



Relationship Driven

We build enduring relationships with policyholders, agents and team members by serving their long-term best interests.



PENN NATIONAL
INSURANCE

Feel Secure®

How soon will it be before ChatGPT, the popular advanced artificial intelligence chatbot, writes a company's annual report?

Perhaps that eventuality has already occurred, and the moment passed by us undetected.

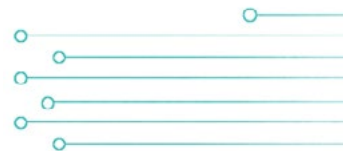


Envisioning the vast efficiencies, precision and consistency that artificial intelligence is seemingly poised to deliver, excites business leaders and workers for good reason. At the same time, it is concerning to think of the individual thinking, creativity and authenticity that may be lost along the way. **Rest assured this message, and any errors within, are of my making.**

Blending the right measure of technological advancements with our relationship-driven business model is key to delivering on our mission of helping people feel secure and making life better when bad things happen. Authenticity and empathy sit outside

the bounds of artificial intelligence, but fortunately, those essential qualities come included with our people. Insurance remains a people business, and our team members help us stand out amongst a crowded field.

Our mutual company structure is a competitive differentiator that affords us the ability to focus exclusively on the needs of our policyholders, agents and team members. The structure enables us to commit to building effective and enduring relationships, all the while using technology effectively to enhance those customer touchpoints that help us sustain those relationships.



2022 PRESIDENT'S MESSAGE



In December 2022, Winter Storm Elliott brings severe storm conditions, including blizzards, high winds, snowfall, and record cold temperatures across the United States...which kept the Claims team very busy.

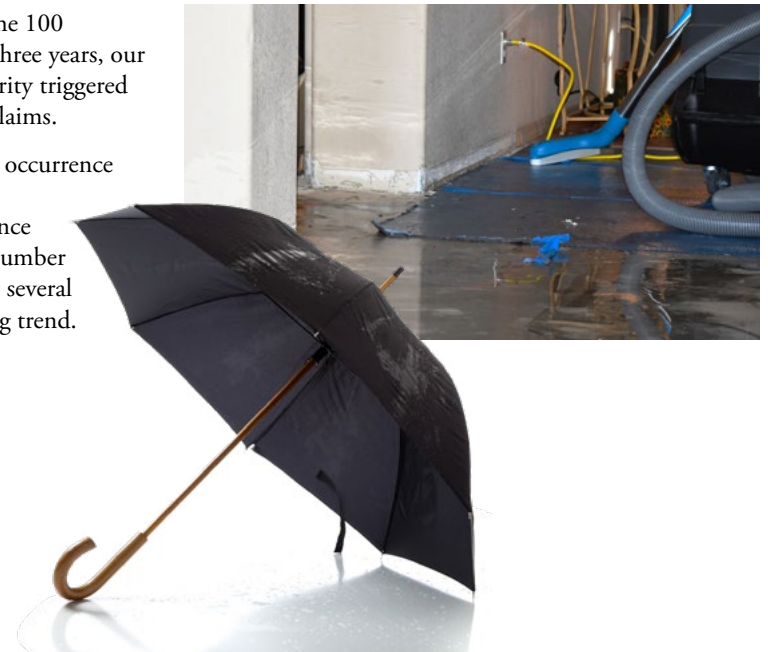
Operating Results

Direct premiums grew 4.3% to pass the \$850 million threshold, policyholder surplus increased 1.2% and stands at \$798 million. The net combined ratio was 100.4 for the year and net income totaled \$30.2 million.

Extreme weather events added 6.0 points to the combined ratio versus an expectation of 3.7 points. In the waning days of the year, Winter Storm Elliott blanketed most of the country with low temperatures and high wind speeds that brought down trees, knocked out power and caused water damage from broken and burst pipes. Our claims team delivered quality service with empathy to more than 650 policyholders to help them recover from Elliott's unwelcome destruction.

While disappointed to have crossed over the 100 combined ratio mark for the first time in three years, our performance withstood an increase in severity triggered by inflation on automobile and property claims.

