



Core Specialty Continues Small-to-Mid-Sized M&A Strategy With American National Deal

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Core Specialty struck a deal to take on American National's \$388mn-premium Specialty Markets Group (SMG) last week, as it executed on the latest of a series of small-to-mid-sized M&A that left the sellers with the reserving risk.

Core Specialty announced that SMG – which offers credit-related products to customers including banks, automobile dealerships, and credit union markets - will form the basis for its 16th business unit.

The specialty insurer – led by CEO Jeff Consolino and chairman Ed Noonan – has been rapidly building out since its formation in 2020 following the recapitalization of StarStone US. Alongside a succession of smaller, typically proprietary M&A deals, it has also hired staff to build a string of new units including property, equine, and fronting.

Last week, Core Specialty [announced](#) it had entered into a series of transactions with American National Group for the transfer of SMG, via what is effectively a renewals rights deal.

American National's Mark Walker will join Core Specialty as President of the newly formed financial services division, which will operate as part of its Bond, Credit & Guarantee sub-segment.

The Bond, Credit & Guarantee sub-segment comprises the Financial Services division, the recently announced Mortgage Reinsurance division and, upon the completion of the American Surety Company transaction, the Surety division.

Under the terms of the deal, Core Specialty will assume the unearned premium reserve, and 100% reinsure the SMG book until it secures approval on product filings to move across the book. The legal entities and the prior-year reserving risk will remain with Brookfield-owned American National in what has effectively become a hallmark of Core Specialty's acquisitions.

Regarding the American National transaction, Consolino said, "We are pleased to work in collaboration with American National for a second time after the 2023 acquisition of the medical stop-loss business. The Specialty Markets Group business is a line of business we know well, and we are excited to add this product line to our Bond, Credit & Guarantee sub-segment."

He added, "The products offered by the Specialty Markets Group have shown strong profitability over time, and the transfer of this business will add further diversification to our company. I would like to welcome our new Specialty Markets Group colleagues to Core Specialty."

Other deals inked by Core Specialty to date include a renewal rights deal with Hallmark for its E&S book, and the acquisition of seasoned commercial auto writer Lancer.

Speaking to this publication in March 2023, [Consolino said](#) that the company was largely focused on niche M&A.

"We still are seeing a reasonably good flow of the opportunities that we like, which is smaller M&A that would be consistent with adding business units, rather than something transformative," he said.

"We're still seeing a good flow of [M&A] opportunities to add business units or niches under expert leadership.

"What we're typically looking for is specialty insurance businesses – anywhere from \$50mn to \$500mn – with strong leadership that has the ability to underwrite to appropriate accident year profitability and wants to operate in a model where they've got autonomy to run their business and accountability for their results," the Core CEO added.

Core Specialty and American National were advised by Mayer Brown, and Skadden Arps Slate Meagher & Flom, respectively.