Penn National
Insurance
Feel Secure®

Positioned to successfully meet the challenges facing the industry.

Today and tomorrow.

A.M. Best has upgraded our Financial Strength Rating to A (Excellent)

2023 Annual Report

President's Message

Oscar Wilde observed that,

“Conversation about the weather is the last refuge of the unimaginative.”

Given recent climate trends, it is easy to dispute the Irish playwright's view. In fact, when it comes to the weather and insurance, there is plenty to discuss.

Talk about the weather

The NOAA National Centers for Environmental Information recorded twenty-eight weather disasters in 2023 costing at least $1 billion surpassing the annual record of 22 set in 2020. By comparison, from 1980 to 2022, the yearly average number of $1 billion events is 8.1 on an inflation adjusted basis. For the most recent 5-year period, the yearly average is 18 events.

Severe convective storms accounted for 19 of the 28 events. Incredibly, thunderstorms caused $34 billion in damage in the first-half of the year, the highest ever in a six-month period according to reinsurer Swiss Re.

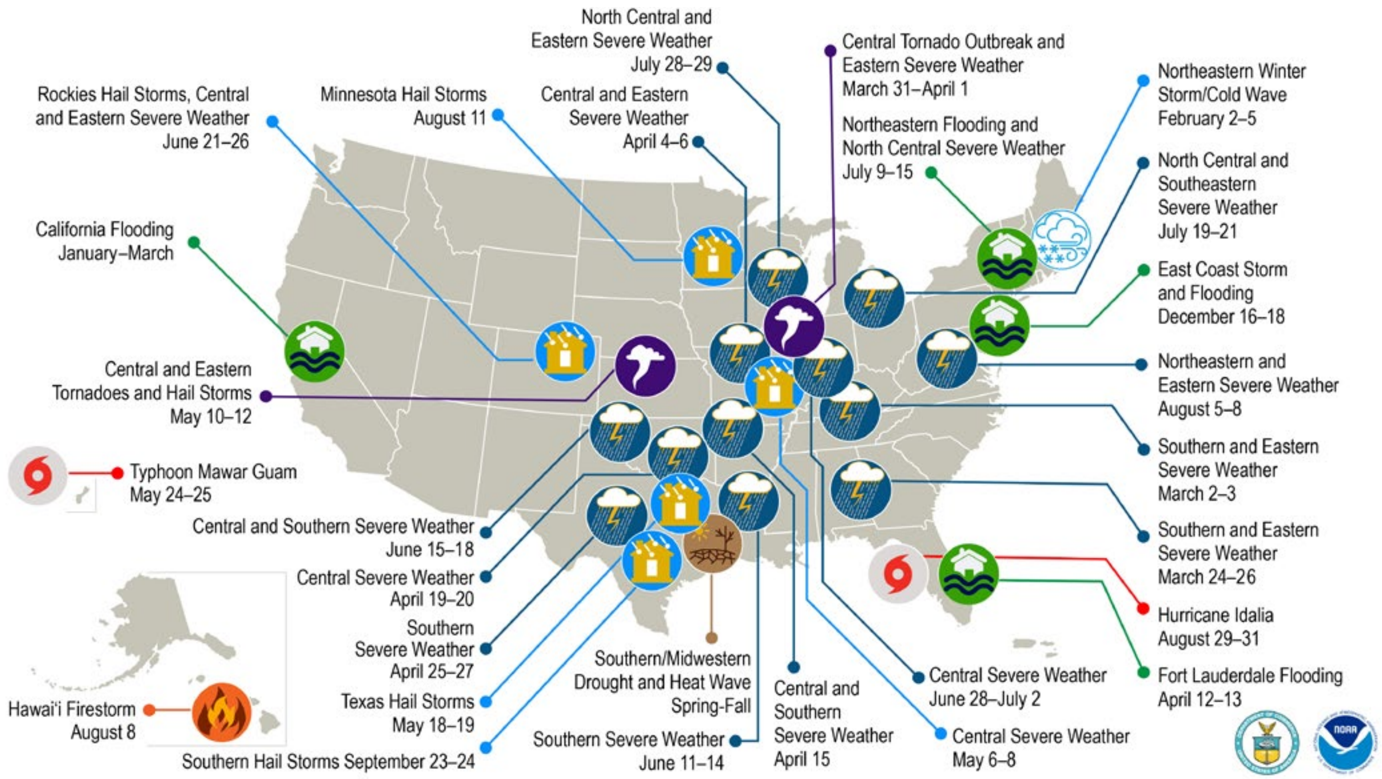
Beyond the number of events, two other factors exacerbated the impact weather had on the industry's performance – inflation and a property reinsurance market marked by fear and capacity shortages. Consequently, insurers incurred higher reinsurance costs and spent more to rebuild and repair storm damaged properties. Considerably higher retentions also accompanied the higher reinsurance costs. Collectively, these factors left insurers further exposed to operating volatility.