Additionally, the December freeze and the occurrence of smaller scale weather events occurring throughout the year affected the performance of the property lines. The increase in the number of weather-related loss events over the past several years has become a persistent and troubling trend.



2022 PRESIDENT'S MESSAGE

A.M. Best revising the outlook to positive on our A- Financial Strength Rating was undoubtedly the high point of the year. In its press release A.M. Best noted,

“The positive outlooks reflect the overall strength of Penn National’s balance sheet under-pinned by its strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR), as well as its strong capital position, organic surplus growth in recent years, prudent investment portfolio and moderate underwriting leverage.”

2022 Highlights

Our operations expanded as Minnesota became the twelfth state in which we conduct business. We began writing personal lines prior to year-end and we are “all systems go” for commercial lines, pending licensing of our affiliate, Partners Mutual. The North Star State offers an attractive growth opportunity as our presence grows in the Midwest.

Replacing our commercial lines policy administration system has been a multi-year undertaking and a massive project. We entered 2022 with five of the existing eleven states live on the system. The project team pushed hard and brought the remaining six states up on the system, a tremendous achievement. The project’s final push will assist us in delivering more efficient and timely service to policyholders and agents.

At the close of the year, we introduced a remote friendly business model that provides team members the opportunity to work from home, but also has people coming together for some meetings or entire days/weeks depending on business need. We are committed to enabling employees in remote-capable roles to work from home effectively. From the home or the office, being policyholder and agent friendly is our number one priority.

As the battle for talent across the industry intensified and more of our long-tenured team members set off for retirement, 107 new employees joined the team.

We bid farewell and offered gratitude for a job well done to our newly retired employees, a good number of whom provided us with decades of service. It is exciting to welcome new arrivals eager to use their skills and abilities to help us grow and carry out our mission and build enduring relationships in the process.

New opportunities have opened for existing employees, too, as 102 individuals earned a promotion this year. Continuing professional education plays a large role in preparing individuals and the organization for the years ahead. Active enrollments in insurance designation programs totaled 113, with another 17 individuals successfully completing the requirements of a professional designation program.

We are proud to have collaborated with Joshua Group in offering summer internship opportunities to high school students in our local community. Joshua Group is a Harrisburg, Pa. nonprofit organization providing at-risk students with mentoring and positive role modeling that can be life altering for individuals and families.



Based on the success of the initial program, we will host Joshua Group students again in the spring of 2023. While time will tell if we inspired any of the students to pursue insurance as a profession, we successfully opened the students’ eyes to the varied career paths the industry offers.

We are grateful to our policyholders for turning to us for their peace of mind and financial security. We partner with respected and professional independent agents that serve as trusted risk and insurance advisors to their clients. It is our privilege to have business owners, well known in their communities, choose to represent us. We are thankful for the business that they deliver to us.

Our future is positively bright because of the high level of engagement and contributions of our team members. Thank you to the entire team for delivering authentic and empathetic care and quality service to our policyholders and agents every day.

A handwritten signature in black ink that reads "Robert R. Brandon". The signature is written in a cursive, flowing style.

Bob Brandon,
President & CEO, Penn National Insurance

2022 Combined Statutory Financial Statements

(Dollars in thousands)	2022	2021	2020	2019	2018
Direct premiums written	\$ 853,061	\$ 817,374	\$ 792,272	\$ 789,875	\$ 775,448
Net premiums written	806,051	771,248	749,933	749,616	734,124
Net premiums earned	786,773	761,765	745,578	742,044	716,348
Investment income, including realized gains and losses	48,506	52,737	45,719	53,831	61,194
Net income	30,265	43,917	48,188	48,421	36,367
Total cash and investments	\$1,723,331	\$1,707,268	\$1,614,703	\$1,556,425	\$1,478,635
Total admitted assets	2,001,811	1,957,778	1,866,786	1,808,517	1,759,599
Total policyholders' surplus	798,116	788,506	718,028	663,725	591,293
Combined ratio after dividends	100.4	99.8	98.7	99.3	102.5

The combined financial performance of Penn National Insurance for the year ended December 31, 2022, resulted in net income of \$30.3 million and a net combined ratio of 100.4. Although the loss and loss adjustment ratio increased 1.7 points from that of the prior year, our underwriting expense ratio improved by 1.2 point. Total investment income of \$48.5 million was lower than the \$52.7 million achieved in 2021, primarily due to decreased capital gains from equity sales.

