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PENN AMERICA GROUP INC
Form 10-Q
November 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-22316

Penn-America Group, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

23-2731409

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

420 South York Road, Hatboro, Pennsylvania 19040

(Address of principal executive offices, including zip code)

(215) 443-3600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such other period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

At November 12, 2001, 7,651,234 shares of the registrant's common stock, \$.01 par value, were outstanding.

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Penn-America Group, Inc. and Subsidiaries
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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except per share data)

	September 2001
	----- (Unaudited)
ASSETS	
Investments:	
Fixed maturities:	
Available for sale, at fair value (amortized cost 2001, \$130,475; 2000, \$123,873)	\$ 136
Held to maturity, at amortized cost (fair value 2001, \$15,658; 2000, \$17,441)	15
Equity securities, at fair value (cost 2001, \$28,159; 2000, \$27,324)	24

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Total investments	176
Cash	7
Accrued investment income	
Premiums receivable, net	1
Reinsurance recoverable	2
Prepaid reinsurance premiums	3
Deferred policy acquisition costs	8
Capital lease	1
Deferred income taxes	3
Income tax recoverable	1
Other assets	
Total assets	\$ 242

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Unpaid losses and loss adjustment expenses	\$ 117
Unearned premiums	39
Accounts payable and accrued expenses	2
Capitalized lease obligation	1
Other liabilities	1
Total liabilities	163

Stockholders' equity:

Preferred stock, \$.01 par value; authorized 2,000,000 shares; None issued	
Common stock, \$.01 par value; authorized 20,000,000 shares; issued 2001 and 2000, 10,128,734 and 10,076,025 shares, respectively; outstanding 2001 and 2000, 7,628,734 and 7,576,025 shares, respectively	
Additional paid-in capital	70
Accumulated other comprehensive income (loss)	1
Retained earnings	31
Treasury stock, 2,500,000 shares in 2001 and 2000 at cost	(24)
Officers' stock loans	
Unearned compensation from restricted stock awards	
Total stockholders' equity	79
Total liabilities and stockholders' equity	\$ 242

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

For the three and nine months ended September 30, 2001 and 2000
(In thousands, except per share data)

Three months ended
September 30,

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	2001	2000
Revenues		
Premiums earned	\$ 20,946	\$ 23,366
Net investment income	2,851	2,753
Net realized investment gain (loss)	40	(1,148)
Total revenues	23,837	24,971
Losses and expenses		
Losses and loss adjustment expenses	14,553	24,546
Amortization of deferred policy acquisition costs	4,957	6,608
Other underwriting expenses	2,028	1,520
Corporate expenses	141	170
Interest expense	40	36
Total losses and expenses	21,719	32,880
Income (loss) before income tax	2,118	(7,909)
Income tax expense (benefit)	567	(2,831)
Net income (loss)	\$ 1,551	\$ (5,078)
Net income (loss) per share, basic and diluted	\$ 0.20	\$ (0.67)
Cash dividends per share	\$ 0.0525	\$ 0.0525

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
(Unaudited)

For the nine months ended September 30, 2001
(In thousands, except per share data)

Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Officers Stock Loans
-----------------	----------------------------------	--	----------------------	-------------------	----------------------------

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Balance at December 31, 2000	\$ 101	\$ 70,164	\$ (811)	\$ 29,583	\$ (24,161)	\$ (546)
Net income	--	--	--	3,512	--	--
Other comprehensive income:						
unrealized gains on investments, net of tax and reclassification adjustment	--	--	2,502	--	--	--
Comprehensive income						
Issuance of common stock	--	410	--	--	--	--
Officers' stock loans	--	--	--	--	--	(109)
Amortization of compensation expense from restricted stock awards issued	--	--	--	--	--	--
Cash dividends paid (\$0.1575 per share)	--	--	--	--	--	--
Balance at September 30, 2001	\$ 101	\$ 70,574	\$ 1,691	\$ 31,897	\$ (24,161)	\$ (655)

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

For the nine months ended September 30, 2001 and 2000
(In thousands)

	Nine months
	----- 2001 -----
Cash flows from operating activities:	
Net income (loss)	\$ 3,512
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Amortization and depreciation expense	1,410
Net realized investment loss	(410)
Deferred income tax benefit	(5,000)
Net increase (decrease) in premiums receivable, prepaid reinsurance premiums and unearned premiums	(5,000)
Net increase in unpaid losses and loss adjustment expenses and reinsurance recoverable	2,100
Accrued investment income	200
Deferred policy acquisition costs	1,400
Income tax recoverable	1,600
Other assets	100
Accounts payable and accrued expenses	100
Other liabilities	(1,000)
Net cash provided by operating activities	----- 2,800 -----