The recent jump in the number of $1 billion events cannot be easily dismissed. Insurers have moved beyond talk and are now refining pricing, selection, and exposure concentration management protocols in response to the extreme weather.

U.S. 2023 Billion-Dollar Weather & Climate Disasters

- Drought/Heat Wave
- Hail
- Flooding
- Hurricane
- Severe Weather
- Wildfire
- Tornado Outbreak
- Winter Storm/Cold Wave

This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.



President's Message

Industry withstands another challenging year

Frequent extreme weather events, inflation, rising auto frequency and severity, and a reset of the reinsurance market converged to make it more difficult for insurers across the industry to operate below a 100% combined ratio. These industry-wide headwinds played a role in pushing us off course from achieving our 2023 net combined ratio target.

Variability in industry operating results is anticipated given the random occurrence of catastrophic events. What is unexpected, though quickly becoming the norm, is the increasing number of weather events taking place throughout the year producing insured losses that aggregate to sizeable amounts. In many cases, insurers are not ceding any portion of the more frequent, smaller events to their reinsurers.

While we fell short of achieving our net combined ratio objective, our core book of business is sound and well-positioned for long-term profitability. We are committed to restoring personal lines profitability and have taken the necessary corrective actions to get us back on track.

Strong balance sheet leads to financial strength rating upgrade

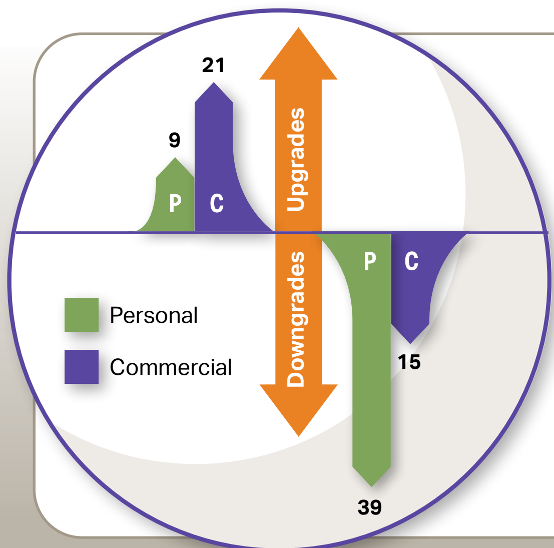
AM BEST
A
EXCELLENT
Financial Strength Rating

In October, A.M. Best upgraded our Financial Strength Rating from A- to A. Our balance sheet strength was assessed at the very strong level and fueled the ratings upgrade.

Attaining the A rating was the culmination of a 20-year journey of weathering literal and figurative storms, all while steadily improving our operating performance and increasing our balance sheet strength.

We are grateful to all of our team members, past and present, who contributed to this achievement. It is noteworthy to earn the coveted A rating in such turbulent times and in a period when downgrades are on the rise.

