

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

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
STARSTONE SPECIALTY 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.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this   3   day of   June  , 2024

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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. 23.014, dated June 16, 2023, an examination has been made of the affairs, financial condition and management of

**STARSTONE SPECIALTY INSURANCE COMPANY**

hereinafter referred to as the Company or SSIC. 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 Specialty Insurance Company (Company)	44776	DE
StarStone National Insurance Company (SNIC)	25496	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 DT Insurance Corporation on August 16, 1991, under the laws of the State of Delaware, and commenced business on November 19, 1991.

On December 22, 1998, Alea Holding US Company acquired the Company and the Company's name was changed to Rhine Re Insurance Ltd. On August 31, 2000, the Company's name was changed to Alea North America Reinsurance Company. On December 20, 2001, the Company's common stock was contributed to Alea North America Insurance Company. On November 15, 2002, the Company's name was changed to Alea North America Specialty Insurance Company.

On September 29, 2006, Praetorian Insurance Company acquired the Company and the Company's name was changed to Praetorian Specialty Insurance Company. Effective May 31, 2007, Praetorian Financial Group and its subsidiaries were sold to QBE Holdings, Inc.

On February 17, 2009, Torus US Holdings Inc. acquired the Company as a clean shell for \$61.48 million, with all prior obligations remaining the responsibility of the sellers through a series of agreements. On March 2, 2009, the Company's name was changed to Torus Specialty 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 SSIC.

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 affiliate of Enstar, 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 1000 shares of common stock with a \$7,000 par value. As of December 31, 2022, the Company had only 500 common shares issued and outstanding totaling \$3,500,000. All outstanding common shares of the Company are owned by SUHI.

As of December 31, 2022, the Company reported gross paid in and contributed surplus of \$814,465,335. During 2019, 2020 and 2022 the Company received capital contributions from its parent, SUHI, in the amounts of \$45,000,000, \$600,000,000 and \$90,000,000, respectively.

Effective January 1, 2022, the Department approved the Company's request for a Quasi Reorganization pursuant to *Statutory Accounting Principles (SSAP) No. 72 – Surplus and Quasi-Reorganizations*. To facilitate this quasi reorganization, the Company reclassified 100% its year end 2021 reported unassigned funds of \$190,864,156 into gross paid in and contributed surplus. The \$90,000,000 contributed by SUHI to the Company in 2021 was in turn, contributed to its



wholly owned subsidiary, SNIC. The contributions and reclassification were in association with the acquisition of Hallmark's Excess & Surplus Lines operations.

Dividends

The Company's Board did not approve, authorize or pay any stockholder dividends to SUHI 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, but in no event be less than two. Directors shall be elected at the annual meeting of the stockholders and shall hold office for a term of one year or 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 Chief Executive Officer, President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer 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, except the offices of chief executive officer and secretary may not 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