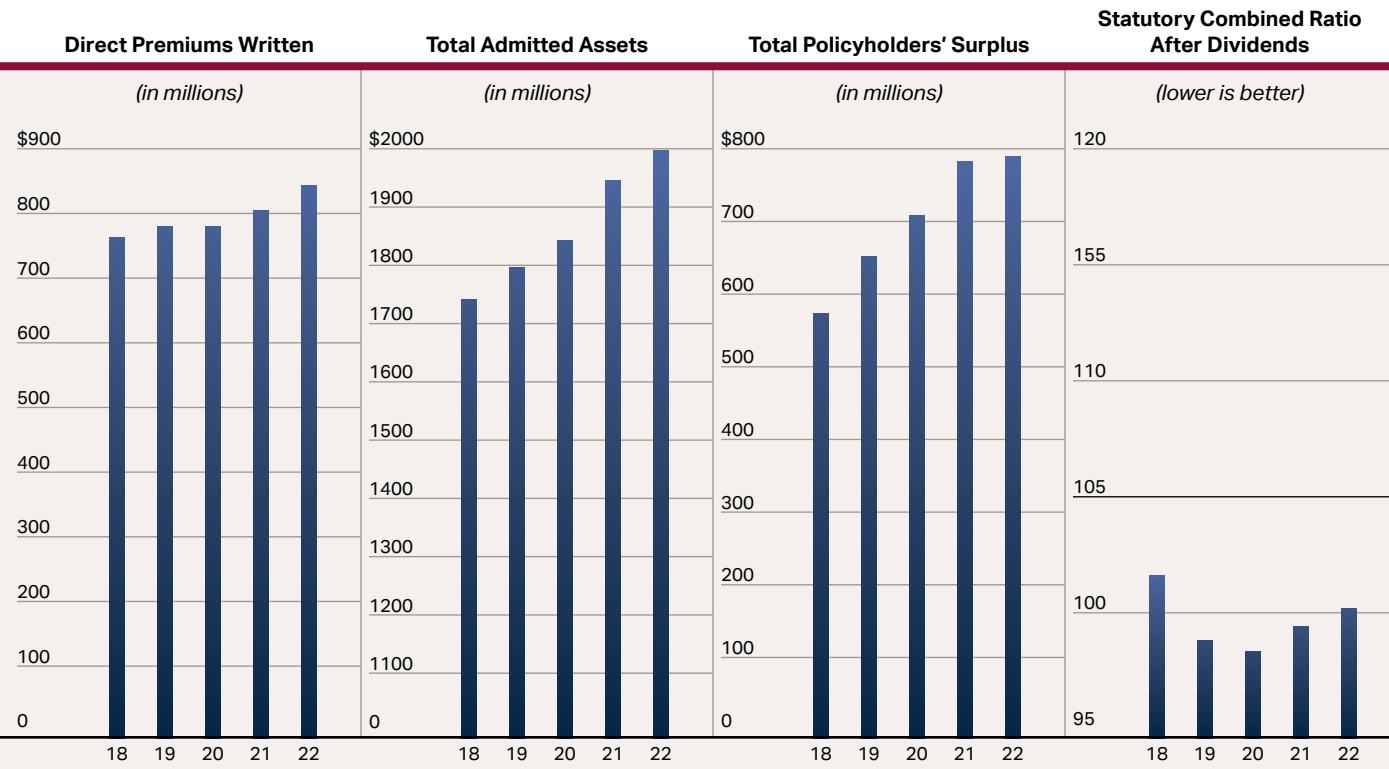
Total net premiums written of \$806.1 million increased by \$34.8 million or 4.5 percent, which was driven by increases of 5.2 percent and 3.7 percent in commercial lines and personal lines, respectively. Net earned premiums of \$786.8 million increased by \$25.0 million or 3.3 percent, as driven by commercial lines. Rate firming in commercial lines continued to favorably impact renewal pricing. As a result, direct premiums written for our commercial lines were up by \$23.3 million or 4.9 percent from last year, reaching \$497.5 million for the year ended December 31, 2022. Personal lines direct premiums written also increased by \$12.2 million or 3.6 percent, from \$341.5 million in 2021 to \$353.7 million in 2022. This increase was seen in renewal premiums written in the homeowners line and new business written in the automobile line of business, which had overall premium growth of 6.0 percent and 2.5 percent over the previous year, respectively.

