



NEWS

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Summary: **Penn-America Group, Inc. (NYSE:PNG) reports operating income of \$2.0 million or \$0.25 per share and net income of \$1.8 million or \$0.23 per share for the first quarter of 2002. Core commercial gross written premiums grew nearly one-third in the first quarter of 2002.**

Three Month Results

HATBORO PA (April 24, 2002) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$2.0 million or \$0.25 per share (basic and diluted) for the first quarter of 2002, compared with operating income of \$0.9 million or \$0.12 per share (basic and diluted) for the first quarter of 2001. Net income for the first quarter of 2002 was \$1.8 million or \$0.23 per share (basic and diluted) and included a net realized investment loss of \$0.2 million or \$0.02 per share (basic and diluted). Net income for the first quarter of 2001 was \$1.0 million or \$0.13 per share (basic and diluted) and included a net realized investment gain of \$0.1 million or \$0.01 per share (basic and diluted). The GAAP combined ratio for the first quarter of 2002 was 99.9 compared with 106.3 in the first quarter of 2001.

Jon Saltzman, president and CEO noted, "Our first quarter 2002 operating results were significantly better than the same period of last year and represented a very favorable excess and surplus lines marketplace, which is characterized by strong price increases and an influx of new business previously written by standard lines carriers. We foresee continued hardening of insurance markets throughout this year and believe that Penn-America is well-positioned to capitalize on this favorable environment."

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Core Commercial Lines

Gross written premiums for core commercial lines (excluding the company's exited commercial automobile business) increased 32.6 percent to \$30.1 million in the first quarter of 2002, compared with \$22.7 million for the same period of 2001. Net written premiums increased 30.8 percent to \$26.4 million in the current quarter, compared with \$20.2 million in the same period of 2001.

Non-Standard Personal and Commercial Automobile Lines

In January 1999 the company announced that it was running off the non-standard personal automobile business and, in October 2000 announced that it was exiting the commercial automobile line. As a result, gross written premiums for the commercial automobile business were not material in the first quarter of 2002, compared with \$1.2 million in the same quarter of 2001. Gross written premiums for non-standard personal automobile lines were not material in the first quarters of 2002 and 2001.

Three-for-Two Stock Split

On April 11, 2002, the company announced a three-for-two stock split to be effected in the form of a 50% stock dividend payable to stockholders of record as of April 25, 2002. The distribution date will be May 9, 2002. Cash will be paid in lieu of fractional shares based on the closing price of the company's common stock on the record date. The company expects to adjust its annual dividend rate to reflect the three-for-two split resulting in virtually no change in the aggregate amount of annual dividends paid by the company.

The following table summarizes the company's actual earnings per share for the first quarter of 2002 and actual book value per share as of March 31, 2002. The table also includes earnings per share and book value per share adjusted to reflect the three-for-two stock split:

	<u>As of or for the quarter ended March 31, 2002</u>	
	<u>As Reported</u>	<u>Adjusted to Reflect Three-For-Two Stock Split</u>
Operating income per diluted share	\$0.25	\$0.17
Net income per diluted share	\$0.23	\$0.15
Diluted weighted average shares outstanding	7,806,988	11,710,482
Book value per share	\$10.54	\$7.03
Common shares outstanding	7,699,969	11,549,954

Teleconference for Interested Parties

Jon Saltzman and Joe Morris, senior vice president, CFO and treasurer will conduct a teleconference for interested parties today at 11:00 a.m. Eastern Daylight Savings Time. To participate, telephone (800) 553-0327 a few minutes before 11:00 a.m. and request the Penn-America conference call. A digital recording of the teleconference will be available from 2:15 p.m. today through 11:59 p.m. Eastern Daylight Time, Wednesday, May 1. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 633997. This conference call also will be broadcast live at www.penn-america.com, supplied by CCBN. To listen to the Web Cast, your computer must have Windows Media Player installed. If you do not have Windows Media Player, go to www.penn-america.com prior to the call, where Windows Media Player can be downloaded for free. An online replay also will be available approximately one hour after the call.

Penn-America Group, Inc. (NYSE:PNG) is a specialty commercial property and casualty insurance holding company. The company's "small thinking" – underwriting small entrepreneurial businesses in small "Main Street" towns through a small network of wholesale general agents – has delivered substantial long-term growth in the original "E"-business: serving entrepreneurs.

Certain information included in this news release and other statements or materials published or to be published by the company are not historical facts but are forward-looking statements including but not limited to, such matters as anticipated financial performance, business prospects, technological developments, new and existing products, expectations for market segment and growth and similar matters. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the company provides the following cautionary remarks regarding important factors which, among others, could cause the company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, results of the company's business and the other matters referred to above include, but are not limited to: (1) changes in the business environment in which the company operates, including inflation and interest rates; (2) changes in taxes, governmental laws and regulations; (3) competitive product and pricing activity; and (4) difficulties of managing growth profitably. For additional disclosure regarding potential risk factors, please refer to the Company's 2001 10-K.