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Cash flows from investing activities:	
Purchases of equity securities	(3,0
Purchases of fixed maturities available for sale	(25,6
Purchases of fixed maturities held to maturity	
Proceeds from sales of equity securities	2,0
Proceeds from sales and maturities of fixed maturities available for sale	19,2
Proceeds from maturities and calls of fixed maturities held to maturity	2,0
Change in short-term investments	
Net cash used by investing activities	(5,4
Cash flows from financing activities:	
Issuance of common stock	4
Purchase of treasury stock	
Officers' stock loans	(1
Principal payments on capital lease obligations	(
Dividends paid	(1,1
Net cash used by financing activities	(9
(Decrease) increase in cash	(3,6
Cash, beginning of period	11,4
Cash, end of period	\$ 7,8
Supplemental disclosure of cash flow information:	
Interest paid	\$ 1
Taxes recovered	

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

Note 1 - Organization and Basis of Presentation

Penn-America Group, Inc. ("PAGI" or the "Company") is an insurance holding company. Approximately 41% of the outstanding common stock of the Company was owned by Penn Independent Corporation ("Penn Independent") at September 30, 2001. The accompanying financial statements include the accounts of the Company and its wholly owned subsidiary, Penn-America Insurance Company ("Penn-America") and its wholly owned subsidiary, Penn-Star Insurance Company ("Penn-Star").

Penn-America and Penn-Star underwrite commercial property and general liability insurance and multi-peril insurance for small businesses located primarily in small towns and suburban and rural areas. Penn-America and Penn-Star can write business in all 50 states and the District of Columbia. The companies write business on both an admitted and excess and surplus lines basis in 36 states, on an admitted basis only in 2 states and on an excess and surplus lines basis only in 12 states and the District of Columbia.

The accompanying condensed unaudited consolidated financial statements

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and notes have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation of results for the interim periods have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. It is suggested that these condensed unaudited consolidated financial statements and notes be read in conjunction with the financial statements and notes in the Company's 2000 Annual Report which was incorporated by reference into the Company's Form 10-K for the year ended December 31, 2000. The Company's results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

Note 2 - Reinsurance

Premiums earned are presented net of amounts ceded to reinsurers of \$2.8 million and \$2.9 million for the three months ended September 30, 2001 and 2000, respectively. Losses and loss adjustment expenses are presented net of amounts ceded to reinsurers of \$1.1 million and \$400,000 for the three months ended September 30, 2001 and 2000, respectively.

Premiums earned are net of amounts ceded to reinsurers of \$8.8 million and \$8.4 million for the nine months ended September 30, 2001 and 2000, respectively. Losses and loss adjustment expenses are net of amounts ceded to reinsurers of \$4.5 million and \$2.9 million for the nine months ended September 30, 2001 and 2000, respectively.

Note 3 - Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) of the Company consists solely of unrealized gains or losses on investment securities net of applicable income tax expense or benefit and reclassification adjustments. Comprehensive income was \$3.6 million for the three months ended September 30, 2001, compared with a comprehensive loss of \$3.1 million for the three months ended September 30, 2000. Comprehensive income was \$6.0 million for the nine months ended September 30, 2001 compared with a comprehensive loss of \$1.9 million for the nine months ended September 30, 2000.

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements
(continued)

Note 4 - Income (Loss) Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted income (loss) per share computations:

(in thousands, except per share data)	Three months ended		
	September 30,		
	2001	2000	
	-----	-----	-----

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Basic per share computation:			
Net income (loss)	\$ 1,551	\$ (5,078)	\$ 3,5
Weighted average common shares outstanding	7,625	7,558	7,6
	-----	-----	-----
Basic net income (loss) per share	\$ 0.20	\$ (0.67)	\$ 0.
	=====	=====	=====
Diluted per share computation:			
Net income (loss)	\$ 1,551	\$ (5,078)	\$ 3,5
Weighted average common shares outstanding	7,625	7,558	7,6
Additional shares outstanding after the assumed exercise of stock options by applying the treasury stock method	63	*	
	-----	-----	-----
Total shares	7,688	7,558	7,6
	=====	=====	=====
Diluted net income (loss) per share	\$ 0.20	\$ (0.67)	\$ 0.
	=====	=====	=====

*The potential impact of common stock purchase options is not considered as the impact is anti-dilutive.

