



## Erie Indemnity Company's Third Quarter Earnings Up 10.1 Percent

ERIE, Pa. -- October 15, 1997 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 10.1 percent increase in earnings for the third quarter of 1997.

Net income for the quarter ended September 30, 1997 increased to \$32,128,276 or \$.43 per share, from \$29,186,786 or \$.39 per share earned during the third quarter of 1996. For the nine months ended September 30, 1997, net income increased 14.7 percent to \$90,782,839 or \$1.22 per share, from \$79,151,207 or \$1.06 per share, recorded in the same period in 1996.

The growth in net income during the third quarter and the nine months ended September 30, 1997 was driven by improvement in all three of the Company's major business segments. Gains made in the Company's management operations and in its investment operations were further supported by a reduction in the losses of the Company's insurance underwriting operations.

"During the first three quarters of the year, we were spared the effects of the unusually severe weather that plagued our industry in 1996," said Stephen A. Milne, President and Chief Executive Officer of Erie Insurance Group. "We are pleased with the strong financial performance of the Company through the first nine months of 1997, particularly in light of the increasingly competitive environment we face in both personal and commercial lines of insurance."

Net revenues from the Company's management operations grew 2.1 percent to \$36,462,634 in the third quarter of 1997, compared to \$35,717,734 for the same period in 1996. Net revenues from management operations increased 3.7 percent for the nine months ended September 30, 1997 to \$103,514,583.

Total revenue from management operations rose to \$125,059,278 and \$365,696,896 for the three and nine months ended September 30, 1997, respectively, compared to \$117,266,734 and \$346,028,566 for the three and nine months ended September 30, 1996, respectively. The growth in revenue from management operations in 1997 was adversely affected by mandated premium rate reductions for Pennsylvania workers compensation insurance as a result of Pennsylvania Act 57, which led to lower management fee revenue for the Company.

The cost of management operations rose 8.6 percent to \$88,596,644 compared to \$81,549,000 for the third quarter of 1997 and 1996, respectively. Commission costs, which are primarily related to premium volume, increased more than the rate of premium growth due to higher agent contingency bonus costs resulting from improved underwriting profitability in 1997. Commission costs rose 12.5 percent in the third quarter of 1997 compared to the same period in 1996. The cost of management operations, excluding commission costs, rose 1.1 percent to \$28,036,087 in the third quarter of 1997 compared to \$27,734,696 in the same quarter in 1996.

The Company's insurance underwriting operations had premiums earned of \$27,099,189 for the three months ended September 30, 1997, a 5.3 percent increase over the \$25,740,991 of earned premiums booked in the third quarter of 1996. The net underwriting loss reported in the third quarter of 1997 amounted to \$298,958, an improvement from the net underwriting loss of \$2,717,648 experienced in the third quarter of 1996. For the nine months ended September 30, 1997, earned premium revenues totaled \$79,838,028 and were up 6.0 percent from the first nine months of 1996. The underwriting loss for the first nine months of 1997 stood at \$1,129,786 compared to the winter storm-influenced underwriting loss of \$9,791,917 recorded in the same period in 1996.

Revenues from investment operations for the third quarter of 1997 increased by 20.5 percent to \$11,827,637 from the \$9,813,062 posted in the third quarter of 1996. For the nine months ended September 30, 1997, revenues from investment operations rose to \$31,667,244 from \$24,364,746, an increase of 30.0 percent from the same period in 1996. A 28.9 percent increase in dividend and interest income, \$4.7 million of non-recurring realized capital gains on investments, and increased earnings from Erie Family Life Insurance Company helped fuel the growth in revenue from investment operations in the first nine months of 1997.

Erie Indemnity Company is the principal management company for the member companies of the Erie Insurance Group, which includes the Erie Insurance Exchange, Flagship City Insurance Company, Erie Insurance Company, Erie Insurance Property and Casualty Company, Erie Insurance Company of New York and Erie Family Life Insurance Company.

Erie Insurance Group, based in Erie, Pennsylvania, is the 12th largest insurer of private passenger automobiles and the 24th

largest property and casualty insurance group in the United States. The Group operates in nine states and the District of Columbia.