



NEWS

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Summary: Penn-America Group, Inc. (NYSE:PNG) reports significantly improved operating results with operating income of \$1.2 million or \$0.16 per share (basic and diluted) and net income of \$1.0 million or \$0.13 per share (basic and diluted) for the second quarter of 2001.

Three Month Results

HATBORO PA (July 25, 2001) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$1.2 million or \$.16 per share (basic and diluted) for the second quarter of 2001, compared with an operating loss of \$.7 million or \$0.09 per share (basic and diluted) for the second quarter of 2000. Net income for the second quarter of 2001 was \$1.0 million or \$.13 per share (basic and diluted) and included a net realized investment loss of \$.2 million or \$0.03 per share (basic and diluted). Net loss for the second quarter of 2000 was \$.7 million or \$0.09 per share (basic and diluted) and included a net realized investment loss of \$11,000.

Operating income improved in the second quarter due to a significant improvement in underwriting results; the statutory combined ratio for the second quarter of 2001 was 104.3 compared with 114.7 in the second quarter of 2000. In addition, a 14 percent gain in investment income to \$2.8 million in the second quarter of 2001 contributed to the improved quarterly performance.

Jon Saltzman, president and CEO noted, "Our second quarter operating earnings per share are consistent with our goal to show quarter-over-quarter improvement in our financial results. The steps we took in the past nine months to increase profitability and to enhance the franchise value we provide to our agents clearly are beginning to produce the returns to shareholders that we demand and expect."

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Core Commercial Lines

Gross written premiums for core commercial lines (excluding the company's exited commercial automobile business) decreased 3.4 percent to \$23.6 million in the second quarter of 2001, compared with \$24.4 million for the same period of 2000. Net written premiums decreased 3.7 percent to \$20.9 million in the current quarter, compared with \$21.7 million in the same period of 2000. The decline in core commercial written premium was due to the company's withdrawal from writing residential contractor classes of business. Excluding these exited classes, written premiums grew 12% in the current quarter compared to the second quarter of 2000.

Exited Non-Standard Personal and Commercial Automobile Lines

In January 1999 the company announced that it was running-off its non-standard personal automobile business and, in October 2000, announced that it also would exit the commercial automobile line. As a result, gross written premiums in the non-standard personal automobile lines decreased to less than \$1,000 in the second quarter of 2001 compared with \$1.0 million for the same quarter in 2000. Similarly, gross written premiums for the commercial automobile business were less than \$1,000, compared with \$2.9 million in the same quarter of 2000.

Six Month Results

For the six months ended June 30, 2001, the company reported operating income of \$2.1 million or \$0.28 per share (basic and diluted) compared with operating income of \$0.9 million or \$0.12 per share (basic and diluted) for the six months ended June 30, 2000. Net income for the first six months of 2001 was \$2.0 million or \$.26 per share (basic and diluted) and included a net realized investment loss of \$.2 million or \$0.02 per share (basic and diluted). Net income for the first six months of 2000 was \$0.9 million or \$0.12 per share (basic and diluted) and included a net realized investment loss of \$19,000. The statutory combined ratio for the six months ended June 30, 2001 was 105.6 compared with 107.5 in the same period of 2000.

Core Commercial Lines

Gross written premiums for core commercial lines (excluding the company's exited commercial automobile business) decreased 1.1 percent to \$46.3 million for the six months ended June 30, 2001, compared with \$46.8 million for the same period of 2000. Net written premiums decreased 1.6 percent to \$41.1 million for the six months ended June 30, 2001 compared with \$41.7 million in the same period of 2000.

Exited Non-Standard Personal and Commercial Automobile Lines

Gross written premiums for the non-standard personal automobile lines decreased to \$2,000 for the six months ended June 30, 2001 compared with \$2.4 million for the same period in 2000. Gross written

premium for the commercial automobile business decreased to \$1.1 million for the six months ended June 30, 2001 compared with \$5.4 million in the same period of 2000.

Teleconference for Interested Parties

Jon Saltzman, John DiBiasi, the insurance company's executive vice president for Underwriting, and Joe Morris, senior vice president and CFO will conduct a teleconference for interested parties today at 11:00 a.m. Eastern Daylight Time. To participate, telephone (888) 273-9887 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 1:45 p.m. today through 11:59 p.m. Eastern Daylight Time, Wednesday, August 1. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 593191. This conference call also will be broadcast live at www.penn-america.com. It is being supplied by CCBN. To listen to the web cast, your computer must have Real Player installed. If you do not have Real Player, go to www.penn-america.com prior to the call, where Real 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 "thinking small" strategy – underwriting small policies for 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 2000 10-K.

Note: Tables follow.