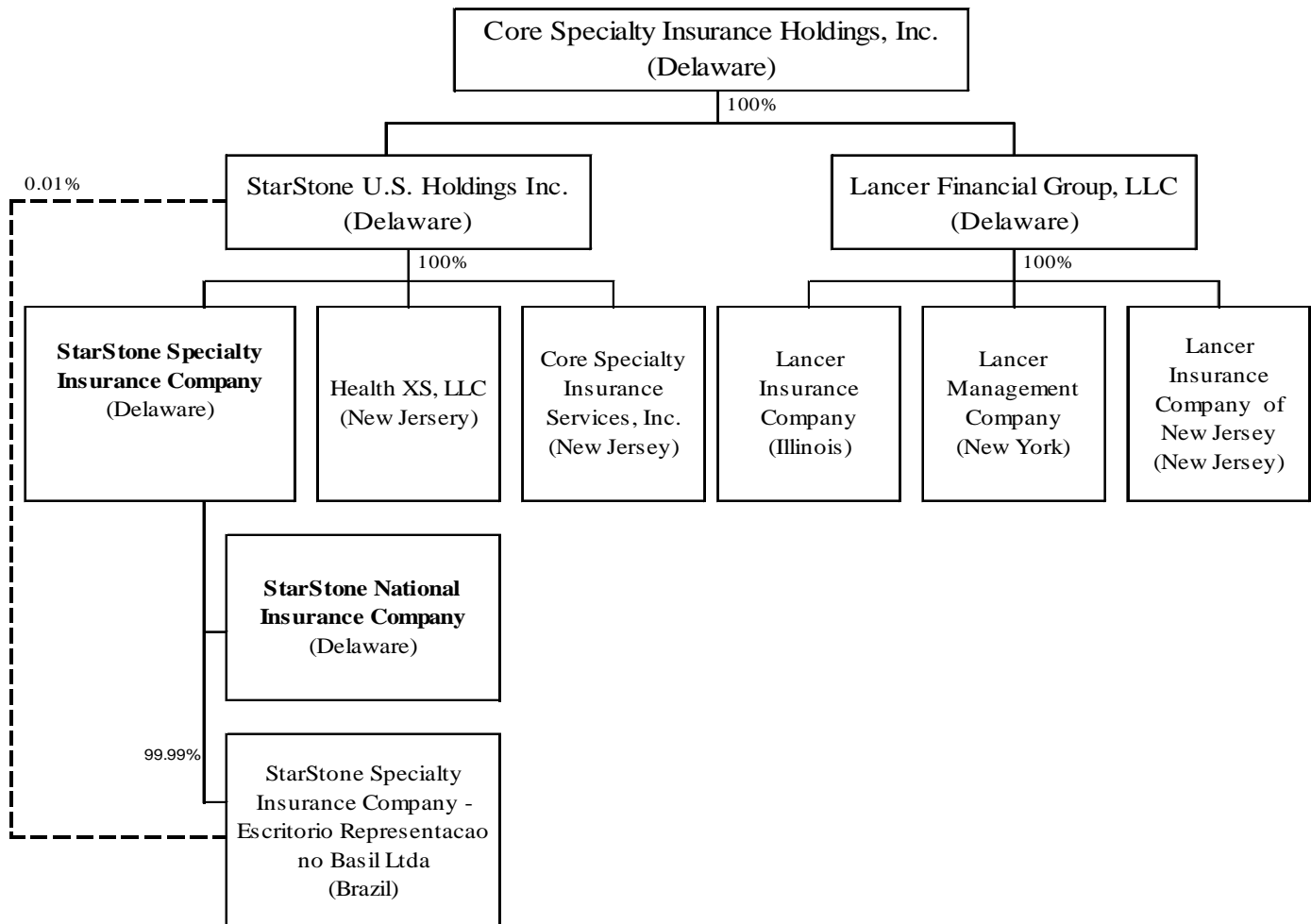
The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the shareholder and Board adequately documented their meetings, the election of directors and officers and the approval of Company transactions and events. In addition, the review 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 SUHI, which 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, SSIC 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, SNIC, 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 domestic surplus lines insurer in Delaware and on an exempt surplus lines basis in all fifty U.S. States, the District of Columbia, Puerto Rico and Guam.

Plan of Operation

The Company writes a wide range of casualty and specialty insurance, as well as reinsurance products, to a large client base.

The Company's 2022 direct written premiums by line of business were as follows:

<u>Line of Business</u>	<u>Premium</u>	<u>Percent</u>
Fire	\$ 358,510,479	45.64%
Other Liability - Claims Made	147,235,214	18.75%
Other Liability - Occurrence	103,044,926	13.12%
Medical Professional Liability - Claims Made	90,965,015	11.58%
Earthquake	21,025,165	2.68%
Other Commercial Auto Liability	17,597,222	2.24%
Allied Lines	15,337,049	1.95%
Homeowner's Multiple Peril	10,533,329	1.34%
Products Liability	8,601,286	1.10%
Ocean Marine	7,503,981	0.96%
Private Flood	4,322,733	0.55%
All Other Lines of Business Combined	764,585	0.10%
	<u>\$ 785,440,984</u>	<u>100.00%</u>

