

**EXAMINATION REPORT**  
**OF**  
**STARSTONE NATIONAL INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2022**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
STARSTONE NATIONAL INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2022

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

---

Trinidad Navarro  
Insurance Commissioner

Dated this   3   day of   June  , 2024

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS .....	3
COMPANY HISTORY .....	3
CAPITALIZATION .....	5
DIVIDENDS.....	5
MANAGEMENT AND CONTROL .....	5
DIRECTORS .....	5
OFFICERS .....	6
CORPORATE RECORDS .....	7
INSURANCE HOLDING COMPANY SYSTEM .....	7
AGREEMENTS WITH AFFILIATES .....	8
TERRITORY AND PLAN OF OPERATION .....	9
TERRITORY .....	9
PLAN OF OPERATION.....	9
REINSURANCE.....	11
FINANCIAL STATEMENTS .....	16
STATEMENT OF ASSETS .....	17
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS.....	18
STATEMENT OF INCOME.....	19
RECONCILIATION OF CAPITAL AND SURPLUS.....	20
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION .....	21
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	21
SUBSEQUENT EVENTS .....	21
SUMMARY OF RECOMMENDATIONS .....	22

May 23, 2024

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101 Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 23.015, dated June 16, 2023, an examination has been made of the affairs, financial condition and management of

**STARSTONE NATIONAL INSURANCE COMPANY**

hereinafter referred to as the Company or SNIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative office of the Company is located at 210 E. Fifth Street, Suite 1200, Cincinnati, Ohio 45202.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The last examination was conducted as of December 31, 2018, by the Department as part of a multi-state coordinated examination. This examination covered the period of January 1, 2019 through December 31, 2022 and was performed as part of a multi-state coordinated examination of the Core Specialty Insurance Holdings Inc. (Core Specialty) and its

regulated insurance entities, wherein Delaware is the lead state. The companies in Core Specialty included in the examination are as follows:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
StarStone National Insurance Company (Company)	25496	DE
StarStone Specialty Insurance Company (SSIC)	44776	DE
Lancer Insurance Company (LIC)	26077	IL
Lancer Insurance Company of New Jersey (LICNJ)	37680	NJ

The examination was conducted concurrently with that of the Company's Delaware domiciled affiliates and to the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Ernst & Young, LLP (E&Y). Certain auditor work papers of the 2022 E&Y audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

#### **COMPANY HISTORY**

The Company was incorporated as TIG Insurance Company on November 6, 1944, under the laws of the State of California, and commenced business on January 1, 1945.

On July 1, 2010, SSIC, formerly known as Torus Specialty Insurance Company, acquired the Company from Fairfax Holdings Limited as a clean shell for \$32.7 million, with all prior obligations remaining the responsibility of the sellers through a series of agreements. At that time, the Company's name was changed to Torus National Insurance Company.

On April 1, 2014, Kenmare Holdings Ltd., a wholly-owned subsidiary of Enstar Group Limited (Enstar), through its subsidiary North Bay Holdings Limited, and together with Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P., which are managed by

Stone Point Capital LLC (Stone Point) (collectively Trident) purchased StarStone Insurance Holdings Limited (SIHL) for \$646 million, with the approval of the Department. Concurrently, SIHL became StarStone Specialty Holdings Limited (SSHL).

After the consummation of the purchase, the ownership interests of SSHL were Enstar (58.98%), Trident (39.32%), and Dowling Capital Partners (1.70%). On September 21, 2015, the Company's name was changed to SNIC.

On June 10, 2020, Enstar announced an agreement to recapitalize SSHL and appoint a new management team and Board of Directors (Board). As part of the recapitalization, Enstar entered into a definitive agreement to sell SSHL to Core Specialty, a newly formed entity with equity backing from funds managed by SkyKnight Capital L.P. (SkyKnight), Dragoneer Investment Group (Dragoneer) and Aquiline Capital Partners LLC (Aquiline), as well as other private investors. The recapitalization was completed on November 30, 2020 upon which Core Specialty became the ultimate controlling entity of the Company and the partnership name of SIHL was changed to the corporate name of StarStone US Holdings, Inc. (SUHI).

