HALLMARK
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2nd Quarter 2017 Highlights

Summary

As of June 30, 2017:

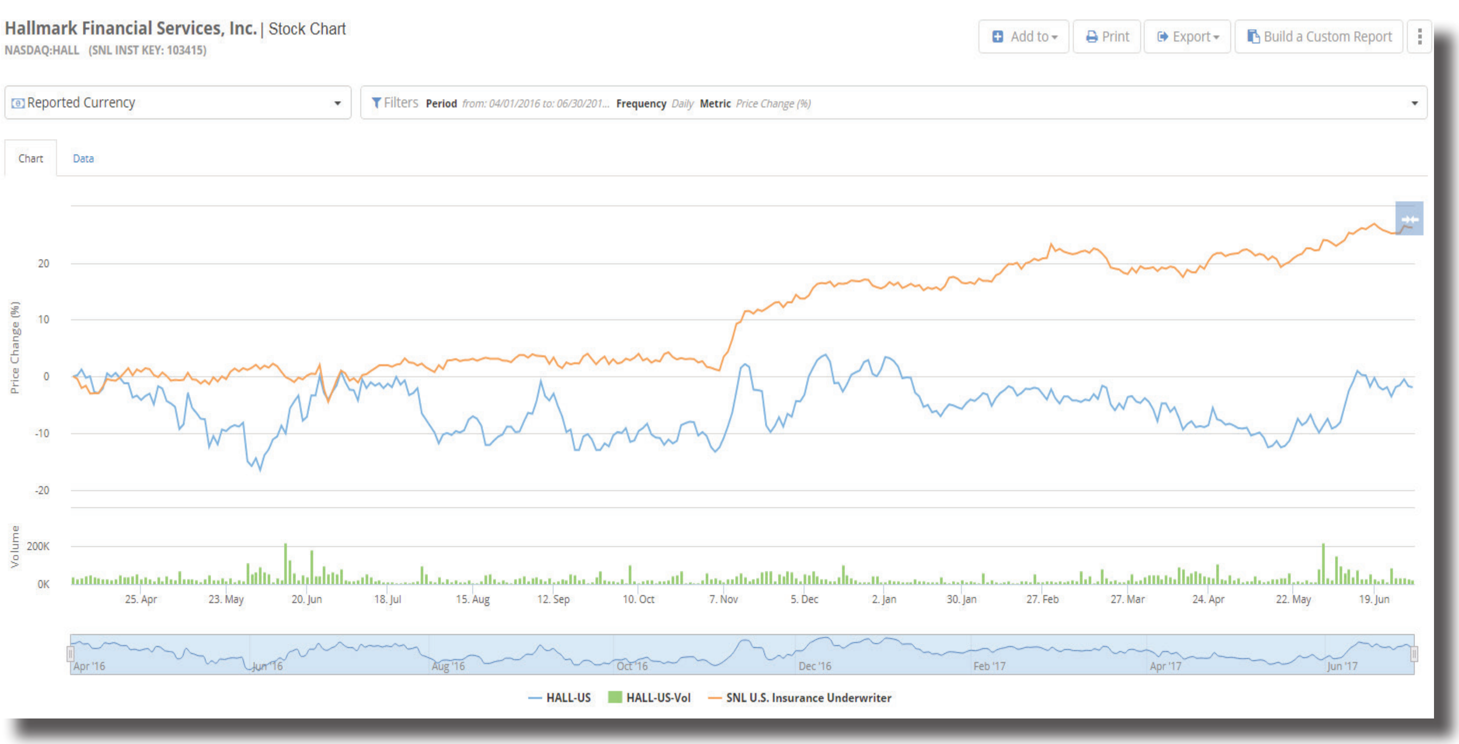
- Second quarter 2017 net loss was $3.4 million, or $0.18 per diluted share
- Year to date 2017 net income was $0.6 million, or $0.03 per diluted share
- Net combined ratio of 105.1% for second quarter 2017 and 101.9% for year to date 2017.
- Second quarter 2017 unfavorable prior year reserve development of $10.2 million versus $1.0 million favorable development for prior year.
- Second quarter 2017 total revenues of $93.5 million, increased 3% over prior year.
- Year to date 2017 total revenues of $190.4 million, increased 5% over prior year.

2nd Quarter

June 30, 2017

	2017	2016	% +/-
	($ in *thousands, unaudited)*		
Gross premiums written	162,056	144,037	13%
Net premiums written	100,894	95,243	6%
Net premiums earned	90,707	87,698	3%
Investment income, net of expenses	4,587	3,994	15%
Gain (loss) on investments [1]	(72)	410	(118%)
Other-than-temporary impairments	(3,407)	(2,587)	32%
Total revenues	93,475	91,052	3%
Net (loss) income	(3,350)	1,066	(414%)
Net (loss) income per share - basic	$ (0.18)	$ 0.06	(400%)
Net (loss) income per share - diluted	$ (0.18)	$ 0.06	(400%)
Book value per share	$ 14.57	$ 14.25	2%
Cash flow from operations	3,545	3,645	(3%)

[1] *includes change in unrealized gain (loss) on other investment recognized in earnings*



From Naveen Anand, President and CEO

"Overall, I'm disappointed in our results as our progress was over-shadowed by prior year loss development from older accident years. This prior year loss development added 11.2 points to the quarter and 5.4 points to the year to date net combined ratio results. Excluding the adverse prior year reserve development, the net combined ratios would have been 93.9% for the second quarter of 2017 and 96.5% for year to date 2017. Our strategy to develop into a diversified specialty insurer is taking hold and we are bringing our commercial and personal auto product lines in balance with the rest of the portfolio.

