FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(NO FEE REQUIRED)

For the fiscal year ended December 31, 1999

OR

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

[NO FEE REQUIRED]

For the transition period from to

Commission File Number 0-24000

ERIE INDEMNITY COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania	25-0466020
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Erie Insurance Place, Erie, Pennsylvania	16530
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code (814) 870-2000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Class A Common Stock, stated value $.0292 per share

Class B Common Stock, stated value $70.00 per share

(Title of class)

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 shorter 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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of voting stock of nonaffiliates: There is no active market for the Class B voting stock and no Class B voting stock has been sold in the last year upon which a price could be established.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: 64,847,751 Class A shares and 3,070 Class B shares of Common Stock outstanding on February 29, 2000.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1999 (the "Annual Report") are incorporated by reference into Parts I, II and IV of this Form 10-K Report.

2. Portions of the Registrant's Proxy Statement relating to the Annual Meeting of Shareholders to be held April 25, 2000 are incorporated by reference into Parts I and III of this Form 10-K Report.

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PART I

Item 1. Business

Erie Indemnity Company (the "Company") is a Pennsylvania corporation formed in 1925 to be the attorney-in-fact for Erie Insurance Exchange (the "Exchange"), a Pennsylvania-domiciled reciprocal insurance exchange. The Company's principal business activity consists of management of the affairs of the Exchange with fees from the Exchange accounting for approximately 74% of the Company's consolidated revenues. The Company also participates in the property/casualty insurance business through its three wholly owned subsidiaries, Erie Insurance Company ("Erie Insurance Co."), Erie Insurance Company of New York ("Erie NY") and Erie Insurance Property and Casualty Company ("Erie P&C") and through its management of the Flagship City Insurance Company ("Flagship"), a subsidiary of the Exchange. The Company and Exchange also own a 21.6% and 53.2% common stock interest, respectively, in Erie Family Life Insurance Company ("EFL"), an affiliated life insurance company. Together with the Exchange, the Company and its subsidiaries and affiliates operate collectively under the name Erie Insurance Group(The ERIE).

The ERIE is a regional insurance group that underwrites a broad line of personal and commercial coverages. Insurance products are marketed primarily in the Mid-Atlantic and Northeast regions through approximately 6,100 independent agents comprising approximately 1,300 insurance agencies. The property/casualty insurers managed by the Company are licensed to do business in fifteen states and in the District of Columbia and at December 31, 1999, operated in ten states and the District of Columbia. Branch offices are maintained throughout the ten contiguous states in which the Company does business.

As of December 31, 1999, the Company had 3,282 full-time employees, of which 1,584 provide claims specific services exclusively for the property/casualty insurance companies of The ERIE and 107 perform general services exclusively for EFL. Both the Exchange and EFL reimburse the Company monthly for the cost of these services. None of the Company's employees is covered by a collective bargaining agreement. The Company believes that its relationship with its employees is good.

History of The ERIE

The Exchange, which commenced operations in 1925, underwrites a broad line of personal and commercial property and casualty insurance coverages. The Erie Insurance Co. was organized in 1972 as a property/casualty insurance company to supplement the lines of business of the Exchange. On December 3, 1991, the Company acquired the Erie Insurance Co. from the Exchange. Flagship was organized in 1992 as a property/casualty insurance company to conduct the Exchange's residual automobile market business. Erie P&C was organized in 1993 to conduct The ERIE's business in West Virginia and to write workers' compensation insurance in Pennsylvania. Erie NY was purchased in 1994 to conduct The ERIE's business in New York State together with Erie Insurance Co.

The Company's wholly-owned subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, participate in an intercompany pooling arrangement with the Exchange. The pooling arrangement provides for the Exchange to assume all premiums and losses, including related asset and liability amounts, from all property/casualty affiliates of The ERIE. This pooling arrangement further provides for Erie Insurance Company and Erie Insurance Company of New York to share proportionately in the results of all of The ERIE's property/casualty insurance operations. Erie Insurance Company's and Erie Insurance Company of New York's proportionate share of the reinsurance pool is 5.0 percent and 0.5 percent, respectively.

Information About Industry Segments

Reference is made to Note 14 of the Notes to the Consolidated Financial Statements included in the Annual Report, page 48 for information as to revenues, net income and identifiable assets attributable to the three business segments (management operations, property/casualty insurance operations and life insurance operations) in which the Company is engaged.

Management Operations

For services performed in its role as attorney-in-fact for the Policyholders of the Exchange, the Company charges the Exchange a management fee computed as a percentage of the affiliated assumed(Erie Insurance Co., Erie NY, Erie P&C and Flagship) and direct premiums written by the Exchange. The management fee is compensation for: (a) acting as attorney-in-fact for the Exchange, (b) managing the business and affairs of the Exchange, and (c) paying certain general administrative expenses, including sales commissions, salaries, Employee benefits, taxes, rent, depreciation, data processing expenses and other expenses not part of the settlement of losses or the management of investments.

The Company's Board of Directors may change the management fee at its discretion. However, the maximum fee level which can be charged the Exchange, is limited by the agreement between the Exchange and the Company (or its property/casualty affiliates), to 25 percent of the affiliated assumed and direct written premium. The Board considers several factors in determining the management fee rate, including the relative financial position of the Exchange and the Company and the long-term capital needs of the Exchange in order to foster growth, competitiveness, and maintain its superior financial strength.

The management fee rate charged the Exchange was set at the following rates:

January 1, 1997 to December 31, 1997	24.00 percent
January 1, 1998 to December 31, 1998	24.25 percent
January 1, 1999 to December 31, 1999	25.00 percent

The Board voted to maintain the 25 percent management fee rate for all of 2000.

All premiums collected, less the management fee paid to the Company, are retained by the Exchange for the purpose of paying losses, loss adjustment expenses, investment expenses and other miscellaneous expenses including taxes, licenses and fees. The Company pays certain loss adjustment and investment expenses on behalf of the Exchange and is reimbursed fully for these expenses by the Exchange.

The Company receives a service agreement fee from the Exchange as compensation for the management and administration of voluntary assumed reinsurance business from non-affiliated insurers. The fee of 7% of voluntary reinsurance premiums assumed from non-affiliated insurers is compensation for accounting and operating expenses in connection with the administration of this business.

The Company collects service charges from policyholders as reimbursement for the costs incurred by the Company in providing extended payment terms on policies written by the insurers managed by the Company. These charges are included in service agreement revenue in the Consolidated Statements of Operations.

Property/Casualty Insurance Operations

Industry

One of the distinguishing features of the property/casualty insurance industry in general is that its products are priced before its costs are known, as premium rates are generally determined before losses are reported. Current prices must be established from forecasts of the ultimate costs expected to arise from exposures underwritten during the coverage period when the rates are applied. This unique pricing environment affects the financial statements primarily through the loss reserves. Changes in statutory, "regulatory" and case law can significantly affect the liabilities associated with known risks after the insurance contract is in place. Property/casualty insurance companies' ability to increase prices in response to declines in profitability are limited by the large number of competitors and the similarity of products offered, as well as regulatory constraints.

The profitability of the property/casualty insurance business can be influenced by many external factors some of which include rate competition, the severity and frequency of claims, natural disasters, state regulation of premium rates, and other areas of competition defaults of reinsurers, investment market conditions, general business conditions, court decisions that define and may expand the extent of coverage and the amount of compensation due for injuries and losses.

Lines of Business

The property/casualty insurers managed by the Company underwrite a broad range of insurance for risks of all sizes. In 1999, personal lines comprised 76.1% of direct and affiliated assumed premium revenue while commercial lines constituted the remaining 23.9%. The core products in the personal lines are private passenger automobile (78.2%) and homeowners (20.6%) while the core commercial lines consist principally of automobile (30.7%), multi-peril (34.7%) and workers compensation (27.2%).

See "Selected Market and Geographic Information" contained on page 31 of the Annual Report for the Company's 5.5% share of direct and affiliated assumed premiums written by jurisdiction and line of business in addition to statutory loss and loss adjustment expense ratios by line of business for the Company's wholly-owned subsidiaries.

Reinsurance

Reference is made to Note 12 of the Notes to Consolidated Financial Statements contained in the Annual Report for the year ended December 31, 1999 pages 46 to 47 incorporated herein by reference for a complete discussion of reinsurance transactions.

Combined Ratios

The combined ratio is a standard industry measurement of the results of property/casualty insurance underwriting operations. The statutory combined ratio is the sum of the ratio of incurred losses and loss adjustment expenses to net premiums earned ("loss ratio"), the ratio of underwriting expenses incurred to net premiums written ("expense ratio") and, the ratio of dividends to policyholders to net premiums earned ("dividend ratio"). The generally accepted accounting principles ("GAAP") combined ratio is calculated in the same manner except that it is based on GAAP reported amounts and the denominator for each component is net premiums earned. A combined ratio under 100% generally indicates an underwriting profit; a combined ratio over 100% generally indicates an underwriting loss. Investment income, federal income taxes and other non-underwriting income or expense are not reflected in the combined ratio. The profitability of The ERIE is a function of income and expense from both its underwriting and investment operations.

The ratios shown in the table below for the Company's property/casualty insurance subsidiaries Erie Insurance Co. and Erie NY, are prepared in accordance with GAAP and with statutory accounting practices ("SAP") prescribed or permitted by state insurance authorities.

	Combined Ratios Year Ended December 31,		
	1999	1998	1997
GAAP Combined Ratio	103.0%	99.5%	102.1%
Statutory operating ratios:			
Loss ratio	74.6	70.4	74.1
Expense and dividend ratio	28.2	28.6	27.5
Statutory Combined Ratio	102.8%	99.0%	101.6%

Catastrophe losses incurred from wind storms in Denmark and France through the Company's reinsurance business, as well as losses incurred from Hurricane Floyd through the Company's direct writings, contributed to the increased combined ratio in 1999 compared to 1998. Loss cost severity-management programs introduced by the Company, combined with mild weather conditions and a generally favorable claims environment, led to the improved combined ratio in 1998, when compared to 1997.

Seasonal Factors

The Company's management fee is earned when premiums are written. Historically, due to policy renewal and sales patterns, writings are strongest in the second and third quarters of the calendar year. While loss and loss adjustment expenses are not entirely predictable, historically such costs have been greater during the third and fourth quarters, influenced by the weather in the geographic regions where the Company and affiliated property/casualty insurers operate.

Investment Operations

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns while also providing for liquidity to meet the short and long-term commitments of the Company. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment portfolio, at market value, increased to $748,250,917 at December 31, 1999, which represents 49.3% of total assets. Investment income is affected by shifts in the types of investments in the portfolio, changes in interest rates and other factors. Net investment income, including net realized gains on investments, was $58,730,615 in 1999, compared to $45,769,884 in 1998 and $38,747,247 in 1997. See Management's Discussion and Analysis of Financial Condition and Results of Operations, on pages 22 through page 24 of the Annual Report for the year ended December 31,1999 for additional discussion.

The Company's property/casualty insurance subsidiaries' investment portfolio must comply with applicable laws and regulations which prescribe the kind, quality and concentration of investments.

Included in investments is a 21.6% common stock interest in EFL which is accounted for under the equity method of accounting. EFL, which was organized in 1967 as a Pennsylvania-domiciled life insurance company, has an A.M. Best rating of A+ (Superior). EFL is primarily engaged in the business of underwriting and selling non-participating individual and group life insurance policies, including universal life and individual and group annuity products in nine states and the District of Columbia. At December 31, 1999, on a Generally Accepted Accounting Principles (GAAP) basis, EFL had assets of $955 million and shareholders' equity of $171 million. At December 31, 1999, of EFL's total liabilities of $784 million, insurance and annuity reserves accounted for $741 million and a note payable to the Company amounted to $15 million. Of EFL's investment portfolio of $817 million at December 31, 1999, available-for-sale securities accounted for $771 million, real estate was $1 million, policy loans were $7 million, mortgage loans accounted for $10 million and other invested assets were $28 million.

Financial Ratings

Insurance companies are rated by rating agencies to provide insurance consumers and investors with meaningful information on specific insurance companies. Higher ratings generally indicate financial stability and a strong ability to pay claims. The ratings are generally based upon factors relevant to policyholders and are not directed toward return to investors.

The Exchange, Flagship, Erie Insurance Co., Erie P&C and Erie NY all have current ratings of A++ (Superior) from A.M. Best with respect to their financial strength and claims-paying ability. In evaluating an insurer's financial and operating performance, A.M. Best reviews the insurer's profitability, leverage and liquidity as well as the insurer's book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its loss reserves and the experience and competency of its management. Management believes that this A.M. Best rating of A++ (Superior) is an important factor in marketing The ERIE's property/casualty insurance to its agents and customers.

Competition

The property/casualty markets in which the Company operates are highly competitive. Property/casualty insurers generally compete on the basis of customer service, price, brand recognition, coverages offered, claim handling ability, financial stability and geographic coverage. In addition, because the insurance products of The ERIE are marketed exclusively through independent insurance agents, most of which represent more than one company, The ERIE faces competition to retain qualified independent agencies and commonly competes for business within each agency.

Market competition bears directly on the price charged for insurance products and services provided within the insurance regulatory framework. Growth is driven by a company's ability to provide insurance services at a price that is reasonable and acceptable to the customer. In addition, the marketplace is affected by available capacity of the insurance industry. Surplus expands and contracts primarily in conjunction with profit levels generated by the industry. Growth is evaluated based on a company's ability to retain existing customers and to attract new customers as well as movement in the average premium charged by the Company.

Although the 1999 market cycle continued to be soft (a period of heightened premium rate competition and depressed underwriting performance) the industry remains strongly capitalized.

The Company, in managing the property/casualty insurers of The ERIE, has followed several strategies which the management of the Company believes have resulted in underwriting results which exceed those of the property/casualty industry in general. First, the Company employs an underwriting philosophy and product mix targeted to produce an Erie Insurance Group-wide underwriting profit, i.e., a combined ratio of less than 100%, through careful risk selection, adequate pricing and prompt fair claims settlement practices. The careful selection of risks allows for lower claims frequency and loss severity, thereby enabling insurance to be offered at favorable prices. During 1998, pricing actions were initiated by The ERIE that reduced private passenger automobile rates with general across-the-board reductions as well as a new discount program for drivers with favorable experience. The intent of the program was to help retain profitable automobile customers who deserve a price break and enhance the attractiveness of The ERIE's products to new customers. During 1999, the property/casualty insurers of The Group experienced modest premium growth. The 1998 rate reductions resulted in a decrease in premiums, which was offset by new policy growth and an increase in policy retention rates. Policy growth in 1999 when compared to the same period in 1998 was strong as policy retention rates and new policy growth improved. Policies in force increased 5.1% to 2,689,849 at December 31, 1999 from 2,588,730 policies in force at December 31, 1998. Policy retention (the percentage of current policyholders that have renewed their policy) was 91.6% and 90.7% for the years ended December 31, 1999 and 1998, respectively, for private passenger automobile policies. The overall policy retention rate for The ERIE was 90.1% and 89.4% for the years ended December 31, 1999 and 1998, respectively. On October 1, 1999, additional rate reductions of approximately $25 million in private passenger automobile insurance became effective in several jurisdictions. These reductions will be realized as policies renew in the next 12 months.

Second, management focuses on consistently providing superior service to policyholders and agents in both underwriting and claims handling.

Third, the Company maintains a business model designed to provide the advantages of localized marketing and claims servicing with the economies of scale from centralized accounting, administrative, underwriting, investment, information management and other support services.

Finally, a careful agent selection process exists in which The ERIE seeks to be the lead underwriter with its agents in order to enhance the agency relationship and the likelihood of receiving the most desirable underwriting opportunities from its agents. The Company has ongoing, direct communications with its agency force. An Agents Advisory Council forum shares ideas, concerns and suggestions with the senior management of the ERIE annually with the goal of improving communications and service. These efforts have resulted in outstanding agency penetration and the ability to sustain long-term agency partnerships.

Reserves

Loss reserves are established to account for the estimated ultimate costs of loss and loss adjustment expenses for claims that have been reported but not yet settled and claims that have been incurred but not yet reported. The estimated loss reserve for reported claims is based primarily upon a case-by-case evaluation of the type of risk involved and knowledge of the circumstances surrounding each claim and the insurance policy provisions relating to the type of loss. Estimates of reserves for unreported claims and loss settlement expenses are determined on the basis of historical information by line of insurance as adjusted to current conditions. Inflation is implicitly provided for in the reserving function through analysis of costs, trends and reviews of historical reserving results.

The process of estimating the liability for unpaid losses and loss expenses is inherently judgmental and can be influenced by factors subject to variation. Possible sources of variation include claim frequency and severity, changing rates of inflation as well as changes in other economic conditions, judicial trends and legislative changes. It is unlikely that future losses and loss expenses will develop exactly as projected. The Company continually refines reserves as experience develops and new information becomes known. The Company reflects adjustments to reserves in the results of operations in the periods in which the estimates are changed. With the exception of reserves relating to certain workers compensation cases, which have been discounted at 2.5%, loss reserves are not discounted.

For a reconciliation of beginning and ending property/casualty unpaid losses and loss adjustment expense reserves for each of the last three years, see Note 9 of the Notes to Consolidated Financial Statements contained in the Annual Report page 45. Differences between reserves reported in the Company's financial statements prepared on the basis of GAAP and financial statements prepared on the basis of SAP are not material.

The following table sets forth the development of net reserves for unpaid losses and loss adjustment expenses from 1995 through 1999.

	Year Ended December 31,				
	1999	1998	1997	1996	1995
			(in thousands)		
Reserve for unpaid losses and loss adjustment expense	$ 432,895	$ 426,165	$ 413,409	$ 389,425	$ 357,334
Liability as of:					
One year later		414,348	412,189	395,308	351,684
Two years later			398,442	399,337	363,273
Three years later				389,107	374,050
Four years later					368,758
Cumulative (excess) deficiency		(11,817)	(14,967)	(318)	11,424
Cumulative amount of liability paid through:					
One year later		$ 145,385	$ 136,940	$ 142,425	$ 132,649
Two years later			$ 211,522	$ 213,252	$ 200,171
Three years later				$ 251,135	$ 236,758
Four years later					$ 256,981

The top line shows the estimated liability that was recorded at the end of each of the indicated years for all current and prior year unpaid losses and loss expenses. The upper portion of the table shows re-estimations of the original recorded reserve as of the end of each successive year. The estimate is increased or decreased as payments are made and more information becomes known about the severity of remaining unpaid claims. The lower portion of the table shows the cumulative amount paid in succeeding years for losses incurred prior to the Statement of Financial Position date. The cumulative deficiency or redundancy represents the aggregate amount by which original estimates of reserves as of that year-end have changed in subsequent years. A redundancy in reserves means that reserves established in prior years exceeded actual losses and loss adjustment expenses or were reevaluated at less than the originally reserved amount. A deficiency in reserves means that the reserves established in prior years were less than actual losses and loss adjustment expenses or were reevaluated at more than the originally reserved amount.

Government Regulation

The property/casualty insurers managed by the Company are subject to supervision and regulation in the states in which they transact business. The primary purpose of such supervision and regulation is the protection of policyholders. The extent of such regulation varies, but generally derives from state statutes which delegate regulatory, supervisory and administrative authority to state insurance departments. Accordingly, the authority of the state insurance departments includes the establishment of standards of solvency which must be met and maintained by insurers, the licensing to do business of insurers and agents, the nature of the limitations on investments, the approval of premium rates for property/casualty insurance, the provisions which insurers must make for current losses and future liabilities, the deposit of securities for the benefit of policyholders, the approval of policy forms, notice requirements for the cancellation of policies and the approval of certain changes in control. In addition, many states have enacted variations of competitive rate-making laws which allow insurers to set certain premium rates for certain classes of insurance without having to obtain the prior approval of the state insurance department. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies.

The Company's property/casualty insurance subsidiaries may be required, under the solvency or guarantee laws of the various states in which they are licensed, to pay assessments to fund policyholder losses or liabilities of insolvent insurance companies. Depending on state law, insurers can be assessed an amount that is generally equal to between 1% and 2% of premiums written for the relevant lines of insurance in that state each year to pay the claims of an insolvent insurer. Certain states permit these assessments, or a portion thereof, to be recorded as an offset to future premium taxes. The property/casualty insurers managed by the Company have made accruals for their portion of assessments related to such insolvencies based upon the most current information furnished by the guaranty associations. Reflected in the Consolidated Statements of Operations were $30,915, $1,222,958 and $171,557 for these insolvencies for the years ended December 31, 1999, 1998 and 1997, respectively. Assessments in 1998 were affected by two large insurer insolvencies in Pennsylvania and Ohio.

The Company's property/casualty insurers are also required to participate in various involuntary insurance programs for automobile insurance, as well as other property and casualty lines, in states in which such companies operate. These involuntary programs provide various insurance coverages to individuals or other entities that otherwise are unable to purchase such coverage in the voluntary market. These programs include joint underwriting associations, assigned risk plans, fair access to insurance requirements ("FAIR") plans, reinsurance facilities and windstorm plans. Legislation establishing these programs generally provides for participation in proportion to voluntary writings of related lines of business in that state. Generally, state law requires participation in such programs as a condition to doing business in that state. The loss ratio on insurance written under involuntary programs has traditionally been greater than the loss ratio on insurance in the voluntary market; however, the impact of these involuntary programs on the property/casualty insurers managed by the Company has been immaterial.

Pennsylvania regulations limit the amount of dividends EFL can pay its shareholders and limit the amount of dividends the Company's property/casualty insurance subsidiaries can pay to the Company. The limitations are fully described and reference is made herein to Note 13 of the Notes to Consolidated Financial Statements contained in pages 47 to 48 in the Annual Report for the year ended December 31, 1999, incorporated by reference.

Financial Regulation

The Company's property/casualty insurance subsidiaries are required to file financial statements prepared using SAP with state regulatory authorities. The adjustments necessary to reconcile the Company's property/casualty insurance subsidiaries' net income and shareholders' equity prepared in accordance with SAP to net income and shareholders' equity prepared in accordance with GAAP are as follows:

	Net Income — Year Ended December 31, 1999	Net Income — Year Ended December 31, 1998
	(in thousands)	
SAP amounts	$ 9,546	$ 14,663
Adjustments:		
Deferred policy acquisition costs	542	580
Deferred income taxes	226	(1,855)
Federal alternative minimum tax credit recoverable	0	795
Salvage and subrogation	158	12
Incurred premium adjustment	(542)	(580)
Other	(59)	(3)
GAAP amounts	$ 9,871	$ 13,612

	Shareholders' Equity — As of December 31, 1999	1998	1997
	(in thousands)		
SAP amounts	$ 81,709	$ 74,348	$ 60,628
Adjustments:			
Deferred policy acquisition costs	11,405	10,863	10,284
Deferred income taxes	3,350	4,143	5,998
Salvage and subrogation	3,128	2,970	2,957
Statutory reserves	2,656	2,619	1,823
Incurred premium adjustment	(11,405)	(10,863)	(10,284)
Unrealized gains net of deferred taxes	38	7,653	6,697
Federal alternative minimum tax credit recoverable	0	(1,020)	(1,815)
Other	(3)	0	8
GAAP amounts	$ 90,878	$ 90,713	$ 76,296

The National Association of Insurance Commissioners has adopted risk-based capital (RBC) standards that require insurance companies to calculate and, report statutory capital and surplus needs based on a formula measuring underwriting, investment and other business risks inherent in an individual company's operations. These RBC standards have not affected the operation of the Company as each of the property/casualty insurance subsidiaries has statutory capital and surplus in excess of RBC requirements.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Statements contained herein expressing the beliefs of management and, such as those contained in the section titled "Investment Operations" and elsewhere herein, the other statements which are not historical facts contained in this report, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include but are not limited to: pricing, product development, geographic spread of risk, weather and weather-related events, other types of catastrophic events, and technological difficulties and advancements.

Item 2. Properties

The Company and its subsidiaries, the Exchange and its subsidiary and EFL share a corporate home office complex in Erie, Pennsylvania which contains 358,202 square feet and is owned by the Exchange. At December 31, 1999 in addition to the Erie branch office, the Company also operated 20 additional field offices in 10 states. Of these sites, 16 provide both agency support and claims services and are referred to as "Branch Offices", while the remaining 4 provide only claims services and are considered "Claims Offices".

The Company owns three of its field offices. Three field offices are owned by and leased from the Exchange. The annual rent expense incurred by the Company for the field offices and home office complex totaled $10,319,616 in 1999. One office is owned by and leased from EFL at an annual rental in 1999 of $302,676. The remaining 13 offices are leased from various unaffiliated parties at an aggregate annual rental in 1999 of approximately $1,537,884. The Company is reimbursed by its affiliates for a percentage of the rent and expenses for office space used by its affiliates, which was approximately $670,000 in 1999.

Item 3. Legal Proceedings

Reference is made to "Legal Proceedings" on pages 31 through 41 of the Company's proxy statement, incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 1999.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters

Reference is made to "Market Price of and Dividends on the Common Equity and Related Shareholder Matters" on page 51 of the Annual Report for the year ended December 31, 1999, incorporated herein by reference, for information regarding the high and low sales prices for the Company's stock and additional information regarding such stock of the Company.

As of February 29, 2000, there were approximately 1,236 beneficial shareholders of record of the Company's Class A non-voting common stock and 27 beneficial shareholders of record of the Company's Class B voting common stock.

