

# 2020

## Combined Statutory Financial Statements (Unaudited)

(Dollars in thousands)	2020	2019	2018	2017	2016
Direct premiums written	<b>\$ 792,272</b>	\$ 789,875	\$ 775,448	\$ 744,275	\$ 725,768
Net premiums written	<b>749,933</b>	749,616	734,124	703,216	685,932
Net premiums earned	<b>745,578</b>	742,044	716,348	690,334	684,415
Investment income, including realized gains and losses	<b>45,719</b>	53,831	61,194	51,198	49,223
Net income (loss)	<b>48,188</b>	48,421	36,367	(42,960)	53,272
Total cash and investments	<b>\$1,614,703</b>	\$1,556,425	\$1,478,635	\$1,456,793	\$1,420,296
Total admitted assets	<b>1,866,786</b>	1,808,517	1,759,599	1,747,004	1,763,087
Total policyholders' surplus	<b>718,028</b>	663,725	591,293	586,917	623,872
Combined ratio after dividends	<b>98.7</b>	99.3	102.5	116.9	98.5

The combined financial performance of Penn National Insurance for the year ended December 31, 2020, produced net income of \$48.2 million. This enabled our company to add \$54.3 million to its policyholders' surplus since December 31, 2019, to a total of \$718.0 million.

Total net premiums written and earned of \$749.9 million and \$745.6 million, respectively, were up slightly from the prior year. As rate firming continued to favorably impact renewal pricing, direct premiums written for our commercial lines were up by \$12.9 million or 2.9 percent from last year, reaching \$451.4 million for the year ended December 31, 2020. Personal lines direct premiums written of \$340.9 million were less than the prior year by \$10.5 million or 3.0 percent. This decrease was partly caused by \$5.7 million in personal automobile refunds given to policyholders in the wake of the COVID-19 pandemic.

Overall, incurred losses and loss adjustment expenses totaling \$479.6 million during 2020 were \$6.2 million less than those incurred during 2019. Non-catastrophe losses were less than the previous year, primarily driven by both the commercial and personal automobile lines of business. Catastrophe losses, however, were significantly higher than our company's normal experience level, as seen in the

homeowners, businessowners and fire lines. Including net unfavorable development of \$1.7 million, total net catastrophe losses and LAE incurred were \$55.9 million or 7.5 points for the year ended December 31, 2020, compared to \$25.1 million or 3.4 points for the prior year. Our 2020 net loss and loss adjustment expense ratio was 64.3, an improvement of 1.2 points from the 2019 ratio of 65.5.

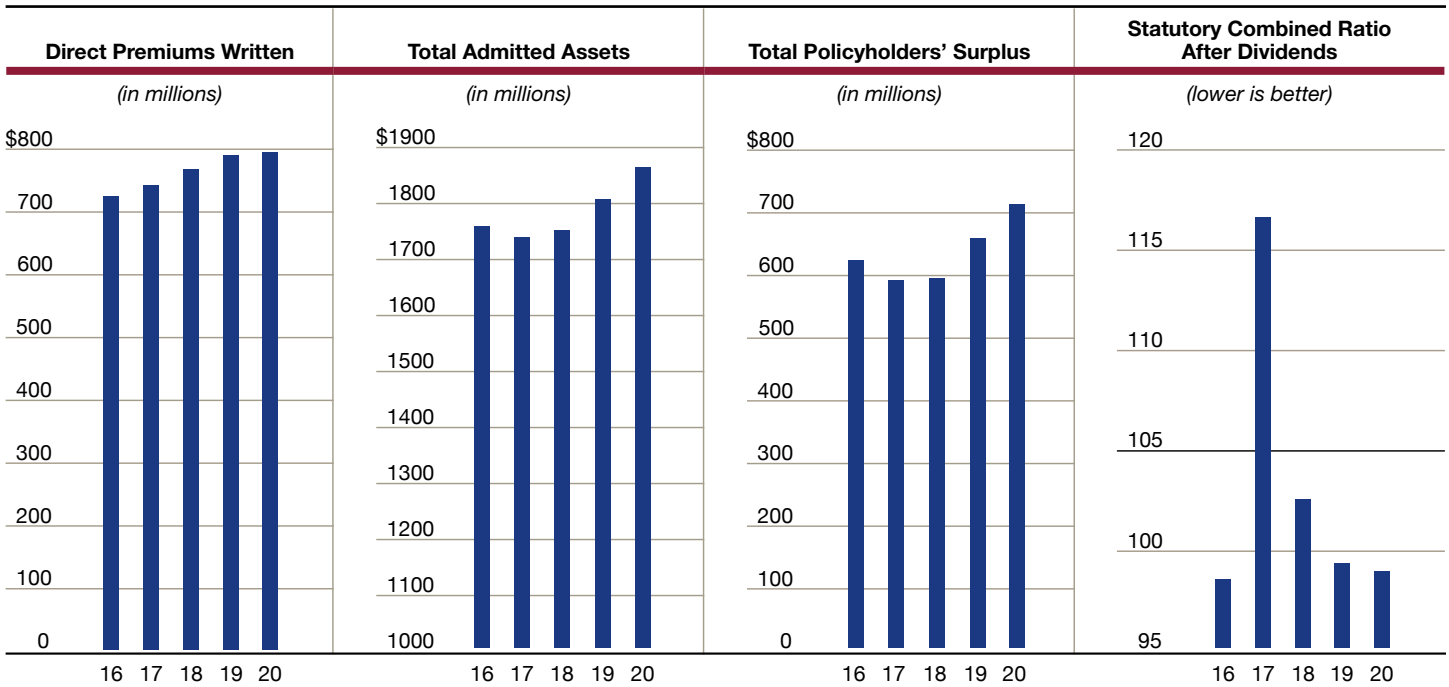
Underwriting expenses for the year ended December 31, 2020, increased by \$6.6 million from the prior year. This was largely driven by higher commission costs. There was no commission reduction relating to the 2020 COVID-19 policyholder premium refunds, and contingent commissions were greater due to favorable loss experience for the year.