Note: Tables follow.

PENN-AMERICA GROUP, INC. AND SUBSIDIARIES (NYSE: PNG)
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data and ratios)

	Three Months Ended	
	<u>3/31/02</u>	<u>3/31/01</u>
Gross written premiums	\$ 30,030	\$ 23,816
Net written premiums	26,379	21,056
Revenues:		
Premiums earned	22,983	23,042
Net investment income	2,833	2,850
Net realized investment gain (loss)	<u>(252)</u>	<u>102</u>
Total revenues	<u>25,564</u>	<u>25,994</u>
Losses and expenses:		
Losses and loss adjustment expenses	15,286	16,734
Amortization of deferred policy acquisition costs	6,011	6,224
Other underwriting expenses	1,657	1,534
Corporate expenses	111	162
Interest expense	35	40
Total losses and expenses	<u>23,100</u>	<u>24,694</u>
Income before income tax	2,464	1,300
Income tax expense	<u>678</u>	<u>333</u>
Net income	<u>\$ 1,786</u>	<u>\$ 967</u>
Basic and diluted income per share		
Operating income	\$ 0.25	\$ 0.12
Net realized investment gain (loss)	<u>(0.02)</u>	<u>0.01</u>
Net income	<u>\$ 0.23</u>	<u>\$ 0.13</u>
Cash dividend per share	\$ 0.0575	\$ 0.0525
Diluted weighted average shares outstanding	7,806,988	7,635,412
GAAP ratios		
Loss ratio	66.5	72.6
Expense ratio	<u>33.4</u>	<u>33.7</u>
Combined ratio	99.9	106.3
Statutory ratios		
Loss ratio	66.5	72.6
Expense ratio	<u>31.8</u>	<u>34.3</u>
Combined ratio	98.3	106.9

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES (NYSE: PNG)
 SELECTED CONSOLIDATED FINANCIAL DATA
 (In thousands, except per share data)

<u>SELECTED BALANCE SHEET DATA</u>	<u>March 31, 2002</u>	<u>December 31, 2001</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 148,232	\$ 135,253
Held to maturity	9,779	15,084
Equity securities	23,812	25,149
Short-term investments and cash	16,361	13,129
	<u>\$ 198,184</u>	<u>\$ 188,615</u>
Reinsurance recoverable	\$ 25,839	\$ 25,804
Total assets	257,556	248,115
Unpaid losses and loss adjustment expenses	124,177	119,598
Unearned premiums	44,989	41,034
Total liabilities	176,361	167,724
Total stockholders' equity	81,195	80,391
Total shares outstanding	7,699,969	7,652,234
Book value per share	\$ 10.54	\$ 10.51
Statutory policyholders' surplus	\$ 65,687	\$ 64,733

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES (NYSE: PNG)
 SELECTED CONSOLIDATED FINANCIAL DATA
 (In thousands, except ratios)

SUPPLEMENTARY STATUTORY DATA BY LINE OF BUSINESS

Quarter Ended March 31, 2002

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines:			
Specialty property	\$ 2,540	\$ 2,373	73.7
CMP - property	9,957	8,784	75.7
CMP - liability	7,224	6,484	58.4
Other & product liability	<u>6,678</u>	<u>5,337</u>	<u>58.0</u>
Total core commercial	26,399	22,978	66.5
Exited lines:			
Commercial auto liability	(16)	—	*
Commercial auto P.D.	(4)	5	*
Personal lines	—	—	*
Total exited lines	<u>(20)</u>	<u>5</u>	<u>*</u>
TOTAL	<u>\$26,379</u>	<u>\$22,983</u>	<u>66.5</u>

Quarter Ended March 31, 2001

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines:			
Specialty property	\$ 1,953	\$ 1,341	72.8
CMP - property	7,257	7,152	82.3
CMP - liability	5,934	6,044	77.0
Other & product liability	<u>5,041</u>	<u>6,373</u>	<u>61.0</u>
Total core commercial	20,185	\$20,910	73.7
Exited lines:			
Commercial auto liability	638	1,517	129.1
Commercial auto P.D.	231	599	95.0
Personal lines	<u>2</u>	<u>16</u>	<u>*</u>
Total exited lines	<u>871</u>	<u>2,132</u>	<u>62.4</u>
TOTAL	<u>\$21,056</u>	<u>\$23,042</u>	<u>72.6</u>

*Not meaningful