Of the 64,847,751 shares of the Company's Class A common stock outstanding as of February 29, 2000, approximately 22,682,956 shares are freely transferable without restriction or further registration under the Securities Act of 1933 (the Act), as amended unless purchased by affiliates of the Company as that terms is defined in Rule 144 under the Act. The 42,164,795 remaining outstanding shares of Class A common stock (the Restricted Shares) are held by the Company's directors, executive officers and their affiliates and are restricted securities that are eligible to be sold publicly pursuant to an effective registration statement under the Act or in accordance with the applicable exemption, including Rule 144, from the registration requirements under the Act. The Company is unable to estimate the amount of Restricted Shares that may be sold under Rule 144 since this amount will depend in part on the price for the Class A common stock, the personal circumstances of the sellers and other factors. Sales of a substantial number of Restricted Shares in the public market, or the availability of such shares, could adversely affect the price of the Class A common stock.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated for purposes of Rule 144) who beneficially has owned Restricted Shares for at least two years, including affiliates of the Company, is entitled to sell within any three-month period a number of shares that does not exceed the greater of: (1) one percent of the number of shares of Class A common stock then outstanding, or (2) the average weekly trading volume of the Class A common stock in The NASDAQ Stock MarketSM during the four calendar weeks preceding the date on which notice of sale is filed with the SEC. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. However, a person (or persons whose shares are aggregated for purposes of Rule 144) who is deemed not to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who beneficially has owned the Restricted Shares for at least three years at the time of sale, would be entitled to sell such shares under Rule 144(k) without regard to the aforesaid limitations.

Item 6. Selected Consolidated Financial Data

Reference is made to "Selected Consolidated Financial Data" on page 17 of the Annual Report for the year ended December 31, 1999, incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 29 of the Annual Report for the year ended December 31, 1999, incorporated herein by reference.

Item 7a. Quantitative and Qualitative Disclosure about Market Risk

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 24 of the Annual Report for the year ended December 31, 1999, incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Reference is made to the "Consolidated Financial Statements" included on pages 33 through 36 and to the "Quarterly Results of Operations" contained in the "Notes to Consolidated Financial Statements" on page 49 of the Annual Report for the year ended December 31, 1999, incorporated herein by reference.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosures

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) The answer to this item, with respect to directors of the Registrant, is incorporated by reference to pages 9 through 17 of the Company's Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 25, 2000.

(b) Certain information as to the executive officers of the Company is as follows:

Name	Age as of 12/31/99	Principal Occupation for Past Five Years and Positions with Erie Insurance Group
President & Chief Executive Officer		
Stephen A. Milne	51	President, Chief Executive Officer and a Director of the Company, EFL and Erie Insurance Co. since 1996 and President and Chief Executive Officer of Flagship, Erie P&C and Erie NY since 1996; Executive Vice President - Insurance Operations of the Company, Erie Insurance Co., Flagship, Erie P&C and Erie NY 1994 - 1996. Director Flagship and Erie P&C 1996 - present; Director, Erie NY 1994 - present.
Executive Vice Presidents		
Jan R. Van Gorder, Esq.	52	Senior Executive Vice President, Secretary and General Counsel of the Company, EFL and Erie Insurance Co. since 1990, and of Flagship and Erie P&C since 1992 and 1993, respectively, and of Erie NY since April 1994; Senior Vice President, Secretary and General Counsel of the Company, EFL and Erie Insurance Co. for more than five years prior thereto; Director, the Company, EFL, Erie Insurance Co., Erie NY, Flagship and Erie P&C.
Philip A. Garcia	43	Executive Vice President and Chief Financial Officer since 1997; Senior Vice President and Controller 1993 - 1997. Director, the Erie NY, Flagship and Erie P&C.
Jeffrey A. Ludrof	40	Executive Vice President since June 16, 1999; Senior Vice President 1994 - 1999; Regional Vice President 1993 - 1994.

Name	Age as of 12/31/99	Principal Occupation for Past Five Years and Positions with Erie Insurance Group
Senior Vice Presidents		
Eugene C. Connell	45	Senior Vice President since 1990.
Michael J. Krahe	46	Senior Vice President since 1999; Vice President 1994 - 1999.
Elaine A. Lamm	61	Senior Vice President since 1990.
George R. Lucore	49	Senior Vice President since March 1995;Regional Vice President 1993 - March 1995.
David B. Miller	45	Senior Vice President since August 1996; Independent Insurance Agent 1991 - 1996.
Timothy G. NeCastro	39	Senior Vice President and Controller since November 1997; Department Manager - Internal Audit November 1996 - 1997.
James R. Roehm	51	Senior Vice President since 1991.
Barry P. Stiles	50	Senior Vice President since 1999; Vice President 1993 - 1999.
Michael S. Zavasky	47	Senior Vice President since April 1998; Vice President and Managing Director of Reinsurance 1990 - April 1998.
Douglas F. Ziegler	49	Senior Vice President, Treasurer and Chief Investment Officer since 1993.
Regional Vice Presidents		
B. Crawford Banks	63	Regional Vice President since 1993.
Douglas N. Fitzgerald	43	Regional Vice President since 1993.
Terry L. Hamman	45	Regional Vice President since May 1995; Assistant Vice President 1993 - May 1995.

Item 11. Executive Compensation

The answer to this item is incorporated by reference to pages 18 through 28 of the Company's Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 25, 2000, except for the Performance Graph, which has not been incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The answer to this item is incorporated by reference to pages 4 through 8 of the Company's Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 25, 2000.

Item 13. Certain Relationships and Related Transactions

Since the formation of the Company and the Exchange in 1925, the Company, as the attorney-in-fact appointed by the policyholders of the Exchange, has managed the property/casualty insurance operations of the Exchange. The Company's operations are interrelated with the operations of the Exchange, and the Company's results of operations are largely dependent on the success of the Exchange.

The Company believes that its various transactions with the Exchange and EFL, which are summarized herein, are fair and reasonable and have been on terms no less favorable to the Company than the terms that approximate those which could have been negotiated with an independent third party.

Pursuant to the Subscribers Agreement by which the Company serves as attorney-in-fact for the Exchange, the Company's Board of Directors establishes periodically an annual management fee for the Company's services as attorney-in-fact which may not exceed 25% of the direct and affiliated assumed written premiums of the Exchange. The Company's Board of Directors has the ability to establish the percentage charged at its discretion within these parameters. The management fee rate was 24% for all of 1997. Beginning January 1, 1998 through December 31, 1998, the management fee charged the Exchange was 24.25%. The Company's Board of Directors elected to change the management fee rate to 25% beginning January 1, 1999 through December 31, 1999. The Board elected to maintain the 25% management fee rate for all of 2000. The activities performed by the Company as attorney-in-fact for the Exchange include insurance underwriting, policy issuance, policy exchange and cancellation, processing of invoices for premiums, oversight of reinsurance transactions, payment of insurance commissions to insurance agents, compliance with rules and regulations of supervisory authorities and monitoring of legal affairs. The Company is obligated to conduct these activities at its own expense, and realizes profits or losses depending upon whether its costs of providing such services is less than the amount it receives from the Exchange, in which case the Company has a profit from acting as attorney-in-fact, or greater, in which case the Company has a loss from such activities. The Exchange, however, bears the financial responsibility for the payment of insurance losses, loss adjustment expenses, investment expenses, legal expenses, assessments, damages, licenses, fees, establishment of reserves and taxes. For the three years ended December 31, 1999, 1998 and 1997, the management fees were $513,375,281, $489,147,394 and $467,602,283, respectively.

Service agreement revenue totaled $15,440,862, $13,878,922 and $7,026,373 for the years ended December 31, 1999, 1998 and 1997, respectively. Service agreement revenue is derived from two sources. First, the Company receives service charges from Policyholders for providing extended payment terms on policies written by The ERIE. Service charges totaled $7,282,621, $7,163,895 and $2,011,181 for the years ended December 31, 1998, 1998 and 1997, respectively. Second, service income is received from the Exchange as compensation for the management and administration of voluntary assumed reinsurance from non-affiliated insurers. The Company receives a 7.0% service fee on the premiums from the business. These fees totaled $8,158,241, $6,715,026 and $5,015,192, respectively, on net voluntary assumed reinsurance premiums of $116,546,294, $95,928,945 and $71,645,599 for the years ended December 31, 1999, 1998 and 1997, respectively.

The Company's subsidiaries, Erie Insurance Co. and Erie NY, participate in a reinsurance pooling arrangement with the Exchange. Erie P&C and Flagship reinsure 100% of their property/casualty insurance business with the Exchange under the terms of quota share reinsurance treaties with the Exchange.

The Company and the Exchange periodically purchase annuities from EFL for use in connection with the structured settlement of insurance claims. The Company's share of such purchases, through its subsidiaries, Erie Insurance Co. and Erie NY, amounted to $1,282,172, $983,574 and $977,932 for the years ended December 31, 1999, 1998 and 1997, respectively, and the reserves held by EFL at December 31, 1999 for such annuities were approximately $8,245,620. In addition, the Erie Insurance Group Retirement Plan for Employees has, from time to time, purchased individual annuities from EFL for each retired vested employee or beneficiary receiving benefits. Such purchases amounted to $5,321,738, $6,413,460 and $1,992,060 for the years ended December 31, 1999, 1998 and 1997, respectively. The reserves held by EFL for all such annuities were approximately $42,130,596 at December 31, 1999.

In 1995, EFL issued a surplus note to the Company for $15 million. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to the prior approval of the Pennsylvania Insurance Commissioner. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005. Payment of principal and/or interest is subordinated to payment of all other liabilities of EFL. During 1999, 1998 and 1997, EFL paid the Company interest totaling $967,500 each year.

Information with respect to certain relationships with Company directors is incorporated by reference to pages 30 through 31 of the Company's Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 25, 2000.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial statements, financial statement schedules and exhibits filed:

(1) Consolidated Financial Statements

	Page*
Erie Indemnity Company and Subsidiaries:	
Independent Auditors' Report on the Consolidated Financial Statements	32
Consolidated Statements of Operations for the three years ended December 31, 1999, 1998 and 1997	33
Consolidated Statements of Financial Position as of December 31, 1999 and 1998	34
Consolidated Statements of Cash Flows for the three years ended December 31, 1999, 1998 and 1997	35
Consolidated Statements of Shareholders' Equity for the three years ended December 31, 1999, 1998 and 1997	36
Notes to Consolidated Financial Statements	37

(2) Financial Statement Schedules

	Page
Erie Indemnity Company and Subsidiaries:	
Report of Independent Auditors on Schedules	
Schedule I. Summary of Investments - Other than Investments in Related Parties	28
Schedule IV. Reinsurance	29
Schedule VI. Supplemental Information Concerning Property/Casualty Insurance Operations	30

All other schedules have been omitted since they are not required, not applicable or the information is included in the financial statements or notes thereto.

* Refers to the respective page of Erie Indemnity Company's 1999 Annual Report to Shareholders. The Consolidated Financial Statements and Notes to Consolidated Financial Statements and Auditors' Report thereon on pages 32 to 49 are incorporated by reference. With the exception of the portions of such Annual Report specifically incorporated by reference in this Item and Items 1, 5, 6, 7, 7a and 8, such Annual Report shall not be deemed filed as part of this Form 10-K Report or otherwise subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

(3) Exhibits

Exhibit Number	Description of Exhibit
3.1*	Articles of Incorporation of Registrant
3.2**	Amended and Restated By-laws of Registrant
3.3##	Amended and Restated By-laws of Registrant dated March 9, 1999
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4B*	Form of Registrant's Class B Common Stock certificate
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10.15**	Property Catastrophe Excess of Loss Reinsurance Agreement dated January 1, 1994 between Erie Insurance Exchange and Erie Insurance Co.
10.16****	Stock Redemption Plan of Registrant as restated December 12, 1995
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10.18****	Service Agreement dated January 1, 1995 between Registrant and Erie Insurance Company of New York
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10.20*****	Agreement dated April 29, 1994 between Erie Indemnity Company and Thomas M. Sider
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10.34	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Jeffrey A. Ludrof
11	Statement re computation of per share earnings
13	1999 Annual Report to Shareholders. Reference is made to the Annual Report furnished to the Commission, herewith.
21	Subsidiaries of Registrant
27	Financial Data Schedule
99.1##	Report of the Special Committee to the Board of Directors

* Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

** Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10/A Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on August 3, 1994.

*** Such exhibit is incorporated by reference to the like titled but renumbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

**** Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1995 that was filed with the Commission on March 25, 1996.

***** Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K/A amended annual report for the year ended December 31, 1995 that was filed with the Commission on April 25, 1996.

****** Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1996 that was filed with the Commission on March 21, 1997.

Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1997 that was filed with the Commission on March 25, 1998.

Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1998 that was filed with the Commission on March 30, 1999.

(b) Reports on Form 8-K:

During the quarter ended December 31, 1999, The Company did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 7, 2000 ERIE INDEMNITY COMPANY

(Registrant)

Principal Officers

/s/ Stephen A. Milne

Stephen A. Milne, President and CEO

/s/ Jan R. Van Gorder

Jan R. Van Gorder, Executive Vice President, Secretary & General Counsel

/s/ Philip A. Garcia

Philip A. Garcia, Executive Vice President & CFO

/s/ Timothy G. NeCastro

Timothy G. NeCastro, Senior Vice President & Controller

Board of Directors

/s/ Peter B. Bartlett Peter B. Bartlett	/s/ Martin J. Lippert Martin J. Lippert
/s/ Samuel P. Black, III Samuel P. Black, III	/s/ Stephen A. Milne Stephen A. Milne
/s/ J. Ralph Borneman J. Ralph Borneman	/s/ John M. Petersen John M. Petersen
/s/ Patricia A. Goldman Patricia A. Goldman	/s/ Jan R. Van Gorder Jan R. Van Gorder
Susan Hirt Hagen	/s/ Harry H. Weil Harry H. Weil
/s/ F. William Hirt F. William Hirt	/s/ Robert C. Wilburn Robert C. Wilburn
/s/ Gwendolyn S. King Gwendolyn S. King	

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders
Erie Indemnity Company

We have audited the consolidated statements of financial position of Erie Indemnity Company and subsidiaries (Company) as of December 31, 1999 and 1998 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999, as contained in the 1999 annual report, incorporated by reference in the annual report on Form 10-K for the year ended December 31, 1999. In connection with our audits of the financial statements, we also have audited the financial statement schedules, as listed in the accompanying index. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Erie Indemnity Company and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ Brown Schwab Bergquist & Co.

Erie, Pennsylvania
February 11, 2000

SCHEDULE I - SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES

	DECEMBER 31, 1999		
Type of Investment	Cost or Amortized Cost	Fair Value	Amount at which Shown in the Balance Sheet
(In Thousands)			
Available-for-sale securities			
Fixed maturities:			
U.S. treasuries & government agencies	$ 11,029	$ 11,051	$ 11,051
States & political subdivisions	52,064	53,118	53,118
Special revenues	120,170	122,096	122,096
Public utilities	20,909	20,318	20,318
U.S. industrial & miscellaneous	232,458	227,176	227,176
Foreign	21,593	20,743	20,743
Redeemable Preferred Stocks	31,171	31,020	31,020
Equity securities:			
Common stock:			
U.S. banks, trusts & insurance companies	$ 3,887	$ 7,156	$ 7,156
U.S. industrial & miscellaneous	56,035	103,132	103,132
Foreign industrial & miscellaneous	4,948	5,511	5,511
Non-redeemable preferred stock:			
U.S. banks, trusts & insurance companies	38,708	36,694	36,694
U.S. industrial & miscellaneous	61,109	56,662	56,662
Foreign industrial & miscellaneous	6,808	6,228	6,228
Total Available-for-Sale Securities	$660,889	$ 700,905	$ 700,905
Real Estate Mortgage Loans	$ 8,230	$ 8,230	$ 8,230
Other Invested Assets	$ 37,398	$ 39,116	$ 39,116
Total Investments	$706,517	$ 748,251	$ 748,251

SCHEDULE IV - REINSURANCE

	Direct	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of amount Assumed to Net
December 31,1999 Premiums for the year Property and Liability Insurance	$351,227,872	$356,608,390	$122,604,391	$117,223,873	104.6%
December 31,1998 Premiums for the year Property and Liability Insurance	$338,162,409	$343,051,100	$117,828,137	$112,939,446	104.3%
December 31,1997 Premiums for the year Property and Liability Insurance	$334,771,551	$340,165,100	$112,743,217	$107,349,668	105.0%

SCHEDULE VI - SUPPLMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
(in thousands)

	Deferred Policy Acquisition Costs	Reserves for Unpaid Loss & LAE Expenses	Discount, if any deducted from reserves	Unearned Premiums
@ 12/31/99				
Consolidated P&C Entities	$ 11,405	$432,895	$ 1,377	$236,525
Unconsolidated P&C Entities	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0
Total	$ 11,405	$432,895	$ 1,377	$236,525
@ 12/31/98				
Consolidated P&C Entities	$ 10,863	$426,165	$ 1,562	$229,057
Unconsolidated P&C Entities	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0
Total	$ 10,863	$426,165	$ 1,562	$229,057
@ 12/31/97				
Consolidated P&C Entities	$ 10,283	$413,409	$ 0	$219,211
Unconsolidated P&C Entities	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0
Total	$ 10,283	$413,409	$ 0	$219,211

SCHEDULE VI - SUPPLEMENTAL INFORMATION CONCERNING PROPERTY-CASUALTY INSURANCE OPERATIONS (CONTINUED)
(in thousands)

	Earned Premiums	Net Investment Income	Loss and Loss Incurred (1) Current Year	Adjustment Expenses Related to (2) Prior Years
@ 12/31/99				
Consolidated P&C Entities	$117,224	$ 16,765	$ 88,422	$ (703)
Unconsolidated P&C Entities	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0
Total	$117,224	$ 16,765	$ 88,422	$ (703)
@ 12/31/98				
Consolidated P&C Entities	$112,939	$ 16,887	$ 80,637	$ (746)
Unconsolidated P&C Entities	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0
Total	$112,939	$ 16,887	$ 80,637	$ (746)
@ 12/31/97				
Consolidated P&C Entities	$107,350	$ 13,569	$ 77,345	$ 2,625
Unconsolidated P&C Entities	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0
Total	$107,350	$ 13,569	$ 77,345	$ 2,625

SCHEDULE VI - SUPPLEMETAL INFORMATION CONCERNING PROPERTY-CASUALTY INSURANCE OPERATIONS (CONTINUED)
(in thousands)

	Amortization of Deferred Policy Acquisition Costs	Net Loss & LAE Paid	Premiums Written
@ 12/31/99			
Consolidated P&C Entities	$ 22,507	$ 84,192	$118,426
Unconsolidated P&C Entities	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0
Total	$ 22,507	$ 84,192	$118,426
@ 12/31/98			
Consolidated P&C Entities	$ 21,357	$ 77,933	$115,094
Unconsolidated P&C Entities	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0
Total	$ 21,357	$ 77,933	$115,094
@ 12/31/97			
Consolidated P&C Entities	$ 20,103	$ 75,343	$110,282
Unconsolidated P&C Entities	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0
Total	$ 20,103	$ 75,343	$110,282

EXHIBIT INDEX

(Pursuant to Item 601 of Regulation S-K)

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11	Statement re computation of per share earnings	74
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* Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

** Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10/A Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on August 3, 1994.

***   Such exhibit is incorporated by reference to the like titled but renumbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

****   Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1995 that was filed with the Commission on March 25, 1996.

*****   Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K/A amended annual report for the year ended December 31, 1995 that was filed with the Commission on April 25, 1996.

******   Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1996 that was filed with the Commission on March 21, 1997.

Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1997 that was filed with the Commission on March 25, 1998.

Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 1998 that was filed with the Commission on March 30, 1999.

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") made effective as of the 30th day of June, 1999 (the "Effective Date") by and between ERIE INDEMNITY COMPANY, a Pennsylvania corporation with its principal place of business at Erie, Pennsylvania (the "Company"), and JEFFREY A. LUDROF (the "Executive");

WITNESSETH:

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to secure the continued employment of the Executive on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Executive desires and is willing to accept employment with the Company on the terms and subject to the conditions set forth herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Term. The Company hereby agrees to continue the employment of the Executive and the Executive hereby agrees to continue to serve the Company pursuant to the terms and conditions of this Agreement as Executive Vice President of the Company, or in such other position with the Company of at least commensurate responsibility and authority in all material respects, for a term commencing on the Effective Date hereof and expiring on December 15, 2000, unless earlier terminated pursuant to Section 5 hereof. Notwithstanding the foregoing, the Executive shall serve in said office(s) at the pleasure of the Company's Board of Directors (the "Board of Directors") and the Executive may be removed from said office(s) at any time with or without Cause, as hereinafter defined, pursuant to Sections 5(b) or 5(d) hereof; provided that any such removal shall be without prejudice to any contract rights the Executive may have hereunder. Subject to Section 8(a)(6) and Section 8(b) hereof, this Agreement shall expire by its terms on December 15, 2000.

2. Duties and Responsibilities. The Executive's duties hereunder shall be those which shall be prescribed by the Company's Bylaws, as amended from time to time, and by the Board of Directors or any committee thereof from time to time and shall include such executive authority, duties, powers and responsibilities as customarily attend the office as Executive Vice President of a company comparable to the Company. The Executive shall discharge such duties consistent with sound business practices and in accordance with law and the Company's general employment policies, in each case, as in effect from time to time, in all material respects and the Executive shall use best efforts to promote the best interests of the Company. During the term of this Agreement, the Executive's position (including the Executive's status and reporting requirements), authority, duties, powers and responsibilities shall at all times be at least commensurate in all material respects with the most significant of those held, exercised or assigned to the Executive as of the Effective Date. The Executive shall devote the Executive's knowledge, skill and all of the

Executive's professional time, attention and energies (reasonable absences for vacations and illness excepted), to the business of the Company in order to perform such assigned duties faithfully, competently and diligently. It is understood and agreed between the parties that the Executive may (i) engage in charitable and community activities, including serving on boards of directors or trustees of and holding other leadership positions in non-profit organizations unless the objectives and requirements of such positions are determined by the Board of Directors to be inconsistent with the performance of the Executive's duties hereunder, and, (ii) manage personal investments, so long as such activities do not interfere or conflict with the Executive's performance of responsibilities and obligations hereunder. It is expressly agreed that any such activities engaged in by the Executive as of the Effective Date shall not thereafter be deemed to interfere with the Executive's obligations and responsibilities hereunder. The Executive agrees that the approval of the Board of Directors or a committee thereof shall be required before the Executive first accepts a position as director of any for-profit corporation after the date hereof.

3. Compensation. During the term of this Agreement, the Executive shall receive, for all services rendered to the Company hereunder, the following (hereinafter referred to collectively as "Compensation"):

(a) Salary. The Executive shall be paid an annual base salary at an annual rate at least equal to the annual rate being paid or payable to the Executive by the Company in the month in which the Effective Date occurs, with such increases thereafter as shall be determined from time to time to be fair and reasonable by the Board of Directors or by the Executive Compensation Committee of the Board of Directors (the "Committee") in its discretion after taking into account, among other things, the authority, duties, powers and responsibilities of the Executive's position, the Executive's performance, the Company's performance, the compensation of persons in comparable positions at the Company and at other comparable companies, and the effect of inflation. The Executive's annual base salary shall not be reduced after any such increase. The Executive's annual base salary shall be payable in equal installments in accordance with the Company's general salary payment policies, but no less frequently than bi-weekly.

(b) Incentive Compensation. The Executive shall be eligible for awards under the Company's incentive compensation plans, if any, applicable to senior executive officers of the Company or to key employees of the Company or its subsidiaries, including, but not limited to, management incentive plans and stock option plans, in accordance with and subject to the terms thereof (including any provisions providing for changes in the level of or termination of benefits thereunder), on a basis commensurate with the Executive's position and authorities, duties, powers and responsibilities.

(c) Employee Benefit Plans. The Executive and the Executive's "dependents," as that term may be defined under the applicable employee benefit plan(s) of the Company, shall be included, to the extent eligible thereunder and subject to the terms of the plans (including any provisions for changing the level of or termination of benefits thereunder), in all plans, programs and policies which provide benefits for Company employees and their dependents on a basis commensurate with the Executive's position and authorities, duties, powers and responsibilities including, without limitation, health care insurance, health and welfare plans, pension and retirement plans, group life insurance plans, split dollar life insurance plans, short and long-term disability plans, survivors' benefits, executive supplemental benefits, holidays and other similar or comparable benefits made available to the Company's employees and senior executive officers (hereinafter, such plans, programs and policies shall be collectively referred to as the "Erie Benefit Plans"). Such plans, programs and policies shall include, but are not limited to, the Erie Insurance Group Retirement Plan for Employees, the Erie Insurance Group Employee Savings Plan, the Erie Insurance Group Deferred Compensation Plan, the Erie Insurance Group Split Dollar Life Insurance Plan, the Erie Insurance Group Supplemental Executive Retirement Plan, and the Erie Insurance Group Health Protection, Prescription Drug, Dental Assistance and Vision Care Plans.

(d) Perquisites. The Executive shall be entitled to all perquisites which the Company from time to time makes available to senior executive officers of the Company. Such perquisites shall include, but are not limited to, parking, club dues, tax preparation assistance, and an annual physical examination.

(e) Expenses and Working Facilities. The Executive is hereby authorized to incur, and shall be reimbursed by the Company for, any and all reasonable and necessary business related expenses, including, but not limited to, expenses for business travel, entertainment, gifts and similar matters, which expenses are incurred by the Executive on behalf of the Company or any of its subsidiaries, upon presentation of itemized accounts of such expenses in accordance with Company policies. The Executive shall be furnished during the term of this Agreement with offices and other working facilities in the Company's principal executive offices located in Erie, Pennsylvania (or other location of the principal executive offices within the Erie metropolitan area) and secretarial and other assistance suitable to the Executive's position and adequate for the performance of duties hereunder.

(f) Performance Appraisal. The Executive's performance may be evaluated by the Board of Directors or the Committee from time to time. The Executive shall be entitled to such additional remuneration, including but not limited to annual bonuses based on performance, as the Board of Directors or the Committee may, in its discretion, determine from time to time.