A.M. Best upgrade celebration



2023 A.M. Best U.S. Property/Casualty – Issuer Credit Rating Upgrades & Downgrades

Rating Changes – Personal Lines

39 ratings in the personal lines segment were downgraded and nine were upgraded, compared with 18 downgrades and ten upgrades the year before.

Rating Changes – Commercial Lines

21 ratings in the commercial lines segment were upgraded and 15 were downgraded.

President's Message

Still a people business

No matter the challenges we encounter, our unwavering commitment is to building long-term relationships with policyholders, independent agents and team members in a dramatically changing environment.

Our focus on serving our policyholders continues to pay off as we again garnered the Ward Group's "Superior Rating" for Personal Lines Claims Customer Experience.

This was the fourth consecutive year we were recognized for the experience we deliver to our policyholders and illustrates the dedication of our team to our mission to make life better when bad things happen.

WARD'S
★★★★★
SUPERIOR RATING
CLAIMS CUSTOMER EXPERIENCE™

Click the button to watch our claims response video

While we successfully transitioned to a remote friendly work model, we also emphasized meaningful in-person interactions with our dedicated and loyal independent insurance agents and each other.

Throughout 2023, we held Personal Lines Agency Councils and Personal Lines CSR Forums across our territory. We also welcomed our Commercial Lines National Agency Council, and our Aspire Group, made up of young producers, to our Home Office. Each of these meetings provided an opportunity to develop and strengthen relationships, share valuable insights and generate excitement and momentum.

Click the button to watch our Corporate Overview video

President's Message

An enduring culture

As we have for more than 100 years, we continued to reinforce our culture, engage our employees and recruit and retain a diverse and talented workforce. For the first time since the pandemic, we held in-person Town Hall meetings in each of our locations. These meetings allowed us to reconnect and engage with one another and identify opportunities to improve. We also introduced a new paid family leave policy to better address the changing needs of today's families, and continued to identify ways to expand and diversify how and where we recruit.

Engagement is important – both at work and in the community.

We are proud of our tradition of supporting our employees' volunteer efforts and making financial contributions to a wide range of charitable groups that make our communities stronger. Specifically, we bolstered many organizations focused on enhancing children's lives including Camp Curtin YMCA, the Joshua Group, the Harrisburg Public Schools Foundation, Whitaker Center, Dauphin County Library, the United Way and Big Brothers Big Sisters.

Click the button to watch our United Way video

Looking forward

We conducted our strategic plan review throughout 2023 to contemplate and address known challenges and anticipate those that may emerge. Refreshing our strategy while battling the prevailing industry headwinds reinforced the value of a regular and disciplined planning process.

Our strategy supports the fundamentals that underpin a successful insurance company and anticipates the future operating environment. Specifically, we will act to leverage advancements in artificial intelligence, address the shifts in the agency distribution landscape, and utilize innovative solutions to improve our operational efficiency.

Our many positive attributes, including balance sheet strength, dedicated and talented team members, loyal agency partners, a balanced book of business, rigorous enterprise risk management, and cybersecurity programs position us to successfully meet the challenges facing the industry today and tomorrow.

Bob Brandon,
President & CEO, Penn National Insurance

Robert B. Brandon

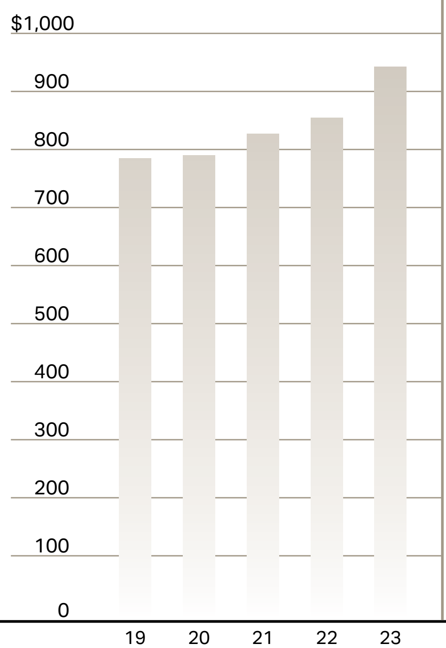
2023

Combined Statutory Financial Statements
(Unaudited)

