



## NEWS

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**Summary:**       **Penn-America Group, Inc. (NYSE:PNG) reports the fifth consecutive quarter of improved operating results with operating income of \$2.1 million or \$0.27 per share (basic and diluted) for the fourth quarter of 2001. Operating income for the year ended December 31, 2001 was \$5.7 million or \$0.75 per share (basic and diluted).**

### *Three-Month Results*

HATBORO PA (January 23, 2002) -- Penn-America Group, Inc. (NYSE:PNG) today reported operating income of \$2.1 million or \$0.27 per share (basic and diluted) for the fourth quarter of 2001, compared with operating income of \$0.4 million or \$0.05 per share (basic and diluted) for the fourth quarter of 2000. Net income for the fourth quarter of 2001 was \$1.8 million or \$0.24 per share (basic and diluted) and included a net realized investment loss of \$0.3 million or \$0.03 per share (basic and diluted). Net income for the fourth quarter of 2000 was \$0.3 million or \$0.04 per share (basic and diluted) and included a net realized investment loss of \$0.1 million or \$0.01 per share (basic and diluted).

The GAAP combined ratio for the fourth quarter of 2001 was 98.9 compared with 109.1 in the fourth quarter of 2000.

Jon Saltzman, president and CEO noted, "This is our fifth consecutive quarter of quarter-over-quarter earnings growth. During 2001 market conditions hardened, price increases accelerated and our agents experienced strong new business growth. We believe we are well-positioned to take advantage of a very favorable insurance marketplace in 2002."

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### **Core Commercial Lines**

Gross written premiums for core commercial lines (excluding the company's exited commercial automobile business) increased 14.8 percent to \$27.4 million in the fourth quarter of 2001 compared with \$23.9 million for the same period of 2000. In 2001, the company withdrew from writing residential contractor classes of business. Excluding these exited classes, gross written premiums increased 21.9 percent in the fourth quarter of 2001 compared with the same period of 2000. Net written premiums for core commercial lines increased 13.1 percent to \$24.1 million in the current quarter compared with \$21.3 million in the same period 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 was exiting the commercial automobile line. As a result, gross written premiums for the commercial automobile business were \$6,000 in the fourth quarter of 2001, compared with \$2.8 million in the same quarter of 2000. Gross written premiums for non-standard personal automobile lines were not material in the fourth quarter of 2001 and 2000.

### **2001 Results**

For the year ended December 31, 2001, the company reported operating income of \$5.7 million or \$0.75 per share (basic and diluted) compared with an operating loss of \$3.0 million or \$0.39 per share (basic and diluted) for the year ended December 31, 2000. The 2000 operating results included a strengthening of prior year loss reserves of \$9.4 million pretax or \$6.2 million after-tax (\$0.81 per basic and diluted share). Net income for the year ended December 31, 2001 was \$5.4 million or \$0.70 per share (basic and diluted) and included a net realized investment loss of \$0.3 million or \$0.05 per share (basic and diluted). Net loss for 2000 was \$3.9 million or \$0.50 per share (basic and diluted) and included a net realized investment loss of \$0.9 million or \$0.11 per share (basic and diluted).

The GAAP combined ratio for the year ended December 31, 2001 was 103.1 compared with 116.4 in the same period of 2000.

The company previously announced that the September 11 tragedies in New York, Washington and Pennsylvania have resulted in no property or casualty losses to Penn-America Insurance Company or Penn-Star Insurance Company, its two insurance subsidiaries.

### **Core Commercial Lines**

Gross written premiums for core commercial lines (excluding the company's exited commercial automobile business) increased 1.9 percent to \$97.3 million for the year ended December 31, 2001

compared with \$95.5 million for the same period of 2000. Net written premiums increased 1.2 percent to \$86.3 million for the year ended December 31, 2001 compared with \$85.2 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 year ended December 31, 2001 compared with \$2.8 million for the same period in 2000. Gross written premium for the commercial automobile business decreased to \$1.1 million for the year ended December 31, 2001 compared with \$11.5 million in the same period of 2000.

#### **Teleconference for Interested Parties**

Jon Saltzman and Joe Morris, senior vice president and CFO will conduct a teleconference for interested parties today at 11:00 a.m. Eastern Standard Time. To participate, telephone (800) 611-1148 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 Standard Time, Wednesday, January 30, 2002. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 621308. This conference call also will be broadcast live at [www.penn-america.com](http://www.penn-america.com). It is being supplied by CCBN/Street Events. 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](http://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 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)

