

# 2018

## Combined Statutory Financial Statements (Unaudited)

(Dollars in thousands)	2018	2017	2016	2015	2014
Direct premiums written	<b>\$ 775,448</b>	\$ 744,275	\$ 725,768	\$ 719,977	\$ 706,213
Net premiums written	<b>734,124</b>	703,216	685,932	675,358	666,301
Net premiums earned	<b>716,348</b>	690,334	684,415	668,381	653,181
Investment income, including realized gains and losses	<b>61,194</b>	51,198	49,223	45,280	55,988
Net income (loss)	<b>36,367</b>	(42,960)	53,272	28,295	42,526
Total cash and investments	<b>\$1,478,635</b>	\$1,456,793	\$1,420,296	\$1,369,384	\$1,376,699
Total admitted assets	<b>1,759,599</b>	1,747,004	1,763,087	1,700,593	1,668,067
Total policyholders' surplus	<b>591,293</b>	586,917	623,872	580,803	567,445
Combined ratio after dividends	<b>102.5</b>	116.9	98.5	99.2	98.9

The combined financial performance of Penn National Insurance for the year ended December 31, 2018, produced net income of \$36.4 million. Net of the redemption of an additional \$4.5 million par value of the surplus note during the year, our company added \$4.4 million to its policyholders' surplus since December 31, 2017, finishing the year at \$591.3 million.

Direct premiums written were up by \$31.2 million or 4.2 percent from last year, reaching \$775.4 million for the year ended December 31, 2018. On a net basis, combined premiums written and earned were higher than the prior year by 4.4 percent and 3.8 percent, respectively. Premium levels during 2018 were boosted by renewal rate increases in our personal lines of business and new business growth in commercial lines.

Incurred losses and loss adjustment expenses that totaled \$504.4 million during 2018 were higher than expected for both catastrophe and non-catastrophe events. In addition to significant storms in the winter and spring months of the year, we experienced net catastrophe losses from Hurricanes Florence and

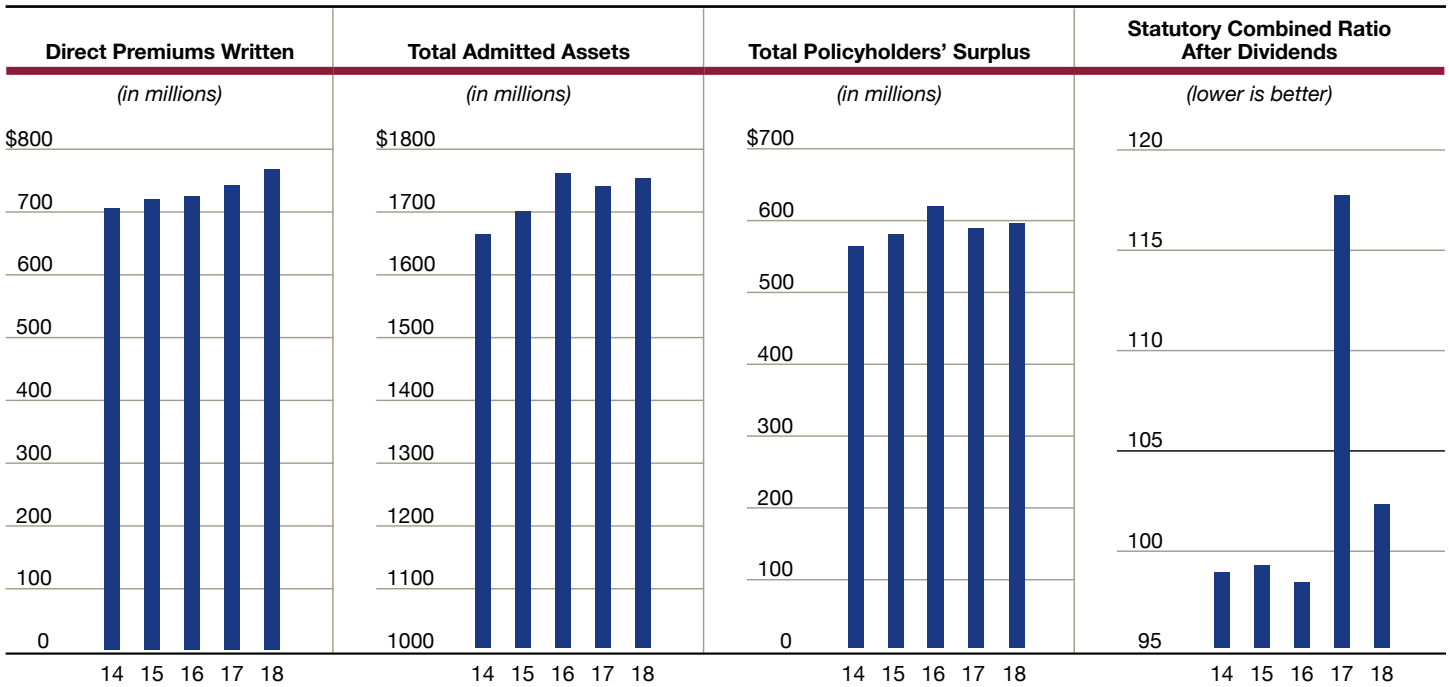
Michael of \$10.0 million and \$4.6 million, respectively. Total net catastrophe losses and LAE incurred were \$40.9 million or 5.7 points for the year ended December 31, 2018, compared to \$18.3 million or 2.6 points for the prior year. Non-catastrophe occurrences produced higher net accident year commercial and personal automobile losses, as well as sizeable property claims, which also affected our overall loss experience. For 2018, our net loss and loss adjustment expense ratio was 70.4.

