



Core Specialty adds new division with American Surety acquisition

November 2, 2023

Core Specialty has agreed a stock and cash deal to acquire American Surety Company, a transaction that will see the Jeff Consolino-led business form a new Bond, Credit & Guarantee

subsegment.

American Surety, which wrote \$98mn of gross premiums in 2022, will operate as a separately managed division of Core Specialty.

It will sit alongside Core Specialty's recently announced Mortgage Reinsurance Division in its newly formed Bond, Credit and Guarantee subsegment.

The Bond, Credit and Guarantee unit will operate as the fourth subsegment alongside Core Specialty's existing Property and Short-tail, Specialty Casualty and Fronted Programs platforms.

The Surety Division will be Core Specialty's 15th specialty business unit, and sees the business offer two new product lines: bail bonds and commercial surety bonds.

Through the deal, Core Specialty will acquire over 30 years of surety expertise, along with a Treasury-listing which will give it greater access to bonding opportunities.

"We believe that the surety market represents a highly attractive market segment for us to enter given its strong underwriting profitability over time and barriers to entry," Consolino, Core Specialty's Founder, President and CEO, said.

"According to AM Best market data, the surety market included approximately \$9bn in direct premiums written in 2022 and produced a 10-year average combined ratio of 71 percent. We look forward to working with the American Surety team to further build this business," Consolino added.

Under the terms of the transaction, American Surety's shareholders will receive a combination of cash at closing, plus an opportunity to earn shares of Core Specialty.

The number of shares that American Surety shareholders will receive will depend upon the financial performance of the bail bonds and commercial surety bonds product lines during the five years following closing.

As part of the transaction, which is expected to close in Q1 2024, Core Specialty is providing a capital investment to American Surety before the deal's completion. That investment will be used to increase the capital base of American Surety and for general corporate purposes, Core Specialty said.

Core Specialty is being advised by Skadden, Arps, Slate, Meagher & Flom LLP as transaction counsel. American Surety is being advised by Propel Advisory Group, Inc as financial advisor, and Faegre Drinker Biddle & Reath LLP as transaction counsel.

The acquisition comes as Core Specialty is understood to be in the early stages of preparing to go public. This publication [reported in September](#) that Core Specialty is expected to line up potential banking advisors later this year as it weighs up a public listing.