Our reported net combined ratio for the year came in at 98.7, which was 0.6 point better than the 2019 combined ratio. This improvement was primarily attributable to the 1.2 point decrease in the loss and loss adjustment ratio. The dividend ratio also improved compared to the prior year, by 0.3 point, while our underwriting expense ratio increased by 0.9 point. Total admitted assets rose \$58.3 million from December 31, 2019, to \$1.9 billion as of December 31, 2020.



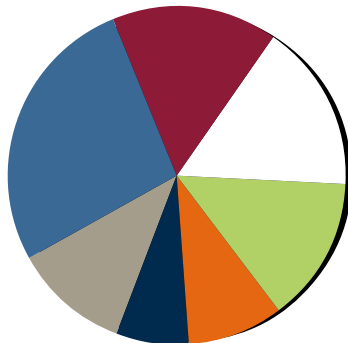
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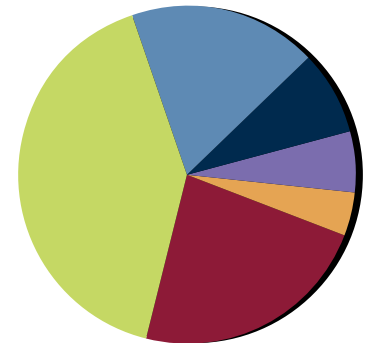
### 2020 Combined Direct Premiums Written by Line of Business

Personal Automobile	27%
Other Liability	16%
Commercial Automobile	16%
Homeowners	14%
Workers' Compensation	9%
Businessowners	7%
Other	11%
Total	100%



### 2020 Combined Direct Premiums Written by State

Pennsylvania	41%
North Carolina	18%
New Jersey	8%
Maryland	6%
Alabama	5%
Other	
Virginia	6%
Tennessee	5%
Wisconsin	5%
Other	6%
Total	100%





# 2020

## Combined Statutory Financial Statements (Unaudited)

### Combined Statutory Balance Sheets (Unaudited)

December 31, (dollars in thousands)	2020	2019
<b>Admitted Assets</b>		
Investments:		
Bonds	\$1,355,060	\$1,324,496
Stocks	189,250	171,073
Mortgage loans	14,916	15,627
Cash and cash equivalents	55,477	45,229
Total cash and investments	1,614,703	1,556,425
Agents' balances and uncollected premiums	211,987	207,907
Investment income due and accrued	9,520	9,647
Amounts due from reinsurers	9,326	9,852
Deferred tax asset, net	12,066	15,408
Other assets	9,184	9,278
Total admitted assets	\$1,866,786	\$1,808,517
<b>Liabilities and Policyholders' Surplus</b>		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 711,222	\$ 695,988
Unearned premiums	349,514	345,157
Premium taxes and other expenses	28,067	26,818
Other liabilities	59,955	61,821
Total liabilities	1,148,758	1,144,792
Policyholders' surplus:		
Surplus notes	29,500	29,500
Unassigned surplus	688,528	634,225
Total policyholders' surplus	718,028	663,725
Total liabilities and policyholders' surplus	\$1,866,786	\$1,808,517



# 2020

## Combined Statutory Financial Statements (Unaudited)

### Combined Statutory Statements of Income (Unaudited)

Years Ended December 31, (dollars in thousands)	2020	2019
<b>Underwriting income:</b>		
Net premiums written	\$749,933	\$749,616
Increase in unearned premiums	(4,355)	(7,572)
Premiums earned	745,578	742,044
Losses and loss adjustment expenses	479,592	485,806
Underwriting expenses	253,336	246,730
Total losses and expenses	732,928	732,536
Total underwriting income	12,650	9,508
<b>Investment income:</b>		
Net investment income	43,505	47,761
Net realized gains on investments	2,214	6,070
Total investment income	45,719	53,831
Other income, net	2,250	1,287
Income before dividends and federal income tax expense	60,619	64,626
Dividends to policyholders	4,126	6,981
Income before federal income tax expense	56,493	57,645
Federal income tax expense	8,305	9,224
Net income	\$ 48,188	\$ 48,421

### Combined Statutory Operating Statistics (Unaudited)

Years Ended December 31,	2020	2019
Loss ratio	53.5	55.7
Loss adjustment expense ratio	10.8	9.8
Loss and loss adjustment expense ratio	64.3	65.5
Underwriting expense ratio	33.8	32.9
Dividend ratio	0.6	0.9
Combined ratio after dividends	98.7	99.3
Net premiums written to surplus ratio	1.0	1.1
Net liabilities to surplus ratio	1.6	1.7
Net leverage ratio	2.6	2.8