



## Core Specialty's participatory fronting open to retaining more risk

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Core Specialty's management have told this publication that its recently consolidated fronting business wrote \$441mn of premium last year as it differentiated itself not only for its large amount of workers' compensation but also its openness to increasing its participation.

- Core Specialty wrote \$441mn of fronting business last year
- Has hired Scott Snyder from Ambac to run new fronting division
- Tasked with growing casualty (primary, excess and reinsurance offerings)
- Carrier has an established property portfolio in the fronting space
- Open to growing participation and retaining more net

Core Specialty earlier this month revealed it had formed a fronting division that will be led by former Ambac executive Scott Snyder.

In an interview with Program Manager, Core Specialty president and CEO Jeff Consolino described fronting as "a very attractive return on capital business".

He said this is because of the growth and market need in this area, but also because it offers the opportunity to receive ceding commission and create fee income in excess of original acquisition costs.

The fronting division has been formed in recognition of the relevance of this line of business to Core Specialty. Fronting business produced \$441mn of its gross premiums written in 2021 and \$15mn of net commission revenue.



**Core Specialty hired former Ambac president Scott Snyder as president of its newly formed fronting division this month**

Consolino said that those figures show that “we’ve got the expertise and the ability to build that business”.

Core Specialty is the former StarStone US business that in late 2020 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.

Consolino said Core Specialty has about a dozen programs currently. He added that having the StarStone entities fully licensed and ready to go meant the fronting business could be grown quickly.

“We thought it was an attractive market,” he said. “We knew we had the capabilities to do it. We built that business and now we’re cohering it as a specific business unit under an executive, Scott Snyder, who we know well and we think it’s going to be a very good business for us,” Consolino explained.

Snyder – who held roles at Acrisure and StarStone before joining Ambac last year – has been tasked with focusing on casualty business in the areas of primary, excess and reinsurance.



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The growth in this area will complement the property fronting business Core Specialty established in January 2021, where it works in conjunction with Integral ILS and selected other program managers on behalf of reinsurance companies seeking access to catastrophe-exposed property risk.

Integral is run by Lixin Zeng and Richard Lowther, who used to work with Consolino and Core Specialty executive chairman Ed Noonan at Validus’ ILS fund AlphaCat.

“We do have a meaningful relationship with Integral, which is strategic to us, and we also do have some other participations in property fronted transactions,” said Consolino. “In those cases we generally keep 10 percent or so of the risks. So we’ve got skin in the game.”

### **Open to growing share of retained business**

Core Specialty is looking to grow in what is becoming an increasingly crowded area. Consolino noted that since State National became such a success in the fronting space, “a lot of companies have been putting their chips down”.

Noonan told this publication that his company stands out because it is willing to have skin in the game.

“When you say fronting, it means different things to everybody you say the word to,” Noonan said. “We work with only professionals – program managers who are disciplined, who generally have a pretty good track record or are coming out of an operation where they had established a strong track record.”

He added: “We’re clearly a participating front in the current vernacular, but it’s a good deal more than that.”

Noonan stressed that the business is underwritten and approached as if it were business Core Specialty was doing for its own net account exclusively.

“I think that’s the only way you can be in this business, even if you’re ceding 90 percent of it off to somebody else you still have to treat that 10 percent as though it matters greatly today,” he said. “And you might want to grow that 10 percent to 20 or 30 or 40 or 50 over time, depending on how the business develops.”



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Core Specialty executive chairman Ed Noonan

The fronting business is a source of long-term growth for Core Specialty, Noonan said. He believes this is a differentiator in the market and for reinsurers.

“We’re not looking to keep the least amount we can,” he said. “We’re actually looking to position ourselves so that down the road we’ll grow our share of retaining business under the program. So that’s our model.”

Noonan added that Core Specialty’s fronting business also stands out because 40 percent of the \$441mn in gross premiums is workers’ compensation.

“That’s a little bit unusual,” said Noonan. “We have a really strong workers’ compensation operation. These are long-term relationships that have been in place for the better part of a decade.”

He added: “They front SIRs that are well funded and collateralised. They front for other household carriers that need alternative paper in different states.”

Fronting for workers’ comp is different than most of the fronting market, the executive said, because it is more complicated from both a regulatory and oversight standpoint.

The new fronting division represents Core Specialty’s tenth specialty business unit. The executives suggested that more units would be formed soon.