



Core Specialty targets significant growth on new fronting platform

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Rebooted US insurer Core Specialty sees the fronting segment as fertile ground for growth and strong returns as it targets traditional and insurtech program and ILS relationships in the property space, as well as opportunities to partner with workers' comp MGAs, The Insurer can reveal.

The fronting strategy at the Jeff Consolino and Ed Noonan-led carrier emerged with its hiring earlier this month of Laurence Bunin (pictured above right) and Adam Tyburski (above left), both co-founders of Spinnaker Insurance Company, the hybrid program carrier bought by insurtech Hippo last August.

Bunin was senior vice president at Spinnaker responsible for developing and underwriting multiple-party fronted insurance deals, as well as deal economics and P&L.

As CUO at the fronting carrier, Tyburski managed growth on new and renewal business and underwrote individual programs on the company's A- AM Best paper.

The duo's main focus at Spinnaker was on personal lines programs, largely in property.



- **Core Specialty will be a participatory front**
- **Will provide admitted and non-admitted paper**
- **Will look to work with program managers, insurtechs and ILS managers**
- **As well as property, will look to front for workers comp MGAs**
- **Duo of Spinnaker founders bring track record in hybrid fronting space**

Core Specialty is the former StarStone US business that was recapitalised to over \$900mn with \$610mn of new private equity investment from Dragoner Investment Group,

SkyKnight Capital and Aquiline Capital Partners, along with a rollover of Enstar's existing holding and \$60mn from management and other investors.

The transaction also saw a loss portfolio transfer and adverse development cover with Enstar that effectively gave former Validus colleagues Consolino and Noonan a fresh balance sheet to build on the existing US specialty platform in a highly attractive pricing environment.

Fee income and participation

As well as developing an E&S property portfolio under the leadership of former CRC, AmWINS and Velocity executive Alison Oliphant, Core Specialty has identified opportunities in a fronting space that has seen several new entrants in recent years in the wake of State National's acquisition by Markel.

The new entrants have been attracted by the attractive fees on offer for fronting services and assuming tail risk.

Spinnaker, for example, built a \$200mn+ program book that is thought to have generated a 13 percent return on equity after tax in 2019, its final full year of operation as a standalone business.

Sources said that Core Specialty will be a participatory front on property programs using its admitted and non-admitted paper.

The rebooted carrier will look to provide its paper to program managers, insurtechs and ILS managers, fronting the business and connecting them with reinsurers.

The firm is likely to retain risk on programs to create alignment with reinsurers.

Core Specialty is also thought to see an opportunity in the alternative capital sector to provide fronting capacity to ILS funds looking to access property insurance risk as the value chain continues to compress.

The repurposed carrier is also looking to offer its fronting capacity in the workers' compensation sector, where it already has a book of its own business and the infrastructure to issue policies with licensed paper in all states and claims handling capabilities.

The insurer is likely to seek relationships with workers' comp-focused MGAs that need paper and are looking to work with a fronting carrier to access reinsurance capacity.

Specialty lines build-out

The property fronting business is one of several expansionary moves by Core Specialty since the recapitalisation closed in November last year.

As previously reported, the company has made a number of key management additions and entered strategic partnerships in fast-hardening segments in which it is targeting growth.

In December it was announced that the carrier had partnered with AmWINS Program Underwriters to provide insurance solutions for the platform's long-term care facilities program, which provides professional and general liability coverage and has around \$50mn in annual gross premium income.

The move opened up growth avenues in addition to Core Specialty's existing healthcare excess professional liability insurance solutions in a segment of the market that has seen retrenchment from other carriers and meaningful rate increases.

Then earlier this month the carrier announced other key property appointments as it builds out its E&S property platform under Oliphant, who arrived last August to set up the division.

David Phillips and Chris Muller have arrived from Pioneer Underwriters and Axis respectively as Core Specialty looks to become the E&S property market of choice for its wholesale broker partners.

Other January hires include Stephen Moore from Hallmark as president of the company's directors' and officers' management professional liability division as it looks to expand its presence in a line of business where rates are increasing in the 60 percent range.

Meanwhile Zach McAbee and Peter Sandler have joined the insurer's marine and energy division from Pioneer Underwriters, adding ocean marine expertise in the Pacific northwest.

Jeff Jacobs joined from Tokio Marine HCC to lead the errors and omissions professional liability unit.

And Core Specialty has also partnered with Lancer Management Company to launch a new excess transportation program in the US, providing excess liability limits for trucking accounts as well as general commercial and public automobile companies.

The carrier is also understood to be targeting opportunities for growth in the excess casualty and umbrella segment.

The five segments – property, management liability, commercial auto, medical professional liability and excess/umbrella – are all areas where Core Specialty believes there is significant capacity shortfall in the marketplace and has either been supplementing existing capabilities or building new ones.

In addition to its marine and energy division, other segments where the carrier currently writes business include lawyers' professional liability.