



Noonan/Aquiline in advanced talks to buy into StarStone US

Adam McNestrie June 10, 2020

Former Validus CEO Ed Noonan is in advanced discussions with Enstar and close to sealing a deal to buy a majority stake in StarStone US ahead of a recapitalisation, which would see \$500mn or more injected to support growth, Insurance Insider can reveal.

Sources told this publication that Noonan – who has backing from private equity (PE) houses Aquiline, Dragoneer Investment Group and SkyKnight Capital – would become executive chairman of the new venture.

It is understood that AFG's respected CFO Jeff Consolino – a colleague of Noonan's at Validus – will take on the CEO role.

Enstar would remain a minority investor in the relaunched entity, sources suggested. StarStone US currently has around \$250mn of equity across its two operating companies, writing roughly \$450mn of business.

Although talks are at a highly advanced stage, with potential for an announcement as soon as later today, sources said that consummation of a deal is not certain.

As previously reported, PE interest in the (re)insurance space has intensified in recent weeks as the sector has grown more bullish on the opportunity created by the combination of Covid-19 and an already transitioning market, with a series of fundraises kicked off for start-ups and existing businesses.

Private equity activity

Firm	Amount (\$mn)	Notes
Ed Noonan	500-750	Noonan with backing from Aquiline, Dragoneer and SkyKnight has bought into StarStone US; Enstar retains a minority stake
Fidelis	500	Fidelis has tapped investors including ADIA, Crestview and CVC to grow its equity base by 45%
Richard Watson	Up to 1,000	Working with Evercore on fundraise, working with ex-colleagues Stuart Bridges and Russell Merrett for Lloyd's-Bermuda venture
Ark	750-1,000	Evercore and TigerRisk advising on fundraise to target Lloyd's and Bermuda expansion as well as possible US onshore
Martin Reith	Unknown	Working with Macquarie to size up start-up or buy-in opportunities
Beat	No target yet	Evercore appointed for fundraise as firm looks to create own balance sheet to support growth

Source: *Insurance Insider*

Noonan was non-executive chairman of StarStone for just over six months before stepping down in November last year.

Sources said that StarStone US would be used by Noonan and his team as a platform to attack the US excess and surplus lines (E&S) market, which is seeing significant inflows of business alongside double-digit rate increases.

It is understood that the deal is for StarStone's US operations alone, with its international operations – including its Lloyd's and London company market business – out of scope.

PE trio

Aquiline and Noonan have a history of working together. The PE house was the cornerstone investor in Validus, with former Marsh & McLennan Companies CEO Jeff Greenberg remaining on the Bermudian (re)insurer's board until the business was sold.

SkyKnight, a San Francisco-based PE house, was set up in 2015 by Matthew Ebbel, who was involved in New Mountain Capital's AmWins investment.

Dragoneer, another San Francisco-based PE firm – and a current backer of AmWins – is also involved in financing the investment.

StarStone US includes both an E&S and admitted lines carrier. Lines of business include healthcare, marine and energy, excess casualty, errors and omissions, lawyers' professional liability, management liability and workers' compensation.

Enstar, the pre-eminent name in the legacy sector, has previously looked to sell out of StarStone – one of two live operations it owns on around a 60:40 basis with PE house Stone Point.

It ran a sale process for the business in 2018, but ultimately opted to retain the company after it failed to secure its reserve price.

Enstar has sealed a succession of recent deals including a ~\$1bn adverse development cover with Aspen, a \$465mn transaction with Lyft and a \$225mn deal with Axa XL, with an expectation that capital pressure in the sector will drive increased deal flow in Q3 and Q4.

“Backable”

Noonan has long been considered amongst the most “backable” sector names and was flagged in early May by this publication as a candidate for a potential comeback in a chairman role.

The industry veteran – previously CEO of American Re – burnished his reputation at Validus, a rare success in the Bermuda Class of 2005.

Noonan built Validus from \$1bn of equity at inception to ~\$4bn, with a strong record of capital return to shareholders.

Initially a catastrophe reinsurer, Validus evolved through organic growth and a slew of M&A deals into a multi-platform specialty player.

Notable deals included the acquisition of Lloyd’s player Talbot, Bermudian reinsurers IPC and Flagstone, and Western World.

Validus was ultimately sold to AIG in a 2018 deal that valued the business at \$5.6bn, or 1.6x book value, delivering peer-beating returns for investors.

Noonan bowed out after the deal before resurfacing briefly as group chairman of StarStone.

He is understood to have been exploring possible comeback vehicles for some time.

As well as significant interest from PE houses in supporting start-ups, common equity raises are picking up pace in the sector, with RenaissanceRe raising over \$1bn last week following a £375mn (\$470mn) raise from Hiscox last month, a £250mn issuance from Beazley and a £277mn raise from Lancashire completed today.

Noonan’s raise of new funds from private equity follows the news this morning that Fidelis will tap investors including Abu Dhabi Investment Authority, Crestview and CVC for \$500mn of growth capital.

Noonan and Enstar declined to comment. Aquiline declined to comment. Dragoneer and SkyKnight did not immediately respond to a request for comment.