



NEWS

For Release: April 23, 2003

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Summary: **Penn-America Group, Inc. (NYSE:PNG) reports a 59.0 percent increase in operating income to \$3.1 million or \$0.21 per share (basic and diluted) for the first quarter of 2003. Net income increased 100.1 percent to \$3.6 million or \$0.24 per share (basic and diluted).**

HATBORO PA (April 23, 2003) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$3.1 million or \$0.21 per share (basic and diluted) for the first quarter of 2003, compared with operating income of \$2.0 million or \$0.17 per share (basic and diluted) for the first quarter of 2002. Net income for the first quarter of 2003 was \$3.6 million or \$0.24 per share (basic and diluted) and included a net realized investment gain, after taxes, of \$0.5 million. Net income for the first quarter of 2002 was \$1.8 million or \$0.15 per share (basic and diluted) and included a net realized investment loss, after taxes, of \$0.2 million. Diluted weighted average shares outstanding increased 26.4 percent to 14,798,913 for the first quarter of 2003, primarily due to the issuance of 2,990,000 shares of common stock through a secondary public offering in December, 2002.

Gross written premiums increased 34.5 percent to \$40.4 million in the first quarter of 2003, compared with \$30.0 million for the same period in 2002. Net written premiums increased 28.9 percent to \$34.0 million in the current quarter, compared with \$26.4 million for the same period in 2002. The GAAP combined ratio for the first quarter of 2003 was 95.1, compared with 99.9 for the first quarter of 2002.

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Jon Saltzman, president and CEO noted, "This sixth consecutive quarter of underwriting profitability reflects continuing excellent market conditions for the excess and surplus lines sector of the commercial property and casualty insurance business. Pricing is strong, with double-digit percentage price increases in the quarter across our book of business. We continue to believe that these favorable market conditions will continue through the remainder of the year."

Operating income, a non-GAAP financial measure, is calculated by subtracting net realized investment gain (loss), after taxes, from net income. The Company uses operating income, among other measures, to evaluate its performance because the realization of net realized investment gains or losses in a given period is largely discretionary as to timing and could distort the comparability of results.

Teleconference for Interested Parties

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 Time. To participate, telephone (888) 273-9890 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 2:30 p.m. today through 11:59 p.m. Eastern Daylight Time, Wednesday, April 30, 2003. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 679480. 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 it 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 that markets and underwrites general liability, commercial property and multi-peril insurance for small businesses in small towns and rural areas through a select network of wholesale general agents in the excess and surplus lines marketplace.

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, results of the company's business, and the other matters referred to above include, but are not limited to: (1) risks inherent in establishing loss and loss adjustment expense reserves; (2) uncertainties relating to the financial ratings of the company's insurance subsidiaries; (3) uncertainties relating to government and regulatory policies; (4) uncertainties arising from the cyclical nature of the company's business; (5) changes in the company's relationships with, and the capacity of, its general agents; and (6) the risk that the company's reinsurers may not be able to fulfill their obligations to the company. For additional disclosure regarding potential risk factors, refer to documents filed by the company with the Securities and Exchange Commission, including the company's 2002 10-K.

Note: Tables follow.

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

	<u>Three Months Ended</u>	
	<u>3/31/03</u>	<u>3/31/02</u>
Revenues:		
Premiums earned	\$ 34,365	\$ 22,983
Net investment income	3,213	2,833
Net realized investment gain (loss)	714	(252)
Total revenues	<u>38,292</u>	<u>25,564</u>
Losses and expenses:		
Losses and loss adjustment expenses	22,012	15,286
Amortization of deferred policy acquisition costs	8,617	6,011
Other underwriting expenses	2,046	1,657
Corporate expenses	185	111
Interest expense	304	35
Total losses and expenses	<u>33,164</u>	<u>23,100</u>
Income before income tax	5,128	2,464
Income tax expense	<u>1,554</u>	<u>678</u>
Net income	<u>\$ 3,574</u>	<u>\$ 1,786</u>
Operating income	<u>\$ 3,103</u>	<u>\$ 1,952</u>
Net realized investment gain (loss), after taxes	471	(166)
Net income	<u>\$ 3,574</u>	<u>\$ 1,786</u>
Basic and diluted income per share		
Operating income	\$ 0.21	\$ 0.17
Net realized investment gain (loss), after taxes	0.03	(0.02)
Net income	<u>\$ 0.24</u>	<u>\$ 0.15</u>
Cash dividend per share	\$ 0.04375	\$ 0.03833
Weighted average shares outstanding		
Basic	14,591,096	11,536,694
Diluted	14,798,913	11,710,482

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

INSURANCE PERFORMANCE DATA

	<u>Three Months Ended</u>	
	<u>3/31/03</u>	<u>3/31/02</u>
Gross written premiums	\$ 40,396	\$ 30,030
Net written premiums	33,998	26,379
GAAP ratios:		
Loss ratio	64.1	66.5
Expense ratio	<u>31.0</u>	<u>33.4</u>
Combined ratio	95.1	99.9
Statutory ratios:		
Loss ratio	64.1	66.5
Expense ratio	<u>30.6</u>	<u>31.8</u>
Combined ratio	94.7	98.3

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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, 2003</u>	<u>December 31, 2002</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 262,561	\$ 246,583
Held to maturity	1,277	1,963
Equity securities	11,933	18,625
Short-term investments and cash	7,137	9,796
	<u>\$ 282,908</u>	<u>\$ 276,967</u>
Reinsurance recoverable	\$ 27,612	\$ 27,843
Total assets	354,116	347,239
Unpaid losses and loss adjustment expenses	143,185	137,747
Unearned premiums	65,229	65,365
Total liabilities	234,374	230,644
Total stockholders' equity	119,742	116,595
Total shares outstanding	14,610,577	14,572,098
Book value per share	\$ 8.20	\$ 8.00
Statutory policyholders' surplus	\$ 114,358	\$ 110,222

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

SUPPLEMENTARY DATA BY LINE OF BUSINESS

Three Months Ended March 31, 2003

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines:			
Special property	\$ 2,710	\$ 3,385	74.7
CMP – property	12,665	12,886	58.7
CMP – liability	8,581	8,794	63.8
Other & product liability	10,057	9,303	63.9
Total core commercial	<u>34,013</u>	<u>34,368</u>	<u>63.0</u>
Exited lines ¹	<u>(15)</u>	<u>(3)</u>	<u>*</u>
Total	<u><u>\$ 33,998</u></u>	<u><u>\$ 34,365</u></u>	<u><u>64.1</u></u>

Three Months Ended March 31, 2002

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines:			
Special 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	6,678	5,337	58.0
Total core commercial	<u>26,399</u>	<u>22,978</u>	<u>66.5</u>
Exited lines ¹	<u>(20)</u>	<u>5</u>	<u>*</u>
Total	<u><u>\$ 26,379</u></u>	<u><u>\$ 22,983</u></u>	<u><u>66.5</u></u>

¹ Exited lines consist of commercial and personal automobile lines of business previously exited by the Company.

* Not meaningful

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