(Dollars in thousands)	2023	2022	2021	2020	2019
Direct premiums written	**$ 942,303**	$ 851,118	$ 817,374	$ 792,272	$ 789,875
Net premiums written	**881,753**	806,051	771,248	749,933	749,616
Net premiums earned	**842,034**	786,773	761,765	745,578	742,044
Investment income, including realized gains and losses	**58,466**	48,506	52,737	45,719	53,831
Net (loss) income	**(8,457)**	30,265	43,917	48,188	48,421
Total cash and investments	**$1,793,145**	$1,723,331	$1,707,268	$1,614,703	$1,556,425
Total admitted assets	**2,105,496**	2,001,811	1,957,778	1,866,786	1,808,517
Total policyholders' surplus	**824,281**	798,116	788,506	718,028	663,725
Combined ratio after dividends	**106.8**	100.4	99.8	98.7	99.3

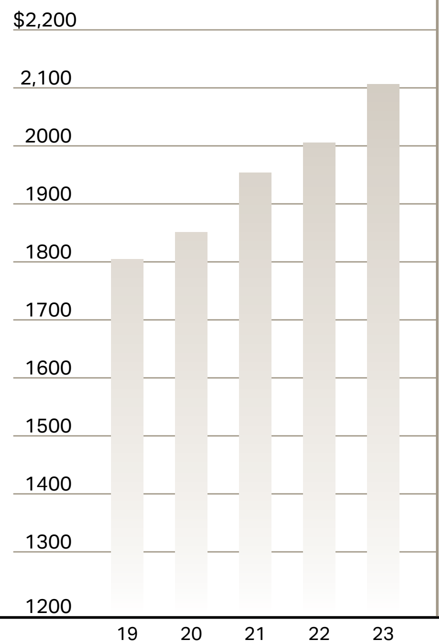
Direct Premiums Written

(in millions)



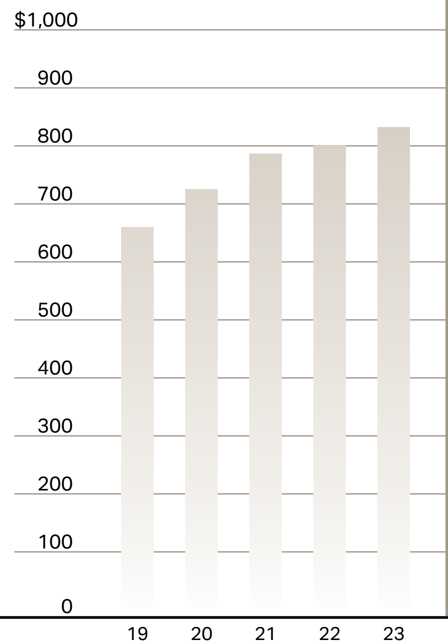
Total Admitted Assets

(in millions)



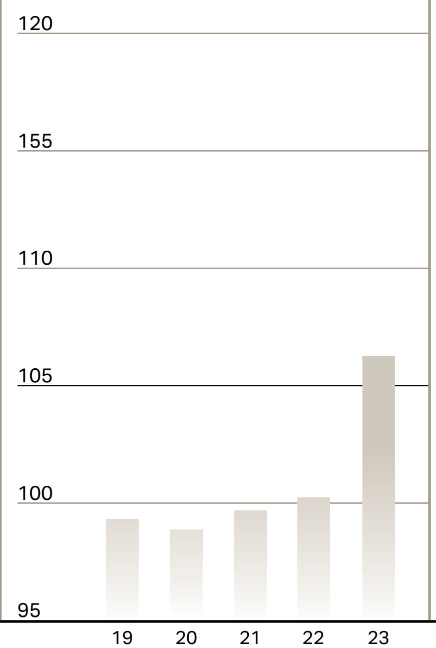
Total Policyholders' Surplus

(in millions)