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/00</u>
Gross written premiums	\$27,447	\$26,679	\$98,412	\$109,791
Net written premiums	24,144	23,570	87,123	97,250
Revenues:				
Premiums earned	22,740	24,057	88,934	91,449
Net investment income	2,823	2,841	11,339	10,454
Net realized investment loss	(363)	(154)	(555)	(1,331)
Total revenues	<u>25,200</u>	<u>26,744</u>	<u>99,718</u>	<u>100,572</u>
Losses and expenses:				
Losses and loss adjustment expenses	14,181	18,933	60,921	75,378
Amortization of deferred policy acquisition costs	5,527	5,899	22,715	25,219
Other underwriting expenses	2,784	1,413	8,030	5,850
Corporate expenses	56	166	548	791
Interest expense	40	52	160	161
Total losses and expenses	<u>22,588</u>	<u>26,463</u>	<u>92,374</u>	<u>107,399</u>
Income (loss) before income tax	2,612	281	7,344	(6,827)
Income tax expense (benefit)	<u>773</u>	<u>(20)</u>	<u>1,993</u>	<u>(2,971)</u>
Net income (loss)	<u>\$ 1,839</u>	<u>\$ 301</u>	<u>\$ 5,351</u>	<u>\$ (3,856)</u>
<b>Basic and diluted income per share</b>				
Operating income (loss)	\$ 0.27	\$ 0.05	\$ 0.75	\$ (0.39)
Net realized investment loss	<u>(0.03)</u>	<u>(0.01)</u>	<u>( 0.05)</u>	<u>(0.11)</u>
Net income (loss)	<u>\$ 0.24</u>	<u>\$ 0.04</u>	<u>\$ 0.70</u>	<u>\$ (0.50)</u>
Cash dividend per share	\$0.0525	\$ 0.0525	\$ 0.21	\$ 0.21
Diluted weighted average shares Outstanding	7,703,532	7,608,690	7,667,802	7,679,312
<b>GAAP ratios</b>				
Loss ratio	62.4	78.7	68.5	82.4
Expense ratio	<u>36.5</u>	<u>30.4</u>	<u>34.6</u>	<u>34.0</u>
Combined ratio	<u>98.9</u>	<u>109.1</u>	<u>103.1</u>	<u>116.4</u>
<b>Statutory ratios</b>				
Loss ratio	62.4	78.7	68.5	82.4
Expense ratio	<u>34.2</u>	<u>28.2</u>	<u>33.6</u>	<u>33.2</u>
Combined ratio	<u>96.6</u>	<u>106.9</u>	<u>102.1</u>	<u>115.6</u>

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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>December 31, 2001</u>	<u>December 31, 2000</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 135,253	\$ 125,477
Held to maturity	15,084	17,282
Equity securities	25,149	24,491
Short-term investments and cash	13,129	11,425
	<u>\$ 188,615</u>	<u>\$ 178,675</u>
Reinsurance recoverable	\$ 25,804	\$ 24,447
Total assets	248,115	239,486
Unpaid losses and loss adjustment expenses	119,598	115,314
Unearned premiums	41,034	43,239
Total liabilities	167,724	165,435
Total stockholders' equity	80,391	74,051
Total shares outstanding	7,652,234	7,576,025
Book value per share	\$ 10.51	\$ 9.77
Statutory policyholders' surplus	\$ 64,473	\$ 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

**Year Ended December 31, 2001**

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
<b>Core commercial lines</b>			
Specialty property	\$ 8,634	\$ 6,803	65.2
CMP - property	31,580	29,409	74.1
CMP - liability	24,787	24,676	65.8
Other & product liability	<u>21,262</u>	<u>23,373</u>	<u>60.9</u>
Total core commercial	86,263	84,261	67.3
<b>Exited lines</b>			
Commercial auto liability	604	3,299	129.1
Commercial auto P.D.	254	1,352	106.7
Personal lines	<u>2</u>	<u>22</u>	<u>*</u>
Total exited lines	860	4,673	90.0
<b>TOTAL</b>	<u>\$87,123</u>	<u>\$88,934</u>	<u>68.5</u>

\*Not meaningful

**Year Ended December 31, 2000**

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
<b>Core commercial lines</b>			
Specialty property	\$ 5,282	\$ 5,153	76.1
CMP - property	28,581	26,487	89.5
CMP - liability	24,878	23,172	72.6
Other & product liability	<u>26,507</u>	<u>25,408</u>	<u>74.3</u>
Total core commercial	85,248	80,220	78.9
<b>Exited lines</b>			
Commercial auto liability	6,620	5,168	155.1
Commercial auto P.D.	2,613	2,168	71.5
Personal lines	<u>2,769</u>	<u>3,893</u>	<u>83.3</u>
Total exited lines	12,002	11,229	107.3
<b>TOTAL</b>	<u>\$97,250</u>	<u>\$91,449</u>	<u>82.4</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

**Three Months Ended December 31, 2001**

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
<b>Core commercial lines</b>			
Specialty property	\$ 2,436	\$ 2,071	67.0
CMP - property	8,347	7,679	62.3
CMP - liability	7,109	6,726	63.2
Other & product liability	<u>6,250</u>	<u>6,012</u>	<u>55.7</u>
Total core commercial	24,142	22,488	61.2
<b>Exited lines</b>			
Commercial auto liability	(3)	186	129.1
Commercial auto P.D.	5	66	256.1
Personal lines	<u>0</u>	<u>0</u>	<u>0.0</u>
Total exited lines	<u>2</u>	<u>252</u>	<u>162.3</u>
<b>TOTAL</b>	<u><u>\$24,144</u></u>	<u><u>\$22,740</u></u>	<u><u>62.4</u></u>

**Three Months Ended December 31, 2000**

	<u>Net Written Premiums</u>	<u>Net Earned Premiums</u>	<u>Loss and LAE Ratio</u>
<b>Core commercial lines</b>			
Specialty property	\$ 1,335	\$ 1,340	76.8
CMP - property	7,495	7,228	93.0
CMP - liability	6,216	6,349	68.1
Other & product liability	<u>6,293</u>	<u>6,645</u>	<u>61.0</u>
Total core commercial	21,339	21,562	74.8
<b>Exited lines</b>			
Commercial auto liability	1,611	1,703	128.1
Commercial auto P.D.	598	675	80.0
Personal lines	<u>22</u>	<u>117</u>	<u>74.9</u>
Total exited lines	<u>2,231</u>	<u>2,495</u>	<u>112.6</u>
<b>TOTAL</b>	<u><u>\$23,570</u></u>	<u><u>\$24,057</u></u>	<u><u>78.7</u></u>