



NEWS

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Summary: **Penn-America Group, Inc. (NYSE:PNG) reports record levels of total revenues, operating income and net income for 2003. For the fourth quarter of 2003, operating income increased 51.9 percent to a record level \$4.5 million or \$0.30 per share (basic and diluted).**

Three Month Results

HATBORO PA (January 28, 2004) -- Penn-America Group, Inc. (NYSE:PNG) today reported record operating income of \$4.5 million or \$0.30 per share (basic and diluted) for the fourth quarter of 2003, compared with operating income of \$2.9 million or \$0.24 per share (basic and diluted) for the fourth quarter of 2002. Net income for the fourth quarter of 2003 was \$4.5 million or \$0.31 per basic share and \$0.30 per diluted share and included a net realized investment gain, after taxes, of \$45,000. Net income for the fourth quarter of 2002 was \$3.9 million or \$0.32 per share (basic and diluted) and included a net realized investment gain, after taxes, of \$1.0 million or \$0.08 per share (basic and diluted).

Gross written premiums increased 43.6 percent to \$56.1 million in the fourth quarter of 2003, compared with \$39.1 million for the same period in 2002. Net written premiums increased 42.2 percent to \$47.1 million in the current quarter, compared with \$33.1 million for the fourth quarter of 2002. The GAAP combined ratio for the fourth quarter of 2003 was 91.6, compared with 95.7 for the fourth quarter of 2002.

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Commenting on the fourth quarter operating results, Jon S. Saltzman, president and CEO noted: “The results of the quarter and the year were outstanding and literally speak for themselves. While our performance does reflect a favorable insurance market in our sector, the people of Penn-America *earned* these results through their hard work and focus, in an environment that placed many demands on them. We’re justifiably proud of the results but at the same time we’re aware that we can always improve our performance. During 2004, we’re committed to the efforts needed to continue producing the returns that all of us shareholders expect.”

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.

2003 Results

For the year ended December 31, 2003, the company reported operating income of \$15.5 million or \$1.05 per basic share and \$1.04 per diluted share, compared with operating income of \$9.6 million or \$0.82 per basic share and \$0.81 per diluted share for the year ended December 31, 2002. Net income for the year ended December 31, 2003 was \$16.7 million or \$1.14 per basic share and \$1.12 per diluted share and included a net realized investment gain, after taxes, of \$1.3 million or \$0.09 per basic share and \$0.08 per diluted share. Net income for the year ended December 31, 2002 was \$10.5 million or \$0.90 per basic share and \$0.88 per diluted share and included a net realized investment gain, after taxes, of \$0.8 million or \$0.08 per basic share and \$0.07 per diluted share.

Gross written premiums increased 33.0 percent to \$209.4 million for the year ended December 31, 2003, compared with \$157.4 million in 2002. Net written premiums increased 31.0 percent to \$176.5 million for the year ended December 31, 2003, compared with \$134.7 million in 2002. The GAAP combined ratio for the year ended December 31, 2003 was 92.5 compared with 97.7 in 2002.

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 Time. To participate, telephone (888) 273-9885 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 Time, Wednesday, February 4, 2004. To hear the recording, telephone (800) 475-6701 at any time during that period and use access code 716340. 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 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.

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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.

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

	Three Months Ended		Year Ended	
	12/31/03	12/31/02	12/31/03	12/31/02
Revenues:				
Premiums earned	\$ 43,057	\$ 34,133	\$ 154,054	\$ 115,055
Net investment income	3,569	2,961	13,303	11,757
Net realized investment gain	68	1,446	1,947	1,273
Total revenues	<u>46,694</u>	<u>38,540</u>	<u>169,304</u>	<u>128,085</u>
Losses and expenses:				
Losses and loss adjustment expenses	25,875	21,659	94,666	75,108
Amortization of deferred policy acquisition costs	10,911	8,733	38,502	29,010
Other underwriting expenses	2,645	2,272	9,412	8,304
Corporate expenses	183	156	816	618
Interest expense	512	108	1,740	213
Total losses and expenses	<u>40,126</u>	<u>32,928</u>	<u>145,136</u>	<u>113,253</u>
Income before income tax	6,568	5,612	24,168	14,832
Income tax expense	<u>2,051</u>	<u>1,713</u>	<u>7,443</u>	<u>4,368</u>
Net income	<u>\$ 4,517</u>	<u>\$ 3,899</u>	<u>\$ 16,725</u>	<u>\$ 10,464</u>
Operating income	\$ 4,472	\$ 2,945	\$ 15,459	\$ 9,624
Net realized investment gain, after taxes	45	954	1,266	840
Net income	<u>\$ 4,517</u>	<u>\$ 3,899</u>	<u>\$ 16,725</u>	<u>\$ 10,464</u>
Basic income per share:				
Operating income	\$ 0.30	\$ 0.24	\$ 1.05	\$ 0.82
Net realized investment gain, after taxes	0.01	0.08	0.09	0.08
Net income	<u>\$ 0.31</u>	<u>\$ 0.32</u>	<u>\$ 1.14</u>	<u>\$ 0.90</u>
Diluted income per share:				
Operating income	\$ 0.30	\$ 0.24	\$ 1.04	\$ 0.81
Net realized investment gain, after taxes	-	0.08	0.08	0.07
Net income	<u>\$ 0.30</u>	<u>\$ 0.32</u>	<u>\$ 1.12</u>	<u>\$ 0.88</u>
Cash dividend per share	\$ 0.05375	\$ 0.03875	\$ 0.185	\$ 0.15458
Weighted average shares outstanding:				
Basic	14,735,337	12,056,340	14,670,507	11,689,405
Diluted	14,983,869	12,226,167	14,908,976	11,879,087