Statutory Combined Ratio After Dividends

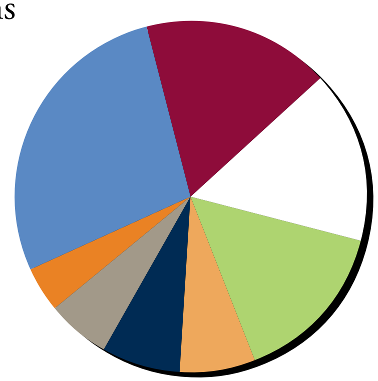
(lower is better)



2023 Combined Direct Premiums

Written by Line of Business

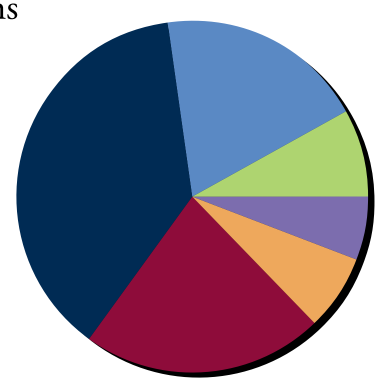
Personal Automobile	28%
Other Liability	17%
Commercial Automobile	16%
Homeowners	15%
Workers' Compensation	7%
Businessowners	7%
Commercial Fire	7%
Other	3%
Total	100%



2023 Combined Direct Premiums

Written by State

Pennsylvania	38%
North Carolina	19%
New Jersey	8%
Viginia	7%
Maryland	6%
Other	
Tennessee	6%
Alabama	5%
Wisconsin	5%
Other	6%
Total	100%



Direct Premiums Written

(in thousands with percentage of growth)

Personal Lines	$408.3	15.5%
Commercial Lines	$534.0	7.3%
Total Direct Premiums Written	$942.3	10.7%

Policyholder Surplus

$824.3M

Growth 3.3%

Return 2.5%

Total Admitted Assets

$2,105.5M

2023

Combined Statutory Financial Statements
(Unaudited)

Combined Statutory Balance Sheets (Unaudited)

Years Ended December 31, (dollars in thousands)	2023	2022
Admitted Assets		
Investments:		
Bonds	**$1,474,340**	$1,453,366
Stocks	**229,022**	191,782
Other invested assets	**1,473**	—
Real estate	**21,871**	22,988
Other	**19**	16
Cash and cash equivalents	**66,420**	55,179
Total cash and investments	**1,793,145**	1,723,331
Agents' balances and uncollected premiums	**258,372**	228,024
Investment income due and accrued	**11,209**	10,447
Amounts due from reinsurers	**12,512**	10,731
Deferred income taxes, net	**11,473**	14,598
Other assets	**18,785**	14,680
Total admitted assets	**$2,105,496**	$2,001,811
Liabilities		
Reserves for losses and loss adjustment expenses	**$ 771,612**	$ 742,045
Unearned premiums	**417,993**	378,274
Premium taxes and other expenses	**22,871**	21,467
Other liabilities	**68,739**	61,909
Total liabilities	**1,281,215**	1,203,695
Policyholders' Surplus		
Surplus notes	**$ 29,500**	$ 29,500
Unassigned surplus	**794,781**	768,616
Total policyholders' surplus	**824,281**	798,116
Total liabilities and policyholders' surplus	**$2,105,496**	$2,001,811

2023

Combined Statutory Financial Statements

(Unaudited)