Our reported net combined ratio for the year came in at 102.5, which was 14.4 points better than the 2017 combined ratio. This improvement was primarily attributable to a 12.2 point decrease in the loss and loss adjustment ratio, which was last year unfavorably impacted by a change in estimate for reinsurance recoverables attributable to legacy claims. This was augmented by decreases to our underwriting expense ratio and dividend ratio of 2.0 points and 0.2 point, respectively. Total admitted assets rose slightly from December 31, 2017, to \$1.8 billion as of December 31, 2018.



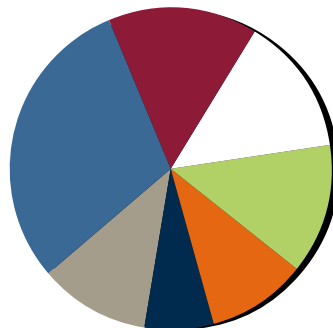
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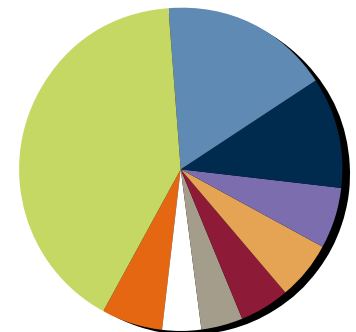
### 2018 Combined Direct Premiums Written by Line of Business

Personal Automobile	30%
Other Liability	15%
Commercial Automobile	14%
Homeowners	13%
Workers' Compensation	10%
Businessowners	7%
Other	11%



### 2018 Combined Direct Premiums Written by State

Pennsylvania	42%
North Carolina	17%
New Jersey	10%
Maryland	6%
Virginia	6%
Tennessee	5%
Alabama	4%
Wisconsin	4%
Other	6%





## 2018

## Combined Statutory Financial Statements (Unaudited)

## Combined Statutory Balance Sheets (Unaudited)

December 31, (dollars in thousands)	2018	2017
<b>Admitted Assets</b>		
Investments:		
Bonds	\$1,277,301	\$1,215,663
Stocks	138,014	166,151
Mortgage loans	16,298	16,931
Real estate	—	579
Other	2,084	304
Cash and cash equivalents	44,938	57,165
Total cash and investments	1,478,635	1,456,793
Agents' balances and uncollected premiums	207,271	193,031
Investment income due and accrued	10,241	10,076
Amounts due from reinsurers	11,501	23,968
Deferred tax asset, net	20,846	18,863
Other assets	31,105	44,273
Total admitted assets	\$1,759,599	\$1,747,004
<b>Liabilities and Policyholders' Surplus</b>		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 718,730	\$ 722,892
Unearned premiums	337,586	319,808
Premium taxes and other expenses	38,138	43,913
Drafts outstanding	21,449	18,316
Other liabilities	52,403	55,158
Total liabilities	1,168,306	1,160,087
Policyholders' surplus:		
Surplus notes	29,500	34,000
Unassigned surplus	561,793	552,917
Total policyholders' surplus	591,293	586,917
Total liabilities and policyholders' surplus	\$1,759,599	\$1,747,004



# 2018

## Combined Statutory Financial Statements (Unaudited)

### Combined Statutory Statements of Income (Unaudited)

Years Ended December 31, (dollars in thousands)	2018	2017
Underwriting income:		
Net premiums written	\$734,124	\$703,216
Increase in unearned premiums	(17,776)	(12,882)
Premiums earned	716,348	690,334
Losses and loss adjustment expenses	504,384	570,117
Underwriting expenses	229,562	233,847
Total losses and expenses	733,946	803,964
Total underwriting loss	(17,598)	(113,630)
Investment income:		
Net investment income	46,389	44,445
Net realized gains on investments	14,805	6,753
Total investment income	61,194	51,198
Other income (expense), net	1,386	(784)
Income (loss) before dividends and federal income tax expense (benefit)	44,982	(63,216)
Dividends to policyholders	6,592	7,376
Income (loss) before federal income tax expense (benefit)	38,390	(70,592)
Federal income tax expense (benefit)	2,023	(27,632)
Net income (loss)	\$36,367	(\$ 42,960)

### Combined Statutory Operating Statistics (Unaudited)

Years Ended December 31,	2018	2017
Loss ratio	59.1	68.4
Loss adjustment expense ratio	11.3	14.2
Loss and loss adjustment expense ratio	70.4	82.6
Underwriting expense ratio	31.2	33.2
Dividend ratio	0.9	1.1
Combined ratio after dividends	102.5	116.9
Net premiums written to surplus ratio	1.2	1.2
Net liabilities to surplus ratio	2.0	2.0
Net leverage ratio	3.2	3.2