On April 16, 2021, Core Specialty announced an agreement to merge with Lancer Financial Group, Inc. (subsequently converted into a limited liability company and renamed Lancer Financial Group, LLC), combining the companies in a stock and cash transaction. The merger was completed on December 31, 2021. Core Specialty then acquired LIC and LICNJ (collectively Lancer).

Subsequent to the Lancer merger, the ownership of Core Specialty was as follows: Corinthian DF Holdings, LP (SkyKnight/Dragoneer) 44%, Cavello Bay Reinsurance Limited (Cavello), an Enstar affiliate, 19.9%, Aquiline Financial Services Fund IV L.P. 8.6%, Company directors and management 14.3% and other investors 13.2%.

### Capitalization

The Company's Amended and Restated Certificate of Incorporation authorizes the issuance of 30,000 shares of common stock with a \$140 par value. As of December 31, 2022, the Company had 30,000 common shares issued and outstanding totaling \$4,200,000. All outstanding common shares of the Company are owned by SSIC.

As of December 31, 2022, the Company reported gross paid in and contributed surplus of \$509,242,333. During 2019, 2020 and 2022, the Company received capital contributions from its parent, SSIC, in the amounts of \$27,000,000, \$300,000,000 and \$90,000,000, respectively.

### Dividends

The Company's Board did not approve, authorize or pay any stockholder dividends to SSIC during the examination period.

## **MANAGEMENT AND CONTROL**

### Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board.

In accordance with the Company's Amended and Restated Bylaws, the number of Directors shall be fixed from time to time by a resolution of the Board or stockholders. Directors shall be elected at the annual meeting of the stockholders and shall hold office until their successors are elected and qualified. The members of the Board, serving as of December 31, 2022, each elected or appointed in accordance with the Company bylaws were as follows:



<u>Name and Location</u>	<u>Principal Occupation</u>
Russell Sinco	Chief Financial Officer – Insurance Operations Core Specialty Insurance Holdings, Inc.
Jeffrey Wanamaker	Chief Underwriting Officer Core Specialty Insurance Holdings, Inc.
Robert Kuzloski	General Counsel, EVP and Corporate Secretary Core Specialty Insurance Holdings, Inc.

### Officers

In accordance with its Amended and Restated bylaws, officers serving the Company shall be a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer or Chief Financial Officer and one or more Assistant Treasurers. The officers shall hold office until their successors are chosen and qualify. Any number of offices may be held by the same person. The principal officers, as reported in the Company's 2022 Annual Statement and serving at December 31, 2022, are as follows:

<u>Name</u>	<u>Title</u>
Joseph Consolino	President and Chief Executive Officer
Jeffrey Wanamaker	Senior Vice President
Russell Sinco	Chief Financial Officer and Treasurer
Robert Kuzloski	Secretary
John Reitwiesner	Vice President
Paul Simeone	Vice President
Erikalyn Lauterbach	Assistant Secretary

The Company maintains a formal written Code of Conduct, which provides an ethical and legal framework for business practices and conduct to which all Company employees, officers and directors must adhere. Incorporated into the Code of Conduct is a Conflict-of-Interest Policy. On an annual basis, all employees are required to complete online training and acknowledge they have read and are complying with certain Company policies.