4. Absences. The Executive shall be entitled to vacations in accordance with the Company's vacation policy in effect from time to time (but in no event shall the Executive be entitled to fewer vacation days than under the Company's vacation policy as in effect on the Effective Date) and to absences because of illness or other incapacity, and shall also be entitled to such other absences, whether for holiday, personal time, conventions, or for any other purpose, as are granted to

the Company's other senior executive officers or as are approved by the Board of Directors or the Committee, which approval shall not be unreasonably withheld.

5. Termination. The Executive's employment hereunder may be terminated only as follows:

(a) Expiration of Term of Office. Upon the expiration of the term of the office(s) to which the Executive has been elected or appointed as set forth in Section 1 hereof, the Board of Directors may (i) determine that the Executive should not continue in such office(s) or (ii) that the Executive should not be elected or appointed to an office with duties, authorities, powers and responsibilities that are at least commensurate with those of said office(s), in either case, for reasons other than for Cause (if the reasons for such noncontinuance, nonreelection or nonreappointment constitute Cause, then Section 5(d) hereof will apply).

(b) By the Company Without Cause. The Company may at any time terminate the Executive's employment hereunder without Cause only by the affirmative vote of a majority of the entire Board of Directors, and upon no less than thirty (30) days' prior written notice to the Executive.

(c) By the Executive Without Good Reason. The Executive may at any time terminate employment hereunder for any reason upon no less than thirty (30) days' written notice to the Company. Section 5(e) shall apply to any termination of employment by the Executive for Good Reason.

(d) By the Company For Cause. The Company may terminate the Executive's employment hereunder for Cause. In such event, the Company shall give to the Executive prompt written notice (in addition to any notice which may be required by Section 5(d)(1) hereof) specifying in reasonable detail the basis for such termination. For purposes of this Agreement, "Cause" shall mean any of the following conduct by the Executive:

(1) The deliberate and intentional breach of any material provision of this Agreement, which breach Executive shall have failed to cure within thirty (30) days after Executive's receipt of written notice from the Company specifying the specific nature of the Executive's breach;

(2) The deliberate and intentional engaging by Executive in gross misconduct that is materially and demonstrably inimical to the best interests, monetary or otherwise, of the Company; or

(3) Conviction of a felony or conviction of any crime involving moral turpitude, fraud or deceit.

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "deliberate and intentional" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that such action or omission was in the best interest of the Company.

(e) By the Executive for Good Reason. The Executive may terminate employment hereunder for Good Reason upon providing thirty (30) days written notice to the Company after the Executive reasonably becomes aware of the circumstances giving rise to such Good Reason. For purposes of this Agreement, "Good Reason" means the following conduct of the Company, unless the Executive shall have consented thereto in writing:

(1) Material breach of any material provision of this Agreement by the Company, which breach shall not have been cured by the Company within thirty (30) days after Company's receipt from the Executive or the Executive's agent of written notice specifying in reasonable detail the nature of the Company's breach;

(2) The assignment to the Executive of any duties inconsistent in any material respect with the Executive's position (including any reduction of the Executive's status and reporting requirements), authority, duties, powers or responsibilities with the Company as contemplated by Section 2 of this Agreement, or any other action by the Company, including the removal of the Executive from or any failure to reelect or reappoint the Executive to the office(s) specified in Section 2 or a commensurate office(s) (other than for Cause), which results in a diminution of the Executive's authority, duties, position, responsibilities or status, excluding for this purpose any isolated, insubstantial and inadvertent action respecting the Executive not taken in bad faith and which is remedied by the Company within thirty (30) days after receipt of written notice from the Executive to the Company;

(3) The Company's relocation of the Executive out of the Company's principal executive offices or the relocation of the Company's principal executive offices to a location outside the Erie, Pennsylvania metropolitan area, except for required short-term travel on the Company's behalf to the extent necessary for the Executive to carry out his normal duties in the ordinary course of business;

(4) The failure of the Company to obtain the assumption in writing of its obligations to perform this Agreement by any successor as provided in Section 14 hereof not less than five days prior to a merger, consolidation or sale as contemplated in Section 14; or

(5) A reduction in the overall level of compensation of the Executive. For purposes of this subsection 5, the following shall not constitute a reduction in the overall level of compensation of the Executive: (i) changes in the cash/stock mix of compensation payable to the Executive; (ii) a reduction in the overall level of compensation of the Executive resulting from the failure to achieve corporate, business unit and/or individual performance goals established for purposes of incentive compensation for any year or other period; provided that the aggregate short-term incentive opportunity, when combined with the Executive's base salary, provides, in the aggregate, an opportunity for the Executive to realize at least the same overall level of compensation as was paid in the immediately prior year or period at target performance levels; and provided, further, that such target performance levels are reasonable at all times during the measurement period, taking into account the fact that one of the purposes of such compensation is to incent the Executive; (iii) reductions in compensation resulting from changes to any Erie Benefit Plan (provided that such changes are generally applicable to all participants in such Erie Benefit Plan); and (iv) any combination of the foregoing.

(f) Disability. In the event that the Executive shall be unable to perform the Executive's duties hereunder on a full time basis for a period of one hundred-eighty (180) consecutive calendar days by reason of incapacity due to illness, accident or other physical or mental disability, then the Company may, at its discretion, terminate the Executive's employment hereunder if the Executive, within ten (10) days after receipt of written notice of termination (which notice may be given before or after the end of the entire 180 day period), shall not have returned to the performance of all of his duties hereunder on a full-time basis.

(g) Death. The Executive's employment under this Agreement shall terminate upon the Executive's death.

(h) Mutual Written Agreement. This Agreement and the Executive's employment hereunder may be terminated at any time by the mutual written agreement of the Executive and the Company.

6. Compensation in the Event of Termination. In the event that the Executive's employment hereunder terminates prior to the expiration of this Agreement for any reason provided in Section 5 hereof, the Company shall pay the Executive, compensation and provide the Executive and the Executive's eligible dependents with benefits as follows:

(a) Executive's Nonreelection to Office; Termination By Company Without Cause; Termination By Executive for Good Reason. In the event that the Executive's employment hereunder is terminated: (i) because the Executive does not continue in office pursuant to Section 5(a) hereof; or (ii) by the Company without Cause pursuant to Section 5(b) hereof; or (iii) by the Executive for Good Reason pursuant to Section 5(e) hereof, then in any such event the Company shall pay or provide, as applicable, the following compensation and benefits to the Executive:

(1) Three (3) times the following: (A) the highest annual base salary paid or payable to the Executive in the then current year or any one (1) of the three (3) calendar years preceding Executive's termination of employment hereunder; plus (B) an amount equal to the sum of the Executive's highest award(s) under the Company's Annual Incentive Plans for any one (1) of the three (3) calendar years preceding the date of the termination of Executive's employment hereunder (such total is referred to herein as "Covered Compensation"). Such payment to the Executive by the Company shall be paid in a lump sum unless the Executive elects, and so notifies the Company in writing prior to the termination of the Executive's employment hereunder, to receive such payment in three (3) equal annual installments. The lump sum or first payment, as the case may be, shall be paid within sixty (60) days after the date of the termination of the Executive's employment hereunder;

(2) Any awards or other compensation to which the Executive is entitled under any of the Company's compensation plans or Erie Benefit Plans to the extent not covered in subsection (1) hereof;

(3) Any award to which the Executive would be entitled under the Company's Long-Term Incentive Plan as in effect on December 16, 1997, calculated under the provision of that Plan as if the Executive ceases to be an Employee of the Company by reason of death, disability or normal retirement;

(4) Continuing coverage for all purposes (including eligibility, coverage, vesting and benefit accruals, as applicable), for a period of three (3) years after the date of the termination of Executive's employment hereunder, to the extent not prohibited by law, for the Executive and the Executive's eligible dependents under all of the Erie Benefit Plans in effect and applicable to Executive and the Executive's eligible dependents as of the date of termination. In the event that the Executive and/or the Executive's eligible dependents, because of the Executive's terminated status, cannot be covered or fully covered under any or all of the Erie Benefit Plans, the Company shall continue to provide the Executive and/or the Executive's eligible dependents with the same level of such coverage in effect prior to termination, payable from the general assets of the Company if necessary. Notwithstanding the foregoing, the Executive may elect (by giving written notice to the Company prior to the termination of employment hereunder), on a benefit by benefit basis, to receive in lieu of continuing coverage, cash in an amount equal to the present value (using a 6.5% discount rate over three years) of the projected cost to the Company of providing such benefit for such three year period. The aggregate amount of cash to which the Executive is entitled pursuant to the preceding sentence shall be payable by the Company to the Executive within sixty (60) days after the date of the termination of Executive's employment hereunder; and

(5) For a period of three (3) years after the date of the termination of Executive's employment hereunder, such perquisites as are made available to the Executive as of the date of the termination of Executive's employment hereunder.

The Executive's subsequent death, disability or attainment of age 65 or any other age shall in no way affect or limit the Company's obligations under this Section 6(a).

(b) Termination By the Company for Cause. In the event that the Company shall terminate the Executive's employment hereunder for Cause pursuant to Section 5(d), this Agreement shall forthwith terminate and the obligations of the parties hereto shall be as set forth in Section 8 hereof.

(c) Termination by the Executive Without Good Reason. In the event that the Executive shall terminate employment hereunder other than for Good Reason pursuant to Section 5(c), this Agreement shall forthwith terminate and the obligations of the parties hereto shall be as set forth in Section 8 hereof.

(d) Disability. In the event that the Company elects to terminate the Executive's employment hereunder pursuant to Section 5(f), the Executive shall continue to receive from the date of such termination through the expiration date of this Agreement, sixty percent (60%) of the then current annual base salary to which the Executive was entitled pursuant to Section 3(a) hereof immediately preceding such termination, in accordance with the payroll practices of the Company for senior executive officers, reduced, however, by the amount of any proceeds from Social Security and disability insurance policies provided by and at the expense of the Company.

(e) Death. In the event of the death of the Executive during the term of this Agreement, the then current annual base salary to which the Executive was entitled pursuant to Section 3(a) hereof immediately preceding the Executive's death shall be paid, in twelve (12) equal monthly installments following the date of death, to the last beneficiary designated by the Executive under the Company's group life insurance policy maintained by the Company or such other written designation expressly provided to the Company for the purposes hereof or, failing either such designation, to the Executive's estate.

(f) Mutual Written Consent. In the event that the Executive and the Company shall terminate the Executive's employment by mutual written agreement, the Company shall pay such compensation and provide such benefits, if any, as the parties may mutually agree upon in writing.

The Executive shall not be required to mitigate the amount of any payment provided for in this Section 6 by seeking employment or otherwise, nor shall any amounts received from employment or otherwise by the Executive offset in any manner the obligations of the Company hereunder except as specifically provided in Section 6(d) hereof.

7. Certain Additional Payments by the Company. Notwithstanding anything in this Agreement to the contrary, in the event it is determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, on excess parachute payments, as that term is used and defined in Sections 4999 and 280G of the Code, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount equal to the then current rate of tax under said Section 4999 multiplied by the total of the amounts so paid or payable, including the Gross-Up Payment, which are deemed to be a part of an excess parachute payment.

8. Effect of Expiration of Agreement or Termination of Executive's Employment. Upon the expiration of this Agreement by its terms or the termination of the Executive's employment hereunder, neither the Company nor the Executive shall have any remaining duties or obligations hereunder except that:

(a) The Company shall:

(1) Pay the Executive's accrued salary and any other accrued benefits under Sections 3(a), (b), and (c) hereof;

(2) Reimburse the Executive for expenses already incurred in accordance with Section 3(e) hereof;

(3) Pay or otherwise provide for any benefits, payments or continuation or conversion rights in accordance with the provisions of any Erie Benefit Plan of which the Executive or any of the Executive's dependents is or was a participant or as otherwise required by law;

(4) Pay the Executive and the Executive's beneficiaries any compensation and/or provide the Executive or the Executive's eligible dependents any benefits, as the case may be, due pursuant to Section 6 or Section 7 hereof; and

(5) Unless the employment of the Executive is terminated by the Company for Cause, pay the Executive or the Executive's beneficiaries the full amount or amounts accrued under the Supplemental Executive Retirement Plan of the Company (the "SERP") as in effect on the Effective Date (or as such benefits may be enhanced by subsequent amendments or supplements to such SERP), as though, solely for purposes of determining any otherwise applicable actuarial reduction factors, the event of the termination of Executive's employment hereunder or expiration of this Agreement occurred on the Executive's Normal Retirement Date as defined in such SERP. Accrued benefits under the SERP shall be fully vested and nonforfeitable upon such termination (including termination on account of the Executive's death) or expiration. Any reductions in SERP benefits that would otherwise apply pursuant to Section 10.1 of the Company's Retirement Plan for Employees (or pursuant to any successor provision of such plan or any successor plan) relating to Section 415(b) of the Code shall not be applicable for purposes hereof. No further approval by the Board of Directors or the Committee with respect to payments under the SERP in accordance with the preceding sentences shall be required. Unreduced payments may begin at age 55, but in no event would payments be made under this Section 8(a)(5) before the Executive reaches age fifty-five (55). The Company shall purchase for the Executive, naming the Executive and/or the Executive's designee the

owner, a paid up annuity, from an insurer reasonably acceptable to the Executive but in any event having an A.M. Best rating of A+ or better (or other comparable rating), that will pay to the Executive an amount equal to the benefit to which the Executive would otherwise be entitled under the SERP and payable at the times such SERP benefit would be payable in accordance with the provisions hereof. Upon the purchase and delivery to the Executive of such an annuity, the Executive shall release the Company from any further obligation under the SERP. The Company further agrees to pay the Executive immediately upon termination, a cash payment (the "Tax Gross-up") equal to the sum of the following: (i) all taxes (federal, state, local, and payroll taxes) incurred and due and owing by the Executive, arising from the cost of the annuity purchased by the Company to meet the requirements of this Section 8(a)(5), and (ii) any such taxes incurred and due and owing with respect to the amount paid in (i).

(6) Continue to remain bound by the terms of Section 12 hereof.

(b) The Executive shall remain bound by the terms of Sections 9 and 13 hereof for a period of thirty six (36) months after the expiration of the Agreement by its terms; provided, that the Executive shall not be bound by the terms of Section 9(b) after the termination of employment (other than a termination of the Executive by the Company for Cause) if such termination occurs after the expiration of this Agreement by its terms.

9. Covenants as to Confidential Information and Competitive Conduct. The Executive hereby acknowledges and agrees as follows: (i) this Section 9 is necessary for the protection of the legitimate business interests of the Company, (ii) the restrictions contained in this Section 9 with regard to geographical scope, length of term and types of restricted activities are reasonable; (iii) the Executive has received adequate and valuable new consideration for entering into this Agreement, and (iv) the Executive's expertise and capabilities are such that this obligation hereunder and the enforcement hereof by injunction or otherwise will not adversely affect the Executive's ability to earn a livelihood.

(a) Confidentiality of Information and Nondisclosure. The Executive acknowledges and agrees that the Executive's employment by the Company under this Agreement necessarily involves knowledge of and access to confidential and proprietary information pertaining to the business of the Company and its subsidiaries. Accordingly, the Executive agrees that at all times during the term of this Agreement and at any time thereafter, the Executive will not, directly or indirectly, without the express written approval of the Company, unless directed by applicable legal authority (including any court of competent jurisdiction, governmental agency having supervisory authority over the business of the Company or the subsidiaries, or any legislative or administrative body having supervisory authority over the business of the Company or its subsidiaries) having jurisdiction over the Executive, disclose to or use, or knowingly permit to be so disclosed or used, for the benefit of himself, any person, corporation or other entity other than the Company, (i) any information concerning any financial matters, customer relationships, competitive status, supplier matters, internal organizational matters, current or future plans, or other business affairs of or relating to the Company or its subsidiaries, (ii) any management, operational, trade, technical or other secrets or any other proprietary information or other data of the Company or its subsidiaries, or (iii) any other information related to the Company or its subsidiaries or which the Executive should reasonably believe will be damaging to the Company or its subsidiaries which has not been published and is not generally known outside of the Company. The Executive acknowledges that all of the foregoing constitutes confidential and proprietary information, which is the exclusive property of the Company.

(b) Restrictive Covenant. During the term of, and for a period of one (1) year (the "Restrictive Period") after the termination of the Executive's employment hereunder for any reason (other than a termination of the Executive hereunder pursuant to Section 5(a), 5(b) or 5(e), hereof), the Executive shall not render, directly, or indirectly, services to any person, firm, corporation, association or other entity which conducts the same or similar business as the Company or its subsidiaries at the date of the Executive's termination of employment hereunder within the states in which the Company or any of its subsidiaries is then licensed and doing business at the date of the Executive's termination of employment hereunder without the prior written consent of the Board of Directors, which may be withheld in its discretion. In the event the Executive violates any of the provisions contained in this Section 9(b) hereof, the Restrictive Period shall be increased by the period of time from the commencement by the Executive of any violation until such violation has been cured to the satisfaction of the Company. The Executive further agrees that at no time during the Restrictive Period will the Executive attempt to directly or indirectly solicit or hire employees of Company or its subsidiaries or induce any of them to terminate their employment with the Company or any of the subsidiaries. Notwithstanding the foregoing, the performance by the Executive of rights and duties under an agency agreement with the Company shall not constitute a breach of this Section 9(b).

(c) Company Remedies. The Executive acknowledges and agrees that any breach of this Section 9 will result in immediate and irreparable harm to the Company, and that the Company cannot be reasonably or adequately compensated by damages in an action at law. In the event of a breach by the Executive of the provisions of this Section 9, the Company shall be entitled, to the extent permitted by law, immediately to cease to pay or provide the Executive or the Executive's dependents any compensation or benefit being, or to be, paid or provided to the Executive pursuant to Section 3, Section 6 or Section 8 of this Agreement, and also to obtain immediate injunctive relief restraining the Executive from conduct in breach of the covenants contained in this Section 9. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach, including the recovery of damages from the Executive.

10. Resolution of Differences Over Breaches of Agreement. Except as otherwise provided herein, in the event of any controversy, dispute or claim arising out of, or relating to, this Agreement, or the breach thereof, or arising out of any other matter relating to the Executive's employment with the Company, the parties may seek recourse only for temporary or preliminary injunctive relief to the courts having jurisdiction thereof and if any relief other than injunctive relief is sought, the Company and the Executive agree that such underlying controversy, dispute or claim shall be settled by arbitration conducted in Erie, Pennsylvania in accordance with this Section 10 and the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The matter shall be heard and decided, and awards rendered by a panel of three (3) arbitrators (the "Arbitration Panel"). The Company and the Executive shall each select one arbitrator from the AAA National Panel of Commercial Arbitrators (the "Commercial Panel") and AAA shall select a third arbitrator from the Commercial Panel. The award rendered by the Arbitration Panel shall be final and binding as between the parties hereto and their heirs, executors, administrators, successors and assigns, and judgment on the award may be entered by any court having jurisdiction thereof. Except as provided in Section 11 hereof, each party shall bear sole responsibility for all expenses and costs incurred by such party in connection with the resolution of any controversy, dispute or claim in accordance with this Section 10.

11. Payment of Executive's Legal Fees. If the Executive is required to bring any action to enforce rights or to collect moneys due under this Agreement, the Company shall pay to the Executive the fees and expenses incurred by the Executive in bringing and pursuing such action if the Executive is successful, in whole or in part, on the merits or otherwise (including by way of a settlement involving a payment of money by the Company to the Executive), in such action. The Company shall pay such fees and expenses in advance of the final disposition of such action upon receipt of an undertaking from the Executive to repay to the Company such advances if the Executive is not ultimately successful, in whole or in part, on the merits or otherwise, in such action.

12. Severance Pay upon Termination of Employment after Expiration of the Agreement. Notwithstanding the expiration of this Agreement by its terms and notwithstanding the terms of any corporate severance policy then in effect and applicable to the Executive, if the employment of the Executive is terminated without Cause by the Company, by the Executive for Good Reason or upon the expiration of the term of the office(s) to which the Executive has been elected or appointed as set forth in Section 1 hereof (for reasons other than for Cause), in any case, within thirty-six (36) months after the expiration of this Agreement by its terms, then (i) the Company shall pay to the Executive severance compensation in an amount equal to two (2) times the Executive's

Covered Compensation as determined on the date of such termination, and (ii) the Executive and the Executive's eligible dependents shall be entitled to continuing coverage under the Company's then-existing group health plans (including medical, dental, prescription drug and vision plans, if any) for a period of two (2) years after the date of the termination of the Executive's employment, to the extent not prohibited by law and subject to the terms of such plans including provisions as to deductibles and copayments and changes in levels of coverage that are generally applicable to employees. The payment to the Executive by the Company pursuant to subsection (i) of the preceding sentence shall be paid in a lump sum unless the Executive elects, and so notifies the Company in writing prior to the Executive's termination of employment, to receive such payment in two (2) equal annual installments. The lump sum or first payment, as the case may be, shall be paid within thirty (30) days after the date of termination of the Executive's employment.

13. Release. The Executive hereby acknowledges and agrees that neither the Company nor any of its representatives or agents will be obligated to pay any compensation or benefit which the Executive has a right to be paid or provided to the Executive or the Executive's dependents pursuant to Section 6, Section 8 or Section 12 of this Agreement, unless the Executive, if requested by the Company in its sole discretion, executes a release in a form reasonably acceptable to the Company, which releases any and all claims the Executive has or may have against the Company or its subsidiaries, agents, officers, directors, successors or assigns.

14. Waiver. The waiver by a party hereto of any breach by the other party hereto of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach by a party hereto.

15. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company, and the Company shall be obligated to require any successor to expressly acknowledge and assume its obligations hereunder. This Agreement shall inure to the extent provided hereunder to the benefit of and be enforceable by the Executive or the Executive's legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. The Executive may not delegate any of the Executive's duties, responsibilities, obligations or positions hereunder to any person and any such purported delegation shall be void and of no force and effect.

16. Notices. Any notices required or permitted to be given under this Agreement shall be sufficient if in writing, and if personally delivered or when sent by first class certified or registered mail, postage prepaid, return receipt requested--in the case of the Executive, to his residence address as set forth below, and in the case of the Company, to the address of its principal place of business as set forth below, to the attention of the Chairman of the Board, or in case the Executive is the Chairman of the Board, to the Chairman of the Compensation Committee of the Board -- or to such other person or at such other address with respect to each party as such party shall notify the other in writing.

17. Construction of Agreement.

(a) Governing Law. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

(b) Severability. In the event that any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

18. Entire Agreement. This Agreement contains the entire agreement of the parties concerning the Executive's employment and all promises, representations, understandings, arrangements and prior agreements on such subject are merged herein and superseded hereby. The provisions of this Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of any amendment, modification, repeal, waiver, extension or discharge is sought. No person acting other than pursuant to a resolution of the Board of Directors or the Committee shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto or to exercise any of the Company's rights to terminate or to fail to extend this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers thereunto duly authorized, and the Executive has hereunto set his hand all as of the day and year first above written.

ATTEST: ERIE INDEMNITY COMPANY

/s/ J. R. Van Gorder
J. R. Van Gorder
Secretary

By: /s/ F. William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Deborah Miller
Deborah Miller
Executive Secretary

/s/ Jeffrey A. Ludrof
Jeffrey A. Ludrof
170 Gateway Drive
Fairview, PA 16415

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") made effective as of the 15th day of December, 1999 (the "Effective Date") by and between ERIE INDEMNITY COMPANY, a Pennsylvania corporation with its principal place of business at Erie, Pennsylvania (the "Company"), and DOUGLAS F. ZIEGLER (the "Executive");

WITNESSETH:

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders to secure the continued employment of the Executive on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Executive desires and is willing to accept employment with the Company on the terms and subject to the conditions set forth herein;

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Term. The Company hereby agrees to continue the employment of the Executive and the Executive hereby agrees to continue to serve the Company pursuant to the terms and conditions of this Agreement as Senior Vice President of the Company, or in such other position with the Company of at least commensurate responsibility and authority in all material respects, for a term commencing on the Effective Date hereof and expiring on December 15, 2001, unless earlier terminated pursuant to Section 5 hereof. Notwithstanding the foregoing, the Executive shall serve in said office(s) at the pleasure of the Company's Board of Directors (the "Board of Directors") and the Executive may be removed from said office(s) at any time with or without Cause, as hereinafter defined, pursuant to Sections 5(b) or 5(d) hereof; provided that any such removal shall be without prejudice to any contract rights the Executive may have hereunder. Subject to Section 8(a)(6) and Section 8(b) hereof, this Agreement shall expire by its terms on December 15, 2001.

2. Duties and Responsibilities. The Executive's duties hereunder shall be those which shall be prescribed by the Company's Bylaws, as amended from time to time, and by the Board of Directors or any committee thereof from time to time and shall include such executive authority, duties, powers and responsibilities as customarily attend the office as Executive Vice President of a company comparable to the Company. The Executive shall discharge such duties consistent with sound business practices and in accordance with law and the Company's general employment policies, in each case, as in effect from time to time, in all material respects and the Executive shall use best efforts to promote the best interests of the Company. During the term of this Agreement, the Executive's position (including the Executive's status and reporting requirements), authority, duties, powers and responsibilities shall at all times be at least commensurate in all material respects with the most significant of those held, exercised or assigned to the Executive as of the Effective Date. The Executive shall devote the Executive's knowledge, skill and all of the

Executive's professional time, attention and energies (reasonable absences for vacations and illness excepted), to the business of the Company in order to perform such assigned duties faithfully, competently and diligently. It is understood and agreed between the parties that the Executive may (i) engage in charitable and community activities, including serving on boards of directors or trustees of and holding other leadership positions in non-profit organizations unless the objectives and requirements of such positions are determined by the Board of Directors to be inconsistent with the performance of the Executive's duties hereunder, and, (ii) manage personal investments, so long as such activities do not interfere or conflict with the Executive's performance of responsibilities and obligations hereunder. It is expressly agreed that any such activities engaged in by the Executive as of the Effective Date shall not thereafter be deemed to interfere with the Executive's obligations and responsibilities hereunder. The Executive agrees that the approval of the Board of Directors or a committee thereof shall be required before the Executive first accepts a position as director of any for-profit corporation after the date hereof.

