



## NEWS

**For Release:** July 23, 2003

**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 total revenues, operating income and net income for the second quarter of 2003. Operating income increased 42.6 percent to \$3.7 million or \$0.25 per share (basic and diluted) for the second quarter of 2003.**

### Three Month Results

HATBORO PA (July 23, 2003) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$3.7 million or \$0.25 per share (basic and diluted) for the second quarter of 2003, compared with operating income of \$2.6 million or \$0.22 per share (basic and diluted) for the second quarter of 2002. Net income for the second quarter of 2003 was \$4.0 million or \$0.27 per share (basic and diluted) and included a net realized investment gain, after taxes, of \$0.3 million or \$0.02 per share (basic and diluted). 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, after taxes, of \$0.7 million or \$0.06 per share (basic and diluted). Diluted weighted average shares outstanding increased 26.4 percent to 14,905,122 for the second 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 20.4 percent to \$54.5 million in the second quarter of 2003, compared with \$45.2 million for the same period in 2002. Net written premiums increased 18.7 percent to \$45.9 million in the current quarter, compared with \$38.7 million for the same period in 2002. The GAAP combined ratio for the second quarter of 2003 was 92.5, compared with 96.5 for the second quarter of 2002.

--more--

Commenting on the second quarter operating results, Jon S. Saltzman, president and CEO noted, "This quarter was the most profitable in the history of Penn-America. We recorded another quarter of double-digit percentage price increases and posted our seventh consecutive quarter of underwriting profitability. I am proud of the hard work and support of our employees and general agents. With the decline in investment yield, we must continue to produce superior underwriting results to achieve the long-term return on equity goals that we and our shareholders expect."

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.

### **Six Month Results**

For the six months ended June 30, 2003, the company reported operating income of \$6.8 million or \$0.47 per basic share and \$0.46 per diluted share compared with operating income of \$4.6 million or \$0.39 per share (basic and diluted) for the six months ended June 30, 2002. Net income for the first six months of 2003 was \$7.6 million or \$0.52 per basic share and \$0.51 per diluted share and included a net realized investment gain of \$0.8 million or \$0.05 per share (basic and diluted). 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.

Gross written premiums increased 26.1 percent to \$94.9 million for the six months ended June 30, 2003, compared with \$75.3 million for the same period of 2002. Net written premiums increased 22.8 percent to \$79.9 million for the six months ended June 30, 2003 compared with \$65.1 million in the same period of 2002. The GAAP combined ratio for the six months ended June 30, 2003 was 93.7 compared with 98.0 in the same period of 2002.

--more--

### **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 (800) 230-1059 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 2:00 p.m. today through 11:59 p.m. Eastern Daylight Time, Wednesday, July 30, 2003. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 689622. This conference call also will be broadcast live at [www.penn-america.com](http://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](http://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.

### **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 2002 10-K.*

Note: Tables follow.

--more--

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

	Three Months Ended		Six Months Ended	
	06/30/03	06/30/02	06/30/03	06/30/02
<b>Revenues:</b>				
Premiums earned	\$ 36,295	\$ 27,234	\$ 70,660	\$ 50,217
Net investment income	3,244	2,925	6,457	5,758
Net realized investment gain (loss)	431	(1,093)	1,145	(1,345)
Total revenues	<u>39,970</u>	<u>29,066</u>	<u>78,262</u>	<u>54,630</u>
<b>Losses and expenses:</b>				
Losses and loss adjustment expenses	22,185	17,364	44,197	32,650
Amortization of deferred policy acquisition costs	9,073	6,739	17,690	12,750
Other underwriting expenses	2,326	2,166	4,372	3,823
Corporate expenses	234	233	419	344
Interest expense	409	35	713	70
Total losses and expenses	<u>34,227</u>	<u>26,537</u>	<u>67,391</u>	<u>49,637</u>
Income before income tax	5,743	2,529	10,871	4,993
Income tax expense	1,744	647	3,298	1,325
<b>Net income</b>	<u>\$ 3,999</u>	<u>\$ 1,882</u>	<u>\$ 7,573</u>	<u>\$ 3,668</u>
<b>Operating income</b>	3,714	2,604	6,817	4,556
Net realized investment gain (loss), after taxes	285	(722)	756	(888)
<b>Net income</b>	<u>\$ 3,999</u>	<u>\$ 1,882</u>	<u>\$ 7,573</u>	<u>\$ 3,668</u>
<b>Basic income per share:</b>				
Operating income	\$ 0.25	\$ 0.22	\$ 0.47	\$ 0.39
Net realized investment gain (loss), after taxes	0.02	(0.06)	0.05	(0.07)
Net income	<u>\$ 0.27</u>	<u>\$ 0.16</u>	<u>\$ 0.52</u>	<u>\$ 0.32</u>
<b>Diluted income per share:</b>				
Operating income	\$ 0.25	\$ 0.22	\$ 0.46	\$ 0.39
Net realized investment gain (loss), after taxes	0.02	(0.06)	0.05	(0.08)
Net income	<u>\$ 0.27</u>	<u>\$ 0.16</u>	<u>\$ 0.51</u>	<u>\$ 0.31</u>
Cash dividend per share	\$ 0.04375	\$ 0.03875	\$ 0.08750	\$ 0.07708
<b>Weighted average shares outstanding:</b>				
Basic	14,636,147	11,574,913	14,613,746	11,555,944
Diluted	14,905,122	11,791,719	14,852,142	11,754,854