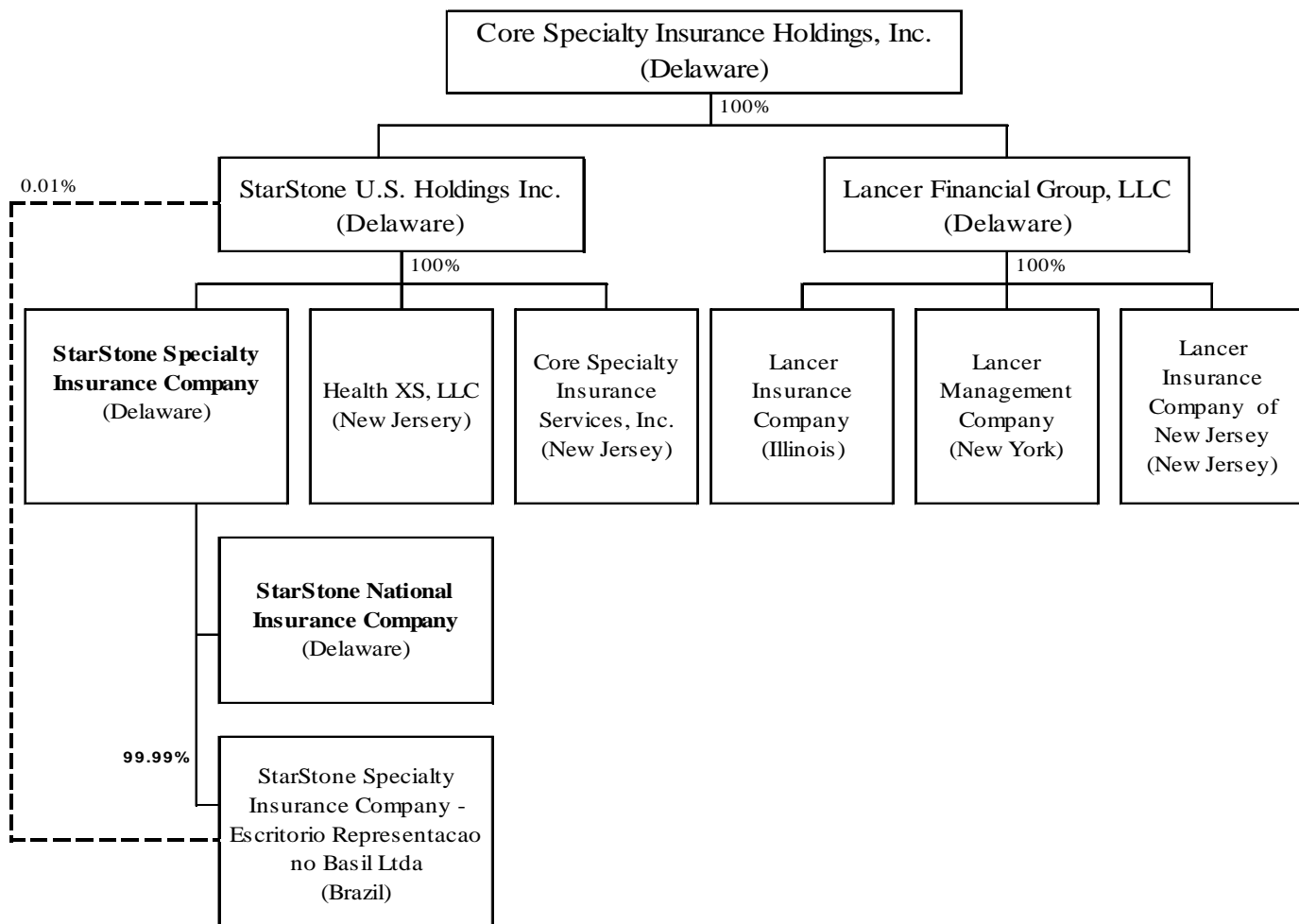
### Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the shareholder and Board adequately documented their meetings, the election of directors and officers and the approval of Company transactions and events. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

### Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The immediate parent of the Company as of December 31, 2022 was SSIC, which is 100% owned by SUHI, and SUHI is 100% owned by Core Specialty.

As of December 31, 2022, ownership and organizational structure of the Core Specialty group is as follows:



Agreements with Affiliates

The Company and its affiliates are party to several intercompany agreements. The following significant intercompany agreements, not inclusive of reinsurance agreements which are covered below, were in effect as of December 31, 2022:

*Intercompany Services Agreement*

Effective November 30, 2020, SNIC entered into an Intercompany Services Agreement with Core Specialty Insurance Services (CSIS) (formerly known as StarStone US Intermediaries, Inc.), pursuant to which CSIS will provide, or arrange for the provision of, all services necessary

or appropriate in connection with the management and operation of the Company. The Department approved the Intercompany Services Agreement on January 22, 2021.