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

	Three Months Ended		Six Months Ended	
	<u>6/30/01</u>	<u>6/30/00</u>	<u>6/30/01</u>	<u>6/30/00</u>
Gross written premiums	\$23,576	\$28,310	\$47,392	\$54,581
Net written premiums	20,860	25,010	41,916	48,411
Revenues:				
Premiums earned	22,206	22,479	45,248	44,026
Net investment income	2,815	2,460	5,665	4,860
Net realized investment loss	<u>(334)</u>	<u>(16)</u>	<u>(232)</u>	<u>(29)</u>
Total revenues	<u>24,687</u>	<u>24,923</u>	<u>50,681</u>	<u>48,857</u>
Losses and expenses:				
Losses and loss adjustment expenses	15,453	17,994	32,187	31,899
Amortization of deferred policy acquisition costs	6,007	6,473	12,231	12,712
Other underwriting expenses	1,684	1,487	3,218	2,917
Corporate expenses	189	235	351	455
Interest expense	<u>40</u>	<u>36</u>	<u>80</u>	<u>73</u>
Total losses and expenses	<u>23,373</u>	<u>26,225</u>	<u>48,067</u>	<u>48,056</u>
Income (loss) before income tax	1,314	(1,302)	2,614	801
Income tax expense (benefit)	<u>320</u>	<u>(640)</u>	<u>653</u>	<u>(120)</u>
Net income (loss)	<u>\$ 994</u>	<u>\$ (662)</u>	<u>\$1,961</u>	<u>\$ 921</u>
Basic and diluted net income per share				
Operating income (loss)	\$0.16	\$ (0.09)	\$0.28	\$0.12
Net realized investment loss	<u>(0.03)</u>	<u>0.00</u>	<u>(0.02)</u>	<u>0.00</u>
Net income (loss)	<u>\$0.13</u>	<u>\$ (0.09)</u>	<u>\$0.26</u>	<u>\$0.12</u>
Cash dividend per share	\$0.0525	\$0.0525	\$0.105	\$0.105
GAAP ratios				
Loss ratio	69.6	80.0	71.1	72.5
Expense ratio	<u>34.6</u>	<u>35.4</u>	<u>34.1</u>	<u>35.5</u>
Combined ratio	104.2	115.4	105.2	108.0
Statutory ratios				
Loss ratio	69.6	80.0	71.1	72.5
Expense ratio	<u>34.7</u>	<u>34.7</u>	<u>34.5</u>	<u>35.0</u>
Combined ratio	104.3	114.7	105.6	107.5

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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>June 30, 2001</u>	<u>December 31, 2000</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$128,283	\$125,477
Held to maturity	15,307	17,282
Equity securities	24,622	24,491
Short term investments and cash	9,030	11,425
	<u>\$177,242</u>	<u>\$178,675</u>
Reinsurance recoverable	24,102	24,447
Total assets	237,339	239,486
Unpaid losses and loss adjustment expenses	115,509	115,314
Unearned premiums	39,392	43,239
Total liabilities	161,376	165,435
Total stockholders' equity	75,963	74,051
Total shares outstanding	7,617	7,576
Book value per share	\$ 9.97	\$ 9.77
Statutory policyholders' surplus	\$60,047	\$ 55,531

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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

Six Months Ended June 30, 2001

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines			
Specialty property	\$ 3,968	\$ 2,998	57.0
CMP - property	15,187	14,428	82.9
CMP - liability	11,988	12,153	67.5
Other & product liability	9,918	12,060	62.2
Total core commercial	<u>41,061</u>	<u>41,639</u>	<u>70.5</u>
Exited lines			
Commercial auto liability	628	2,559	129.1
Commercial auto P.D.	225	1,028	97.3
Personal lines	2	22	*
Total exited lines	<u>855</u>	<u>3,609</u>	<u>77.9</u>
TOTAL	<u>\$41,916</u>	<u>\$45,248</u>	<u>71.1</u>

*Not meaningful

Six Months Ended June 30, 2000

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines			
Specialty property	\$ 2,650	\$ 2,528	79.5
CMP - property	13,492	12,454	89.4
CMP - liability	12,276	10,800	57.8
Other & product liability	13,314	12,141	64.3
Total core commercial	<u>41,732</u>	<u>37,923</u>	<u>71.7</u>
Exited lines			
Commercial auto liability	3,072	2,043	93.1
Commercial auto P.D.	1,176	900	65.4
Personal lines	2,431	3,160	70.0
Total exited lines	<u>6,679</u>	<u>6,103</u>	<u>77.1</u>
TOTAL	<u>\$48,411</u>	<u>\$44,026</u>	<u>72.5</u>

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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 June 30, 2001

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines			
Specialty property	\$2,015	\$ 1,657	44.2
CMP - property	7,930	7,276	83.6
CMP - liability	6,054	6,109	58.0
Other & product liability	<u>4,877</u>	<u>5,687</u>	<u>63.6</u>
Total core commercial	20,876	20,729	67.4
Exited lines			
Commercial auto liability	(10)	1,042	129.1
Commercial auto P.D.	(6)	429	100.5
Personal lines	<u>0</u>	<u>6</u>	<u>*</u>
Total exited lines	<u>(16)</u>	<u>1,477</u>	<u>100.2</u>
TOTAL	<u>\$20,860</u>	<u>\$22,206</u>	<u>69.6</u>

*Not meaningful

Quarter Ended June 30, 2000

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines			
Specialty property	\$ 1,247	\$ 1,257	90.1
CMP - property	6,758	6,345	106.4
CMP - liability	6,401	5,623	59.4
Other & product liability	<u>7,270</u>	<u>6,276</u>	<u>65.3</u>
Total core commercial	21,676	19,501	78.6
Exited lines			
Commercial auto liability	1,745	1,122	114.0
Commercial auto P.D.	614	466	72.0
Personal lines	<u>975</u>	<u>1,390</u>	<u>76.2</u>
Total exited lines	<u>3,334</u>	<u>2,978</u>	<u>89.8</u>
TOTAL	<u>\$25,010</u>	<u>\$22,479</u>	<u>80.0</u>