Our 2022 net loss and loss adjustment expense ratio was 67.2 compared to the 2021 ratio of 65.5. Overall, incurred losses and loss adjustment expenses totaling \$529.6 million during the year were up by \$30.6 million compared to those incurred during the year prior, which were driven by higher automobile losses and homeowners catastrophe losses and LAE incurred. Total net catastrophe losses and LAE incurred were \$47.9 million or 6.0 points for the year ended December 31, 2022, compared to \$31.0 million or 4.1 points for the prior year.

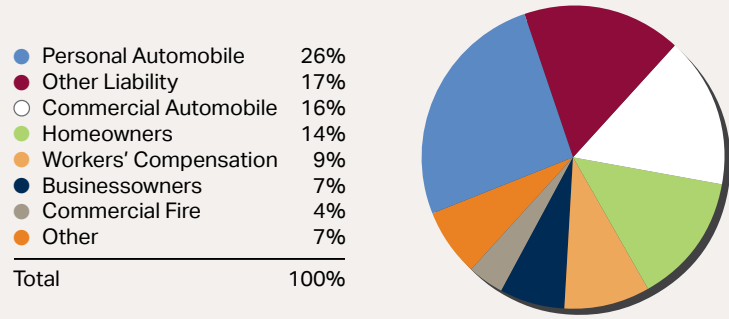
Underwriting expenses of \$261.6 million increased by \$2.6 million, largely due to higher regular commissions as well as greater depreciation and equipment related expenses. Slightly offsetting these increases were lower incentive compensation expense and benefit related costs. Our underwriting expense ratio decreased to 32.4, compared to 33.6 for the prior year.

Total admitted assets rose \$44.0 million from December 31, 2021, to \$2.0 billion as of December 31, 2022. Our policyholders' surplus at December 31, 2022 was \$798.1 million, an increase of \$9.6 million largely the result of the net income achieved for 2022 in addition to the change in net deferred taxes that was partially offset by the decline in the market value of equity investments.

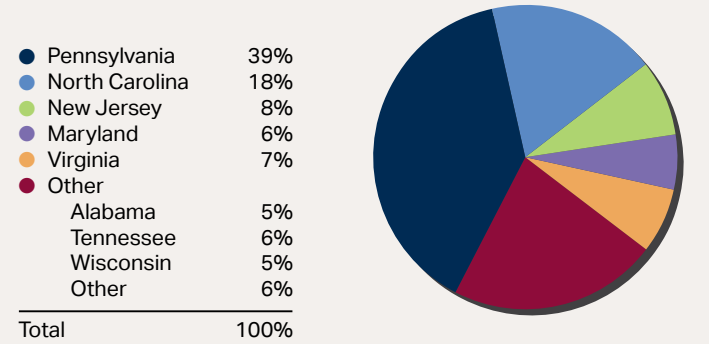
2022 Combined Statutory Financial Statements