*Tax Sharing Agreement*

Effective January 1, 2022, the Company, SSIC, LIC and LICNJ entered into a Tax Sharing Agreement (TSA) with CSIS, and its affiliates and subsidiaries. The TSA governs the filing of consolidated U.S. corporation income tax returns by the Consolidated Group, whereby Core Specialty will prepare and file the requisite return and assume the primary liability for payment of any federal income tax liability flowing therefrom. The TSA also governs the method for allocating the consolidated tax liability of the Core Specialty Affiliated Group among the Members, for reimbursing Core Specialty for payment of such tax liability, for compensating any Party for use of its losses or tax credits, and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credits from subsequent tax years. The Tax Sharing Agreement was approved by the Department on April 1, 2022.

**TERRITORY AND PLAN OF OPERATION**

Territory

The Company is licensed as a property and casualty insurer in all fifty U.S. States and the District of Columbia.

Plan of Operation

The Company is a multi-line carrier underwriting casualty, property and workers' comp coverage through independent producers, 19 program managers and one managing general agent. The Company's current initiatives focus on Specialty Lines with ten different lines of business overall and assumed reinsurance. The Company's 2022 gross direct written premiums by line of business were as follows:

<u>Line of Business</u>	<u>Premium</u>	<u>Percent</u>
Workers' Compensation	\$ 303,320,893	56.64%
Other Liability - Occurrence	103,539,225	19.33%
Aircraft - All Perils	61,242,767	11.44%
Inland Marine	25,386,458	4.74%
Ocean Marine	24,835,862	4.64%
All Other Lines of Business Combined	17,232,293	3.22%
	<u>\$ 535,557,498</u>	<u>100.00%</u>

The following describes the Company's core lines of business:

- Agriculture Reinsurance offers major crop insurers in the US and Canada quota share and excess of loss coverage for their direct books of business.
- Worker's compensation offers state statutory coverage for middle market employers which includes Longshore & Harbor Workers Act coverage and Maritime Employers Liability in states on the east coast and gulf coast.
- Excess Casualty provides umbrella and excess policies to small sized businesses with limits offered up to \$10 million. Common classes include apartments, restaurants and contractors.
- Aviation insurance through a Managing General Agent, London Aviation Underwriters, which covers aviation hull and liability for small aircraft with limits of \$3 million and \$5 million, respectively.

The Company's 2022 direct written premiums by jurisdiction were as follows:

<u>Jurisdiction</u>	<u>Premium</u>	<u>Percent</u>
California	\$ 192,980,857	36.03%
Florida	42,207,871	7.88%
New York	37,521,318	7.01%
New Jersey	34,721,011	6.48%
Texas	24,901,131	4.65%
Illinois	15,189,414	2.84%
All Other Jurisdictions Combined	188,035,896	35.11%
	<u>\$ 535,557,498</u>	<u>100.00%</u>

### **REINSURANCE**

For 2022, the Company reported the following distribution of net premiums written:

Direct business	\$ 535,557,499
Reinsurance assumed (from non-affiliates)	1,137,457,596
Reinsurance assumed (from affiliates)	-
Total direct and assumed	<u>\$ 1,673,015,095</u>
Reinsurance ceded (to affiliates)	\$ -
Reinsurance ceded (to non-affiliates)	<u>464,639,530</u>
Total ceded	<u>\$ 464,639,530</u>
Net premiums written	<u>\$ 1,208,375,565</u>

The following is a summary of the Company's assumed and ceded reinsurance program:

#### Assumed

In 2021, the Company added a new Agriculture Reinsurance division dedicated to offering coverages to major agriculture and crop insurers in the US and Canada through quota share and excess of loss reinsurance for their direct books of business. As of the end of 2022, assumed agriculture business amounted to 72% of assumed premiums.