3. Compensation. During the term of this Agreement, the Executive shall receive, for all services rendered to the Company hereunder, the following (hereinafter referred to collectively as "Compensation"):

(a) Salary. The Executive shall be paid an annual base salary at an annual rate at least equal to the annual rate being paid or payable to the Executive by the Company in the month in which the Effective Date occurs, with such increases thereafter as shall be determined from time to time to be fair and reasonable by the Board of Directors or by the Executive Compensation Committee of the Board of Directors (the "Committee") in its discretion after taking into account, among other things, the authority, duties, powers and responsibilities of the Executive's position, the Executive's performance, the Company's performance, the compensation of persons in comparable positions at the Company and at other comparable companies, and the effect of inflation. The Executive's annual base salary shall not be reduced after any such increase. The Executive's annual base salary shall be payable in equal installments in accordance with the Company's general salary payment policies, but no less frequently than bi-weekly.

(b) Incentive Compensation. The Executive shall be eligible for awards under the Company's incentive compensation plans, if any, applicable to senior executive officers of the Company or to key employees of the Company or its subsidiaries, including, but not limited to, management incentive plans and stock option plans, in accordance with and subject to the terms thereof (including any provisions providing for changes in the level of or termination of benefits thereunder), on a basis commensurate with the Executive's position and authorities, duties, powers and responsibilities.

(c) Employee Benefit Plans. The Executive and the Executive's "dependents," as that term may be defined under the applicable employee benefit plan(s) of the Company, shall be included, to the extent eligible thereunder and subject to the terms of the plans (including any provisions for changing the level of or termination of benefits thereunder), in all plans, programs and policies which provide benefits for Company employees and their dependents on a basis commensurate with the Executive's position and authorities, duties, powers and responsibilities including, without limitation, health care insurance, health and welfare plans, pension and retirement plans, group life insurance plans, split dollar life insurance plans, short and long-term disability plans, survivors' benefits, executive supplemental benefits, holidays and other similar or comparable benefits made available to the Company's employees and senior executive officers (hereinafter, such plans, programs and policies shall be collectively referred to as the "Erie Benefit Plans"). Such plans, programs and policies shall include, but are not limited to, the Erie Insurance Group Retirement Plan for Employees, the Erie Insurance Group Employee Savings Plan, the Erie Insurance Group Deferred Compensation Plan, the Erie Insurance Group Split Dollar Life Insurance Plan, the Erie Insurance Group Supplemental Executive Retirement Plan, and the Erie Insurance Group Health Protection, Prescription Drug, Dental Assistance and Vision Care Plans.

(d) Perquisites. The Executive shall be entitled to all perquisites which the Company from time to time makes available to senior executive officers of the Company. Such perquisites shall include, but are not limited to, parking, club dues, tax preparation assistance, and an annual physical examination.

(e) Expenses and Working Facilities. The Executive is hereby authorized to incur, and shall be reimbursed by the Company for, any and all reasonable and necessary business related expenses, including, but not limited to, expenses for business travel, entertainment, gifts and similar matters, which expenses are incurred by the Executive on behalf of the Company or any of its subsidiaries, upon presentation of itemized accounts of such expenses in accordance with Company policies. The Executive shall be furnished during the term of this Agreement with offices and other working facilities in the Company's principal executive offices located in Erie, Pennsylvania (or other location of the principal executive offices within the Erie metropolitan area) and secretarial and other assistance suitable to the Executive's position and adequate for the performance of duties hereunder.

(f) Performance Appraisal. The Executive's performance may be evaluated by the Board of Directors or the Committee from time to time. The Executive shall be entitled to such additional remuneration, including but not limited to annual bonuses based on performance, as the Board of Directors or the Committee may, in its discretion, determine from time to time.

4. Absences. The Executive shall be entitled to vacations in accordance with the Company's vacation policy in effect from time to time (but in no event shall the Executive be entitled to fewer vacation days than under the Company's vacation policy as in effect on the Effective Date) and to

absences because of illness or other incapacity, and shall also be entitled to such other absences, whether for holiday, personal time, conventions, or for any other purpose, as are granted to the Company's other senior executive officers or as are approved by the Board of Directors or the Committee, which approval shall not be unreasonably withheld.

5. Termination. The Executive's employment hereunder may be terminated only as follows:

(a) Expiration of Term of Office. Upon the expiration of the term of the office(s) to which the Executive has been elected or appointed as set forth in Section 1 hereof, the Board of Directors may (i) determine that the Executive should not continue in such office(s) or (ii) that the Executive should not be elected or appointed to an office with duties, authorities, powers and responsibilities that are at least commensurate with those of said office(s), in either case, for reasons other than for Cause (if the reasons for such noncontinuance, nonreelection or nonreappointment constitute Cause, then Section 5(d) hereof will apply).

(b) By the Company Without Cause. The Company may at any time terminate the Executive's employment hereunder without Cause only by the affirmative vote of a majority of the entire Board of Directors, and upon no less than thirty (30) days' prior written notice to the Executive.

(c) By the Executive Without Good Reason. The Executive may at any time terminate employment hereunder for any reason upon no less than thirty (30) days' written notice to the Company. Section 5(e) shall apply to any termination of employment by the Executive for Good Reason.

(d) By the Company For Cause. The Company may terminate the Executive's employment hereunder for Cause. In such event, the Company shall give to the Executive prompt written notice (in addition to any notice which may be required by Section 5(d)(1) hereof) specifying in reasonable detail the basis for such termination. For purposes of this Agreement, "Cause" shall mean any of the following conduct by the Executive:

(1) The deliberate and intentional breach of any material provision of this Agreement, which breach Executive shall have failed to cure within thirty (30) days after Executive's receipt of written notice from the Company specifying the specific nature of the Executive's breach;

(2) The deliberate and intentional engaging by Executive in gross misconduct that is materially and demonstrably inimical to the best interests, monetary or otherwise, of the Company; or

(3) Conviction of a felony or conviction of any crime involving moral turpitude, fraud or deceit.

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "deliberate and intentional" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that such action or omission was in the best interest of the Company.

(e) By the Executive for Good Reason. The Executive may terminate employment hereunder for Good Reason upon providing thirty (30) days written notice to the Company after the Executive reasonably becomes aware of the circumstances giving rise to such Good Reason. For purposes of this Agreement, "Good Reason" means the following conduct of the Company, unless the Executive shall have consented thereto in writing:

(1) Material breach of any material provision of this Agreement by the Company, which breach shall not have been cured by the Company within thirty (30) days after Company's receipt from the Executive or the Executive's agent of written notice specifying in reasonable detail the nature of the Company's breach;

(2) The assignment to the Executive of any duties inconsistent in any material respect with the Executive's position (including any reduction of the Executive's status and reporting requirements), authority, duties, powers or responsibilities with the Company as contemplated by Section 2 of this Agreement, or any other action by the Company, including the removal of the Executive from or any failure to reelect or reappoint the Executive to the office(s) specified in Section 2 or a commensurate office(s) (other than for Cause), which results in a diminution of the Executive's authority, duties, position, responsibilities or status, excluding for this purpose any isolated, insubstantial and inadvertent action respecting the Executive not taken in bad faith and which is remedied by the Company within thirty (30) days after receipt of written notice from the Executive to the Company;

(3) The Company's relocation of the Executive out of the Company's principal executive offices or the relocation of the Company's principal executive offices to a location outside the Erie, Pennsylvania metropolitan area, except for required short-term travel on the Company's behalf to the extent necessary for the Executive to carry out his normal duties in the ordinary course of business;

(4) The failure of the Company to obtain the assumption in writing of its obligations to perform this Agreement by any successor as provided in Section 14 hereof not less than five days prior to a merger, consolidation or sale as contemplated in Section 14; or

(5) A reduction in the overall level of compensation of the Executive. For purposes of this subsection 5, the following shall not constitute a reduction in the overall level of compensation of the Executive: (i) changes in the cash/stock mix of compensation payable to the Executive; (ii) a reduction in the overall level of compensation of the Executive resulting from the failure to achieve corporate, business unit and/or individual performance goals established for purposes of incentive compensation for any year or other period; provided that the aggregate short-term incentive opportunity, when combined with the Executive's base salary, provides, in the aggregate, an opportunity for the Executive to realize at least the same overall level of compensation as was paid in the immediately prior year or period at target performance levels; and provided, further, that such target performance levels are reasonable at all times during the measurement period, taking into account the fact that one of the purposes of such compensation is to incent the Executive; (iii) reductions in compensation resulting from changes to any Erie Benefit Plan (provided that such changes are generally applicable to all participants in such Erie Benefit Plan); and (iv) any combination of the foregoing.

(f) Disability. In the event that the Executive shall be unable to perform the Executive's duties hereunder on a full time basis for a period of one hundred-eighty (180) consecutive calendar days by reason of incapacity due to illness, accident or other physical or mental disability, then the Company may, at its discretion, terminate the Executive's employment hereunder if the Executive, within ten (10) days after receipt of written notice of termination (which notice may be given before or after the end of the entire 180 day period), shall not have returned to the performance of all of his duties hereunder on a full-time basis.

(g) Death. The Executive's employment under this Agreement shall terminate upon the Executive's death.

(h) Mutual Written Agreement. This Agreement and the Executive's employment hereunder may be terminated at any time by the mutual written agreement of the Executive and the Company.

6. Compensation in the Event of Termination. In the event that the Executive's employment hereunder terminates prior to the expiration of this Agreement for any reason provided in Section 5 hereof, the Company shall pay the Executive, compensation and provide the Executive and the Executive's eligible dependents with benefits as follows:

(a) Executive's Nonreelection to Office; Termination By Company Without Cause; Termination By Executive for Good Reason. In the event that the Executive's employment hereunder is terminated: (i) because the Executive does not continue in office pursuant to Section 5(a) hereof; or (ii) by the Company without Cause pursuant to Section 5(b) hereof; or (iii) by the Executive for Good Reason pursuant to Section 5(e) hereof, then in any such event the Company shall pay or provide, as applicable, the following compensation and benefits to the Executive:

(1) Three (3) times the following: (A) the highest annual base salary paid or payable to the Executive in the then current year or any one (1) of the three (3) calendar years preceding Executive's termination of employment hereunder; plus (B) an amount equal to the sum of the Executive's highest award(s) under the Company's Annual Incentive Plans for any one (1) of the three (3) calendar years preceding the date of the termination of Executive's employment hereunder (such total is referred to herein as "Covered Compensation"). Such payment to the Executive by the Company shall be paid in a lump sum unless the Executive elects, and so notifies the Company in writing prior to the termination of the Executive's employment hereunder, to receive such payment in three (3) equal annual installments. The lump sum or first payment, as the case may be, shall be paid within sixty (60) days after the date of the termination of the Executive's employment hereunder;

(2) Any awards or other compensation to which the Executive is entitled under any of the Company's compensation plans or Erie Benefit Plans to the extent not covered in subsection (1) hereof;

(3) Any award to which the Executive would be entitled under the Company's Long-Term Incentive Plan as in effect on December 16, 1997, calculated under the provision of that Plan as if the Executive ceases to be an Employee of the Company by reason of death, disability or normal retirement;

(4) Continuing coverage for all purposes (including eligibility, coverage, vesting and benefit accruals, as applicable), for a period of three (3) years after the date of the termination of Executive's employment hereunder, to the extent not prohibited by law, for the Executive and the Executive's eligible dependents under all of the Erie Benefit Plans in effect and applicable to Executive and the Executive's eligible dependents as of the date of termination. In the event that the Executive and/or the Executive's eligible dependents, because of the Executive's terminated status, cannot be covered or fully covered under any or all of the Erie Benefit Plans, the Company shall continue to provide the Executive and/or the Executive's eligible dependents with the same level of such coverage in effect prior to termination, payable from the general assets of the Company if necessary. Notwithstanding the foregoing, the Executive may elect (by giving written notice to the Company prior to the termination of employment hereunder), on a benefit by benefit basis, to receive in lieu of continuing coverage, cash in an amount equal to the present value (using a 6.5% discount rate over three years) of the projected cost to the Company of providing such benefit for such three year period. The aggregate amount of cash to which the Executive is entitled pursuant to the preceding sentence shall be payable by the Company to the Executive within sixty (60) days after the date of the termination of Executive's employment hereunder; and

(5) For a period of three (3) years after the date of the termination of Executive's employment hereunder, such perquisites as are made available to the Executive as of the date of the termination of Executive's employment hereunder.

The Executive's subsequent death, disability or attainment of age 65 or any other age shall in no way affect or limit the Company's obligations under this Section 6(a).

(b) Termination By the Company for Cause. In the event that the Company shall terminate the Executive's employment hereunder for Cause pursuant to Section 5(d), this Agreement shall forthwith terminate and the obligations of the parties hereto shall be as set forth in Section 8 hereof.

(c) Termination by the Executive Without Good Reason. In the event that the Executive shall terminate employment hereunder other than for Good Reason pursuant to Section 5(c), this Agreement shall forthwith terminate and the obligations of the parties hereto shall be as set forth in Section 8 hereof.

(d) Disability. In the event that the Company elects to terminate the Executive's employment hereunder pursuant to Section 5(f), the Executive shall continue to receive from the date of such termination through the expiration date of this Agreement, sixty percent (60%) of the then current annual base salary to which the Executive was entitled pursuant to Section 3(a) hereof immediately preceding such termination, in accordance with the payroll practices of the Company for senior executive officers, reduced, however, by the amount of any proceeds from Social Security and disability insurance policies provided by and at the expense of the Company.

(e) Death. In the event of the death of the Executive during the term of this Agreement, the then current annual base salary to which the Executive was entitled pursuant to Section 3(a) hereof immediately preceding the Executive's death shall be paid, in twelve (12) equal monthly installments following the date of death, to the last beneficiary designated by the Executive under the Company's group life insurance policy maintained by the Company or such other written designation expressly provided to the Company for the purposes hereof or, failing either such designation, to the Executive's estate.

(f) Mutual Written Consent. In the event that the Executive and the Company shall terminate the Executive's employment by mutual written agreement, the Company shall pay such compensation and provide such benefits, if any, as the parties may mutually agree upon in writing.

The Executive shall not be required to mitigate the amount of any payment provided for in this Section 6 by seeking employment or otherwise, nor shall any amounts received from employment or otherwise by the Executive offset in any manner the obligations of the Company hereunder except as specifically provided in Section 6(d) hereof.

7. Certain Additional Payments by the Company. Notwithstanding anything in this Agreement to the contrary, in the event it is determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, on excess parachute payments, as that term is used and defined in Sections 4999 and 280G of the Code, then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount equal to the then current rate of tax under said Section 4999 multiplied by the total of the amounts so paid or payable, including the Gross-Up Payment, which are deemed to be a part of an excess parachute payment.

8. Effect of Expiration of Agreement or Termination of Executive's Employment. Upon the expiration of this Agreement by its terms or the termination of the Executive's employment hereunder, neither the Company nor the Executive shall have any remaining duties or obligations hereunder except that:

(a) The Company shall:

(1) Pay the Executive's accrued salary and any other accrued benefits under Sections 3(a), (b), and (c) hereof;

(2) Reimburse the Executive for expenses already incurred in accordance with Section 3(e) hereof;

(3) Pay or otherwise provide for any benefits, payments or continuation or conversion rights in accordance with the provisions of any Erie Benefit Plan of which the Executive or any of the Executive's dependents is or was a participant or as otherwise required by law;

(4) Pay the Executive and the Executive's beneficiaries any compensation and/or provide the Executive or the Executive's eligible dependents any benefits, as the case may be, due pursuant to Section 6 or Section 7 hereof; and

(5) Unless the employment of the Executive is terminated by the Company for Cause, pay the Executive or the Executive's beneficiaries the full amount or amounts accrued under the Supplemental Executive Retirement Plan of the Company (the "SERP") as in effect on the Effective Date (or as such benefits may be enhanced by subsequent amendments or supplements to such SERP), as though, solely for purposes of determining any otherwise applicable actuarial reduction factors, the event of the termination of Executive's employment hereunder or expiration of this Agreement occurred on the Executive's Normal Retirement Date as defined in such SERP. Accrued benefits under the SERP shall be fully vested and nonforfeitable upon such termination (including termination on account of the Executive's death) or expiration. Any reductions in SERP benefits that would otherwise apply pursuant to Section 10.1 of the Company's Retirement Plan for Employees (or pursuant to any successor provision of such plan or any successor plan) relating to Section 415(b) of the Code shall not be applicable for purposes hereof. No further approval by the Board of Directors or the Committee with respect to payments under the SERP in accordance with the preceding sentences shall be required. Unreduced payments may begin at age 55, but in no event would payments be made under this Section 8(a)(5) before the Executive reaches age fifty-five (55). The Company shall purchase for the Executive, naming the Executive and/or the Executive's designee the

owner, a paid up annuity, from an insurer reasonably acceptable to the Executive but in any event having an A.M. Best rating of A+ or better (or other comparable rating), that will pay to the Executive an amount equal to the benefit to which the Executive would otherwise be entitled under the SERP and payable at the times such SERP benefit would be payable in accordance with the provisions hereof. Upon the purchase and delivery to the Executive of such an annuity, the Executive shall release the Company from any further obligation under the SERP. The Company further agrees to pay the Executive immediately upon termination, a cash payment (the "Tax Gross-up") equal to the sum of the following: (i) all taxes (federal, state, local, and payroll taxes) incurred and due and owing by the Executive, arising from the cost of the annuity purchased by the Company to meet the requirements of this Section 8(a)(5), and (ii) any such taxes incurred and due and owing with respect to the amount paid in (i).

(6) Continue to remain bound by the terms of Section 12 hereof.

(b) The Executive shall remain bound by the terms of Sections 9 and 13 hereof for a period of thirty six (36) months after the expiration of the Agreement by its terms; provided, that the Executive shall not be bound by the terms of Section 9(b) after the termination of employment (other than a termination of the Executive by the Company for Cause) if such termination occurs after the expiration of this Agreement by its terms.

9. Covenants as to Confidential Information and Competitive Conduct. The Executive hereby acknowledges and agrees as follows: (i) this Section 9 is necessary for the protection of the legitimate business interests of the Company, (ii) the restrictions contained in this Section 9 with regard to geographical scope, length of term and types of restricted activities are reasonable; (iii) the Executive has received adequate and valuable new consideration for entering into this Agreement, and (iv) the Executive's expertise and capabilities are such that this obligation hereunder and the enforcement hereof by injunction or otherwise will not adversely affect the Executive's ability to earn a livelihood.

(a) Confidentiality of Information and Nondisclosure. The Executive acknowledges and agrees that the Executive's employment by the Company under this Agreement necessarily involves knowledge of and access to confidential and proprietary information pertaining to the business of the Company and its subsidiaries. Accordingly, the Executive agrees that at all times during the term of this Agreement and at any time thereafter, the Executive will not, directly or indirectly, without the express written approval of the Company, unless directed by applicable legal authority (including any court of competent jurisdiction, governmental agency having supervisory authority over the business of the Company or the subsidiaries, or any legislative or administrative body having supervisory authority over the business of the Company or its subsidiaries) having jurisdiction over the Executive, disclose to or use, or knowingly permit to be so disclosed or used, for the benefit of himself, any person, corporation or other entity other than the Company, (i) any information concerning any financial matters, customer relationships, competitive status, supplier matters, internal organizational matters, current or future plans, or other business affairs of or relating to the Company or its subsidiaries, (ii) any management, operational, trade, technical or other secrets or any other proprietary information or other data of the Company or its subsidiaries, or (iii) any other information related to the Company or its subsidiaries or which the Executive should reasonably believe will be damaging to the Company or its subsidiaries which has not been published and is not generally known outside of the Company. The Executive acknowledges that all of the foregoing constitutes confidential and proprietary information, which is the exclusive property of the Company.

(b) Restrictive Covenant. During the term of, and for a period of one (1) year (the "Restrictive Period") after the termination of the Executive's employment hereunder for any reason (other than a termination of the Executive hereunder pursuant to Section 5(a), 5(b) or 5(e), hereof), the Executive shall not render, directly, or indirectly, services to any person, firm, corporation, association or other entity which conducts the same or similar business as the Company or its subsidiaries at the date of the Executive's termination of employment hereunder within the states in which the Company or any of its subsidiaries is then licensed and doing business at the date of the Executive's termination of employment hereunder without the prior written consent of the Board of Directors, which may be withheld in its discretion. In the event the Executive violates any of the provisions contained in this Section 9(b) hereof, the Restrictive Period shall be increased by the period of time from the commencement by the Executive of any violation until such violation has been cured to the satisfaction of the Company. The Executive further agrees that at no time during the Restrictive Period will the Executive attempt to directly or indirectly solicit or hire employees of Company or its subsidiaries or induce any of them to terminate their employment with the Company or any of the subsidiaries. Notwithstanding the foregoing, the performance by the Executive of rights and duties under an agency agreement with the Company shall not constitute a breach of this Section 9(b).

(c) Company Remedies. The Executive acknowledges and agrees that any breach of this Section 9 will result in immediate and irreparable harm to the Company, and that the Company cannot be reasonably or adequately compensated by damages in an action at law. In the event of a breach by the Executive of the provisions of this Section 9, the Company shall be entitled, to the extent permitted by law, immediately to cease to pay or provide the Executive or the Executive's dependents any compensation or benefit being, or to be, paid or provided to the Executive pursuant to Section 3, Section 6 or Section 8 of this Agreement, and also to obtain immediate injunctive relief restraining the Executive from conduct in breach of the covenants contained in this Section 9. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach, including the recovery of damages from the Executive.

10. Resolution of Differences Over Breaches of Agreement. Except as otherwise provided herein, in the event of any controversy, dispute or claim arising out of, or relating to, this Agreement, or the breach thereof, or arising out of any other matter relating to the Executive's employment with the Company, the parties may seek recourse only for temporary or preliminary injunctive relief to the courts having jurisdiction thereof and if any relief other than injunctive relief is sought, the Company and the Executive agree that such underlying controversy, dispute or claim shall be settled by arbitration conducted in Erie, Pennsylvania in accordance with this Section 10 and the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The matter shall be heard and decided, and awards rendered by a panel of three (3) arbitrators (the "Arbitration Panel"). The Company and the Executive shall each select one arbitrator from the AAA National Panel of Commercial Arbitrators (the "Commercial Panel") and AAA shall select a third arbitrator from the Commercial Panel. The award rendered by the Arbitration Panel shall be final and binding as between the parties hereto and their heirs, executors, administrators, successors and assigns, and judgment on the award may be entered by any court having jurisdiction thereof. Except as provided in Section 11 hereof, each party shall bear sole responsibility for all expenses and costs incurred by such party in connection with the resolution of any controversy, dispute or claim in accordance with this Section 10.

11. Payment of Executive's Legal Fees. If the Executive is required to bring any action to enforce rights or to collect moneys due under this Agreement, the Company shall pay to the Executive the fees and expenses incurred by the Executive in bringing and pursuing such action if the Executive is successful, in whole or in part, on the merits or otherwise (including by way of a settlement involving a payment of money by the Company to the Executive), in such action. The Company shall pay such fees and expenses in advance of the final disposition of such action upon receipt of an undertaking from the Executive to repay to the Company such advances if the Executive is not ultimately successful, in whole or in part, on the merits or otherwise, in such action.

12. Severance Pay upon Termination of Employment after Expiration of the Agreement. Notwithstanding the expiration of this Agreement by its terms and notwithstanding the terms of any corporate severance policy then in effect and applicable to the Executive, if the employment of the Executive is terminated without Cause by the Company, by the Executive for Good Reason or upon the expiration of the term of the office(s) to which the Executive has been elected or appointed as set forth in Section 1 hereof (for reasons other than for Cause), in any case, within thirty-six (36) months after the expiration of this Agreement by its terms, then (i) the Company shall pay to the Executive severance compensation in an amount equal to two (2) times the Executive's Covered Compensation as determined on the date of such termination, and (ii) the

Executive and the Executive's eligible dependents shall be entitled to continuing coverage under the Company's then-existing group health plans (including medical, dental, prescription drug and vision plans, if any) for a period of two (2) years after the date of the termination of the Executive's employment, to the extent not prohibited by law and subject to the terms of such plans including provisions as to deductibles and copayments and changes in levels of coverage that are generally applicable to employees. The payment to the Executive by the Company pursuant to subsection (i) of the preceding sentence shall be paid in a lump sum unless the Executive elects, and so notifies the Company in writing prior to the Executive's termination of employment, to receive such payment in two (2) equal annual installments. The lump sum or first payment, as the case may be, shall be paid within thirty (30) days after the date of termination of the Executive's employment.

13. Release. The Executive hereby acknowledges and agrees that neither the Company nor any of its representatives or agents will be obligated to pay any compensation or benefit which the Executive has a right to be paid or provided to the Executive or the Executive's dependents pursuant to Section 6, Section 8 or Section 12 of this Agreement, unless the Executive, if requested by the Company in its sole discretion, executes a release in a form reasonably acceptable to the Company, which releases any and all claims the Executive has or may have against the Company or its subsidiaries, agents, officers, directors, successors or assigns.

14. Waiver. The waiver by a party hereto of any breach by the other party hereto of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach by a party hereto.

15. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company, and the Company shall be obligated to require any successor to expressly acknowledge and assume its obligations hereunder. This Agreement shall inure to the extent provided hereunder to the benefit of and be enforceable by the Executive or the Executive's legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. The Executive may not delegate any of the Executive's duties, responsibilities, obligations or positions hereunder to any person and any such purported delegation shall be void and of no force and effect.