2022 Combined Direct Premiums Written by Line of Business



2022 Combined Direct Premiums Written by State



2022

Combined Statutory Financial Statements

Combined Statutory Balance Sheets

December 31, (dollars in thousands)	2022	2021
Admitted Assets		
Investments:		
Bonds	\$1,453,366	\$1,400,112
Stocks	191,782	217,664
Real estate	22,988	—
Other	16	24,181
Cash and cash equivalents	55,179	65,311
Total cash and investments	1,723,331	1,707,268
Agents' balances and uncollected premiums	\$ 228,024	\$ 212,914
Investment income due and accrued	10,447	9,305
Amounts due from reinsurers	10,731	8,946
Deferred tax asset, net	14,598	6,377
Other assets	14,680	12,968
Total admitted assets	\$2,001,811	\$1,957,778
Liabilities		
Reserves for losses and loss adjustment expenses	\$ 742,045	\$ 721,016
Unearned premiums	378,273	358,996
Premium taxes and other expenses	21,467	29,109
Other liabilities	61,910	60,151
Total liabilities	\$1,203,695	\$1,169,272
Policyholders' Surplus		
Common stock:		
Additional paid-in capital		
Surplus notes	\$ 29,500	\$ 29,500
Special surplus	1,000	1,000
Unassigned surplus	767,616	758,006
Total policyholders' surplus	798,116	788,506
Total liabilities and policyholders' surplus	\$2,001,811	\$1,957,778

2022

Combined Statutory Financial Statements

Combined Statutory Statements of Income

Years Ended December 31, (dollars in thousands)	2022	2021
Underwriting income:		
Net premiums written	\$806,051	\$771,248
Increase in unearned premiums	(19,278)	(9,483)
Premiums earned	786,773	761,765
Losses and loss adjustment expenses	529,590	499,020
Underwriting expenses	261,578	258,974
Total losses and expenses	791,168	757,994
Total underwriting (loss) income	(4,395)	3,771
Investment income:		
Net investment income	46,850	40,891
Net realized gains on investments	1,656	11,846
Total investment income	48,506	52,737
Other income, net	935	2,165
Pretax income before dividends	45,046	58,673
Dividends to policyholders	6,155	5,477
Pretax income	38,891	53,196
Federal income tax expense	8,626	9,279
Net income	\$ 30,265	\$ 43,917

Combined Statutory Operating Statistics

Years Ended December 31, (dollars in thousands)	2022	2021
Net losses incurred to net premiums earned	57.2	55.8
Net loss adjustment expenses to net premiums earned	10.0	9.7
Loss and loss adjustment expense ratio	67.2	65.5
Underwriting expenses incurred to net premiums written	32.4	33.6
Dividends to net premiums earned	0.8	0.7
Combined ratio after dividends	100.4	99.8
Net premiums written to surplus ratio	1.0	1.0
Net liabilities to surplus ratio	1.5	1.5
Net leverage ratio	2.5	2.5

2022 CORPORATE HIGHLIGHTS



With the easing of COVID-19 restrictions in 2022, returning to the office took on subtle, but key differences.

Upon our April return, we chose to operate in an office-centered hybrid environment, with most team members coming to the office a few days a week on a prescribed basis.

As 2023 drew near, we were aware of companies announcing plans to step up their return to office requirements. With two plus years of remote and eight months of hybrid work experience under our belt, we undertook a journey to become a remote friendly company. Remote friendly organizations provide employees the opportunity to work from home, but also requires team members to be in the office for some meetings or entire days/weeks depending on business need.



Our ability to successfully evolve into a remote-friendly company can be attributed to the dedication of our employees and their use of technology to continue to build relationships with our agents and policyholders by looking for ways to improve and enhance how we deliver our products and services. From listening to our customers to delivering value-added services, these projects involved harnessing smart technology that help us humanize our customers' experiences.

Using technology to gain insights into our customers' experience

Other than our ongoing Claims Satisfaction Survey, there were relatively few customer feedback mechanisms. By leveraging a customer experience platform, powered by Qualtrics, we created a touchpoint survey to seek feedback from customers who had just completed a payment through our online insurance center. Since its launch in October 2022, we received thousands of responses and hundreds of comments, with a cumulative Net Promoter Score of 50, which indicates the majority of our customers are happy with our service. We received very positive feedback on the ease of payment processes.



We've gained valuable insights into our customers' experience and opportunities for enhancing the experience to make the process more personable and effortless.

Using technology to deliver claims payment into the hands of our policyholders faster

Guided by our objective of enhancing customer experiences at every touchpoint, we introduced electronic options for customers to receive claim disbursements. The options allow payment within hours or days, faster than the time required to mail a paper check, and they eliminate mailing delays and are helpful during emergencies.