#### Ceded

The Company had the following significant property assumed reinsurance contracts effective during 2022:

*Traditional Property Catastrophe*

Layer 1-3, effective March 1, 2022 through March 1, 2023:

1. Layer 1 65% of \$70,000,000 xs \$55,000,000

Self-retention layer \$25,000,000 xs \$125,000,000:

2. Layer 2 \$45,000,000 xs \$150,000,000
3. Layer 3 \$105,000,000 xs of \$195,000,000

Layer 4-5, effective June 1, 2022 through June 1, 2023:

4. Layer 4 \$100,000,000 xs \$300,000,000
5. Layer 5 \$100,000,000 xs \$300,000,000

The Company has one reinsurance contract relating to an insurance linked security, a property catastrophe bond. Under the contract, the Company and its parent SSIC, are ceding insurers for the purpose of managing catastrophe related risks direct and assumed written insurance coverages. The reinsurance agreement provides supplemental reinsurance coverage up to approximately 24% of \$270,000,000 (fully collateralized) for catastrophe losses in excess of \$300,000,000 (per occurrence and annual aggregation) occurring between June 1, 2022 and June 1, 2023.

The Company has reinsurance coverage for Workers' Compensation, effective October 1, 2022 in various layers as follows:

- \$3,000,000 xs \$2,000,000
- \$5,000,000 xs \$5,000,000
- \$10,000,000 xs \$10,000,000
- \$30,000,000 xs \$20,000,000

Additionally, the Company has reinsurance coverage for Workers' Compensation on a per person basis, effective October 1, 2022 in various layers as follows:

- \$3,000,000 xs \$2,000,000
- \$5,000,000 xs \$5,000,000
- \$5,000,000 xs \$10,000,000

*Affiliate Ceded Reinsurance*

Effective January 1, 2013, the Company entered into a continuous Quota Share Reinsurance Agreement (Quota Share) with Starstone Insurance Bermuda Ltd. (SIBL), a member of its holding company group and an alien reinsurer which has been established as an accredited Delaware reinsurer under the provisions of 18 *Del. C.* § 911 Credit allowed a domestic ceding insurer and 18 *Del. Admin. Code* § 1003 Credit for Reinsurance. Under the Quota Share agreement, the Company cedes 65% of its net retained premium and commission plus a 20% reimbursement of the Company's underwriting expense. Effective January 1, 2014, the Quota Share agreement was amended to increase the ceding percentage from 65% to 100% on discontinued business. Effective December 31, 2017, the Company terminated the Quota Share agreement on a run-off basis. The agreement and the amendment were approved by the Department. The Company ceded \$1,246,000 in written premiums and \$2,243,000 in incurred loss and LAE in 2022 and \$0 in written premiums and \$3,566,000 in incurred loss and LAE in 2021 to SIBL under the Quota Share agreement.

Effective January 1, 2013, the Company entered into a continuous aggregate excess of loss (Stop Loss) reinsurance agreement with SIBL. The Stop Loss provides protection against cumulative losses of the Company between an 80% calendar year net incurred loss ratio and a 160% calendar year net incurred loss ratio. Effective January 1, 2018, the agreement was amended to decrease the attachment point to ratio to 75%. The agreement and the amendment were approved by the Department.

On December 15, 2016, the Company executed a Quota Share agreement with KaylaRe, Ltd (KaylaRe), a Bermuda-based Class 4 reinsurer primarily owned by Cavello, a subsidiary of Enstar and funds manager Hillhouse Capital Management, Ltd., and Stone Point. During the first



quarter of 2018, Enstar entered into an agreement to purchase the remaining shares of KaylaRe. The Quota Share agreement was effective January 1, 2016. Since the execution of the agreement surpassed nine months, the agreement had both retroactive and prospective provisions. Under the agreement, the Company cedes 35% of its net premium and acquisition costs after deduction of third-party reinsurance plus 35% of overhead expenses. Effective January 1, 2018, the Company terminated the Quota Share agreement on a run-off basis. Under the prospective portion of this agreement, the Company ceded written premiums of \$ 1,044,000 and \$0 during 2022 and 2021, respectively.