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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>Year Ended</u>	
	<u>12/31/03</u>	<u>12/31/02</u>	<u>12/31/03</u>	<u>12/31/02</u>
Gross written premiums	\$ 56,108	\$ 39,063	\$ 209,442	\$ 157,433
Net written premiums	47,063	33,086	176,450	134,662
GAAP ratios:				
Loss ratio	60.1	63.5	61.4	65.3
Expense ratio	<u>31.5</u>	<u>32.2</u>	<u>31.1</u>	<u>32.4</u>
Combined ratio	<u>91.6</u>	<u>95.7</u>	<u>92.5</u>	<u>97.7</u>
Statutory ratios:				
Loss ratio	60.1	63.5	61.4	65.3
Expense ratio	<u>29.3</u>	<u>33.1</u>	<u>29.6</u>	<u>30.8</u>
Combined ratio	<u>89.4</u>	<u>96.6</u>	<u>91.0</u>	<u>96.1</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>December 31, 2003</u>	<u>December 31, 2002</u>
Investments and cash:		
Fixed maturities:		
Available for sale	\$ 323,230	\$ 246,583
Held to maturity	275	1,963
Equity securities	10,194	18,625
Cash and cash equivalents	11,976	9,796
	<u>\$ 345,675</u>	<u>\$ 276,967</u>
Reinsurance recoverable	\$ 32,996	\$ 27,843
Total assets	438,874	347,239
Unpaid losses and loss adjustment expenses	169,882	137,747
Unearned premiums	92,205	65,365
Total liabilities	308,064	230,644
Total stockholders' equity	130,810	116,595
Total shares outstanding	14,743,698	14,572,098
Book value per share	\$ 8.87	\$ 8.00
Statutory surplus	\$ 122,359	\$ 110,222

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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

Year Ended December 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	\$ 70,782	\$ 66,983	49.6
Casualty ²	105,688	87,071	68.4
Total core commercial	<u>176,470</u>	<u>154,054</u>	<u>60.2</u>
Exited lines ³	<u>(20)</u>	<u>-</u>	<u>*</u>
Total	<u><u>\$ 176,450</u></u>	<u><u>\$ 154,054</u></u>	<u><u>61.4</u></u>

Year Ended December 31, 2002

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
Core commercial lines of business:			
Property ¹	\$ 65,205	\$ 55,895	60.8
Casualty ²	69,426	59,120	69.4
Total core commercial	<u>134,631</u>	<u>115,015</u>	<u>65.2</u>
Exited lines ³	<u>31</u>	<u>40</u>	<u>*</u>
Total	<u><u>\$ 134,662</u></u>	<u><u>\$ 115,055</u></u>	<u><u>65.3</u></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.

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 December 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	\$ 17,474	\$ 17,464	35.7
Casualty ²	29,589	25,593	76.7
Total core commercial	<u>47,063</u>	<u>43,057</u>	<u>60.1</u>
Exited lines ³	<u>-</u>	<u>-</u>	<u>*</u>
Total	<u><u>\$ 47,063</u></u>	<u><u>\$ 43,057</u></u>	<u><u>60.1</u></u>

Three Months Ended December 31, 2002

	Net Written <u>Premiums</u>	Net Earned <u>Premiums</u>	Loss and LAE <u>Ratio</u>
Core commercial lines of business:			
Property ¹	\$ 16,916	\$ 16,965	53.9
Casualty ²	16,172	17,154	72.8
Total core commercial	<u>33,088</u>	<u>34,119</u>	<u>63.4</u>
Exited lines ³	<u>(2)</u>	<u>14</u>	<u>*</u>
Total	<u><u>\$ 33,086</u></u>	<u><u>\$ 34,133</u></u>	<u><u>63.5</u></u>

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

*Not meaningful.