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

<u>Jurisdiction</u>	<u>Premium</u>	<u>Percent</u>
Alabama	\$ 17,339,098	2.21%
Florida	111,769,618	14.23%
California	116,357,133	14.81%
Georgia	20,582,265	2.62%
Illinois	19,220,920	2.45%
Louisiana	38,157,028	4.86%
Massachusetts	15,896,151	2.02%
Texas	103,249,816	13.15%
New Jersey	30,303,612	3.86%
New York	62,874,235	8.00%
Pennsylvania	22,161,141	2.82%
All Other Jurisdictions Combined	227,529,967	28.97%
	<u>\$ 785,440,984</u>	<u>100.00%</u>

### REINSURANCE

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

Direct business	\$ 785,440,984
Reinsurance assumed (from non-affiliates)	797,615
Reinsurance assumed (from affiliates)	-
Total direct and assumed	<u>\$ 786,238,599</u>
Reinsurance ceded (to affiliates)	\$ -
Reinsurance ceded (to non-affiliates)	207,296,679
Total ceded	<u>\$ 207,296,679</u>
Net premiums written	<u><u>\$ 578,941,920</u></u>

The Company's unaffiliated reinsurance program is a joint program with its affiliate SNIC.

The Company had the following significant property 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 affiliate SNIC, 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 \$ 1,090,000 in written premiums and \$(3,288,000) in incurred loss and LAE in 2022 and \$843,000 in written premiums and \$(3,986,000) 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. The Company ceded \$ 0 in written premiums and \$6,657,000 in incurred loss and LAE in 2022 and \$0 in written premiums and \$(4,811,000) in incurred loss and LAE in 2021 to SIBL under the Stop Loss agreement.

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 \$903,000 and \$924,000 during 2022 and 2021, respectively. The Company ceded incurred losses and LAE of \$(272,000) and \$(917,000) in 2022 and 2021, respectively.

*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 \$31,552,000, paid \$28,989,000 in consideration and recognized \$2,563,000 of initial retroactive reinsurance gains which is classified as Special Surplus Funds. The Company recognized retroactive reinsurance gains of \$503,000 in 2022 and retroactive reinsurance losses of \$1,112,000 in 2021.

Under the retroactive provision of the KaylaRe 35% Quota Share agreement, the Company ceded initial reserves of \$10,138,000, paid \$6,889,000 in consideration and recognized \$3,249,000 of initial retroactive reinsurance gains which is classified as Special Surplus Funds. The Company recognized retroactive reinsurance losses of \$157,000 in 2022 and retroactive reinsurance gains of \$2,012,000 in 2021.

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 \$5,096,000 above the amount of the Company's net reserves of \$147,364,000. The Company recognized a retroactive loss of \$6,127,000 and \$11,977,000 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.	\$ 1,021,000
KaylaRe Ltd.	2,808,000
Clarendon National Insurance Company	76,082,000
Total	<u>\$ 79,911,000</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

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 768,253,410	\$ -	\$ 768,253,410
Common stocks (stocks)	574,759,729	461,842	574,297,887
Cash	44,434,293	-	52,401,155
Cash equivalents	7,966,862	-	-
Subtotals, Cash and Invested Assets	<u>\$ 1,395,414,294</u>	<u>\$ 461,842</u>	<u>\$ 1,394,952,452</u>
Investment income due and accrued	6,559,793	-	6,559,793
Uncollected premiums and agents' balances in the course of collection	56,464,692	1,675,382	54,789,310
Amounts recoverable from reinsurers	79,761,703	-	79,761,703
Current federal and foreign income tax recoverable and interest thereon	46,512,303	-	46,512,303
Net deferred tax asset	40,600,845	40,600,845	-
Electronic data processing equipment and software	113,871,030	113,871,030	-
Receivables from parent; subsidiaries and affiliates	16,742,123	-	16,742,123
Aggregate write-ins for other-than-invested assets	16,259,500	-	16,259,500
Subtotal other assets	<u>\$ 376,771,989</u>	<u>\$ 156,147,257</u>	<u>\$ 220,624,732</u>
Total Assets	<u>\$ 1,772,186,283</u>	<u>\$ 156,609,099</u>	<u>\$ 1,615,577,184</u>