16. Notices. Any notices required or permitted to be given under this Agreement shall be sufficient if in writing, and if personally delivered or when sent by first class certified or registered mail, postage prepaid, return receipt requested--in the case of the Executive, to his residence address as set forth below, and in the case of the Company, to the address of its principal place of business as set forth below, to the attention of the Chairman of the Board, or in case the Executive is the Chairman of the Board, to the Chairman of the Compensation Committee of the Board -- or to such other person or at such other address with respect to each party as such party shall notify the other in writing.

17. Construction of Agreement.

(a) Governing Law. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

(b) Severability. In the event that any one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience of reference only and shall not constitute a part of this Agreement.

18. Entire Agreement. This Agreement contains the entire agreement of the parties concerning the Executive's employment and all promises, representations, understandings, arrangements and prior agreements on such subject are merged herein and superseded hereby. The provisions of this Agreement may not be amended, modified, repealed, waived, extended or discharged except by an agreement in writing signed by the party against whom enforcement of any amendment, modification, repeal, waiver, extension or discharge is sought. No person acting other than pursuant to a resolution of the Board of Directors or the Committee shall have authority on behalf of the Company to agree to amend, modify, repeal, waive, extend or discharge any provision of this Agreement or anything in reference thereto or to exercise any of the Company's rights to terminate or to fail to extend this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers thereunto duly authorized, and the Executive has hereunto set his hand all as of the day and year first above written.

ATTEST:	ERIE INDEMNITY COMPANY
/s/ J. R. Van Gorder J. R. Van Gorder Secretary	By: /s/ F. William Hirt F. William Hirt Chairman of the Board
WITNESS:	
/s/ Charlotte F. Drobniewski Charlotte F. Drobniewski Executive Secretary	/s/ Douglas F. Ziegler Douglas F. Ziegler 378 Ridgeview Drive Erie, PA 16505

ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 15th day of December, 1999 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Stephen A. Milne effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company at its meeting of March 9, 1999 agreed to extend the term of the Agreement for a period of one (1) additional year which extended the term of the Agreement to expire on December 15, 2002 instead of December 15, 2001; and

WHEREAS, the Board of Directors of the Company at its meeting of December 14, 1999 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2003.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST: ERIE INDEMNITY COMPANY

/s/ Mark T. Torok
Mark T. Torok
Assistant Secretary

By: /s/ F. William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Charlotte F. Drobniewski
Charlotte F. Drobniewski
Executive Secretary

/s/ Stephen A. Milne
Stephen A. Milne
6200 Ruhl Road
Fairview, PA 16415

ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 15th day of December, 1999 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Jan R. Van Gorder effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company at its meeting of March 9, 1999 agreed to extend the term of the Agreement for a period of one (1) additional year which extended the term of the Agreement to expire on December 15, 2000 instead of December 15, 1999; and

WHEREAS, the Board of Directors of the Company at its meeting of December 14, 1999 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2001.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST: ERIE INDEMNITY COMPANY

/s/ Mark T. Torok
Mark T. Torok
Assistant Secretary

By: /s/ F.William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Sheila M. Hirsch
Sheila M. Hirsch
Executive Secretary

/s/ Jan R. Van Gorder
Jan R. Van Gorder
6796 Manchester Beach Rd.
Fairview, PA 16415

ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 15th day of December, 1999 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Philip A. Garcia effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company at its meeting of March 9, 1999 agreed to extend the term of the Agreement for a period of one (1) additional year which extended the term of the Agreement to expire on December 15, 2000 instead of December 15, 1999; and

WHEREAS, the Board of Directors of the Company at its meeting of December 14, 1999 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2001.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST: ERIE INDEMNITY COMPANY

/s/ Mark T. Torok
Mark T. Torok
Assistant Secretary

By: /s/ F. William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Cori Coccarelli
Cori Coccarelli

/s/ Philip A. Garcia
Philip A. Garcia
786 Stockbridge Drive
Erie, PA 16505

ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 15th day of December, 1999 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and John J. Brinling, Jr. effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company at its meeting of March 9, 1999 agreed to extend the term of the Agreement for a period of one (1) additional year which extended the term of the Agreement to expire on December 15, 2000 instead of December 15, 1999; and

WHEREAS, the Board of Directors of the Company at its meeting of December 14, 1999 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2001.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST: ERIE INDEMNITY COMPANY

/s/ Mark T. Torok
Mark T. Torok
Assistant Secretary

By: /s/ F. William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Sheila M. Hirsch
Sheila M. Hirsch
Executive Secretary

/s/ John J. Brinling
John J. Brinling, Jr.
5691 Culpepper Drive
Erie, PA 16506

ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 15th day of December, 1999 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Jeffrey A. Ludrof effective as of June 30, 1999.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company at its meeting of December 14, 1999 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2001.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST: ERIE INDEMNITY COMPANY

/s/ Mark T. Torok
Mark T. Torok
Assistant Secretary

By: /s/ F. William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Sheila M. Hirsch
Sheila M. Hirsch
Executive Secretary

/s/ Jeffrey A. Ludrof
Jeffrey A. Ludrof
170 Gateway Drive
Fairview, PA 16415

EXHIBIT 11. - STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(In thousands, except per share data)	1999	1998	1997
Class A common shares outstanding (stated value $.0292)	$ 66,118,572	$ 67,032,000	$ 67,032,000
Class B common shares outstanding (stated value $70)	3,070	3,070	3,070
Conversion of Class B shares to shares (One share of Class B for 2,400 shares of Class A)	7,368,000	7,368,000	7,368,000
Total	73,486,572	74,400,000	74,400,000
Net income	$143,105,956	$134,551,494	$118,581,190
Per-share amount	$1.95	$1.81	$1.59

Note: At the December 16, 1998 regular meeting of the board of directors of the Erie Indemnity Company, the board approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as $70 million of its outstanding Class A common stock through December 31, 2001. The Company may purchase the shares from time to time in the open market or by privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital. In 1999 there were 1,900,499 shares repurchased at a total cost of $54,330,131 or an average price per share of $28.59. The board, at its regular quarterly meting on March 7, 2000, announced expanded authorization for share repurchases for as much as an additional $50 million of its outstanding Class A common stock through December 31, 2002.

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Selected Consolidated Financial Data

	Years ended December 31				
	1999	1998	1997	1996	1995
	(dollars in thousands, except per share data)				
OPERATING DATA:					
Net revenue from management operations	$ 148,518	$ 145,243	$ 134,201	$ 127,320	$ 111,276
Underwriting (loss) gain	(3,539)	567	(2,259)	(11,579)	(3,738)
Total revenue from investment operations	63,776	50,547	42,978	36,307	30,473
Income before income taxes	208,755	196,357	174,920	152,048	138,011
Provision for income taxes	65,649	61,806	56,339	46,916	44,460
Net Income	$ 143,106	$ 134,551	$ 118,581	$ 105,132	$ 93,551
PER SHARE:					
Net income per share	$ 1.95	$ 1.81	$ 1.59	$ 1.41	$ 1.26
Dividends declared per Class A share (1)	0.4950	$ 0.4425	$ 0.3925	$ 0.345	$ 0.28
Dividends declared per Class B share	$ 74.250	$ 66.375	$ 58.875	$ 51.75	$ 41.75
Weighted average shares	73,487	74,400	74,400	74,400	74,400
FINANCIAL POSITION:					
Investments (2)	$ 785,258	$ 709,417	$ 620,162	$ 484,784	$ 360,555
Receivables from Exchange and affiliates	470,969	467,794	469,708	478,304	451,778
Total assets	1,517,867	1,453,432	1,293,440	1,150,639	1,022,432
Shareholders' equity	697,599	655,223	539,383	435,759	354,064
Book value per share (1)	$ 9.62	$ 8.81	$ 7.25	$ 5.86	$ 4.76
Shares repurchased	1,900	0	0	0	0

(1) All per share data has been adjusted to reflect the three-for-one stock split of Class A Common Stock effective May 2, 1996.
(2) Includes investment in Erie Family Life Insurance Company.

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Selected Market & Geographic Information

The Company's 5.5 percent share of direct premiums written by the Erie Insurance Exchange and affiliated insurers, under the intercompany reinsurance pooling agreement, through its subsidiaries, Erie Insurance Company and Erie Insurance Company of New York for each of the three years ended December 31, were as follows:

	Years Ended December 31		
	1999	1998	1997
	(in thousands)		
Premiums Written:			
District of Columbia	$ 262	$ 242	$ 240
Illinois	262	-	-
Indiana	4,435	4,203	3,959
Maryland	13,390	13,025	12,905
New York	2,453	1,503	860
North Carolina	4,641	3,629	2,852
Ohio	8,906	8,381	7,937
Pennsylvania	62,775	64,473	63,488
Tennessee	1,485	1,311	1,113
Virginia	9,136	8,975	8,898
West Virginia	5,197	5,199	4,907
Total Premiums Written	$ 112,942	$ 110,941	$ 107,159
Reinsurance Assumed Premiums - Unaffiliated	7,558	5,762	4,452
Reinsurance Ceded Premiums - Unaffiliated	(2,074)	(1,608)	(1,329)
Net Premiums Written	$ 118,426	$ 115,095	$ 110,282

The following table sets forth the premiums written and loss and loss adjustment expense ratios by line of insurance for the Company's insurance subsidiaries prepared in accordance with statutory accounting practices prescribed or permitted by state insurance authorities, for the periods indicated.

Years Ended December 31

	1999	1998 (in thousands)	1997
Premiums Written:			
Commercial:			
Automobile	$ 8,286	$ 7,611	$ 7,516
Workers' Compensation	7,340	7,124	7,541
Commercial multi-peril	9,382	8,187	7,186
Other	2,017	2,227	2,414
Total Commercial	$ 27,025	$ 25,149	$ 24,657
Personal:			
Automobile	$ 67,176	$ 68,954	$ 67,701
Homeowners	17,683	15,841	13,851
Other	1,058	997	950
Total Personal	$ 85,917	$ 85,792	$ 82,502
Total Premiums Written	$ 112,942	$ 110,941	$ 107,159
Statutory Loss and Loss Adjustment Expense Ratios:			
Commercial:			
Automobile	72.72%	65.6%	77.0%
Workers' Compensation	78.14	56.0	52.1
Commercial multi-peril	77.21	68.4	65.6
Other	50.25	25.2	15.5
Commercial Loss Ratios	74.00%	59.8%	59.7%
Personal:			
Automobile	75.12%	72.3%	81.0%
Homeowners	61.81	67.3	65.3
Other	49.47	54.2	48.2
Personal Loss Ratios	74.14%	71.2%	78.0%
Total Loss Ratios (Excluding Unaffiliated Reinsurance)	74.11%	68.6%	73.7%

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

The following discussion and analysis should be read in conjunction with the audited financial statements and related notes found on pages 32 to 49 as they contain important information helpful in evaluating the Company's operating results and financial condition. (Note: A glossary of certain terms used in this discussion can be found on page 30. Defined terms are italicized the first time they appear in the text.)

Overview

Erie Indemnity Company (the Company) is a Pennsylvania business corporation formed in 1925 to be the attorney-in-fact for Erie Insurance Exchange (the Exchange), a Pennsylvania-domiciled reciprocal insurance exchange. The Company's principal business activity consists of management of the affairs of the Exchange. Management fees received from the Exchange account for the majority of the Company's consolidated revenues. The Company also is engaged in the property/casualty insurance business through its wholly-owned subsidiaries, Erie Insurance Company, Erie Insurance Property & Casualty Company, and Erie Insurance Company of New York and through its management of Flagship City Insurance Company (Flagship), a subsidiary of the Exchange. The Company also has investments in both affiliated and unaffiliated entities, including a 21.63 percent common stock interest in Erie Family Life Insurance Company (EFL), an affiliated life insurance company. Together with the Exchange, the Company and its subsidiaries and affiliates operate collectively under the name Erie Insurance Group.

In its role as attorney-in-fact for the Policyholders of the Exchange, the Company may charge a management fee up to 25.0 percent of the affiliated assumed and direct premiums written by the Exchange. The Company's Board of Directors has the authority to change the management fee at its discretion. The management fee is compensation for: (a) acting as attorney-in-fact for the Exchange, (b) managing the business and affairs of the Exchange, and (c) paying certain general administrative expenses, including sales commissions, salaries, Employee benefits, taxes, rent, depreciation, data processing, and other expenses not part of the settlement of losses or the management of investments. All premiums collected, less the management fee paid to the Company, are retained by the Exchange for the purpose of paying losses, loss adjustment expenses, investment expenses and other miscellaneous expenses including insurance-related taxes, licenses and fees. The Company pays certain loss adjustment and investment expenses on behalf of the Exchange and is reimbursed fully for these expenses by the Exchange. The management fee rate charged the Exchange was set at the following rates:

January 1, 1997 to December 31, 1997	24.00 percent
January 1, 1998 to December 31, 1998	24.25 percent
January 1, 1999 to December 31, 1999	25.00 percent

The Board can change the management fee rate at its discretion. In determining the management fee rate, the Company's Board of Directors reviews the relative financial positions of the Exchange and the Company and considers the long-term needs of the Exchange to ensure its continued growth, competitiveness and superior financial strength, which ultimately benefits the Company. The Board voted to maintain the 25 percent management fee rate for all of 2000.

The Company's wholly-owned subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, participate in an intercompany pooling arrangement with the Exchange. This pooling arrangement provides for Erie Insurance Company and Erie Insurance Company of New York to share proportionately in the results of all property/casualty insurance operations of the Exchange and the Company's subsidiaries. Erie Insurance Company's and Erie Insurance Company of New York's proportionate share of the reinsurance pool is 5.0 percent and 0.5 percent, respectively.

The results of the Company's insurance operations are affected by the conditions that affect all property/casualty insurance companies, such as increased competition, catastrophic events, changes in the regulatory and legislative environments and changes in general economic and investment conditions.

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Result of Operations

Overview

Consolidated net income in 1999 was a record $143,105,956, which exceeded the 1998 net income of $134,551,494 by 6.4 percent. Earnings per share for 1999 increased 7.7 percent to $1.95 per share from $1.81 per share in 1998, as the Company's stock repurchase program contributed positively to earnings per share results. Gains made in the Company's management operations and its investment operations were partially offset by losses experienced in the Company's insurance underwriting operations. Management operations improved in both 1999 and 1998 as the Exchange continued to experience net written premium growth rates that exceeded industry growth rates. The underwriting results of the Company's property/ casualty insurance subsidiaries incurred losses related to Hurricane Floyd in the third quarter of 1999 and losses related to reinsurance activity in the fourth quarter of 1999. Insurance underwriting operations results in 1998, when compared to 1997, improved as a result of loss cost severity-management programs introduced by the Company combined with a generally-favorable claims environment and mild weather conditions.

Revenue from investment operations improved significantly in 1999 when compared to 1998 as the Company's excess cash flows were reinvested for higher returns and the Company earned realized capital gains.

Analysis of Management Operations

Net revenues from management operations rose 2.3 percent to $148,517,964 in 1999 from $145,243,209 in 1998 and 8.2 percent in 1998 from $134,200,893 in 1997.

Gross margins from management operations declined to 28.0 percent in 1999 compared to gross margins of 28.8 percent in 1998 and 28.2 percent in 1997.

Total revenues from management operations rose $25,516,407 to $530,083,022 for the year ended December 31, 1999, an increase of 5.1 percent. Management fee revenue derived from the direct and affiliated assumed premiums of the Exchange rose $24,227,887, or 5.0 percent, to $513,375,281 in 1999 from $489,147,394 in 1998. The direct and affiliated assumed premiums written of the Exchange grew 1.8 percent in 1999 to $2,053,501,124 from $2,017,102,661 in 1998. The rate of growth in management fee revenue was greater than the rate of growth in direct and affiliated assumed premium of the Exchange because the management fee rate charged the Exchange in 1999 was 25 percent compared to 24.25 percent in 1998.

Premium growth continues to be modest due to previously announced pricing actions in the private passenger automobile line of insurance in our major markets. However, policy growth for 1999 was strong as policy retention rates and new policy growth improved. Policies in force increased 5.1 percent to 2,689,849 for the year ended December 31, 1999 from 2,558,730 at December 31, 1998. Policy retention (the percentage of current Policyholders who have renewed their policies) was 91.6 percent and 90.7 percent for the years ended December 31, 1999 and 1998, respectively, for private passenger automobile and 90.1 percent and 89.4 percent for the years ended December 31, 1999 and 1998, respectively, overall for all lines of business.

Total revenues from management operations for the year ended December 31, 1998 grew 6.0 percent, or $28,574,661, to $504,566,615 from $475,991,954 in 1997. Decreases in the involuntary assigned risk premiums of the Exchange, rate reductions in Pennsylvania workers' compensation insurance driven by legislative reform, as well as rate pressures in the personal lines automobile market, influenced the growth in premiums written by the Exchange in 1998 when compared to 1997.

Service agreement revenue grew 11.3 percent to $15,440,862 in 1999 from $13,878,922 in 1998. Included in service agreement revenue are service charges the Company collects from Policyholders for providing extended payment terms on policies written by the Group. Such service charges amounted to $7,282,621 and $7,163,895 in 1999 and 1998, respectively. Also included in service agreement revenue is service income received from the Exchange as compensation for the management and administration of voluntary assumed reinsurance from non-affiliated insurers. The Company receives a 7.0 percent service fee based on premiums from this business. These fees totaled $8,158,241 and $6,715,027 for 1999 and 1998, respectively, on net voluntary assumed reinsurance premiums of $116,546,295 and $95,928,945 for 1999 and 1998, respectively.

Service agreement revenue grew $6,852,549, or 97.5 percent, to $13,878,922 in 1998 from $7,026,373 in 1997. This growth was a result of initiating the reimbursement from the Exchange for service charges on extended payment terms beginning September 1, 1997. The service charge income increased by $5,152,714 to $7,163,895 in 1998.

The cost of management operations rose $22,241,652, or 6.2 percent, to $381,565,058 in 1999 from $359,323,406 in 1998. Commissions to independent Agents are the largest component of the cost of management operations. Included in commission expense are the cost of scheduled commissions paid independent Agents on premiums collected, as well as promotional incentives for Agents and Agent contingency awards. Agent contingency awards are based upon a three-year average of the underwriting profitability of the direct business written and serviced by the independent Agent within the Erie Insurance Group of companies. Commission costs rose $18,216,870, or 7.4 percent, to $263,112,139 in 1999 from $244,895,269 in 1998 and 6.2 percent in 1998 from $230,659,805 in 1997. Commission costs grew faster than the rate of growth in direct written premiums in 1999 due to increased provisions for Agent contingency and incentive awards and an increase in the average commission rate. The provision for Agent contingency awards increased $9,263,589 to $19,871,036 in 1999 from $10,607,447 in 1998 as a result of excellent insurance underwriting results on direct business experienced in the past three years. The average commission rate increased due to a slight shift in the insurance product mix to more commercial and personal property lines of business from private passenger automobile insurance.

The cost of management operations, excluding commission costs, increased 3.5 percent in 1999 to $118,452,919 from $114,428,137 in 1998. The Company's

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personnel costs, net of reimbursement from affiliates, totaled $69,718,332, $67,467,067, and $66,410,377 in 1999, 1998 and 1997, respectively. Personnel costs are the second largest cost component in the cost of management operations after commissions. Employee pay rate increases, combined with current year increases in both medical and pharmaceutical Employee benefit costs due to increased 1999 claims experience, account for the majority of the increase in personnel costs.

Analysis of Insurance Underwriting Operations

The Company recorded an underwriting loss of $3,538,884 in 1999 compared to an underwriting gain of $567,275 in 1998 and an underwriting loss of $2,259,425 in 1997. The growth in loss and loss adjustment expenses outpaced the growth in premiums earned for 1999 when compared with 1998.

Premiums earned increased $4,284,427, or 3.8 percent, to $117,223,873 in 1999 while losses and loss adjustment expenses incurred increased $7,838,599, or 9.8 percent, to $87,719,264 in 1999. Included in the losses and loss adjustment expenses incurred are catastrophe losses from our direct business of $4,059,190, $2,893,626 and $701,414 in 1999, 1998 and 1997, respectively. Losses from Hurricane Floyd accounted for $1.4 million in 1999, or $.01 per share, after federal income taxes.

The Company's property/casualty insurance subsidiaries' voluntary assumed reinsurance business generated a net underwriting loss of $2,591,959 and $1,250,515 in 1999 and 1998, respectively. Catastrophes that affected Denmark and France during the fourth quarter of 1999 were largely responsible for the adverse results in the assumed reinsurance business for the year.

Catastrophes are an inherent risk of the property/ casualty insurance business and can have a material impact on the Company's insurance underwriting operating results. In addressing this risk, the Company employs what it believes are reasonable underwriting standards and monitors its exposure by geographic region. Additionally, the Company's property/casualty insurance subsidiaries have in effect a reinsurance agreement with the Exchange that would substantially mitigate the effect of catastrophe losses on the Company's financial position.

Policy acquisition and other underwriting expenses amounted to $33,043,493, $32,491,506 and $29,638,991 in 1999, 1998 and 1997, respectively. Included in the other underwriting expenses are assessments made by the state insurance guaranty associations. These assessments are mandated by statute and are used by the various state

Management Fee Revenue
By State and Line of Business
For the Year Ended December 31, 1999

(Dollars in thousands)

State	Private Passenger Auto	Homeowners	Workers' Compensation	Commercial Auto	Commercial Multi Peril	All Other Lines of Business	Total by State
District of Columbia	$ 375	$ 184	$ 287	$ 49	$ 235	$ 61	$ 1,191
Illinois	582	155	108	86	225	34	1,190
Indiana	11,307	3,868	1,377	1,257	1,766	585	20,160
Maryland	35,452	10,332	3,655	5,110	4,240	2,074	60,863
New York	6,314	1,573	682	857	1,462	261	11,149
North Carolina	7,972	3,417	2,526	3,191	3,069	919	21,094
Ohio	24,742	7,665	---	2,778	4,145	1,152	40,482
Pennsylvania	180,003	42,989	18,786	17,232	19,867	6,466	285,343
Tennessee	2,586	928	860	902	1,206	270	6,752
Virginia	20,314	5,892	5,082	4,203	4,533	1,502	41,526
West Virginia	15,699	3,374	---	1,998	1,898	656	23,625
Total by line of business	$305,346	$ 80,377	$ 33,363	$ 37,663	$ 42,646	$ 13,980	$513,375

insurance guaranty associations to guarantee the property/casualty policies of the companies that have become insolvent. These mandatory assess- ments totaled $30,915, $1,222,958 and $171,557 in 1999, 1998 and 1997, respectively. Assessments in 1998 were affected by two large insurer insolvencies in Pennsylvania and Ohio.

The 1999 combined ratio for the Company's property/casualty insurance operations calculated under Generally Accepted Accounting Principles (GAAP) was 103.0 compared to a ratio of 99.5 in 1998 and 102.1 in 1997. The GAAP combined ratio for 1999, 1998 and 1997, excluding catastrophe losses on direct business, was 99.6, 96.9 and 101.5, respectively.

Analysis of Investment Operations

Total revenue from investment operations was $63,775,746 in 1999 compared to $50,546,973 in 1998 and $42,978,156 in 1997, increases of 26.2 percent and 17.6 percent, respectively. Net investment income rose $5,379,103, or 13.9 percent, for the year ended December 31, 1999 and $5,674,117, or 17.2 percent, for the year ended December 31, 1998.

The Company's earnings from its 21.63 percent ownership of EFL totaled $5,045,131 in 1999, up from $4,777,089 in 1998 and $4,230,909 in 1997. This investment is accounted for under the equity method of accounting. Consequently, the Company's investment earnings in 1999, 1998 and 1997 were a direct result of the Company's share of EFL's net income of $23,324,697, $22,085,479 and $19,560,368, respectively.

The 5.6 percent increase in EFL's net income in 1999 was the result of a 9.0 percent increase in policy revenue and a 7.4 percent increase in net investment income, offset by an increase in Policyholder-related expenses of 8.9 percent. The 12.9 percent increase in EFL's net income in 1998 was the result of an 8.7 percent increase in policy revenues as well as a 23.9 percent decrease in death claims.

The Company's realized capital gains increased $7,581,628 in 1999 to $14,745,334. During 1998 and 1997, the Company had capital gains of $7,163,706 and $5,815,186, respectively.

Financial Condition

Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment strategy also provides for liquidity to meet the short-and long-term commitments of the Company. At December 31, 1999 and 1998, the Company's investment portfolio of investment-grade bonds, common stock and preferred stock, all of which are readily marketable, represents 46.2 percent and 44.3 percent, respectively, of total assets. These investments provide the liquidity the Company requires to meet the demands on its funds.

Mortgage loans and other invested assets, including real estate and private equity limited partnerships, have the potential for higher returns but also carry more risk, including less liquidity and greater uncertainty in the rate of return. The Company has not held or issued derivative financial instruments.

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Fixed Maturities

The Company's investment strategy includes maintain- ing a fixed maturities portfolio that is of very high quality and well diversified within each market sector. The fixed maturities portfolio is managed with the goal of achieving reasonable returns while limiting exposure to risk. At December 31, 1999, the carrying value of fixed maturity investments represented 64.9 percent of total invested assets.

The Company invests in both taxable and tax-exempt securities as part of its strategy to maximize after-tax income. This strategy considers, among other factors, the impact of the alternative minimum tax.

The Company's fixed maturity investments consist 97.9 percent of high-quality, marketable bonds all of which were rated at investment-grade levels (above Ba/BB) at December 31, 1999. Included in this investment-grade category are $225.7 million, or 46.5 percent, of the highest quality bonds rated Aaa/AAA or Aa/AA or bonds issued by the United States government. Generally, the fixed maturities in the CompanyOs portfolio are rated by external rating agencies. If such bonds are not rated externally, they are rated by the Company on a basis consistent with that used by the rating agencies.