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements
(continued)

Note 5- Segment Information

The Company has two reportable segments: non-standard personal automobile and commercial lines. The Company announced in April 1999 that it would run-off its remaining personal lines automobile business, which was underwritten through a single agent in California. This followed a decision earlier in 1999 to eliminate the Company's non-standard personal automobile business in nine other states. The Company will continue to report on this segment separately until the amounts relating to the non-standard personal automobile business become immaterial to the financial statements presented. These segments are managed separately because they have different customers, pricing and expense structures. The Company does not allocate assets between segments because assets are reviewed in total by management for decision-making

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purposes.

The accounting policies of the segments are the same as those more fully described in the summary of significant accounting policies in Note 1 of the Company's 2000 Annual Report, which was incorporated by reference into the Company's 2000 Form 10-K. The Company evaluates segment profit based on profit or loss from operating activities. Segment profits or losses from operations are pre-tax and do not include unallocated expenses but do include investment income attributable to insurance transactions. Segment profit or loss therefore excludes federal income taxes, unallocated expenses and investment income attributable to equity as opposed to investment income attributable to insurance transactions.

The following is a summary of the Company's segment revenues, expenses and profit:

(in thousands)	Three months ended September 30, 2001		
	Commercial	Personal Automobile	Total
Premiums earned	\$20,946	\$ 0	\$ 20,946
Net investment income from insurance operations	1,926	85	2,011
Total segment revenues	22,872	85	22,957
Segment losses and loss adjustment expenses	14,553	0	14,553
Segment expenses	5,731	5	5,736
Total segment expenses	20,284	5	20,289
Segment income	\$ 2,588	\$ 80	\$ 2,668
Unallocated items:			
Net investment income from equity			880
Unallocated expenses			(1,430)
Income tax expense			(567)
Net income			\$1,551

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements
(continued)

Note 5- Segment Information (Continued)

(in thousands)	Three months ended September 30, 2001		
	Commercial	Personal Automobile	Total

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	-----	-----	-----
Premiums earned	\$ 22,749	\$ 617	\$ 2
Net investment income from insurance operations	831	100	
Total segment revenues	23,580	717	2
Segment losses and loss adjustment expenses	24,359	187	2
Segment expenses	5,367	217	
Total segment expenses	29,726	404	3
Segment income (loss)	\$ (6,146)	\$ 313	\$ (
Unallocated items:			
Net investment income from equity			(
Unallocated expenses			(
Income tax benefit			
Net loss			\$ (

(in thousands)

Nine months ended September 30, 200

	Commercial	Personal Automobile	T
	-----	-----	-----
Premiums earned	\$66,172	\$ 22	\$6
Net investment income from insurance operations	5,360	240	
Total segment revenues	71,532	262	7
Segment losses and loss adjustment expenses	48,233	(1,493)	4
Segment expenses	18,880	15	1
Total segment expenses	67,113	(1,478)	6
Segment income	\$ 4,419	\$ 1,740	\$
Unallocated items:			
Net investment income from equity			(
Unallocated expenses			(
Income tax expense			
Net income			\$

(in thousands)

Nine months ended September 30, 20

	Commercial	Personal Automobile	T
	-----	-----	-----

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Premiums earned	\$ 63,616	\$ 3,776	\$ 6
Net investment income from insurance operations	3,332	402	
	-----	-----	-----
Total segment revenues	66,948	4,178	7
	-----	-----	-----
Segment losses and loss adjustment expenses	54,047	2,398	5
Segment expenses	17,904	1,358	1
	-----	-----	-----
Total segment expenses	71,951	3,756	7
	-----	-----	-----
Segment income (loss)	\$ (5,003)	\$ 422	\$ (
	-----	-----	-----
Unallocated items:			
Net investment income from equity			(
Unallocated expenses			(
Income tax benefit			(

Net loss			\$ (
			=====

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Three Months Ended September 30, 2001 and 2000

Premiums earned decreased 10.4% to \$20.9 million for the three months ended September 30, 2001 from \$23.4 million for the three months ended September 30, 2000. The Company previously announced that it was exiting both commercial and non-standard personal automobile business. Earned premiums for these exited lines of business decreased \$1.8 million, or 69.1% for the three months ended September 30, 2001 compared to the three months ended September 30, 2000. In addition, the Company's core commercial lines earned premiums (excluding exited lines of business) decreased \$0.6 million, or 2.9%, due to the withdrawal from writing certain classes of residential contractors.

Gross written premiums decreased 17.4% for the three months ended September 30, 2001 to \$23.6 million compared to \$28.5 million for the three months ended September 30, 2000. Of this decline, \$3.4 million resulted from the Company's decision in October 2000 to exit the commercial automobile line of business.