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

		<u>Notes</u>
Losses	\$ 393,555,255	(1)
Reinsurance payable on paid losses and loss adjustment expenses	5,706,054	
Loss adjustment expenses	62,043,394	(1)
Commissions payable; contingent commissions and other similar charges	572,002	
Other expenses (excluding taxes; licenses and fees)	15,252,903	
Taxes, licenses and fees	361,644	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$52,513,136)	276,851,369	
Ceded reinsurance premiums payable	86,626,954	
Funds held by company under reinsurance treaties	22,473,792	
Provision for reinsurance	3,236,000	
Payable to parent; subsidiaries and affiliates	56,011,339	
Payable for securities	6,076,468	
Aggregate write-ins for liabilities	(109,346,451)	
Total Liabilities	<u>\$ 819,420,723</u>	
Aggregate write-ins for special surplus funds	\$ 4,009,015	
Common capital stock	3,500,000	
Gross paid in and contributed surplus	814,465,335	
Unassigned funds (surplus)	(25,817,889)	
Surplus as regards policyholders	<u>\$ 796,156,461</u>	
Totals Liabilities, Surplus and Other Funds	<u><u>\$ 1,615,577,184</u></u>	

Statement of Income  
For the Year Ended December 31, 2022

Premiums earned	<u>\$ 487,161,070</u>
Losses incurred	\$ 236,182,051
Loss adjustment expenses incurred	47,841,193
Other underwriting expenses incurred	202,188,232
Total underwriting deductions	<u>\$ 486,211,476</u>
Net underwriting gain (loss)	<u>\$ 949,594</u>
Net investment income earned	\$ 12,997,816
Net realized capital gains (losses) less capital gains tax of \$0	(191,761)
Net investment gain (loss)	<u>\$ 12,806,055</u>
Net gain (loss) from agents' or premium balances charged off (amount recovered \$0 amount charged off \$31,174)	\$ (31,174)
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	(1,734,583)
Total other income	<u>\$ (1,765,757)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 11,989,892
Dividends to policyholders	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 11,989,892</u>
Federal and foreign income taxes incurred	(3,371,973)
Net income	<u><u>\$ 15,361,865</u></u>