--more--

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>Six Months Ended</u>	
	<u>06/30/03</u>	<u>06/30/02</u>	<u>06/30/03</u>	<u>06/30/02</u>
Gross written premiums	\$ 54,463	\$ 45,222	\$ 94,859	\$ 75,252
Net written premiums	45,926	38,693	79,924	65,072
<b>GAAP ratios:</b>				
Loss ratio	61.1	63.8	62.5	65.0
Expense ratio	<u>31.4</u>	<u>32.7</u>	<u>31.2</u>	<u>33.0</u>
Combined ratio	<u>92.5</u>	<u>96.5</u>	<u>93.7</u>	<u>98.0</u>
<b>Statutory ratios:</b>				
Loss ratio	61.1	63.8	62.5	65.0
Expense ratio	<u>29.3</u>	<u>29.4</u>	<u>29.9</u>	<u>30.4</u>
Combined ratio	<u>90.4</u>	<u>93.2</u>	<u>92.4</u>	<u>95.4</u>

--more--

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

SELECTED BALANCE SHEET DATA

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 283,893	\$ 246,583
Held to maturity	1,276	1,963
Equity securities	12,000	18,625
Cash and cash equivalents	14,871	9,796
	<u>\$ 312,040</u>	<u>\$ 276,967</u>
Reinsurance recoverable	\$ 29,582	\$ 27,843
Total assets	394,577	347,239
Unpaid losses and loss adjustment expenses	148,205	137,747
Unearned premiums	76,659	65,365
Total liabilities	268,699	230,644
Total stockholders' equity	125,878	116,595
Total shares outstanding	14,708,980	14,572,098
Book value per share	\$ 8.56	\$ 8.00
Statutory surplus	\$ 116,760	\$ 110,222

--more--

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

SUPPLEMENTARY DATA BY LINE OF BUSINESS

**Six Months Ended June 30, 2003**

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
<b>Core commercial lines of business:</b>			
Property <sup>1</sup>	\$ 34,225	\$ 32,496	55.3
Casualty <sup>2</sup>	45,717	38,161	63.7
Total core commercial	<u>79,942</u>	<u>70,657</u>	<u>59.8</u>
Exited lines <sup>3</sup>	<u>(18)</u>	<u>3</u>	<u>*</u>
Total	<u><u>\$ 79,924</u></u>	<u><u>\$ 70,660</u></u>	<u><u>62.5</u></u>

**Six Months Ended June 30, 2002**

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
<b>Core commercial lines of business:</b>			
Property <sup>1</sup>	\$ 30,564	\$ 24,120	56.2
Casualty <sup>2</sup>	34,475	26,084	73.0
Total core commercial	<u>65,039</u>	<u>50,204</u>	<u>64.9</u>
Exited lines <sup>3</sup>	<u>33</u>	<u>13</u>	<u>*</u>
Total	<u><u>\$ 65,072</u></u>	<u><u>\$ 50,217</u></u>	<u><u>65.0</u></u>

<sup>1</sup> Property consists of special property and commercial multi-peril property lines of business.

<sup>2</sup> Casualty consists of other and product liability and commercial multi-peril liability lines of business.

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

\*Not meaningful.

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 June 30, 2003**

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
<b>Core commercial lines of business:</b>			
Property <sup>1</sup>	\$ 18,850	\$ 16,225	48.5
Casualty <sup>2</sup>	27,079	20,064	63.4
Total core commercial	<u>45,929</u>	<u>36,289</u>	<u>56.8</u>
Exited lines <sup>3</sup>	<u>(3)</u>	<u>6</u>	<u>*</u>
Total	<u><u>\$ 45,926</u></u>	<u><u>\$ 36,295</u></u>	<u><u>61.1</u></u>

**Three Months Ended June 30, 2002**

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
<b>Core commercial lines of business:</b>			
Property <sup>1</sup>	\$ 18,067	\$ 12,963	39.8
Casualty <sup>2</sup>	20,573	14,263	85.3
Total core commercial	<u>38,640</u>	<u>27,226</u>	<u>63.6</u>
Exited lines <sup>3</sup>	<u>53</u>	<u>8</u>	<u>*</u>
Total	<u><u>\$ 38,693</u></u>	<u><u>\$ 27,234</u></u>	<u><u>63.8</u></u>

<sup>1</sup> Property consists of special property and commercial multi-peril property lines of business.

<sup>2</sup> Casualty consists of other and product liability and commercial multi-peril liability lines of business.

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

\*Not meaningful.