Management classifies all fixed maturities as available-for-sale securities, allowing the Company to meet its liquidity needs and provide greater flexibility for its investment managers to restructure the Company's investments in response to changes in market conditions or strategic direction. Securities classified as available-for-sale are carried at market value with unrealized gains and losses included in shareholdersO equity. At December 31, 1999, the net unrealized loss on fixed maturities, net of deferred taxes, amounted to $2,517,000 compared to a net unrealized gain of $13,164,000 in 1998.

The Company attempts to achieve a balanced maturity schedule in order to stabilize investment income in the event of interest rate reductions in a year in which a large amount of securities could mature.

Equity Securities

Equity securities are carried on the Consolidated Statements of Financial Position at market value. At December 31, 1999 and 1998, equity securities held by the Company include net unrealized gains of $28,527,000 and $21,338,000, respectively, net of deferred taxes. Investment characteristics of common and preferred stocks differ substantially from one another. The Company's preferred stock portfolio provides a source of highly predictable current income that is competitive with investment-grade bonds. The preferred stocks are of very high quality and marketable. Common stock provides capital appreciation potential within the portfolio. Common stock investments inherently provide no assurance of producing income because dividends are not guaranteed. Preferred stocks generally provide for fixed rates of return that, while not guaranteed, resemble fixed income securities.

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Investment in EFL

The Company owns 21.63 percent of the outstanding common stock of EFL, a member company of the Erie Insurance Group. EFL markets various life insurance products, principally non-participating individual and group life policies, including universal life and individual and group annuity products, in ten jurisdictions. The Company's investment in EFL is accounted for under the equity method of accounting; consequently, the Company's carrying value of $37,007,058 represents 21.63 percent of the shareholders' equity of EFL at December 31, 1999.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates is concentrated in the investment portfolio. The Company monitors this exposure through periodic reviews of asset and liability positions. Estimates of cash flows and the impact of interest rate fluctuations relating to the investment portfolio are monitored regularly.

Principal cash flows and related weighted-average interest rates by expected maturity dates for financial instruments sensitive to interest rates are as follows:

December 31,1999 (Dollars in thousands)	Principal Cash Flows	Weighted- Average Interest Rate
Fixed maturities and short-term bonds:		
2000	$ 19,994	6.4%
2001	35,690	6.1%
2002	51,669	6.5%
2003	47,880	6.6%
2004	39,542	6.6%
Thereafter	312,262	6.9%
Total	$ 507,037	
Market Value	$ 485,522	

December 31,1998 (Dollars in thousands)	Principal Cash Flows	Weighted- Average Interest Rate
Fixed maturities and short-term bonds:		
1999	$ 57,547	5.8%
2000	14,823	6.2%
2001	32,344	5.9%
2002	43,050	6.6%
2003	40,295	6.4%
Thereafter	272,877	6.3%
Total	$ 460,936	
Market Value	$ 465,165	

Actual cash flows may differ from those stated as a result of calls and prepayments.

Equity Price Risk

The Company's portfolio of marketable equity securities, which is carried on the Consolidated Statements of Financial Position at estimated fair value, has exposure to price risk. This risk is defined as the potential loss in estimated fair value resulting from an adverse change in prices. The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analyzed regularly and market risk is actively managed through a variety of techniques. Portfolio holdings are diversified across industries; concentrations in any one company or industry are limited by parameters established by management and the Company's Board of Directors.

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Liquidity and Capital Resources

Liquidity is a measure of an entity's ability to secure enough cash to meet its contractual obligations and operating needs. The Company's major sources of funds from opera- tions are the net cash flow generated from management operations, the net cash flow from Erie Insurance CompanyOs and Erie Insurance Company of New York's 5.5 percent participation in the underwriting results of the reinsurance pool with the Exchange, and investment income from affiliated and non-affiliated investments. Cash outflows are variable because of the fluctuations in settlement dates for liabilities for unpaid losses and because of the potential for large losses, either individually or in the aggregate.

The Company generates sufficient net positive cash flow from its operations to fund its commitments and to build its investment portfolio, thereby increasing future investment returns. The Company maintains a high degree of liquidity in its investment portfolio in the form of readily marketable fixed maturities, equity securities, and short- term investments. The Company purchased investments totaling $255,780,000 in 1999 compared with purchases of $235,568,000 in 1998, an increase of 8.6 percent. Company sales and maturities of investments totaled $180,699,000 in 1999 compared to $119,569,000 in 1998, an increase of 51.1 percent. Included in this total in 1999 are sales of fixed maturities of $31,937,000 and calls and maturities of $63,084,000.

The net decrease in cash of $29,366,338 in 1999 included the $54,330,131 purchase of treasury stock. Effective January 1, 1999 through December 31, 2001, the Company may repurchase as much as $70 million of its outstanding Class A common stock. The Company may purchase the shares from time to time in the open market or by privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital. In 1999, 1,900,499 shares were repurchased at an average price of $28.59.

The Company pays substantially all general and administrative expenses on behalf of the Exchange and other affiliated companies. The Exchange generally reimburses the Company for these expenses on a paid basis each month. Because the Exchange traditionally has not paid management fees to the Company until the premiums from Policyholders are collected, the change in the premium receivable balance is used in determining the actual monthly amount transferred.

Management fee and expense reimbursements due at December 31 from the Exchange were $104,264,179 and $106,986,856 in 1999 and 1998, respectively. A receivable from EFL for expense reimbursements totaled $1,487,985 at December 31, 1999 compared to $1,625,408 at December 31, 1998. The Company also has a receivable due from the Exchange for reinsurance recoverable from losses and unearned premium balances ceded to the intercompany reinsurance pool. Such amounts totaled $365,216,739 and $359,181,553, respectively, in 1999 and 1998.

The Company has a Stock Redemption Plan that entitles estates of qualified shareholders to cause the Company to redeem shares of stock of the Company at a price equal to the fair market value of the stock at time of redemption. Limits of redemption amount to an aggregation of: (1) $10 million and (2) an annual amount, as determined by the Board in its sole discretion, not to exceed 20.0 percent of the CompanyOs net income from management operations during the prior fiscal year. This aggregate amount is reduced by redemption amounts paid. However, at no time shall the aggregate redemption limitation exceed 20.0 percent of the CompanyOs retained earnings determined as of the close of the prior year. In addition, the restated Plan limits the repurchase from any single shareholderOs estate to 33.0 percent of total share holdings of such shareholder. At the Board of Directors meeting on April 28, 1998, the Board approved an increase in the redemption amount of $17,791,624 to $58,797,036. On April 27, 1999, the Board approved an increase in the redemption amount of $19,190,347 to $77,987,383. There were no shares of stock redeemed under this Plan to date.

Dividends declared to shareholders totaled $32,802,428, $29,865,438, and $26,490,811 in 1999, 1998, and 1997, respectively. There are no regulatory restrictions on the payment of dividends to the Company's shareholders, although there are state law restrictions on the payment of dividends from the CompanyOs subsidiaries to the Company. Dividends from subsidiaries are not material to the Company's cash flows.

Property and equipment at December 31, 1999 includes $4.7 million of capitalized software expenditures related to the development of a new agency interface system for independent Agents who represent the Company. As of year-end, a final decision had not been made as to whether the Company will ultimately deploy this software. Further testing and analysis planned for the first half of 2000 should enable management to determine whether the deployment of this software will achieve managementOs desired objectives. Additional deployment costs, which would be charged to operations, are estimated at approximately $4 million.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at December 31, 1999 and 1998 of $11,805,286 and $17,121,777, respectively. The primary reason for the decrease in the deferred tax liability is a decrease in unrealized gains from available-for-sale securities in 1999 of $11,302,500, resulting in a decrease in deferred tax liability of $3,955,875. Management believes it is likely that the Company will have sufficient taxable income in future years to realize the benefits of the gross deferred tax assets.

Financial Ratings

The following table summarizes the current A. M. Best Company ratings for the insurers managed by the Company:

Erie Insurance Exchange A++
Erie Insurance Company A++
Erie Insurance Property & Casualty Company A++
Erie Insurance Company of New York A++
Flagship City Insurance Company A++
Erie Family Life Insurance Company A+

According to A. M. Best, a superior rating (A++ or A+) is assigned to those companies which, in A. M. Best's opinion, have achieved superior overall performance when compared to the standards established by A. M. Best and have a very strong ability to meet their obligations to policyholders over the long term. Financial strength ratings have become increasingly important to the insurers managed by the Company and to the industry in marketing insurance products.

Regulatory Risk-Based Capital

The NAIC standard for measuring the solvency of insurance companies, referred to as Risk-Based Capital (RBC), is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The RBC formula is used by state insurance regulators as an early warning tool to identify, for the purpose of initiating regulatory action, insurance companies that potentially are inadequately capitalized. In addition, the formula defines minimum capital standards that will supplement the current system of low fixed minimum capital and surplus requirements on a state-by-state basis. At December 31, 1999, the Company's property/casualty insurance subsidiaries' RBC levels are all substantially in excess of levels that would require regulatory action.

Reinsurance

The property/casualty insurers managed by the Company discontinued all ceded reinsurance treaties, other than with affiliated insurers, due to the strong surplus position of the insurers managed by the Company, the cost of reinsurance, and the low ratio of the premium writings of the insurers managed by the Company to their surplus. The Company does not believe this discontinuance of reinsurance treaties will have a material adverse effect, over the long term, on the results of operations of the insurance companies managed by the Company. However, the absence of such treaties could have an adverse effect on the results of operations of the insurance companies managed by the Company in a given year if the frequency or severity of claims were substantially higher than historical averages because of an unusual event or series of events.

Effective January 1, 1997, Erie Insurance Company and Erie Insurance Company of New York placed in effect an all lines aggregate excess of loss reinsurance agreement with the Exchange that supersedes the prior catastrophe excess of loss reinsurance agreement between the parties. Under the new agreement, Erie Insurance Company and Erie Insurance Company of New York reinsure their net retained share of the intercompany reinsurance pool such that, once Erie Insurance Company and Erie Insurance Company of New York have sustained ultimate net losses that exceed an amount equal to 72.5 percent of Erie Insurance Company and Erie Insurance Company of New York's net premiums earned, the Exchange will be liable for 95.0 percent of the amount of such excess up to, but not exceeding, an amount equal to 95.0 percent of 15.0 percent of Erie Insurance Company's and Erie Insurance Company of New York's net premiums earned. Erie Insurance Company and Erie Insurance Company of New York retain losses equal to 5.0 percent of the ultimate net loss in excess of the retention under the contract. The annual premium for this reinsurance treaty is subject to a minimum premium of $800,000. The annual premium for this agreement with the Exchange was $900,000 in 1999 compared to $1,158,245 in 1998, a 22.3 percent decrease. There were no loss recoveries by Erie Insurance Company or Erie Insurance

Company of New York under this agreement for 1999 or 1998. This reinsurance treaty is excluded from the inter-company reinsurance pooling agreement described earlier.

Property/Casualty Loss Reserves

General

Loss reserves are established to account for the estimated ultimate costs of loss and loss adjustment expenses for claims that have been reported but not yet settled and claims that have been incurred but not reported. The estimated loss reserve for reported claims is based primarily upon a case-by-case evaluation of the type of risk involved and knowledge of the circumstances surrounding each claim and the insurance policy provisions relating to the type of loss. Estimates of reserves for unreported claims and loss settlement expenses are determined on the basis of historical information by line of insurance as adjusted to current conditions. Inflation is implicitly provided for in the reserving function through analysis of costs, trends and reviews of historical reserving results.

The process of estimating the liability for unpaid losses and loss expenses is inherently judgmental and can be influenced by factors subject to variation. Possible sources of variation include claim frequency and severity, changing rates of inflation as well as changes in other economic conditions, judicial trends and legislative changes. It is unlikely that future losses and loss adjustment expenses will develop exactly as projected. The Company continually refines reserves as experience develops and new information becomes known. The Company reflects adjustments to reserves in the results of operations in the periods in which the estimates are changed.

Environmental-Related Claims

In establishing the liability for unpaid losses and loss adjustment expenses related to environmental claims, management considers facts currently known and the current state of the law and coverage litigation. Establishing reserves for these types of claims is subject to uncertainties that are generally greater than those represented by other types of claims. Factors contributing to those uncertainties include a lack of historical data, long reporting delays, uncertainty as to the number and identity of insureds with potential exposure, unresolved legal issues regarding policy coverage, and the extent and timing of any such contractual liability. Courts have reached different and sometimes inconsistent conclusions as to when the loss occurred and what policies provide coverage, what claims are covered, whether there is an insured obligation to defend, how policy limits are determined, how policy exclusions are applied and interpreted, and whether cleanup costs represent insured property damage. Further, even if and when the courts rule definitively on the various legal issues, many cases will still present complicated factual questions affecting coverage that must be resolved.

The insurers managed by the Company have incurred few environmental claims and, as a result, have made few indemnity payments to date. The Company's property/ casualty subsidiaries have established reserves for these exposures in amounts they believe to be adequate based on current information. Management does not believe that these claims will have a material impact on the Company's liquidity, results of operations, cash flows or financial condition.

Factors That May Affect Future Results

Management Operations

Management Fee Rate. The management fee paid to the Company as attorney-in-fact for the Exchange is subject to approval by the Company's Board of Directors. The rate may be changed periodically by the Board at its discretion but may not exceed 25.0 percent. The Board considers several factors in determining the management fee rate, including the relative financial position of the Exchange and the Company and the long-term capital needs of the Exchange in order to foster growth and competitiveness as well as maintain its superior financial strength. Because the management fee revenue from the Exchange provides the majority of the Company's revenue, the income of the Company is dependent upon the ability of the Exchange to offer competitive insurance products in the marketplace.

Competition. Intense price competition in private passenger automobile insurance, the Group's largest line of business, has affected the premium growth rate of the insurers managed by the Company and, as a consequence, the growth in the Company's management fee revenue. Favorable underwriting trends for personal automobile writers, along with strong investment returns, have facilitated significant decreases in personal automobile rate levels. To maintain the competitive position of the insurers managed by the Company in the private passenger automobile insurance marketplace, additional rate actions that reduce written premiums are possible in 2000.

Pennsylvania's deregulation of rates and forms for certain commercial insureds is another factor promoting increased competition. Insurers are no longer required to file rates and forms for approval with the Pennsylvania Insurance Department for larger commercial risks [defined as commercial entities generating an aggregate annual premium of $25,000 or more (exclusive of workers' compensation) or which have twenty-five employees and an insurance manager, consultant or buyer]. Risks that are smaller than large commercial risks are now rated under a flex band (+ or -D 10%) from the filed rates. The law allows greater flexibility in the rating of commercial risks and a faster response to changing market conditions than under the prior system. The new law could impact all insurance companies operating in Pennsylvania, either negatively or positively, depending on the market and the aggressiveness of the insurer in retaining and/or writing new commercial risks in Pennsylvania. The Company believes that commercial deregulation will result in lower rather than higher premium rate levels overall.

Insurance Operations

Geographic Expansion. The Company continues to seek quality growth by expanding its operating territories domestically for direct business and globally for the reinsurance assumed business. The expansion into new operating territories offers the opportunity for growth in property/casualty premiums of the Exchange upon which management and service fee revenue of the Company is based. Over the last several years, geographic expansion has made a significant contribution to the property/casualty premium growth rate of The ERIE. In 1999, the Company began operations in the state of Illinois and expanded its operating territory westward in the state of Tennessee. The Company anticipates that such expansion will continue to contribute positively to the growth rate and profitability of The ERIE.

Underwriting Risk. The insurers managed by the Company, including its wholly-owned subsidiaries, are subject to the risk of losses due to catastrophic events. In addressing this risk, the Company employs what it believes are reasonable underwriting standards and monitors its exposures by geographic region. The Company also evaluates other means available to insurers to effectively manage risk. Catastrophic events are a perpetual factor that could impact future results of the industry as a whole as well as the Company. The current aggregate excess of loss reinsurance agreement between the Company's property/casualty insurance subsidiaries and the Exchange substantially lessens the effect of catastrophe losses on the Company.

Regulatory

Financial Services Reform. Federal legislative initiatives on financial services reform, begun in 1997, culminated in the enactment in 1999 of Senate Bill 900, the Financial Modernization Reform Act, which significantly changes the way insurance companies, banks and securities firms are regulated. The elimination of some regulatory barriers to banks entering the insurance market, privacy initiatives concerning the consumer data held by financial institutions and the interjection of federal government agencies into the traditionally state regulated insurance industry may materially change the ground rules under which insurance products are marketed.

Additionally, current and future proposed federal measures may affect the way the property/casualty and the life insurance industries distribute, price, and service their products. These proposals may include possible changes to the tax laws governing the taxation of insurance companies, proposals regarding natural disaster protection and insurance, tort reform and the use of credit history, the Auto Choice Reform Act (see below), urban insurance issues (see below) and the enforcement of territorial underwriting in personal lines of business are other regulatory issues facing the insurance industry.

Urban Insurance Issues. Federal regulators have heightened their scrutiny of the property/casualty insurance industry, particularly its underwriting and marketing practices relative to homeowners insurance. Assertions have been made and complaints filed against various insurers for an alleged practice called "redlining," a term used to describe an insurer's illegal and unfair discrimination against minority communities that are typically located in economically depressed inner cities. The Department of Housing and Urban Development has initiated much of the action at the federal level, with enforcement by the United States Department of Justice. A number of complaints have culminated in consent decrees under which insurers have agreed to pay substantial sums of money.

Auto-Choice Reform Act. Currently pending before Congress, the Auto Choice Reform Act is one of the more recent attempts at insurance regulation by the federal government. The bill offers consumers a choice between traditional automobile insurance (i.e., a tort liability system) or coverage at a reduced premium under a personal protection policy that allows insureds to recover economic damages from their insurer but requires them to relinquish their right to sue or be sued for noneconomic damages. States could Oopt outO of such a system by passing legislation to do so. Federal legislation that mandates automobile premium rate reductions would adversely affect the manage- ment fee revenue of the Company and could affect its insurance underwriting profitability.

Year 2000

The computer systems of the Company and the property/casualty operations it manages successfully made the transition to the Year 2000. The Company's internal operating systems (hardware and software), infrastructure elements, communications systems, and personal computer hardware and software continued to function properly into the Year 2000. No external vendor or business partner experienced century change disruptions that materially affected the Company. The Company did not experience any business interruptions related to the Year 2000. The Company's total cost of testing, contingency planning and administrative support, including cost of personnel involved, cost to construct the technical test environment and cost of consulting resources, totaled $1.5 million and $1.0 million for the years ended December 31, 1999 and 1998, respectively. All Year 2000 related costs have been expensed as incurred. The related costs incurred in 2000 are not expected to be material.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Statements contained herein expressing the beliefs of management such as those contained in the "Analysis of Management Operations," "Analysis of Insurance Underwriting Operations," "Financial Condition," "Quantitative and Qualitative Disclosures About Market Risk," "Liquidity and Capital Resources," "Reinsurance," "Environmental-Related Claims," "Factors That May Affect Future Results" and "Year 2000" sections hereof, and the other statements which are not historical facts contained in this report are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include but are not limited to: legislative and regulatory changes, the impact of competitive products and pricing, product development, geographic spread of risk, weather and weather-related events, other types of catastrophic events, and technological difficulties and advancements.

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Glossary of Selected Insurance Terms

- Assume:

  To receive from an insurer or a reinsurer all or part of the insurance or reinsurance written by an insurance or reinsurance entity.

- Attorney-in-fact:

  Legal entity (Erie Indemnity Company, a corporate attorney-in-fact) which is legally appointed by another (subscribers of the Exchange) to transact business on its behalf.

- Cede:

  To transfer to an insurer or a reinsurer all or part of the insurance or reinsurance written by an insurance or reinsurance entity.

- Direct premiums written:

  Premiums on policies written by an insurer, excluding premiums for reinsurance assumed or ceded by an insurer.

- GAAP combined ratio:

  Ratio of acquisition and underwriting expenses, losses and loss adjustment expenses incurred to premiums earned.

- Gross margins from management operations:

  Net revenues from management operations divided by total revenues from management operations.

- Incurred but not reported:

  Estimated liabilities established by an insurer to reflect the losses estimated to have occurred but which are not yet known by the insurer.

- Losses:

  An occurrence that is the basis for submission of a claim. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy. "Loss" also refers to the amount of the insurer's liability arising out of the occurrence.

- Loss adjustment expenses (LAE):

  The expenses of settling claims, including legal and other fees and expenses, and the portion of general expenses allocated to claim settlement costs.

- Loss reserves:

  Estimated liabilities established by an insurer to reflect the estimated cost of claims payments and the related expenses that ultimately will be incurred in respect of insurance it has written.

- NAIC:

  The National Association of Insurance Commissioners, an association of the top regulatory officials of all 50 states and the District of Columbia organized to promote consistency of regulatory practices and statutory accounting practices throughout the United States.

- Property/Casualty insurance:

  Casualty insurance indemnifies an insured against legal liability imposed for losses caused by injuries to third persons (i.e. not the policyholder). It includes, but is not limited to, employers' liability, workers' compensation, public liability, automobile liability and personal liability. Property insurance indemnifies a person with an insurable interest in tangible property for his property loss, damage or loss of use.

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o Reciprocal insurance exchange:

An unincorporated group of persons known as subscribers who, under a common name, exchange insurance contracts with each other for the purpose of providing indemnity among themselves from losses through a common attorney-in-fact. Each subscriber gives a power of attorney under which the attorney-in-fact represents each subscriber in exchanging insurance contracts with the other subscribers.

o Reinsurance:

An instrument under which an insurer cedes to another insurer all or a portion of the risk insured and conveys/pays to that other insurer a portion of the premium received from the insured. Reinsurance makes the assuming reinsurer liable to the extent of the coverage ceded. However, in the event the reinsurer is unable to pay the assumed portion of the loss, the ceding insurer would be responsible for the entire loss.

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Market Price of and Dividends on the Common Equity and Related Shareholder Matters

Common Stock Prices:

The Class A non-voting common stock of the Company trades on The NASDAQ Stock Market(sm) under the symbol "ERIE." The following sets forth the range of high and low trading prices by quarter as reported by The NASDAQ Stock Market.

Class A Trading Price

	1999		1998	
	Low	High	Low	High
First Quarter	26 7/8	32 3/4	26 1/2	32 3/4
Second Quarter	26 3/8	28 1/2	28 1/4	34
Third Quarter	26 1/4	33	25 1/2	32 15/16
Fourth Quarter	29 1/2	34	20 1/2	31 1/4

No established trading market exists for the Class B voting common stock.

On February 18, 1997, The Executive Committee of the Board of Directors approved an enhancement to the Company's 401(K) plan for Employees which permits participants to invest a portion of the Company's contributions to the Plan in shares of Erie Indemnity Class A common stock. The Plan's Trustee was authorized to buy Erie Indemnity Company Class A common stock on behalf of 401(K) plan participants beginning May 8, 1997.

At the December 16, 1998 regular meeting of the Board of Directors of the Erie Indemnity Company, the Board approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as $70 million of its outstanding Class A common stock through December 31, 2001. The Company may purchase the shares from time to time in the open market or through privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital. For the year, 1,900,499 shares were repurchased at a total cost of $54,330,131 or an average price of $28.59.

Common Stock Dividends:

The Company historically has declared and paid cash dividends on a quarterly basis at the discretion of the Board of Directors. The payment and amount of future dividends on the common stock will be determined by the Board of Directors and will depend on, among other things, earnings, financial condition and cash requirements of the Company at the time such payment is considered, and on the ability of the Company to receive dividends from its subsidiaries, the amount of which is subject to regulatory limitations. Dividends declared for each class of stock during 1999 and 1998 are as follows:

Dividends Declared

1999:	Class A Share	Class B Share
First Quarter	$ .1200	$ 18.000
Second Quarter	.1200	18.000
Third Quarter	.1200	18.000
Fourth Quarter	.1350	20.250
	$ .4950	$ 74.250

1998:	Class A Share	Class B Share
First Quarter	$ .1075	$ 16.125
Second Quarter	.1075	16.125
Third Quarter	.1075	16.125
Fourth Quarter	.1200	18.000
	$ .4425	$ 66.375

American Stock Transfer & Trust Company serves as the Company's transfer agent and registrar.

Index to Graphs included in the
Management's Discussion and Analysis

Graph #1 ERIE INSURANCE GROUP
Organizational Structure/Major Business Units

Property/Casualty Insurance	Pooling Participation
Erie Insurance Exchange	94.5%
Erie Insurance Company***	5.0%
Erie Insurance Company of New York**	0.5%
Erie Insurance Property & Casualty Company***	0.0%
Flagship City Insurance Company*	0.0%

*Wholly-owned by Erie Insurance Exchange
**Wholly-owned by Erie Insurance Company
***Wholly-owned by Erie Indemnity Company

Management Operations

Erie Indemnity Company is the Attorney-in-Fact for the Erie Insurance Exchange (A Reciprocal Insurance Exchange)

Life Insurance Operations

Erie Family Life Insurance Company

53.2% ownership by Erie Insurance Exchange
21.6% ownership by Erie Indemnity Company

Graph #2 NET REVENUES FROM MANAGEMENT
OPERATIONS AND GROSS MARGINS
(In millions of Dollars, except ratios)

	1997	1998	1999
Net Revenues from Management Operations	$134.2	$145.2	$148.2
Gross Margin from Management Operations	28.2%	28.8%	28.0%

Graph #3 PREMIUMS EARNED AND GAAP
COMBINED RATIO EXCLUDING CATASTROPHES
(In millions of Dollars, except ratios)

	1997	1998	1999
Premiums Earned for Year Ended December 31	$107.3	$112.9	$117.2
GAAP Combined Ratio Excluding Catastrophes	101.5	96.9	99.6

Index to Graphs included in the
Management's Discussion and Analysis
(Continued)

Graph #4 REVENUE FROM INVESTMENT OPERATIONS
(In millions of dollars)

	1997	1998	1999
Net Realized Gain on Investments	$ 5.8	$ 7.2	$14.7
Equity in Earnings of EFL	$ 4.2	$ 4.8	$ 5.0
Net Investment Income	$32.9	$38.6	$44.0

Graph #5 DIVERSIFICATION OF FIXED MATURITIES
at December 31, 1999 - Carrying Value

U.S. Industrial & Misc.	47%
Special Revenue	25%
State & Political Subdivisions	11%
Other	11%
Redeemable Preferred Stock	6%

Graph #6 QUALITY* OF FIXED MATURITIES
at December 31, 1999 - Carrying Value

Aaa/AAA	32%
Baa/BBB	29%
A	22%
Aa/AA	15%
Ba/BB	2%

* As rated by Standard & Poor's or Moody's Investor's Service, Inc.