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

	Common Capital Stock	Aggregate Write- Ins for Surplus Funds	Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Total
Balance at December 31, 2018	\$ 3,500,000	\$ 10,245,249	\$ 270,329,491	\$ (127,111,366)	\$ 156,963,374
2019 Net Income (Loss)	-	-	-	(6,208,379)	(6,208,379)
2019 Other Changes <sup>1</sup>	-	-	-	(3,097,829)	(3,097,829)
2019 Paid-in Surplus <sup>2</sup>	-	-	45,000,000	-	45,000,000
2019 Special Surplus Funds <sup>3</sup>	-	(62,002)	-	62,002	-
Balance at December 31, 2019	<u>\$ 3,500,000</u>	<u>\$ 10,183,247</u>	<u>\$ 315,329,491</u>	<u>\$ (136,355,572)</u>	<u>\$ 192,657,166</u>
2020 Net Income (Loss)	-	-	-	(1,818,423)	(1,818,423)
2020 Other Changes <sup>1</sup>	-	-	-	419,726	419,726
2020 Paid-in Surplus <sup>4</sup>	-	-	600,000,000	-	600,000,000
2020 Special Surplus Funds <sup>3</sup>	-	(5,204,597)	-	5,204,597	-
Balance at December 31, 2020	<u>\$ 3,500,000</u>	<u>\$ 4,978,650</u>	<u>\$ 915,329,491</u>	<u>\$ (132,549,672)</u>	<u>\$ 791,258,469</u>
2021 Net Income (Loss)	-	-	-	(31,175,761)	(31,175,761)
2021 Other Changes <sup>1</sup>	-	-	-	(26,238,632)	(26,238,632)
2021 Special Surplus Funds <sup>3</sup>	-	900,090	-	(900,090)	-
Balance at December 31, 2021	<u>\$ 3,500,000</u>	<u>\$ 5,878,740</u>	<u>\$ 915,329,491</u>	<u>\$ (190,864,155)</u>	<u>\$ 733,844,076</u>
2022 Net Income (Loss)	-	-	-	15,361,865	15,361,865
2022 Other Changes <sup>1</sup>	-	-	-	(43,049,480)	(43,049,480)
2022 Surplus Adjustment <sup>5</sup>	-	-	-	190,864,156	190,864,156
2022 Paid-In Surplus <sup>6</sup>	-	-	(100,864,156)	-	(100,864,156)
2022 Special Surplus Funds <sup>3</sup>	-	(1,869,724)	-	1,869,724	-
Balance at December 31, 2022	<u>\$ 3,500,000</u>	<u>\$ 4,009,015</u>	<u>\$ 814,465,335</u>	<u>\$ (25,817,889)</u>	<u>\$ 796,156,461</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; change in provision for reinsurance and aggregate write-ins for gains and losses in surplus (i.e. change in retroactive special surplus).

<sup>2</sup> During 2019, the Company received a capital contribution in the amount of \$45 million from its direct Parent, SUHI.

<sup>3</sup> Special Surplus Funds adjustments relate to increases and decreases in the retro gain primarily for the KaylaRe and SIBL retroactive reinsurance contracts.

<sup>4</sup> During 2020, the Company received a capital contribution in the amount of \$600 million from its direct Parent, SUHI.

<sup>5</sup> Effective January 1, 2022, the Department approved the Company's request for a Quasi-Reorganization pursuant to *Statutory Accounting Principles (SSAP) No. 72 – Surplus and Quasi-Reorganizations*. As a result, the Company reclassified year end 2021 Unassigned Funds of \$190,864,156 into Gross Paid-In and Contributed Surplus.

<sup>6</sup> During 2022, the Company received a capital contribution in the amount of \$90 million from its direct Parent, SUHI. Additionally, the Company reclassified year end 2021 Unassigned Funds of \$190,864,156 into Gross Paid-In and Contributed Surplus. Refer to footnote 5 above for details.

**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	\$ 393,555,255
Loss Adjustment Expenses	\$ 62,043,394

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*

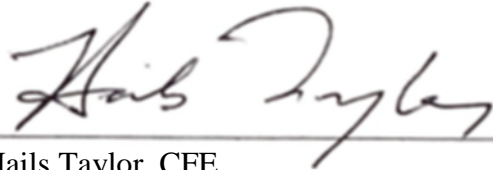
Russell Sinco resigned his position as CFO and Treasurer of the insurance operations and his directorships including with the Company and SNIC. These positions are now held by Matthew Moore who was appointed in December 2023.

**SUMMARY OF RECOMMENDATIONS**

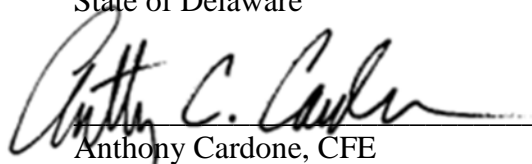
There were no recommendations as a result of this examination.

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,



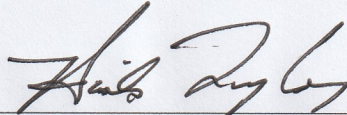
Hails Taylor, CFE  
Examiner In-Charge  
State of Delaware



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 No. 23.014

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

Hails Taylor, CFE