#### *Deposit Accounting*

The Company entered into a deposit accounting reinsurance agreement with The Coca-Cola Company (TCCC) and Cavello effective August 5, 2016, to assume 100% of TCCC's liabilities for deductible/retention exposures for deposit premium and outstanding reserves of \$67,325,000 and to cede 100% of these risks to Cavello. The Company received \$67,325,000 in cash at the inception of this agreement from TCCC and immediately settled with Cavello. The total claims settled with TCCC were \$3,246,000 and \$7,975,000 during 2022 and 2021, respectively. The total claims recovered from Cavello were \$2,286,000 and \$7,436,000 during 2022 and 2021, respectively. The total deposit asset was \$8,382,000 and \$10,668,000 as of December 31, 2022 and 2021, respectively. The total deposit liability was \$7,821,000 and \$11,067,000 as of December 31, 2022 and 2021.

#### *Retroactive Reinsurance*

The Quota Share endorsement effective January 1, 2014 with SIBL was bifurcated between prospective and retroactive. The retroactive portion of the Quota Share endorsement included reserves commuted with StarStone Insurance (UK) Limited in 2014. The Company ceded initial

reserves of \$21,421,000, paid \$21,362,000 in consideration, and recognized \$59,000 of initial retroactive reinsurance gains which is classified as Special Surplus Funds. The Company recognized retroactive reinsurance losses of \$298,000 in 2022 and retroactive reinsurance gains of \$48,000 in 2021.

Under the retroactive provision of the KaylaRe 35% Quota Share agreement, the Company ceded initial reserves of \$24,455,000, paid \$19,015,000 in consideration, and recognized \$5,440,000 of initial retroactive reinsurance gains which is classified as Special Surplus Funds. The Company recognized retroactive reinsurance losses of \$79,000 and \$450,000 in 2022 and 2021, respectively.

Effective October 31 2020, in connection with the recapitalization, the Company entered into a loss portfolio transfer reinsurance agreement with Enstar, reinsuring their net exiting reserves with Clarendon National Insurance Company, an affiliate of Enstar. As part of the transaction, the Company paid a premium of \$10,704,000 above the amount of the Company's net reserves of \$305,517,000. The Company recognized a retroactive loss of \$405,000 and \$36,385,000 in 2022 and 2021, respectively.

A summary of Retroactive Reserves as of December 31, 2022 is as follows:

<u>Company</u>	<u>Ceded Amount</u>
StarStone Bermuda Ltd.	\$ 245,000
KaylaRe Ltd.	2,713,000
Clarendon National Insurance Company	143,531,000
Total	<u>\$ 146,489,000</u>

**FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022:

- Statement of Assets as of December 31, 2022
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2022
- Statement of Income for the year ended December 31, 2022
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2018 to December 31, 2022

Statement of Assets  
As of December 31, 2022

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 747,179,280	\$ -	\$ 747,179,280
Common stocks (stocks)	536,800	-	536,800
Cash	3,381,011	-	3,381,011
Cash equivalents	61,956,733	-	61,956,733
Other invested assets	15,598,896	7,800,000	7,798,896
Receivable for securities	27,800,000	-	27,800,000
Subtotals, Cash and Invested Assets	<u>\$ 856,452,720</u>	<u>\$ 7,800,000</u>	<u>\$ 848,652,720</u>
Investment income due and accrued	6,286,824	-	6,286,824
Uncollected premiums and agents' balances in the course of collection	28,621,875	-	28,621,875
Deferred premiums, agents' balances and installments booked but deferred and not yet due	428,223,186	-	428,223,186
Amounts recoverable from reinsurers	67,662,960	-	67,662,960
Other amounts receivable under reinsurance contracts	140,039	-	140,039
Net deferred tax asset	24,644,516	4,495,678	20,148,838
Receivables from parent; subsidiaries and affiliates	66,707,155	-	66,707,155
Aggregate write-ins for other-than-invested assets	49,851,681	-	49,851,681
Subtotal other assets	<u>\$ 672,138,236</u>	<u>\$ 4,495,678</u>	<u>\$ 667,642,558</u>
Total Assets	<u><u>\$ 1,528,590,956</u></u>	<u><u>\$ 12,295,678</u></u>	<u><u>\$ 1,516,295,278</u></u>