The Specialty Commercial Segment now represents over 75% of our written premium and it is well positioned for sustained growth and profitability particularly as many of our specialty lines products continue to gain traction. Gross premiums written within the Specialty Commercial Segment increased by 23% for the quarter and 17% for year to date 2017 as we continue to optimize our product mix and overall portfolio. The unfavorable prior year reserve development - primarily from commercial auto - added 12.4 points in the quarter and 6.6 points for year to date 2017 to the net combined ratio for the Specialty Commercial Segment.

Results for the Standard Commercial Segment were adversely impacted by run-off programs, but were nonetheless profitable for the first half of 2017. Losses from severe weather events were down considerably despite a sharp increase in the number of events in our territory. In our Personal Lines Segment, year to date gross premiums written decreased by 17%. We are seeing some improvement in this segment as our underwriting actions and improved claims management processes are beginning to have the expected positive impact,"

From Mark Schwarz, Executive Chairman

"We reported book value per share of $14.57 as of June 30, 2017, which is an increase of 2% during the first six months of 2017. Our total cash and investments increased by $8.8 million during the first six months of 2017 to $749.9 million, or $41.12 per share. Our balance sheet remains liquid with a very short duration in our investment portfolio and cash balances (including restricted cash) of $80.9 million as of June 30, 2017, ready to be deployed as we see opportunity."

Second Quarter 2017 Commentary

Hallmark reported a net loss of $3.4 million for the three months ended June 30, 2017 and net income of $0.6 million for the six months ended June 30, 2017 as compared to net income of $1.1 million and $5.1 million for the same periods the prior year. On a diluted basis per share, the Company reported a net loss of $0.18 per share for the three months ended June 30, 2017 and net income of $0.03 per share for the six months ended June 30, 2017 as compared to net income of $0.06 per share and $0.27 per share for the same periods the prior year.

Hallmark's consolidated net loss ratio was 77.9% and 73.7% for the three months and six months ended June 30, 2017, as compared to 66.7% and 66.2% for the same periods the prior year. Hallmark's net expense ratio was 27.2% and 28.2% for the three months and six months ended June 30, 2017 as compared to 29.2% and 29.4% for the same periods the prior year. Hallmark's net combined ratio was 105.1% and 101.9% for the three months and six months ended June 30, 2017, as compared to 95.9% and 95.6% for the same periods the prior year.

Hallmark's discontinued workers' compensation and occupational accident lines of business, previously written by the Standard Commercial Segment, adversely impacted the consolidated net combined ratio by 1.4 points and 1.3 points for the three months and six months ended June 30, 2017, compared to a favorable impact of 2.3 points and 0.9 points for the same periods the prior year. Similarly, these discontinued lines of business accounted for 7.5 points of the 107.3% net combined ratio and 6.8 points of the 104.4% net combined ratio of the Standard Commercial Segment for the three months and six months ended June 30, 2017, as compared to -12.0 points of the 88.0% net combined ratio and -5.0 points of the 94.2% net combined ratio of the Standard Commercial Segment for the same periods the prior year.

During the three months and six months ended June 30, 2017, Hallmark's total revenues were $93.5 million and $190.4 million, representing an increase of 3% and 5%, from the $91.1 million and $181.1 million in total revenues for the same periods of 2016. During the three months and six months ended June 30, 2017, Hallmark's income (loss) before tax was ($4.9) million and $0.9 million, as compared to $1.5 million and $7.5 million reported during the same periods the prior year.

The increase in revenue for the three months and six months ended June 30, 2017 was primarily attributable to higher net earned premiums in the Specialty Commercial Segment as well as higher net investment income. These increases in revenue were partially offset by higher realized losses recognized on our investment portfolio during the three months ended June 30, 2017 as compared to the prior year as well as lower finance charges during the three months and six months ended June 30, 2017 as compared to the same periods in 2016.

The increase in revenue for the three months and six months ended June 30, 2017 was offset by higher losses and loss adjustment expenses ("LAE") of $12.2 million and $18.6 million, as compared to the same periods in 2016. The increase in losses and LAE was primarily the result of unfavorable net prior year loss reserve development of $10.2 million and $9.7 million for the three months and six months ended June 30, 2017 as compared to favorable net prior year loss reserve development of $1.0 million and $2.8 million for the same periods in 2016, as well as higher current accident year loss trends in the MGA Commercial Products operating unit. Other operating expenses decreased mostly as a result of a $1.8 million accrual to the earn-out related to a previous acquisition during the second quarter of 2016 and lower production related expenses due primarily to increased ceding commissions in the Specialty Commercial Segment, partially offset by increased salary and related expenses and professional service fees for the three months and six months ended June 30, 2017 as compared to the same periods of 2016.

During the six months ended June 30, 2017, Hallmark's cash flow provided by operations was $12.4 million compared to cash flow provided by operations of $2.3 million during the same period the prior year. The increase in operating cash flow was primarily due to decreased paid losses (including timing of reinsurance claim settlements), higher collected net investment income, lower paid operating expenses, lower income taxes paid and higher collected ceding commissions partially offset by lower collected net premiums and lower collected finance charges.

Forward-looking statements in this release are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that actual results may differ substantially from such forward-looking statements. Forward-looking statements involve risks and uncertainties including, but not limited to, continued acceptance of the Company's products and services in the marketplace, competitive factors, interest rate trends, general economic conditions, the availability of financing, underwriting loss experience and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.