Graph #7 TERM TO MATURITY OF FIXED MATURITIES

Subsequent to 2010	35%
2001-2005	36%
2006-2010	25%
2000	4%

Graph #8 DIVERSIFICATION OF EQUITY SECURITIES
At December 31, 1999 - Carrying Value

(1) U.S. Industrial & Misc.	48%
(2) U.S. Industrial & Misc.	26%
(2) Banks, Trusts & Insurance	17%
(2) Foreign Industrial & Misc.	3%
(1) Foreign Industrial & Misc.	3%
(1) Banks, Trusts & Insurance	3%

(1) Common Stocks
(2) Preferred Stocks

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INDEPENDENT AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Shareholders
Erie Indemnity Company
Erie, Pennsylvania

We have audited the accompanying consolidated statements of financial position of Erie Indemnity Company and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Erie Indemnity Company and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ Brown, Schwab, Bergquist & Co.

Erie, Pennsylvania
February 11, 2000

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ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 1999 and 1998

(Dollars in thousands)

ASSETS	1999	1998
Investments:		
Fixed maturities at fair value (amortized cost of $489,394 and $421,102, respectively)	$ 485,522	$ 441,353
Equity securities at fair value (cost of $171,495 and $169,977, respectively)	215,383	202,804
Real estate mortgage loans	8,230	8,287
Other invested assets	39,116	17,494
Total investments	$ 748,251	$ 669,938
Cash and cash equivalents	24,214	53,580
Accrued investment income	7,998	7,252
Premiums receivable from policyholders	139,941	136,815
Prepaid federal income taxes	2,975	2,509
Reinsurance recoverable from Erie Insurance Exchange	365,217	359,182
Note receivable from Erie Family Life Insurance Company	15,000	15,000
Other receivables from Erie Insurance Exchange and affiliates	105,752	108,612
Reinsurance recoverable non-affiliates	912	939
Deferred policy acquisition costs	11,405	10,863
Property and equipment	15,261	12,389
Equity in Erie Family Life Insurance Company	37,007	39,479
Other assets	43,934	36,874
Total assets	$ 1,517,867	$ 1,453,432

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LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
LIABILITIES		
Unpaid losses and loss adjustment expenses	$ 432,895	$ 426,165
Unearned premiums	236,525	229,056
Commissions payable and accrued	92,874	85,006
Accounts payable and accrued expenses	24,187	20,253
Deferred income taxes	11,805	17,122
Dividends payable	8,853	8,099
Employee benefit obligations	13,129	12,508
Total liabilities	$ 820,268	$ 798,209
SHAREHOLDERS' EQUITY		
Capital stock		
Class A common, stated value $.0292 per share; authorized 74,996,930 shares; 67,032,000 shares issued and 65,131,501 shares outstanding in 1999 and 67,032,000 in 1998	$ 1,955	$ 1,955
Class B common, stated value $70 per share; authorized 3,070 shares; 3,070 shares issued and outstanding	215	215
Additional paid-in capital	7,830	7,830
Accumulated other comprehensive income	26,581	40,178
Retained earnings	715,348	605,045
Total contributed capital and retained earnings	$ 751,929	$ 655,223
Treasury stock, at cost, 1,900,499 shares repurchased in 1999)	(54,330)	0
Total shareholders' equity	$ 697,599	$ 655,223
Total liabilities and shareholders' equity	$ 1,517,867	$ 1,453,432

See accompanying notes to consolidated financial statements.

INCORPORATED BY REFERENCE, PAGE 33 OF THE COMPANY'S 1999 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 1999, 1998 and 1997

(Dollars in thousands, except per share data)

	1999	1998	1997
MANAGEMENT OPERATIONS:			
Management fee revenue	$ 513,375	$ 489,147	$ 467,603
Service agreement revenue	15,441	13,879	7,026
Other operating revenue	1,267	1,541	1,363
Total revenue from management operations	$ 530,083	$ 504,567	$ 475,992
Cost of management operations	381,565	359,324	341,791
Net revenue from management operations	$ 148,518	$ 145,243	$ 134,201
INSURANCE UNDERWRITING OPERATIONS:			
Premiums earned	$ 117,224	$ 112,939	$ 107,350
Losses and loss adjustment expenses incurred	$ 87,719	$ 79,881	$ 79,970
Policy acquisition and other underwriting expenses	33,044	32,491	29,639
Total losses and expenses	$ 120,763	$ 112,372	$ 109,609
Underwriting (loss) gain	($ 3,539)	$ 567	($ 2,259)
INVESTMENT OPERATIONS:			
Equity in earnings of Erie Family Life Insurance Company	$ 5,045	$ 4,777	$ 4,231
Net investment income	43,985	38,606	32,932
Net realized gain on investments	14,746	7,164	5,815
Total revenue from investment operations	$ 63,776	$ 50,547	$ 42,978
Income before income taxes	$ 208,755	$ 196,357	$ 174,920
Provision for income taxes	65,649	61,806	56,339
NET INCOME	$ 143,106	$ 134,551	$ 118,581
Net income per share	$ 1.95	$ 1.81	$ 1.59

See accompanying notes to consolidated financial statements.

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ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 1999, 1998 and 1997

(Dollars in thousands, except per share data)

	Total Shareholders' Equity	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income
Balance, January 1, 1997	$ 435,759	$	$ 408,269	$ 17,490
Comprehensive income				
Net income	118,581	$ 118,581	118,581	
Other comprehensive income, net of tax	11,534	11,534		11,534
Comprehensive income		$ 130,115		
Dividends:				
Class A $.3925 per share	(26,310)		(26,310)	
Class B $58.875 per share	(181)		(181)	
Balance, December 31, 1997	$ 539,383		$ 500,359	$ 29,024
Comprehensive income				
Net income	134,551	$ 134,551	134,551	
Other comprehensive income, net of tax	11,154	11,154		11,154
Comprehensive income		$ 145,705		
Dividends:				
Class A $.4425 per share	(29,662)		(29,662)	
Class B $66.375 per share	(203)		(203)	
Balance, December 31, 1998	$ 655,223		$ 605,045	$ 40,178
Comprehensive income				
Net income	143,106	$ 143,106	143,106	
Other comprehensive loss, net of tax	(13,597)	(13,597)		(13,597)
Comprehensive income		$ 129,509		
Purchase of treasury stock	(54,330)			
Dividends:				
Class A $.495 per share	(32,575)		(32,575)	
Class B $74.25 per share	(228)		(228)	
Balance, December 31, 1999	$ 697,599		$ 715,348	$ 26,581

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ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 1999, 1998 and 1997

(Dollars in thousands, except per share data)

	Class A Common	Class B Common	Additional Paid-in-Capital	Treasury Stock
Balance, January 1, 1997	$ 1,955	$ 215	$ 7,830	$ 0
Comprehensive income				
Net income				
Other comprehensive income, net of tax				
Comprehensive income				
Dividends:				
Class A $.3925 per share				
Class B $58.875 per share				
Balance, December 31, 1997	$ 1,955	$ 215	$ 7,830	$ 0
Comprehensive income				
Net income				
Other comprehensive income, net of tax				
Comprehensive income				
Dividends:				
Class A $.4425 per share				
Class B $66.375 per share				
Balance, December 31, 1998	$ 1,955	$ 215	$ 7,830	$ 0
Comprehensive income				
Net income				
Other comprehensive income, net of tax				
Comprehensive income				
Purchase of treasury stock				(54,330)
Dividends:				
Class A $.495 per share				
Class B $74.25 per share				
Balance, December 31, 1999	$ 1,955	$ 215	$ 7,830	($ 54,330)

See accompanying notes to consolidated financial statements.

INCORPORATED BY REFERENCE, PAGE 35 OF THE COMPANY'S 1999 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 1999, 1998 and 1997

(Dollars in thousands)

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 143,106	$ 134,551	$ 118,581
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,766	2,001	1,889
Deferred income tax (benefit) expense	(1,311)	4,677	441
Amortization of deferred policy acquisition costs	22,507	21,357	20,103
Realized gain on investments	(14,746)	(7,164)	(5,815)
Net amortization of bond premium (discount)	80	(89)	(158)
Undistributed earnings of Erie Family Life	(3,696)	(3,551)	(3,127)
Deferred compensation	1,212	1,081	345
Increase in accrued investment income	(745)	(1,124)	(559)
Increase in receivables	(6,274)	(1,387)	(21,846)
Policy acquisition costs deferred	(23,049)	(21,936)	(20,845)
Increase in prepaid expenses and other assets	(6,185)	(10,194)	(4,503)
Increase (decrease) in accounts payable and accrued expenses	3,343	6,646	(2,864)
Increase in commissions payable and accrued	7,868	3,855	5,632
(Decrease) increase in income taxes payable	(466)	(827)	2,375
Increase in loss reserves	6,730	12,756	26,984
Increase in unearned premiums	7,469	9,846	2,273
Net cash provided by operating activities	$ 137,609	$ 150,498	$ 118,906
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments:			
Fixed maturities	($ 162,769)	($ 132,217)	($ 69,647)
Equity securities	(71,637)	(90,404)	(73,953)
Mortgage loans	(66)	(160)	(1,223)
Other invested assets	(21,308)	(12,787)	(1,571)
Sales/maturities of investments:			
Fixed maturities	95,021	45,148	37,996
Equity securities	84,187	70,848	51,483
Mortgage loans	123	265	124
Other invested assets	1,368	3,308	648
Purchase of property and equipment	(444)	(394)	(559)
Purchase of computer software	(4,194)	(3,865)	(1,619)
Loans to agents	(3,459)	(2,431)	(1,729)
Collections on agent loans	2,582	1,644	1,220
Net cash used in investing activities	($ 80,596)	($ 121,045)	($ 58,830)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	($ 32,049)	($ 29,021)	($ 25,648)
Purchase of treasury stock	(54,330)	0	0
Net cash used in financing activities	($ 86,379)	($ 29,021)	($ 25,648)
Net (decrease) increase in cash and cash equivalents	($ 29,366)	$ 432	$ 34,428
Cash and cash equivalents at beginning of year	53,580	53,148	18,720
Cash and cash equivalents at end of year	$ 24,214	$ 53,580	$ 53,148

Supplemental disclosures of cash flow information:

Cash paid during the years ended December 31, 1999, 1998 and 1997 for income taxes was $67,495, $57,929 and $55,166, respectively.

See accompanying notes to consolidated financial statements.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts are in thousands of dollars except per share data

NOTE 1. NATURE OF BUSINESS

Erie Indemnity Company (Company) is the attorney-in-fact for the Erie Insurance Exchange (Exchange), a reciprocal insurance exchange. The Company earns a management fee for administrative and underwriting services provided to the Exchange and its affiliates. The Exchange is a property/casualty insurer rated A++ Superior by A. M. Best. See also Note 10.

The Company's property/casualty insurance subsidiaries share proportionately in the results of all property/casualty insurance underwriting operations of the Exchange. The Exchange, Erie Insurance Company (EIC), a wholly-owned subsidiary of the Company and the Erie Insurance Company of New York (EINY), a wholly-owned subsidiary of the EIC, are part of an intercompany pooling agreement. Under this agreement, EIC and EINY cede 100% of their property/casualty insurance business, including property/casualty insurance operations assets and liabilities, to the Exchange. The Exchange retrocedes to EIC and EINY a specified percentage (5% for EIC and .5% for EINY during 1999, 1998 and 1997) of all pooled property/casualty insurance business, including insurance operations assets and liabilities. Insurance ceded by EIC and EINY to the Exchange does not relieve EIC and EINY from their primary liability as the original insurers. See also Note 12.

The property/casualty insurers operate in ten states and the District of Columbia. Business consists, to a large extent, of private passenger and commercial automobile, homeowners and workers' compensation insurance in Pennsylvania, Ohio, West Virginia, Maryland and Virginia.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles that differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts reported in prior years have been reclassified to conform to the current year's financial statement presentation.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments and cash equivalents

Fixed maturities determined by management not to be held-to-maturity and marketable equity securities are classified as available-for-sale. Equity securities consist primarily of common and nonredeemable preferred stocks while fixed maturities consist of bonds, notes and redeemable preferred stock. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of comprehensive income and shareholders' equity. There are no securities classified as "trading" or "held-to-maturity."

Realized gains and losses on sales of investments, including losses from declines in value of specific securities determined by management to be other-than-temporary, are recognized in income on the specific identification method. Interest and dividend income is recorded as earned.

Other invested assets include investments in U.S. domestic and foreign private equity and real estate limited partnerships. The private equity limited partnerships invest in small- to medium-sized companies. The private equity limited partnerships are carried at their estimated market values. Real estate limited partnerships are recorded using the equity method, which approximates the Company's share of the carrying value of the real estate investments held by the partnerships.

Cash equivalents include, primarily, investments in bank money market funds.

Fair value of financial instruments

Fair values of available-for-sale securities are based on quoted market prices, where available, or dealer quotations. The carrying amounts reported in the Consolidated Statements of Financial Position approximate fair value. The carrying value of receivables and liabilities arising in the ordinary course of business approximates their fair values.

Recognition of premium revenues and losses

Property and liability premiums are generally recognized as revenue on a pro rata basis over the policy term. Unearned premiums are established for the unexpired portion of premiums written. Losses and loss adjustment expenses are recorded as incurred. Premiums earned and losses and loss adjustment expenses incurred are reflected in the Consolidated Statements of Operations net of amounts ceded to the Exchange. See also Note 12.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred policy acquisition costs

Commissions and other costs of acquiring insurance that vary with,and are primarily related, to the production of new and renewal business are deferred and amortized over the terms of the policies or reinsurance treaties to which they relate. The amount of costs to be deferred would be reduced to the extent future policy premiums and anticipated investment income would not exceed related losses, expenses and Policyholder dividends. Amortization expense equaled $22,507, $21,357 and $20,103 in 1999, 1998 and 1997, respectively.

Insurance liabilities

Losses refer to amounts paid or expected to be paid for events which have occurred. The cost of investigating, resolving and processing these claims are referred to as loss adjustment expenses. A liability is established for the total unpaid cost of losses and loss adjustment expenses, which covers events occurring in current and prior years.

The liability for losses and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. Inflation is provided for in the reserving function through analysis of costs, trends and reviews of historical reserving results. Such liabilities are necessarily based on estimates and, while management believes the amount is appropriate, the ultimate liability may differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in current earnings. Loss reserves, as permitted by insurance department statute, are set at full expected cost except for loss reserves for workers' compensation which have been discounted at 2.5%. Unpaid losses and loss adjustment expenses in the Consolidated Statements of Financial Position were reduced by $1,377 and $1,562 at December 31, 1999 and 1998, respectively, due to discounting. The reserves for losses and loss adjustment expenses is reported net of receivables for salvage and subrogation of $3,128 and $2,970 at December 31, 1999 and 1998, respectively.

Environmental-related claims

In establishing the liability for unpaid losses and loss adjustment expenses related to environmental claims, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities have been established to cover additional exposures on both known and unasserted claims. Estimates of the liabilities are reviewed and updated continually. The total amount of the Company's property/casualty subsidiaries share of paid losses and loss reserves pertaining to environmental-related claims is immaterial.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liability for guaranty fund and other assessments

The Company's property/casualty insurance subsidiaries may be required, under the solvency or guaranty laws of the various states in which they are licensed, to pay assessments up to prescribed limits to fund Policyholder losses or liabilities of insolvent insurance companies. Certain states permit these assessments, or a portion thereof, to be recovered as an offset to future premium taxes. Assessments are recognized when they are imposed or information indicates it is probable one will be imposed, or an event obligating the Company has occurred and the amount can be reasonably estimated. When the assessment is subject to credit against future premium taxes and judged to be recoverable, the payments made may be deferred and amortized on a consistent basis with the credits to be realized under applicable state law. The estimated liability for guaranty fund and other assessments at December 31, 1999 and 1998 totaled $867 and $1,189, respectively.

Reinsurance

The Consolidated Statements of Operations are presented net of reinsurance activities. Gross losses and expenses incurred are reduced for amounts expected to be recovered under reinsurance agreements. Reinsurance transactions are recorded "gross" on the Consolidated Statements of Financial Position. Estimated reinsurance recoverables and receivables for ceded unearned premiums are recorded as assets with liabilities recorded for related unpaid losses and expenses and unearned premiums.

Income taxes

Provisions for income taxes include deferred taxes resulting from changes in cumulative temporary differences between the tax bases and financial statement bases of assets and liabilities. Deferred taxes are provided on a liability method whereby, deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Property and equipment

Property and equipment are stated at cost. Improvements and replacements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation of property and equipment is computed using straight line and accelerated methods over the estimated useful lives of the assets. The costs and accumulated depreciation and amortization of property sold or retired are removed from the accounts and gains or losses, if any, are reflected in earnings for the year.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Software development costs, primarily salaries and benefits, totaling $8,254 and $3,639 are capitalized at December 31, 1999 and 1998, respectively, and included in property and equipment. These costs will be amortized on a straight line basis over the expected life of the products once the software is ready for intended use.

Property and equipment as of December 31 is summarized as follows:

	1999	1998
Land	$ 737	$ 737
Buildings	5,861	5,858
Leasehold improvements	303	251
Computer software	16,691	12,497
Computer equipment	3,419	3,030
Transportation equipment	450	450
	$ 27,461	$ 22,823
Less accumulated depreciation	12,200	10,434
	$ 15,261	$ 12,389

Earnings per share

Earnings per share is based on the weighted average number of Class A shares outstanding, giving effect to the conversion of the weighted average number of Class B shares outstanding at a rate of 2,400 Class A shares for one Class B share. The total weighted average number of Class A equivalent shares outstanding (including conversion of Class B shares) was 73,486,572 during 1999 and 74,400,000 during 1998.

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ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS

The following tables summarize the cost and market value of available-for-sale securities at December 31, 1999 and 1998.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1999				
Fixed Maturities:				
U.S. treasuries & government agencies	$ 11,029	$ 136	$ 114	$ 11,051
States & political subdivisions	52,064	1,477	423	53,118
Special revenue	120,170	2,487	561	122,096
Public utilities	20,909	17	608	20,318
U. S. industrial & miscellaneous	232,458	1,644	6,926	227,176
Foreign governments	21,593	83	933	20,743
Total bonds	$ 458,223	$ 5,844	$ 9,565	$ 454,502
Redeemable preferred stock	31,171	657	808	31,020
Total fixed maturities	$ 489,394	$ 6,501	$ 10,373	$ 485,522
Equity Securities:				
Common stock:				
U. S. banks, trusts & insurance companies	$ 3,887	$ 3,631	$ 362	$ 7,156
U. S. industrial & miscellaneous	56,035	51,194	4,097	103,132
Foreign industrial & miscellaneous	4,948	1,000	437	5,511
Non-redeemable preferred stock:				
U. S. banks, trusts & insurance companies	38,708	615	2,629	36,694
U. S. industrial & miscellaneous	61,109	894	5,341	56,662
Foreign industrial & miscellaneous	6,808	25	605	6,228
Total equity securities	$ 171,495	$ 57,359	$ 13,471	$ 215,383
Total available-for-sale securities	$ 660,889	$ 63,860	$ 23,844	$ 700,905

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ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1998				
Fixed Maturities:				
U.S. treasuries & government agencies	$ 13,018	$ 689	$ 0	$ 13,707
States & political subdivisions	48,307	3,293	0	51,600
Special revenue	132,025	7,215	5	139,235
Public utilities	13,116	300	0	13,416
U. S. industrial & miscellaneous	195,296	9,028	629	203,695
Foreign	7,149	165	267	7,047
Total bonds	$ 408,911	$ 20,690	$ 901	$ 428,700
Redeemable preferred stock	12,191	577	115	12,653
Total fixed maturities	$ 421,102	$ 21,267	$ 1,016	$ 441,353
Equity Securities:				
Common stock:				
U. S. banks, trusts & insurance companies	$ 3,522	$ 197	$ 231	$ 3,488
U. S. industrial & miscellaneous	53,914	37,158	7,509	83,563
Foreign industrial & miscellaneous	3,186	271	278	3,179
Non-redeemable preferred stock:				
U. S. banks, trusts & insurance companies	42,807	2,561	30	45,338
U. S. industrial & miscellaneous	59,858	2,024	1,419	60,463
Foreign industrial & miscellaneous	6,690	228	145	6,773
Total equity securities	$ 169,977	$ 42,439	$ 9,612	$ 202,804
Total available-for-sale securities	$ 591,079	$ 63,706	$ 10,628	$ 644,157

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

The amortized cost and estimated fair value of fixed maturities at December 31, 1999, by remaining contractual term to maturity, are shown below.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 17,674	$ 17,673
Due after one year through five years	177,506	175,344
Due after five years through ten years	124,116	122,251
Due after ten years	170,098	170,254
	$ 489,394	$ 485,522

Changes in unrealized gains consist of the following for the years ended December 31:

	1999	1998	1997
Equity securities	$ 11,061	$ 11,818	$ 5,462
Fixed maturities	(24,123)	3,415	7,754
Other	1,616	32	63
Equity in unrealized (losses) gains of Erie Family Life Insurance Company	(9,473)	1,895	4,466
Deferred federal income taxes	7,322	(6,006)	(6,211)
(Decrease) increase in unrealized gains	($ 13,597)	$ 11,154	$ 11,534

Sources of net investment income follow for the years ended December 31:

	1999	1998	1997
Fixed maturities	$ 30,547	$ 25,562	$ 21,929
Equity securities	10,104	8,227	7,059
Other	3,863	5,256	4,237
Total investment income	$ 44,514	$ 39,045	$ 33,225
Investment expense	529	439	293
Net investment income	$ 43,985	$ 38,606	$ 32,932

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

Realized gains and losses on investments reflected in operations are summarized below for the years ended December 31:

	1999	1998	1997
Realized gains:			
Fixed maturities	$ 712	$ 809	$ 252
Equity securities	18,437	9,663	6,613
Other invested assets	0	688	0
Total gains	$ 19,149	$ 11,160	$ 6,865
Realized losses:			
Fixed maturities	$ 87	$ 1	$ 19
Equity securities	4,316	3,397	1,031
Other invested assets	0	598	0
Total losses	$ 4,403	$ 3,996	$ 1,050
Net realized gain on investments	$ 14,746	$ 7,164	$ 5,815

NOTE 4. COMPREHENSIVE INCOME

The Company adopted the provisions of the Statement of Financial Accounting Standards (FAS) No. 130, "Reporting Comprehensive Income," in 1998. Comprehensive income is defined as any change in equity from transactions and other events originating from nonowner sources. The components of other comprehensive income follow for the years ended December 31:

	1999	1998	1997
Unrealized holding (losses) gains arising during period	($ 6,173)	$ 24,324	$ 23,560
Less: reclassification adjustment for gains included in net income	(14,746)	(7,164)	(5,815)
Net unrealized holdings (losses) gains arising during period	($ 20,919)	$ 17,160	$ 17,745
Income tax benefit (expense) related to unrealized gains or losses	$ 7,322	($ 6,006)	($ 6,211)
Other comprehensive (loss) income, net of tax	($ 13,597)	$ 11,154	$ 11,534

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. EQUITY IN ERIE FAMILY LIFE INSURANCE COMPANY

The Company owns 21.63% of Erie Family Life Insurance Company's (EFL) common shares outstanding, which is accounted for using the equity method of accounting. EFL is a Pennsylvania-domiciled life insurance company operating in nine states and the District of Columbia.

The following represents condensed financial information for EFL:

	1999	1998	1997
Investments	$ 817,460	$ 774,882	$ 703,033
Total assets	954,532	917,606	832,534
Liabilities	783,429	735,075	672,155
Shareholders' equity	171,103	182,531	160,379
Revenues	102,924	96,210	91,037
Net income	23,325	22,085	19,560
Comprehensive (loss) income	(5,191)	27,821	32,852
Dividends paid to shareholders	6,096	5,529	5,008

The Company's share of EFL's net unrealized (losses) or gains on securities is reflected in shareholders' equity [($502), $5,656 and $4,425 at December 31, 1999, 1998 and 1997, respectively.] The 1999 change in net unrealized losses on securities was $6,158. In 1998 and 1997, changes in the net unrealized gain on securities was $1,232 and $2,880, respectively.

Deferred federal income taxes have not been provided on the Company's equity in undistributed earnings of EFL. It is management's current intent to reinvest undistributed earnings indefinitely and not liquidate its investment in EFL. The estimated deferred tax liability unrecognized at December 31, 1999, 1998 and 1997 is $2,564, $2,737 and $2,401, respectively.

