

Core Specialty Completes Acquisition of Hallmark Financial Services, Inc.'s Excess & Surplus Lines Operations

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- **Hallmark E&S produced \$436 million gross premiums written over the 12-month period ended June 30, 2022**
- **Furthers Core Specialty's momentum in building the leading specialty insurance company**
- **Elevates Core Specialty's participation in excess & surplus lines; combined business would be among the 20 largest E&S groups based on 2021 data**

CINCINNATI, Oct. 07, 2022 (GLOBE NEWSWIRE) -- Core Specialty Insurance Holdings, Inc. and its subsidiaries ("Core Specialty" or the "Company") announced today that it has completed the acquisition of Hallmark Financial Services, Inc.'s Excess & Surplus Lines operations for approximately \$40 million in cash. The business acquired from Hallmark Financial Services, Inc. ("Hallmark") represents that portion of Hallmark's Specialty Commercial Segment that is distributed through the wholesale insurance brokerage channel ("Hallmark E&S"). Hallmark E&S produced \$436 million of wholesale distributed excess & surplus lines business in the twelve-month period ended June 30, 2022.

Core Specialty will not acquire any insurance company entities as part of the transaction and the transaction excludes loss reserves associated with the Hallmark E&S business which will be retained by Hallmark.

Management and the approximately 176 employees of the Hallmark E&S business, based in Dallas, Atlanta and Jersey City, New Jersey, will transition to Core Specialty. Well-regarded industry veteran Gerald A. Dupre, Jr., currently President and Chief Underwriting Officer of Hallmark's Specialty Commercial Segment, will join Core Specialty as part of the transaction in a leadership role within the combined excess & surplus lines business.

Core Specialty expects the transaction to be accretive to its earnings per share and return on equity in 2023. Core Specialty has drawn \$130.0 million

under its Unsecured Revolving Credit Facility to support future business to be underwritten by Hallmark E&S and to pay the \$40.0 million cash purchase price.

Jeff Consolino, Core Specialty's Founder, President and Chief Executive Officer, said: "Core Specialty's vision is to become the leading specialty insurer and the Hallmark E&S acquisition continues our very strong progress in our mission. Core Specialty has the capital to take on risk, the underwriting talent in place, a proven and decisive leadership team and a track record of making things happen fast. Collectively and in each of our specialist niche business units, we intend to operate with strong entrepreneurial spirit and drive, speed, agility, and empowered decision-making. Hallmark has done an admirable job of assembling and nurturing this profitable business which strongly complements Core Specialty's business. The combined businesses are well aligned for continued profitable growth. Hallmark E&S has an excellent team and I would like to welcome Gerald Dupre and all of our new colleagues to Core Specialty."

The Hallmark Excess & Surplus Lines Operations

The Hallmark Excess & Surplus Lines Operations ("Hallmark E&S") are the subset of Hallmark's Specialty Commercial Segment that distributes through the wholesale insurance brokerage channel and are comprised of the Commercial Auto business unit which offers primary and excess commercial vehicle insurance products and services; the E&S Casualty business unit which offers primary and excess liability, excess public entity liability and E&S package and garage liability insurance products and services; the E&S Property business unit which offers primary and excess commercial property insurance for both catastrophe and non-catastrophe exposures; and the Professional Liability business unit which offers healthcare and financial lines professional liability insurance products and services primarily for businesses, medical professionals, medical facilities and senior care facilities.

Hallmark E&S underwrites specialty insurance coverages through wholesale brokers and producers. Hallmark E&S ranks in the top 50 excess & surplus underwriters based on 2021 net premiums written as reported by AM Best and has consistently generated underwriting profits since its inception. For the year-ended December 31, 2021, Hallmark E&S had generated gross premiums written of \$420 million and, for the twelve month period ended June 30, 2022, gross premiums written of \$436 million. See the table later in this press release for summary financial results of Hallmark E&S.

Core Specialty Transaction Benefits

Based on AM Best's publication of 2021 data, the combined business would rank among the top 20 excess & surplus lines groups in the United States with \$992 million in direct premiums written.

Core Specialty operates through a business unit philosophy that allows its Divisions local decision-making for underwriting, claims, and policy servicing with a high degree of autonomy and full accountability. The Hallmark E&S business lines complement Core Specialty's Directors & Officers Management Professional Liability, Excess Casualty, Lancer Commercial Auto, Healthcare Professional Liability and Property Divisions and will be integrated into the existing Core Specialty Business Units. In addition, Hallmark E&S brings Core Specialty a new E&S Contract Binding capability.

Core Specialty and Hallmark will work together to ensure all policyholders continue to receive industry leading products and services, and to align the combined operations in the best interests of customers, agents, brokers, and employees.

Transaction Structure

Core Specialty has completed the acquisition of Heath XS, LLC ("Heath XS"), the Dallas, Texas-based excess & surplus underwriting agency subsidiary of Hallmark Financial Services, Inc. and certain other operating assets of Hallmark related to Hallmark E&S for approximately \$40 million in cash. Heath XS does business as Hallmark E&S and Hallmark E&S Insurance Services, LLC.

In addition to Core Specialty's acquisition of Heath XS, Core Specialty has acquired the rights to the ongoing wholesale distributed excess & surplus lines business underwritten by Heath XS for insurance company affiliates of Hallmark and, through its wholly owned subsidiary, StarStone National Insurance Company ("StarStone National"), the net unearned premium reserve portfolio of approximately \$82 million related to Hallmark E&S. Heath XS will continue to underwrite policies issued by insurance company affiliates of Hallmark and such policies will be fully reinsured by StarStone National during a transition period set to expire after the third quarter of 2023, at which point StarStone Specialty Insurance Company, Core Specialty's excess & surplus lines subsidiary, is expected to become the policy-issuing carrier.

The transaction excludes loss reserves associated with business previously underwritten by Heath XS for insurance affiliates of Hallmark. Core Specialty will not acquire any insurance company entities as part of the transaction.

Transaction Advisors

Core Specialty is being advised by J.P. Morgan as financial advisor and Skadden, Arps, Slate, Meagher & Flom LLP as transaction counsel.

About Core Specialty

Core Specialty offers a diversified range of property and casualty insurance products for small to mid-sized businesses. From its underwriting offices spanning the U.S., the Company focuses on niche markets, local distribution, and superior underwriting knowledge; offering traditional as well as innovative insurance solutions to meet the needs of its customers and brokers. Core Specialty is an insurance holding company operating through StarStone Specialty Insurance Company, a U.S. excess & surplus lines insurer, and StarStone National Insurance Company, Lancer Insurance Company, and Lancer Insurance Company of New Jersey, each of which is a U.S. admitted markets insurer. The Company is rated A- XII (Excellent) by AM Best. For further information about Core Specialty, please visit www.corespecialty.com.

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