



NEWS

For Release: July 24, 2002

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Summary: **Penn-America Group, Inc. (NYSE:PNG) reports operating income of \$2.6 million or \$0.22 per share for the second quarter of 2002. Gross written premiums increased 58.8 percent in the first six months of 2002.**

Three Month Results

HATBORO PA (July 24, 2002) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$2.6 million or \$0.22 per share (basic and diluted) for the second quarter of 2002, compared with operating income of \$1.2 million or \$0.11 per share (basic and diluted) for the second quarter of 2001. Net income for the second quarter of 2002 was \$1.9 million or \$0.16 per share (basic and diluted) and included a net realized investment loss of \$0.7 million or \$0.06 per share (basic and diluted). The net realized investment loss related primarily to an other-than-temporary impairment write-down on the company's equity investments in exchange-traded funds. Net income for the second quarter of 2001 was \$1.0 million or \$0.09 per share (basic and diluted) and included a net realized investment loss of \$0.2 million or \$0.02 per share (basic and diluted).

Gross written premiums increased 91.8 percent to \$45.2 million in the second quarter of 2002, compared with \$23.6 million for the same period of 2001. Net written premiums increased 85.5 percent to \$38.7 million in the current quarter, compared with \$20.9 million for the same period of 2001. The GAAP combined ratio for the second quarter of 2002 was 96.5 compared with 104.2 for the second quarter of 2001.

Jon Saltzman, president and CEO noted, "Our second quarter 2002 operating results were excellent. Operating earnings continued to benefit from strong rate increases and new business growth, which currently are characteristic of the excess and surplus lines marketplace in which we operate. While our revenue growth in the second quarter was strong, I'm proudest of our return to underwriting profitability.

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We are committed to maintaining underwriting discipline and believe that our dogged pursuit of this fundamental principle will produce consistent profitable results in the future.”

Six Month Results

For the six months ended June 30, 2002, the company reported operating income of \$4.6 million or \$0.39 per share (basic and diluted) compared with operating income of \$2.1 million or \$0.19 per basic share and \$0.18 per diluted share for the six months ended June 30, 2001. Net income for the first six months of 2002 was \$3.7 million or \$0.32 per basic share and \$0.31 per diluted share and included a net realized investment loss of \$0.9 million or \$0.07 per basic share and \$0.08 per diluted share. Net income for the first six months of 2001 was \$2.0 million or \$0.17 per share (basic and diluted) and included a net realized investment loss of \$0.2 million or \$0.02 per basic share and \$0.01 per diluted share.

Gross written premiums increased 58.8 percent to \$75.3 million for the six months ended June 30, 2002, compared with \$47.4 million for the same period of 2001. Net written premiums increased 55.2 percent to \$65.1 million for the six months ended June 30, 2002 compared with \$41.9 million in the same period of 2001. The GAAP combined ratio for the six months ended June 30, 2002 was 98.0 compared with 105.2 in the same period of 2001.

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) 450-0819 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, July 31, 2002. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 644050. 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 “thinking small” strategy is to market and underwrite general liability, commercial property and multi-peril insurance for small entrepreneurial businesses in small towns and rural areas through a small network of wholesale general agents.