Statement of Liabilities, Surplus and Other Funds  
As of December 31, 2022

		Notes
Losses	\$ 511,017,004	(1)
Reinsurance payable on paid losses and loss adjustment expenses	(1,068,980)	
Loss adjustment expenses	69,880,504	(1)
Commissions payable; contingent commissions and other similar charges	3,200,698	
Other expenses (excluding taxes; licenses and fees)	2,142,427	
Taxes, licenses and fees	4,910,170	
Current federal and foreign income taxes	34,564,024	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$167,538,000)	292,157,890	
Ceded reinsurance premiums payable	125,394,993	
Funds held by company under reinsurance treaties	28,495,513	
Provision for reinsurance	5,161,000	
Payable to parent; subsidiaries and affiliates	4,665,907	
Payable for securities	27,936,174	
Aggregate write-ins for liabilities	(165,832,133)	
Total Liabilities	\$ 942,625,191	
Aggregate write-ins for special surplus funds	\$ 245,654	
Common capital stock	4,200,000	
Gross paid in and contributed surplus	509,242,333	
Unassigned funds (surplus)	59,982,100	
Surplus as regards policyholders	\$ 573,670,087	
Totals Liabilities, Surplus and Other Funds	\$ 1,516,295,278	

Statement of Income  
For the Year Ended December 31, 2022

Premiums earned	\$ 1,083,933,033
Losses incurred	\$ 746,209,931
Loss adjustment expenses incurred	72,849,753
Other underwriting expenses incurred	240,500,689
Total underwriting deductions	<u>\$ 1,059,560,373</u>
Net underwriting gain (loss)	<u>\$ 24,372,660</u>
Net investment income earned	\$ 12,000,960
Net realized capital gains (losses) less capital gains tax of \$0	(2,036,728)
Net investment gain (loss)	<u>\$ 9,964,232</u>
Net gain (loss) from agents' or premium balances charged off (amount recovered \$0 amount charged off \$279,816)	\$ (279,816)
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	(782,460)
Total other income	<u>\$ (1,062,276)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 33,274,616</u>
Dividends to policyholders	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 33,274,616</u>
Federal and foreign income taxes incurred	14,957,854
Net income	<u><u>\$ 18,316,762</u></u>

**Reconciliation of Capital and Surplus**  
**For the Period from the Prior Examination**  
**As of December 31, 2018, to December 31, 2022**

	<b>Common Capital Stock</b>	<b>Aggregate Write- Ins for Surplus Funds</b>	<b>Paid In &amp; Contributed Surplus</b>	<b>Unassigned Funds (Surplus)</b>	<b>Total</b>
Balance at December 31, 2018	\$ 4,200,000	\$ 5,498,896	\$ 92,242,333	\$ 10,120,072	\$ 112,061,301
2019 Net Income (Loss)	-	-	-	(6,422,192)	(6,422,192)
2019 Other Changes <sup>1</sup>	-	-	-	584,232	584,232
2019 Paid-in Surplus <sup>2</sup>	-	-	27,000,000	-	27,000,000
Balance at December 31, 2019	<u>\$ 4,200,000</u>	<u>\$ 5,498,896</u>	<u>\$ 119,242,333</u>	<u>\$ 4,282,112</u>	<u>\$ 133,223,341</u>
2020 Net Income (Loss)	-	-	-	10,290,566	10,290,566
2020 Other Changes <sup>1</sup>	-	-	-	(4,075,489)	(4,075,489)
2020 Paid-in Surplus <sup>4</sup>	-	-	300,000,000	-	300,000,000
2020 Special Surplus Funds <sup>3</sup>	-	(5,196,136)	-	5,196,136	-
Balance at December 31, 2020	<u>\$ 4,200,000</u>	<u>\$ 302,760</u>	<u>\$ 419,242,333</u>	<u>\$ 15,693,325</u>	<u>\$ 439,438,418</u>
2021 Net Income (Loss)	-	-	-	18,474,369	18,474,369
2021 Other Changes <sup>1</sup>	-	-	-	2,929,180	2,929,180
2021 Special Surplus Funds <sup>3</sup>	-	(48,062)	-	48,062	-
Balance at December 31, 2021	<u>\$ 4,200,000</u>	<u>\$ 254,698</u>	<u>\$ 419,242,333</u>	<u>\$ 37,144,936</u>	<u>\$ 460,841,967</u>
2022 Net Income (Loss)	-	-	-	18,316,762	18,316,762
2022 Other Changes <sup>1</sup>	-	-	-	4,520,402	4,520,402
2022 Paid-In Surplus <sup>5</sup>	-	-	90,000,000	-	90,000,000
2022 Special Surplus Funds <sup>3</sup>	-	(9,044)	-	-	(9,044)
Balance at December 31, 2022	<u>\$ 4,200,000</u>	<u>\$ 245,654</u>	<u>\$ 509,242,333</u>	<u>\$ 59,982,100</u>	<u>\$ 573,670,087</u>