Depending on preference, the recipient can choose to receive the claim disbursement by ACH payment directly into the recipient's bank account or Push-to-Debit Card (sends our payment directly to the recipient through their own debit card).



Using technology to help agencies grow and retain business

Penn National Insurance has partnered with ClientCircle to help independent agencies improve client relationships, promote word-of-mouth referrals, and increase online visibility and reputation. Using this online communications platform has helped participating agents boost their average Net Promoter Score to 82, which is 12 points higher than the average independent insurance agency in the U.S. In addition, ClientCircle provides agents with specific retention strategies for clients who may be likely to leave. As a result, these agencies have retained an estimated 10 clients per agency per year or \$27,000 in annual commission.

Using technology to help businesses mitigate legal risks

In 2022, Penn National Insurance introduced Business Risk Protection (BRP) service for commercial policyholders. BRP is an online legal platform specifically designed for business policyholders to create key legal documents and perform risk assessment of existing documents. No legal knowledge is needed to use the service and policyholders can create as many documents as they need 24/7 across all devices. For a small premium charge, the service is automatically included on Businessowners and General Liability coverages.



Executive Management Team

Karen Yarrish

senior vice president, secretary & general counsel

Robert B. Brandon, CPCU

president & CEO

Mike Watts

chief information officer

Thomas K Korber

vice president, Human Resources

John V. Foster

senior vice president, Insurance Operations

Jacquelyn M. Anderson, CPCU, CPA

senior vice president, CFO & treasurer

Listed as pictured left to right

Elected Officers

Robert B. Brandon, CPCU*

president & CEO, Penn National Insurance

Jacquelyn M. Anderson, CPCU, CPA

senior vice president, CFO & treasurer

Karen C. Yarrish

senior vice president, secretary & general counsel

**serves as a member of the Board of Directors*

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director, Strategy & Corporate Development,
Bon Tool Company

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retired audit partner,
Philadelphia office of Ernst & Young

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retired president and global chief underwriting officer,
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Constance B. Foster, Esq.

retired partner, Saul Ewing, LLP

Mark B. Glessner

retired managing partner, PricewaterhouseCoopers

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Robert J. Powell

CEO, Invictus Leadership Group

Ellen Rinaldi

retired chief security officer and chief information
security officer, The Vanguard Group

Christine Sears, CPCU

retired president & CEO, Penn National Insurance

Kenneth R. Shutts, Esq.

retired president and CEO, Penn National Insurance

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vice president, Claims Division

John Buchenauer, CPCU

vice president, Personal Lines Division

Tracy Fleager, CPCU, ARE

vice president, Corporate Risk

Randal Mancini, CPCU, ARM, ARE, AIS

vice president, Commercial Lines Division

Chad Ott, ACAS, MAAA

vice president, Actuarial

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vice president, Field Operations

Robert Potter, CPCU, AIAF, ARE, ARC

vice president, Finance

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regional vice president, Harrisburg

Jonathan Dillon

regional vice president, Greensboro

Bill Emerick, CPCU, CIC, ARM

regional vice president, Nashville

Mark Fitzgerald

vice president, Surety

Donald McAuliffe, Jr., CPCU, AIC

regional vice president, Central Atlantic

Richard Keith

regional vice president, Pittsburgh

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claims manager, Harrisburg & Central Atlantic

Neil French, CPCU, CIC, AIM, AIS, SCLA

claims manager, Pittsburgh & Waukesha

Gary R. Gibson, CPCU, AIC, AIM, AIS, SCLA

claims manager, liability,
North Carolina & Tennessee/Alabama

Mark Romah, INS, AIC, SCLA

claims manager, Harrisburg

Nicole Sherrill, CPCU, CIC, SCLA, AIS,

AIM, API, AIC, AINS

claims manager, North Carolina

Partners Mutual Insurance

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president

Mark H. Ewert, CPCU, CIC

executive vice president & secretary

Inservco

Staci Ulp, AIC

president & CEO



