Bermuda and its various subsidiaries, including StarStone Specialty and StarStone National, under review with negative implications back in June after the news that ultimate parent Enstar Group's majority stake in the business was to be diluted to a minority holding through capital injections from the new investors.

Core Specialty ratings affirmed

As well as removing the ratings from under review with developing implications, AM Best has also affirmed Core Specialty's ratings.

The ratings, the agency explained, “reflect Core Specialty’s balance sheet strength, which AM Best categorises as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management”.

The affirmation reflects Core Specialty’s recapitalisation and revised business plan, and the arrival of its new executive management team including CEO Consolino and executive chairman Noonan as the insurer looks to expand into new lines of business, AM Best said.

At the same time, the affirmation also factors in the removal of the company’s legacy reserve liabilities from the group’s balance sheet as part of the recapitalisation agreement.

The group therefore benefits from a lack of legacy reserves while also maintaining “various seasoned business lines”, the agency explained.

While acknowledging the positive influences these moves have on Core Specialty’s ratings, AM Best said it will monitor in both the near and mid-term the carrier’s move into new property lines of business which, as well as the addition of new management, “brings some level of execution risk”.