<sup>1</sup> Changes in unassigned funds - other for each year includes: change in net unrealized capital gains/(losses); change in net deferred income tax; change in nonadmitted assets; and change in provision for reinsurance.

<sup>2</sup> During 2019, the Company received a capital contribution in the amount of \$27 million from its direct Parent, StarStone Specialty Insurance Company (SSIC).

<sup>3</sup> Special Surplus Funds adjustments relate to increases and decreases in the retro gain primarily for the KaylaRe Ltd. and StarStone Insurance (Bermuda) Limited retroactive reinsurance contracts.

<sup>4</sup> During 2020, the Company received a capital contribution in the amount of \$300 million from its direct Parent, StarStone Specialty Insurance Company (SSIC).

<sup>5</sup> During 2020, the Company received a capital contribution in the amount of \$90 million from its direct Parent, StarStone Specialty Insurance Company (SSIC).

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Losses	\$ 511,017,004
Loss Adjustment Expenses	\$ 69,880,504

The examination liability for the aforementioned captioned items is the same, subject to comments below, as those balances were reported by the Company as of December 31, 2022. The examination analysis of LAE reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual, SSAP No. 55 – Unpaid Claims, Losses and Loss Adjustment Expenses*.

**SUBSEQUENT EVENTS**

The following were the significant subsequent events noted within the Core Specialty Group since the period from the date of examination and the date of this report:

*Acquisitions*

On December 1, 2023, Core Specialty and its controlling persons acquired Standard Life and Accident Insurance Company (SLAICO) and the MGU/Stop-Loss business of American National Group, through the acquisition of 100% of the stock of SLAICO and certain reinsurance transactions. The Texas Department of Insurance issued a Form A approval regarding the acquisition on November 30, 2023.

*Directors and Officers*

Russell Sinco resigned his position as CFO and Treasurer of the insurance operations and his directorships including with the Company and SSIC. These positions are now held by Matthew Moore who was appointed in December 2023.

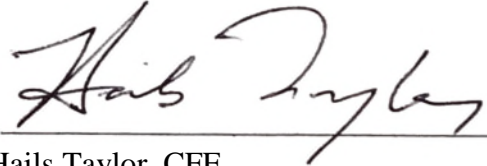


**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., investment specialist Robert Selvaggio with Rutter Associates, LLC, the Company's outside audit firm, E&Y and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

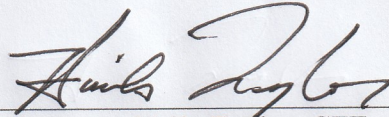


Hails Taylor, CFE  
Examiner In-Charge  
State of Delaware



Anthony Cardone, CFE  
Supervising Examiner  
State of Delaware

I, Hails Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 23.015

A handwritten signature in black ink, appearing to read "Hails Taylor", is written over a horizontal line.

Hails Taylor, CFE