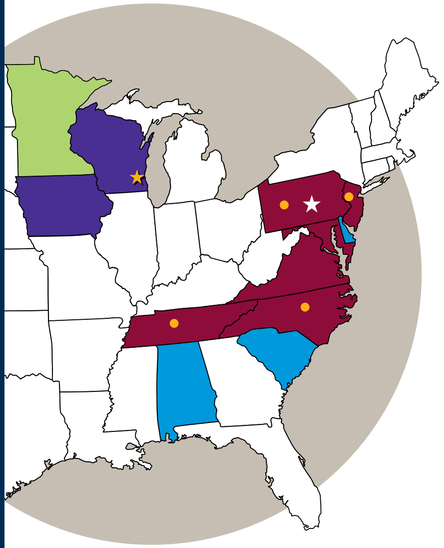
Combined Statutory Statements of (Loss) Income (Unaudited)

Years Ended December 31, (dollars in thousands)	**2023**	2022
Underwriting income:		
Net premiums written	**$881,753**	$806,051
Increase in unearned premiums	**(39,719)**	(19,278)
Premiums earned	**842,034**	786,773
Losses and loss adjustment expenses	**619,001**	529,590
Underwriting expenses	**286,762**	261,578
Total losses and expenses	**905,763**	791,168
Total underwriting loss	**(63,729)**	(4,395)
Investment income:		
Net investment income	**58,252**	46,850
Net realized gains on investments	**214**	1,656
Total investment income	**58,466**	48,506
Other income, net	**2,959**	935
Pretax (loss) income before dividends	**(2,304)**	45,046
Dividends to policyholders	**6,103**	6,155
Pretax (loss) income	**(8,407)**	38,891
Federal income tax expense	**50**	8,626
Net (loss) income	**$ (8,457)**	$ 30,265

Combined Statutory Operating Statistics (Unaudited)

Years Ended December 31,	**2023**	2022
Net losses incurred to net premiums earned	**62.9**	57.2
Net loss adjustment expenses to net premiums earned	**10.6**	10.0
Loss and loss adjustment expense ratio	**73.5**	67.2
Underwriting expenses incurred to net premiums written	**32.6**	32.4
Dividends to net premiums earned	**0.7**	0.8
Combined ratio after dividends	**106.8**	100.4
Net premiums written to surplus ratio	**1.1**	1.0
Net liabilities to surplus ratio	**1.5**	1.5
Net leverage ratio	**2.6**	2.5

Facts in Brief



☆ Penn National Insurance
Headquarters: Harrisburg, PA

Personal & Commercial

Commercial only

Personal only

Partners Mutual Insurance
An Affiliate of Penn National Insurance
★ *Headquarters: Waukesha, WI*

● Branch & Claims Offices

- We were founded in 1919.
- We employ more than 800 people.
- We sell through more than 1,200 independent agency operations in 12 states
- Our principal lines of business are Personal Automobile, Other Liability, Commercial Automobile, Homeowners, and Workers' Compensation.
- We have received the Ward's Claims Customer Experience Superior Rating for four consecutive years.
- We have a financial strength rating of A (Excellent) from the A.M. Best Company.

Our Mission

We help people feel secure and make life better when bad things happen.

Our Vision

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

Our Core Values

We exhibit integrity, respect, transparency and social responsibility in all that we do.

Integrity
We behave ethically, guided by a strong understanding of right and wrong.

Respect
We treat everyone fairly, promote diversity and inclusiveness and foster a sense of belonging.

Transparency
We openly and honestly share our successes and shortcomings.

Social Responsibility
We are committed to strengthening our communities by volunteering our time and financial support.

Penn National Insurance
Feel Secure®

Executive Management Team

Karen C. Yarrish, Esq.*
senior vice president,
secretary & general counsel

John V. Foster*
senior vice president, Insurance Operations

Robert B. Brandon, CPCU*
president & CEO

Kelly C. Miller
vice president, Human Resources

Jacquelyn M. Anderson, CPCU, CPA*
senior vice president, CFO & treasurer

Mike Watts
chief information officer

Listed as pictured left to right

**serves as an elected officer*

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director, Strategy & Corporate Development,
Bon Tool Company

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retired president & CEO,
Harrisburg Regional Chamber & Capital Region
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