Net written premiums decreased 16.6% for the three months ended September 30, 2001 to \$21.1 million compared to \$25.3 million for the three months ended September 30, 2000. This is primarily due to the Company's decision to exit the commercial automobile line of business which accounts for \$2.7 million of the decline.

Net investment income increased 3.6 % to \$2.9 million for the three months ended September 30, 2001, from \$2.8 million for the three months ended

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September 30, 2000. This increase resulted principally from an increase in the investment yield of the fixed income investment portfolio and the growth in invested assets which were partially offset by a decline in interest rates on overnight cash balances.

Losses and loss adjustment expenses decreased 40.7% to \$14.6 million for the three months ended September 30, 2001, from \$24.5 million for the three months ended September 30, 2000. The three months ended September 30, 2000 included a strengthening of prior year loss reserves of \$7.6 million.

Amortization of deferred policy acquisition costs ("DAC") decreased 25.0% to \$5.0 million for the three months ended September 30, 2001, from \$6.6 million for the three months ended September 30, 2000 due to a reduction in overall commissions which are a function of the decline in earned premium.

Other underwriting expenses increased 33.4% to \$2.0 million for the three months ended September 30, 2001, from \$1.5 million for the three months ended September 30, 2000.

The overall statutory combined ratio for the Company decreased to 100.5 for the three months ended September 30, 2001, from 139.5 for the three months ended September 30, 2000, primarily due to the decrease in the loss ratio to 69.5 in 2001 compared to 105.1 in 2000. The ratios for the three months ended September 30, 2000 included a strengthening of prior year loss reserves of \$7.6 million which added 32.4 points to the ratio for that period. The expense ratio was 31.0 for the three months ended September 30, 2001 and 34.4 for the three months ended September 30, 2000.

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The factors described above resulted in net income for the three months ended September 30, 2001 of \$1.6 million or \$0.20 per share (basic and diluted), compared to net loss of \$5.1 million or \$0.67 per share (basic and diluted) for the three months ended September 30, 2000.

Nine Months Ended September 30, 2001 and 2000

Premiums earned decreased 1.8% to \$66.2 million for the nine months ended September 30, 2001 from \$67.4 million for the nine months ended September 30, 2000. Premiums earned for the Company's core commercial lines (excluding exited lines of business) increased \$3.1 million, or 5.3%. This was offset by a decrease in premiums earned on the exited commercial and non-standard personal automobile lines of business of \$4.3 million, or 49.4%.

Gross written premiums decreased 14.6% for the nine months ended September 30, 2001 to \$71.0 million compared to \$83.1 million for the nine months ended September 30, 2000. Of this decline, \$10.4 million is attributable to the Company's decision to exit the commercial and non-standard personal automobile lines of business.

Net written premiums decreased 14.5% for the nine months ended September 30, 2001 to \$63.0 million compared to \$73.7 million for the nine months ended September 30, 2000. This is due primarily to the Company's decision

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to exit the commercial and non-standard personal automobile lines of business.

Net investment income increased 11.9% to \$8.5 million for the nine months ended September 30, 2001, from \$7.6 million for the nine months ended September 30, 2000. This increase resulted principally from an increase in the investment yield of the fixed income investment portfolio and the growth in invested assets, partially offset by a decline in interest rates on overnight cash balances.

Losses and loss adjustment expenses decreased 17.2% to \$46.7 million for the nine months ended September 30, 2001, from \$56.4 million for the nine months ended September 30, 2000. The nine months ended September 30, 2000 included a strengthening of prior year loss reserves of \$9.4 million.

Amortization of deferred policy acquisition costs ("DAC") decreased 11.0% to \$17.2 million for the nine months ended September 30, 2001 compared to \$19.3 million for the nine months ended September 30, 2000. This is due to a reduction in overall commissions which are a function of the decline in earned premiums.

Other underwriting expenses increased 18.2% to \$5.2 million for the nine months ended September 30, 2001, from \$4.4 million for the nine months ended September 30, 2000.

The overall statutory combined ratio for the Company decreased to 103.9 for the nine months ended September 30, 2001, from 118.6 for the nine months ended September 30, 2000, primarily due to the decrease in the loss ratio to 70.6 in 2001 compared to 83.8 in 2000. The loss ratio for the nine months ended September 30, 2000 included the effect of a prior year loss reserve strengthening of \$9.4 million that added 13.9 points to the ratios for that period. The expense ratio decreased to 33.3 for the nine months ended September 30, 2001, compared to 34.8 for the nine months ended September 30, 2000.

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

The factors described above resulted in net income for the nine months ended September 30, 2001 of \$3.5 million or \$0.46 per share (basic and diluted), compared to net loss of \$4.2 million or \$0.54 per share (basic and diluted) for the nine months ended September 30, 2000.

