



NEWS

For Release: April 28, 2004

Contact: **Financial:** Joseph F. Morris
Senior Vice President, Chief Financial Officer and Treasurer
(215) 443-3612

Media: David Kirk, APR
(610) 792-3329

Summary: **Penn-America Group, Inc. (NYSE:PNG) reports record levels of gross written premiums, total revenues and net income for the first quarter of 2004. Operating income increased 38.5 percent to \$4.3 million or \$0.29 per share (basic and diluted) for the first quarter of 2004.**

HATBORO PA (April 28, 2004) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$4.3 million or \$0.29 per share (basic and diluted) for the first quarter of 2004, compared with operating income of \$3.1 million or \$0.21 per share (basic and diluted) for the first quarter of 2003. Net income for the first quarter of 2004 increased to a record level of \$4.7 million or \$0.32 per basic share and \$0.31 per diluted share and included a net realized investment gain, after taxes, of \$0.4 million. 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.

Gross written premiums increased 58.6 percent to a record level of \$64.1 million in the first quarter of 2004, compared with \$40.4 million for the same period in 2003. Net written premiums increased 63.2 percent to \$55.5 million in the first quarter, compared with \$34.0 million for the same period in 2003. The GAAP combined ratio for the first quarter of 2004 was 92.7, compared with 95.1 for the first quarter of 2003.

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Commenting on the first quarter operating results, Jon S. Saltzman, president and CEO noted, "Our first quarter 2004 operating results demonstrate that the favorable market conditions that have existed for the last three years in the excess and surplus lines segment of the property and casualty insurance industry have continued into 2004. Our record level of gross written premiums, which included an average price increase of six percent, is further evidence of our belief that standard lines carriers are continuing to avoid writing many of the small commercial businesses that we target such as restaurants, artisan contractors, retail stores and habitational risks."

Operating income, a non-GAAP financial measure, is calculated by subtracting net realized investment gain, 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

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 Time. To participate, telephone (888) 273-9889 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, May 5, 2004. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 726628. This conference call also will be broadcast live at www.penn-america.com, supplied by CCBN. To listen to the Webcast, 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 property and casualty insurance holding company that markets and underwrites general liability, commercial property and multi-peril insurance for small businesses located primarily in small towns and rural areas through a select network of wholesale general agents in the excess and surplus lines market.

Forward-Looking Information

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 2003 10-K.

Note: Tables follow.

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

	Three Months Ended	
	3/31/2004	3/31/2003
Revenues:		
Premiums earned	\$ 47,455	\$ 34,365
Net investment income	3,487	3,213
Net realized investment gain	556	714
Total revenues	<u>51,498</u>	<u>38,292</u>
Losses and expenses:		
Losses and loss adjustment expenses	30,250	22,012
Amortization of deferred policy acquisition costs	11,682	8,617
Other underwriting expenses	2,074	2,046
Corporate expenses	261	185
Interest expense	505	304
Total losses and expenses	<u>44,772</u>	<u>33,164</u>
Income before income tax	6,726	5,128
Income tax expense	2,068	1,554
Net income	<u>\$ 4,658</u>	<u>\$ 3,574</u>
Operating income	4,297	3,103
Net realized investment gain, after taxes	361	471
Net income	<u>\$ 4,658</u>	<u>\$ 3,574</u>
Basic income per share:		
Operating income	\$ 0.29	\$ 0.21
Net realized investment gain, after taxes	0.03	0.03
Net income	<u>\$ 0.32</u>	<u>\$ 0.24</u>
Diluted income per share:		
Operating income	\$ 0.29	\$ 0.21
Net realized investment gain, after taxes	0.02	0.03
Net income	<u>\$ 0.31</u>	<u>\$ 0.24</u>
Cash dividend per share	\$ 0.06	\$ 0.04375
Weighted average shares outstanding:		
Basic	14,753,594	14,591,096
Diluted	14,994,449	14,798,913

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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>3/31/2004</u>	<u>3/31/2003</u>
Gross written premiums	\$ 64,076	\$ 40,396
Net written premiums	55,487	33,998
GAAP ratios:		
Loss ratio	63.7	64.1
Expense ratio	29.0	31.0
Combined ratio	<u>92.7</u>	<u>95.1</u>
Statutory ratios:		
Loss ratio	63.7	64.1
Expense ratio	27.7	30.6
Combined ratio	<u>91.4</u>	<u>94.7</u>

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

SELECTED BALANCE SHEET DATA

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 320,569	\$ 323,230
Held to maturity	275	275
Equity securities	27,507	10,194
Cash and cash equivalents	15,542	11,976
	<u>\$ 363,893</u>	<u>\$ 345,675</u>
Reinsurance recoverable	\$ 40,500	\$ 37,996
Total assets	471,273	443,874
Unpaid losses and loss adjustment expenses	190,591	174,882
Unearned premiums	100,196	92,205
Total liabilities	335,195	313,064
Total stockholders' equity	136,078	130,810
Total shares outstanding	14,765,052	14,743,698
Book value per share	\$ 9.22	\$ 8.87
Statutory surplus	\$ 125,125	\$ 121,960

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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, 2004

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
Core commercial lines of business:			
Property ¹	\$ 20,612	\$ 18,340	67.5
Casualty ²	34,875	29,115	61.4
Total core commercial	<u>55,487</u>	<u>47,455</u>	<u>63.7</u>
Exited lines ³	---	---	---
Total	<u>\$ 55,487</u>	<u>\$ 47,455</u>	<u>63.7</u>

Three Months Ended March 31, 2003

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
Core commercial lines of business:			
Property ¹	\$ 15,375	\$ 16,271	62.0
Casualty ²	18,638	18,097	63.9
Total core commercial	<u>34,013</u>	<u>34,368</u>	<u>63.0</u>
Exited lines ³	(15)	(3)	*
Total	<u>\$ 33,998</u>	<u>\$ 34,365</u>	<u>64.1</u>

¹ Property consists of special property and commercial multi-peril property lines of business.

² Casualty consists of other and product liability and commercial multi-peril liability lines of business.

³ Exited lines consist of commercial and personal automobile lines of business previously exited by the Company.

*Not meaningful.