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 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		Six Months Ended	
	<u>06/30/02</u>	<u>06/30/01</u>	<u>06/30/02</u>	<u>06/30/01</u>
Gross written premiums	\$ 45,222	\$ 23,576	\$ 75,252	\$ 47,392
Net written premiums	38,693	20,860	65,072	41,916
Revenues:				
Premiums earned	27,234	22,206	50,217	45,248
Net investment income	2,925	2,815	5,758	5,665
Net realized investment loss	(1,093)	(334)	(1,345)	(232)
Total revenues	<u>29,066</u>	<u>24,687</u>	<u>54,630</u>	<u>50,681</u>
Losses and expenses:				
Losses and loss adjustment expenses	17,364	15,453	32,650	32,187
Amortization of deferred policy acquisition costs	6,739	6,007	12,750	12,231
Other underwriting expenses	2,166	1,684	3,823	3,218
Corporate expenses	233	189	344	351
Interest expense	35	40	70	80
Total losses and expenses	<u>26,537</u>	<u>23,373</u>	<u>49,637</u>	<u>48,067</u>
Income before income tax	2,529	1,314	4,993	2,614
Income tax expense	<u>647</u>	<u>320</u>	<u>1,325</u>	<u>653</u>
Net income	<u>\$ 1,882</u>	<u>\$ 994</u>	<u>\$ 3,668</u>	<u>\$ 1,961</u>
Basic income per share¹:				
Operating income	\$ 0.22	\$ 0.11	\$ 0.39	\$ 0.19
Net realized investment loss	(0.06)	(0.02)	(0.07)	(0.02)
Net income	<u>\$ 0.16</u>	<u>\$ 0.09</u>	<u>\$ 0.32</u>	<u>\$ 0.17</u>
Diluted income per share¹:				
Operating income	\$ 0.22	\$ 0.11	\$ 0.39	\$ 0.18
Net realized investment loss	(0.06)	(0.02)	(0.08)	(0.01)
Net income	<u>\$ 0.16</u>	<u>\$ 0.09</u>	<u>\$ 0.31</u>	<u>\$ 0.17</u>
Cash dividend per share ¹	\$ 0.03875	\$ 0.035	\$ 0.07708	\$ 0.070
Weighted average shares outstanding ¹ :				
Basic	11,574,913	11,407,215	11,555,944	11,387,687
Diluted	11,791,719	11,514,498	11,754,854	11,471,070
GAAP ratios				
Loss ratio	63.8	69.6	65.0	71.1
Expense ratio	<u>32.7</u>	<u>34.6</u>	<u>33.0</u>	<u>34.1</u>
Combined ratio	96.5	104.2	98.0	105.2
Statutory ratios				
Loss ratio	63.8	69.6	65.0	71.1
Expense ratio	<u>29.4</u>	<u>34.7</u>	<u>30.4</u>	<u>34.5</u>
Combined ratio	93.2	104.3	95.4	105.6

¹ Adjusted to reflect a three-for-two stock split effected on May 9, 2002.

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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, 2002</u>	<u>December 31, 2001</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 182,214	\$ 135,253
Held to maturity	2,968	15,084
Equity securities	23,013	25,149
Short-term investments and cash	4,857	13,129
	<u>\$ 213,052</u>	<u>\$ 188,615</u>
Reinsurance recoverable	\$ 25,415	\$ 25,804
Total assets	279,921	248,115
Unpaid losses and loss adjustment expenses	127,220	119,598
Unearned premiums	58,852	41,034
Total liabilities	194,637	167,724
Total stockholders' equity	85,284	80,391
Total shares outstanding ¹	11,584,185	11,478,351
Book value per share ¹	\$ 7.36	\$ 7.00
Statutory policyholders' surplus	\$ 66,281	\$ 64,733

¹ Adjusted to reflect a three-for-two stock split effected on May 9, 2002.

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, 2002

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines			
Specialty property	\$ 6,222	\$ 5,079	46.4
CMP - property	24,342	19,041	58.8
CMP - liability	16,833	13,839	86.4
Other & product liability	<u>17,642</u>	<u>12,245</u>	<u>57.8</u>
Total core commercial	65,039	50,204	64.9
Exited lines			
Commercial auto liability	26	8	*
Commercial auto P.D.	7	5	*
Personal lines	<u>0</u>	<u>0</u>	<u>*</u>
Total exited lines	33	13	*
TOTAL	<u>\$65,072</u>	<u>\$50,217</u>	<u>65.0</u>

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	<u>9,918</u>	<u>12,060</u>	<u>62.2</u>
Total core commercial	41,061	41,639	70.5
Exited lines			
Commercial auto liability	628	2,559	129.1
Commercial auto P.D.	225	1,028	97.3
Personal lines	<u>2</u>	<u>22</u>	<u>*</u>
Total exited lines	855	3,609	77.9
TOTAL	<u>\$41,916</u>	<u>\$45,248</u>	<u>71.1</u>

*Not meaningful

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

SUPPLEMENTARY STATUTORY DATA BY LINE OF BUSINESS

Three Months Ended June 30, 2002

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
Core commercial lines			
Specialty property	\$ 3,682	\$ 2,706	22.4
CMP - property	14,385	10,257	44.4
CMP - liability	9,609	7,355	111.2
Other & product liability	<u>10,964</u>	<u>6,908</u>	<u>57.7</u>
Total core commercial	38,640	27,226	63.6
Exited lines			
Commercial auto liability	42	8	*
Commercial auto P.D.	11	0	*
Personal lines	<u>0</u>	<u>0</u>	<u>*</u>
Total exited lines	53	8	*
TOTAL	<u>\$38,693</u>	<u>\$27,234</u>	<u>63.8</u>

Three 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	\$ 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	(16)	1,477	100.2
TOTAL	<u>\$20,860</u>	<u>\$22,206</u>	<u>69.6</u>

*Not meaningful