Liquidity and Capital Resources

PAGI is a holding company, the principal asset of which is the common stock of Penn-America. The principal source of cash for the payment of dividends to PAGI's stockholders, PAGI operating expenses and repurchase of PAGI stock is dividends from Penn-America and Penn-Star. Penn-America's principal sources of funds are operations, investment income and proceeds from sales and redemptions of investments. Funds are used by Penn-America and Penn-Star principally to pay claims and operating expenses, to purchase investments and to make dividend and other payments to PAGI.

Penn-America is required by law to maintain a certain minimum surplus on a statutory basis and is subject to risk-based capital requirements and regulations under which payment of dividends from statutory surplus may require

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prior approval from the Pennsylvania Insurance Department. Penn-America may pay dividends to PAGI without advance regulatory approval only from unassigned surplus and only to the extent that all dividends in the past twelve months do not exceed the greater of 10% of total statutory surplus, or statutory net income for the prior year. Using this criteria, the available ordinary dividend for 2001 is \$5.5 million. No ordinary dividends were paid to PAGI in 2000. In 2000, Penn-America paid a \$6.4 million return of capital to PAGI, after receiving approval from the Pennsylvania Insurance Department, which PAGI used to repurchase stock and to pay dividends and PAGI operating expenses. Penn-America paid ordinary dividends of \$1.1 million to PAGI in 2001 through September 18, 2001.

Net cash provided by operating activities was \$2.8 million for the nine months ended September 30, 2001, compared to \$10.8 million provided by operating activities for the nine months ended September 30, 2000.

Net cash used by investing activities was \$5.4 million for the nine months ended September 30, 2001, compared to \$2.5 million for the nine months ended September 30, 2000.

Net cash used by financing activities was \$1.0 million for the nine months ended September 30, 2001, compared to \$6.0 million for the nine months ended September 30, 2000. In 2000, \$4.7 million was used to purchase treasury stock, and no such purchases were made in 2001.

Statutory surplus as of September 30, 2001 increased to \$61.9 million from \$55.5 million as of December 31, 2000. This increase is due to statutory net income of \$5.0 million and a \$3.3 million net positive impact from adopting the standard set of statutory accounting principles known as "codification."

The Company believes it has sufficient liquidity to meet its anticipated insurance obligations and operating and capital expenditure needs. The Company's investment strategy emphasizes quality, liquidity and diversification, as well as total return. With respect to liquidity, the Company considers liability durations, specifically related to loss reserves, when

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

determining desired investment maturities. In addition, maturities have been staggered to produce cash flows for loss payments and reinvestment opportunities.

The Company's fixed maturity portfolio of \$151.8 million was 86.0% of the total investment portfolio as of September 30, 2001. Approximately 97% of these securities were rated "A" or better by Standard & Poor's or Moody's. The average duration of the fixed maturity portfolio as of September 30, 2001 was approximately 3.6 years. Equity securities, the majority of which consist of preferred stocks and exchange traded funds, were \$24.7 million or 14.0% of total investments as of September 30, 2001.

As of September 30, 2001, the investment portfolio contained \$50.6 million of mortgage/asset-backed obligations, which represents 28.6% of the total investments as of September 30, 2001. All of these securities were "AA"-rated or better and 75.5% were "AAA"-rated by Standard & Poor's or Moody's.

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These securities, which were issued by government, government-related agencies or publicly held corporations, are publicly traded, and have market values obtained from an independent pricing service. Changes in estimated cash flows due to changes in prepayment assumptions from the original purchase assumptions are revised based on current interest rates and the economic environment. The Company had no derivative financial instruments, real estate or mortgages in the investment portfolio as of September 30, 2001.

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PENN-AMERICA GROUP, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

- Item 1. Legal Proceedings - None
- Item 2. Changes in Securities - None
- Item 3. Default Upon Senior Securities - None
- Item 4. Submission of Matters to a Vote by Security Holders - None
- Item 5. Other Information - None
- Item 6. Exhibits and Reports on Form 8-K

On August 16, 2001, the Company filed a current report on Form 8-K announcing the availability of second quarter statements of its insurance subsidiaries, Penn-America Insurance Company and Penn-Star Insurance Company, on the Company's website, in hard copy from the Company, or from the Pennsylvania Insurance Department.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Penn-America Group, Inc.

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Date: November 13, 2001

By: /s/ Jon S. Saltzman

Jon S. Saltzman
President and
Chief Executive Officer

By: /s/ Joseph F. Morris

Joseph F. Morris
Senior Vice President and
Chief Financial Officer

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