NOTE 6. BENEFIT PLANS

Pension plan for Employees

The Company has a non-contributory defined benefit pension plan covering substantially all Employees of the Company. Information about this plan follows for the years ended December 31:

	1999	1998
Net periodic benefit cost:		
Service cost	$ 6,518	$ 5,119
Interest cost	6,627	6,214
Expected return on plan assets	(10,862)	(9,419)
Amortization of prior service cost	530	448
Recognized actuarial gain	(1,035)	(1,252)
Amortization of unrecognized initial net obligation	(234)	(234)
Net periodic benefit cost	$ 1,544	$ 876

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

	1999	1998
Fair Value of Plan Assets:		
Fair value of plan assets at January 1	$ 133,377	$ 117,644
Actual return on plan assets	25,732	12,330
Employer contributions	3,000	6,491
Benefits paid	(1,724)	(3,088)
Fair value of plan assets at December 31	$ 160,385	$ 133,377
Projected benefit obligation:		
Benefit obligation at January 1	$ 100,281	$ 83,575
Service cost	6,518	5,119
Interest cost	6,627	6,214
Amendments	1,231	0
Actuarial (gain) loss	(18,373)	8,461
Benefits paid	(1,724)	(3,088)
Projected benefit obligation at December 31	$ 94,560	$ 100,281
Funded status:		
Funded status at December 31	$ 65,825	$ 33,096
Unrecognized net actuarial gain	(55,280)	(23,073)
Unrecognized prior service cost	3,630	2,929
Unrecognized initial net obligation	(935)	(1,168)
Net asset recognized on Consolidated Statements of Financial Position	$ 13,240	$ 11,784

The plan assets include cash, treasury bonds, corporate bonds, common and preferred stocks and mortgages.

The amendment amount relates to an increase in monthly benefits to retired employees.

Assumptions used in accounting for the pension plan were as follows:

	1999	1998
Weighted average discount rate used to measure projected benefit obligation	7.50%	6.75%
Weighted average rate of compensation increase used to measure projected benefit obligation	5.00%	5.00%
Weighted average expected long-term rate of return on plan assets	8.25%	8.25%

The Company's funding policy is to contribute amounts sufficient to meet ERISA funding requirements plus such additional amounts as may be determined to be appropriate.

The pension plan purchases individual annuities periodically from EFL to settle retiree benefit payments. Such purchases equaled $5,322, $6,413 and $1,992 in 1999, 1998 and 1997, respectively. These are non-participating annuity contracts under which EFL has unconditionally contracted to provide specified benefits to beneficiaries in return for a fixed premium from the plan. However, the plan remains the primary obligor to the beneficiaries and a contingent liability exists

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

in the event EFL could not honor the annuity contracts. The benefit obligation has been reduced for these annuities purchased for retirees.

The accumulated benefit obligation was $57,824 and $59,537, respectively, as of December 31, 1999 and 1998.

Pension plans for senior and executive officers and outside directors

The Company has an unfunded supplemental pension plan for its senior and executive officers and an unfunded pension plan for its outside directors. Information about the plans follow for the years ended December 31:

	1999	1998
Net periodic benefit cost:		
Service cost	$ 448	$ 363
Interest cost	715	628
Amortization of prior service cost	527	528
Recognized actuarial loss	454	364
Net periodic benefit cost	$ 2,144	$ 1,883
Benefit obligation:		
Benefit obligation at January 1	$ 10,101	$ 5,049
Service cost	448	363
Interest cost	715	628
Amendments	0	3,138
Actuarial (gain) loss	(736)	993
Benefits paid	(500)	(70)
Benefit obligation at December 31	$ 10,028	$ 10,101
Funded status:		
Funded status at December 31	$ 10,028	$ 10,101
Unrecognized net actuarial gain	(3,086)	(3,423)
Unrecognized prior service cost	(2,772)	(3,299)
Net liability recognized on Consolidated Statements of Financial Position	$ 4,170	$ 3,379
Amounts recognized in the Consolidated Statements of Financial Position consist of:		
Employee benefit obligation	$ 6,794	$ 6,678
Other assets	(2,624)	(3,299)
Net amount recognized	$ 4,170	$ 3,379

The weighted average discount rate used for purposes of determining the projected benefit obligation of the officers' supplemental pension plan was 7.50% and 6.75% in 1999 and 1998, respectively. The weighted average rate of compensation increase used to measure the projected benefit obligation of the officers' supplemental pension plan was 5.0% in 1999 and 1998.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

The accumulated benefit obligation was $6,794 and $6,678, respectively, as of December 31, 1999 and 1998.

Post-retirement benefits other than pensions

The Company provides post-retirement medical coverage for eligible retired Employees and eligible dependents. The Company pays the obligation when due. Actuarially determined costs are recognized over the period the Employee provides service to the Company. Information about this plan follows for the years ended December 31:

	1999	1998
Net periodic benefit cost:		
Service cost	$ 383	$ 333
Interest cost	311	319
Amortization of prior service cost	(37)	(37)
Recognized actuarial gain	(31)	(40)
Net periodic benefit cost	$ 626	$ 575
Change in benefit obligation:		
Benefit obligation at January 1	$ 5,034	$ 4,071
Service cost	383	333
Interest cost	311	319
Actuarial (gain) loss	(862)	423
Benefits paid	(121)	(112)
Benefit obligation at December 31	$ 4,745	$ 5,034
Funded status:		
Funded status at December 31	$ 4,745	$ 5,034
Unrecognized net actuarial loss	1,187	356
Unrecognized initial net obligation	403	440
Net amount recognized	$ 6,335	$ 5,830

The cash payments for such benefits were $121, $112 and $176 in 1999, 1998 and 1997, respectively.

The weighted average discount rate used to measure the accumulated post-retirement benefit obligation was 7.50% and 6.75% in 1999 and 1998, respectively. The December 31, 1999 accumulated benefit obligation was based on a 8.5% increase in the cost of covered health care benefits during 1999. The expected health care cost trend rate assumption for 2000 is 8.0%. This rate is assumed to decrease gradually to 5% per year in 2006 and to remain at that level thereafter.

	1999	1998
Effect on total of service and interest cost components:		
1% Increase	$ 119	$ 113
1% Decrease	(99)	(94)
Effect on post-retirement benefit obligation:		
1% Increase	$ 688	$ 766
1% Decrease	(584)	(647)

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

Employee savings plan

The Company has an Employee Savings Plan for its Employees. Eligible participants are permitted to make contributions of 1% to 8% of compensation to the plan on a pre-tax salary reduction basis in accordance with provisions of Section 401(k) of the Internal Revenue Code. The Company matches one-half of the participant contributions up to 6% of compensation. All full-time Employees are eligible to participate in the plan. The Company's matching contributions to the plan in 1999, 1998 and 1997 were $3,245, $3,069 and $2,892, respectively. Effective May 1997, Employees were permitted to invest a portion of employer contributions in the Class A common stock of the Company. The plan will acquire shares in the open market necessary to meet the obligations of the plan.

Deferred compensation and incentive plans

Certain eligible Employees of the Company and its affiliates participate in a deferred compensation plan. These same individuals receive compensation under executive incentive plans. Benefits charged to operations under the deferred compensation plan, as well as the incentive plans, totaled $3,352, $2,817 and $1,347 during 1999, 1998 and 1997, respectively.

Health and dental benefits

The Company has self-funded health and dental care plans for all of its Employees and eligible dependents. Estimated unpaid claims incurred are accrued as a liability at December 31, 1999 and 1998. Operations were charged $14,756, $13,057 and $12,646 in 1999, 1998 and 1997, respectively, for the cost of health and dental care provided under these plans.

all of the above mentioned benefit plan expenses are presented gross, prior to reimbursement from the Exchange and EFL. See also Note 10.

NOTE 7. INCOME TAXES

The provision for income taxes consists of the following for the years ended December 31:

	1999	1998	1997
Federal			
Current	$ 66,960	$ 57,129	$ 55,897
Deferred	(1,311)	4,677	442
	$ 65,649	$ 61,806	$ 56,339

A reconciliation of the provision for income taxes with amounts determined by applying the statutory federal income tax rates to pre-tax income is as follows:

	1999	1998	1997
Income tax at statutory rates	$ 73,051	$ 68,725	$ 61,222
Deduct:			
Undistributed earnings of affiliate	(1,280)	(1,242)	(1,095)
Tax-exempt interest	(3,229)	(3,192)	(3,009)
Dividends received deduction	(2,064)	(1,782)	(1,628)
Other	(829)	(703)	849
Provision for income taxes	$ 65,649	$ 61,806	$ 56,339

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. INCOME TAXES (CONTINUED)

Temporary differences and carryforwards, which give rise to deferred tax assets and liabilities, are as follows:

	December 31, 1999	December 31, 1998
Deferred tax assets:		
Loss reserve discount	$ 3,602	$ 3,497
Unearned premiums	3,968	3,884
Alternative minimum tax paid	262	1,108
Employee benefit plan obligations	3,445	2,526
Other	360	275
Total deferred tax assets	$ 11,637	$ 11,290
Deferred tax liabilities:		
Deferred policy acquisition costs	$ 3,992	$ 3,802
Unrealized gains	14,633	18,590
Pension and other benefits	2,376	3,469
Capitalized salaries and benefits	950	589
Accrual of discount	577	988
Property and equipment	269	547
Other	645	427
Total deferred tax liabilities	$ 23,442	$ 28,412
Net deferred tax liability	$ 11,805	$ 17,122

The Company, as a corporate attorney-in-fact for a reciprocal insurer, is not subject to state corporate taxes.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. CAPITAL STOCK

Class A and B shares

Holders of Class B shares may, at their option, convert their shares into Class A shares at the rate of 2,400 Class A shares for each Class B share. There is no provision for conversion of Class A shares to Class B shares and Class B shares surrendered for conversion cannot be reissued. Each share of Class A common stock outstanding at the time of the declaration of any dividend upon shares of Class B common stock shall be entitled to a dividend payable at the same time, at the same record date, and in an amount at least equal to 2/3 of 1% of any dividend declared on each share of Class B common stock. The Company may declare and pay a dividend in respect of Class A common stock without any requirement that any dividend be declared and paid in respect of Class B common stock. Sole voting power is vested in Class B common stock except insofar as any applicable law shall permit Class A common stock to vote as a class in regards to any changes in the rights, preferences and privileges attaching to Class A common stock.

Redemption provisions

The Erie Indemnity Company Stock Redemption Plan entitles heirs of shareholders to cause the Company to redeem shares of stock of the Company at a price equal to the fair market value of the stock as determined by the Board's sole discretion after consideration of certain factors at time of redemption. The redemption amount is limited to an aggregation of: (1)$10 million as of December 31, 1995 and (2)an additional annual amount as determined by the Board in its sole discretion, not to exceed 20% of the Company's net income from management operations during the prior fiscal year. This aggregate amount is reduced by redemption amounts paid. However, at no time shall the aggregate redemption limitation exceed 20% of the Company's retained earnings determined as of the close of the prior year. In addition, the plan limits the repurchase from any single shareholder's estate to 33% of total shareholdings of such shareholder. On April 28, 1998, the Board approved an increase in the redemption amount of $17,792 to $58,797. On April 27, 1999 the Board approved an increase in the redemption amount of $19,190 to $77,987. There were no shares of stock redeemed during 1999, 1998 or 1997.

Stock repurchase plan

In December 1998, the Board of Directors of the Company approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as $70 million of its outstanding Class A common stock through December 31, 2001. The Company may purchase the shares from time to time in the open market or through privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital. In 1999 there were 1,900,499 shares repurchased at a total cost of $54,330, or an average price per share of $28.59.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table provides a reconciliation of beginning and ending liability balances for 1999, 1998 and 1997 for the Company's wholly-owned property/casualty insurance subsidiaries.

	1999	1998	1997
Total unpaid losses and loss adjustment expenses at January 1, gross	$ 426,165	$ 413,409	$ 386,425
Less reinsurance recoverables	334,708	323,910	301,553
Net balance at January 1	91,457	89,499	84,872
Incurred related to:			
Current year	88,422	80,627	77,345
Prior years	(703)	(746)	2,625
Total incurred	87,719	79,881	79,970
Paid related to:			
Current year	50,560	46,645	42,792
Prior years	33,632	31,278	32,551
Total paid	84,192	77,923	75,343
Net balance at December 31	94,984	91,457	89,499
Plus reinsurance recoverables	337,911	334,708	323,910
Total unpaid losses and loss adjustment expenses at December 31, gross	$ 432,895	$ 426,165	$ 413,409

NOTE 10. RELATED PARTY TRANSACTIONS

Management fee

A management fee is charged to the Exchange for administrative and underwriting services. The fee is recorded as revenue and computed monthly as a percentage of Exchange direct and affiliated assumed premiums written. The percentage rate is adjusted periodically within specified limits by the Company's Board of Directors. The management fee was charged to the Exchange at the following rates:

January 1, 1997 to December 31, 1997	24%
January 1, 1998 to December 31, 1998	24.25%
January 1, 1999 to December 31, 1999	25%

The Board elected to maintain the 25% management fee rate for all of 2000. The Company's Board of Directors may change the management fee rate at its discretion, but it may not exceed 25%.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. RELATED PARTY TRANSACTIONS (CONTINUED)

Service agreement revenue

A service agreement fee is charged to the Exchange to compensate the Company for its management of non-affiliated assumed reinsurance business on behalf of the Exchange. The Company receives a fee of 7% of voluntary reinsurance premiums assumed from non-affiliated insurers and is responsible for accounting and operating expenses in connection with the administration of this business.

Also included in service agreement revenue are service charges collected from Policyholders as reimbursement for the costs incurred by the Company in providing extended payment terms on policies written by the insurers managed by the Company. Service charge revenue amounted to $7,283, $7,164 and $2,011 in 1999, 1998 and 1997, respectively.

Expense reimbursements

The Company pays for and is reimbursed by the Exchange for expenses incurred in connection with adjustment of claims and administrative services and by EFL for administrative expenses. Reimbursements are made to the Company from these affiliates monthly. The amounts of such expense reimbursements were as follows for the years ended December 31:

	1999	1998	1997
Erie Insurance Exchange	$ 136,045	$ 123,577	$ 109,076
Erie Family Life	14,740	14,305	13,038
	$ 150,785	$ 137,882	$ 122,114

Office leases

The Company occupies certain office facilities owned by the Exchange and EFL. The Company leases office space on a year-to-year basis from the Exchange. Rent expenses under these leases totaled $10,320, $11,344 and $11,288 in 1999, 1998 and 1997, respectively. The Company has a lease commitment of nine remaining years with EFL for a branch office. Rentals paid to EFL under this lease totaled $303 in 1999, $343 in 1998 and $423 in 1997.

Note receivable from EFL

EFL issued a surplus note to the Company for $15,000. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to prior approval of the Pennsylvania Insurance Commissioner. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005. During 1999, 1998 and 1997, EFL paid interest to the Company totaling $968 each year.

Structured settlements with EFL

The Company and Exchange periodically purchase annuities from EFL in connection with the structured settlement of claims. The Company's pro-rata share (5.5%) of such annuities purchased equaled $1,282, $984 and $978 in 1999, 1998 and 1997, respectively.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. RECEIVABLES FROM ERIE INSURANCE EXCHANGE AND CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially expose the Company to concentrations of credit risk, include unsecured receivables from the Exchange. A significant amount of the Company's revenue and receivables are from the Exchange and affiliates.

Management fee and expense reimbursements due from the Exchange were $104,264 and $106,987 in 1999 and 1998, respectively. A receivable from EFL for expense reimbursements totaled $1,488 at December 31, 1999 compared to $1,625 at December 31, 1998. The Company also has a receivable due from the Exchange for reinsurance recoverable from losses and unearned premium balances ceded to the pool. Such amounts totaled $365,217 and $359,182 in 1999 and 1998, respectively.

Premiums receivable from Policyholders at December 31, 1999 and 1998 equaled $139,941 and $136,815, respectively. A significant amount of these receivables are ceded to the Exchange as part of the intercompany pooling arrangement.

NOTE 12. REINSURANCE

EIC and EINY have a pooling arrangement with the Exchange, whereby EIC and EINY cede all of their direct property/casualty insurance to the Exchange, except for the annual premium under the all lines aggregate excess of loss reinsurance agreement discussed below. EIC and EINY then assume 5% and 0.5%, respectively, of the total of the Exchange's insurance business (including the business assumed from EIC and EINY). The companies settle accounts between them by payment of such amounts within 30 days after the end of each quarterly accounting period. Amounts not settled within 30 days will accrue interest until such payments are made.

Effective January 1, 1997, EIC and EINY placed in effect an all lines aggregate excess of loss reinsurance agreement with the Exchange. Under this agreement, EIC and EINY reinsure their net retained share of the intercompany reinsurance pool such that once EIC and EINY have sustained ultimate net losses that exceed an amount equal to 72.5% of EIC and EINY's net premiums earned, the Exchange will be liable for 95% of the amount of such excess, up to but not exceeding, an amount equal to 95% of 15% of EIC and EINY's net premium earned. Losses equal to 5% of the net ultimate net loss in excess of the retention under the contract are retained net by EIC and EINY. The annual premium is subject to a minimum premium of $800. This reinsurance treaty is excluded from the intercompany pooling agreement. The annual premium paid to the Exchange for the agreement totaled $900 in 1999 and $1,158 in 1998. There were no loss recoveries by EIC or EINY under the agreement for 1999 or 1998.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. REINSURANCE (CONTINUED)

To the extent the Exchange assumes reinsurance business from affiliated and non-affiliated sources, the Company participates because of its pooling arrangement with the Exchange. Similarly, the Company also participates in the business ceded from the Exchange. Reinsurance premiums, commissions, expense reimbursements and reserves related to reinsurance business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to the Exchange have been reported as a reduction of premium income. The Company's property and liability reinsurance assumed from foreign insurance companies is accounted for using the periodic method, whereby premiums are recognized as revenue over the policy term, and claims, including an estimate of claims incurred but not reported, are recognized as they occur. The amount of reinsurance business assumed from foreign insurance companies is not significant.

Reinsurance contracts do not relieve the Company from its primary obligations to Policyholders. A contingent liability exists with respect to reinsurance receivables in the event reinsurers are unable to meet their obligations under the reinsurance agreements.

The following summarizes insurance and reinsurance activities for the Company:

	1999	1998	1997
Premiums Earned:			
Direct	$ 351,228	$ 338,162	$ 334,772
Assumed-non-affiliates	5,380	4,889	5,393
Ceded to Erie Insurance Exchange	(356,608)	(343,051)	(340,165)
Assumed from Erie Insurance Exchange	117,224	112,939	107,350
Net	$ 117,224	$ 112,939	$ 107,350
Losses and Loss Adjustment Expenses Incurred:			
Direct	$ 264,177	$ 269,710	$ 265,678
Assumed-non-affiliates	6,512	3,912	5,896
Ceded to Erie Insurance Exchange	(270,689)	(273,622)	(271,574)
Assumed from Erie Insurance Exchange	87,719	79,881	79,970
Net	$ 87,719	$ 79,881	$ 79,970

INCORPORATED BY REFERENCE, PAGES 47 AND 48 OF THE COMPANY'S 1999 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. STATUTORY INFORMATION

The Company's insurance subsidiaries are required to file statutory financial statements with state insurance regulatory authorities. Accounting principles used to prepare statutory financial statements differ from financial statements prepared on the basis of generally accepted accounting principles.

Consolidated balances including amounts reported by the consolidated and unconsolidated insurance subsidiaries on the statutory basis would be as follows:

	1999	1998	1997
Shareholders' equity at December 31,	$ 688,802	$ 638,859	$ 523,715
Net income for the year ended December 31,	142,615	135,603	118,970

The amount of dividends the Company's Pennsylvania-domiciled property/casualty subsidiaries, EIC and Erie Insurance Property & Casualty Company, can pay without the prior approval of the Pennsylvania Insurance Commissioner is limited by Pennsylvania regulation to not more than the greater of: (a) 10% of its statutory surplus as reported on its last annual statement, or (b) the net income as reported on its last annual statement. The amount of dividends that the Erie Insurance Company's New York-domiciled property/casualty subsidiary, EINY, can pay without the prior approval of the New York Superintendent of Insurance is limited to the lesser of (a) 10% of its statutory surplus as reported on its last annual statement, or (b) 100% of its adjusted net investment income during such period. At December 31, 1999, the maximum dividend the Company could receive from its property/casualty insurance subsidiaries was $9,814. No dividends were paid to the Company from its property/casualty insurance subsidiaries in 1999 or 1998.

The amount of dividends EFL, a Pennsylvania-domiciled life insurer, can pay to its shareholders without the prior approval of the Pennsylvania Insurance Commissioner is limited by statute to the greater of: (a) 10% of its statutory surplus as regards Policyholders as shown on its last annual statement on file with the commissioner, or (b) the net income as reported for the period covered by such annual statement, but shall not include pro rata distribution of any class of the insurer's own securities. Accordingly, the Company's share of the maximum dividend payout which may be made in 2000 without prior Pennsylvania Commissioner approval is $3,109. Dividends to the Company totaled $1,349 in 1999 and $1,226 in 1998.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. SEGMENT INFORMATION

The Company operates its business as three reportable segments - management operations, property/casualty insurance operations and life insurance operations.

The Company's principal operations consist of serving as attorney-in-fact for the Exchange which constitutes its management operations. The Company's property/casualty insurance operations arise by virtue of a pooling arrangement between its subsidiaries and the Exchange. The Company also has a 21.63% equity interest in EFL which comprises its life insurance operations segment.

Summarized financial information for these operations is presented below. Income amounts include each industry segment's share of investment income and realized gain or loss on investments which are reported in the investment operations segment on the Consolidated Statements of Operations.

	1999	1998	1997
Revenue:			
Management operations	$ 572,049	$ 533,449	$ 501,171
Property/casualty insurance operations	133,989	129,827	120,918
Life insurance operations	5,045	4,777	4,231
Total revenue	$ 711,083	$ 668,053	$ 626,320
Income before income taxes:			
Management operations	$ 190,483	$ 174,126	$ 159,380
Property/casualty insurance operations	13,227	17,454	11,309
Life insurance operations	5,045	4,777	4,231
Total income before income taxes	$ 208,755	$ 196,357	$ 174,920
Net income:			
Management operations	$ 128,448	$ 116,411	$ 106,513
Property/casualty insurance operations	9,871	13,612	8,056
Life insurance operations	4,787	4,528	4,012
Net income	$ 143,106	$ 134,551	$ 118,581
Assets:			
Management operations	$ 723,377	$ 666,781	$ 550,748
Property/casualty insurance operations	757,483	747,172	707,108
Life insurance operations	37,007	39,479	34,688
Total assets	$ 1,517,867	$ 1,453,432	$ 1,292,544

INCORPORATED BY REFERENCE, PAGE 49 OF THE COMPANY'S 1999 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999				
Net revenue from management operations	$ 34,367	$ 40,587	$ 41,945	$ 31,619
Underwriting (loss) gain	(607)	1,113	(1,580)	(2,465)
Total revenue from investment operations	14,770	16,177	16,450	16,379
Net income	$ 33,407	$ 39,225	$ 38,425	$ 32,049
Net income per share	$ 0.45	$ 0.53	$ 0.52	$ 0.45
Comprehensive income	$ 31,897	$ 32,180	$ 26,295	$ 39,137
1998				
Net revenue from management operations	$ 33,761	$ 39,065	$ 40,047	$ 32,370
Underwriting gain (loss)	1,428	(307)	(97)	(457)
Total revenue from investment operations	11,317	13,554	11,847	13,829
Net income	$ 31,699	$ 35,470	$ 35,697	$ 31,685
Net income per share	$ 0.43	$ 0.47	$ 0.48	$ 0.43
Comprehensive income	$ 40,641	$ 35,165	$ 23,990	$ 45,909
1997				
Net revenue from management operations	$ 31,754	$ 35,363	$ 36,541	$ 30,543
Underwriting loss	(48)	(783)	(299)	(1,129)
Total revenue from investment operations	9,636	10,138	11,750	11,454
Net income	$ 28,211	$ 30,444	$ 32,128	$ 27,798
Net income per share	$ 0.38	$ 0.41	$ 0.43	$ 0.37
Comprehensive income	$ 22,106	$ 41,442	$ 41,208	$ 25,359

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Registrant owns 100% of the outstanding stock of the following companies:

Name	State of Formation
Erie Insurance Property & Casualty Company	Pennsylvania
Erie Insurance Company	Pennsylvania
EI Holding Corp.	Delaware
EI Service Corp.	Pennsylvania
Erie Insurance Company of New York - Wholly-owned by Erie Insurance Company	New York

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE DECEMBER 31, 1999 FORM 10-K AND RESTATED SUMMARY INFORMATION FOR THE YEARS ENDED DECEMBER 31,1998 AND 1997 FOR THE ERIE INDEMNITY COMPANY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K

0000922621
ERIE INDEMNITY COMPANY
1,000

YEAR	YEAR	YEAR
DEC-31-1999	DEC-31-1998	DEC-31-1997
DEC-31-1999	DEC-31-1998	DEC-31-1997
485,522	441,353	349,973
0	0	0
0	0	0
215,383	202,804	165,133
8,230	8,287	8,393
0	0	0
748,251	669,938	531,430
24,214	53,581	53,148
912	939	242
11,405	10,863	10,283
1,517,867	1,453,432	1,292,544
432,895	426,165	413,408
236,525	229,057	219,211
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
2,170	2,170	2,170
749,759	653,053	537,213
1,517,867	1,453,432	1,292,544
117,224	112,939	107,350
49,030	43,383	37,163
14,745	7,164	5,815
0	0	0
87,719	79,881	79,970
33,043	32,492	29,639
0	0	0
208,755	196,357	174,920
65,649	61,806	56,338
0	0	0
0	0	0
0	0	0
0	0	0
143,106	134,551	118,581
1.95	1.81	1.59
1.95	1.81	1.59
426,165	413,409	386,425
86,282	80,627	77,345
1,437	(746)	2,625
50,560	46,645	42,792
33,632	31,278	32,551
432,895	426,165	413,409
(11,817)	(1,220)	8,883

Investment income has been restated to reflect the reclassification of investment expenses to current year classifications.