

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

February 26, 2009

Erie Indemnity Company

(Exact name of registrant as specified in its charter)

Pennsylvania

0-24000

25-0466020

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(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

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 2.02 Results of Operations and Financial Condition.**

On February 26, 2009, Erie Indemnity Company (Company) issued a press release announcing financial results for the quarter and year ended December 31, 2008. A copy of the press release and financial information is attached hereto and is incorporated herein by reference as Exhibit 99.1 and Exhibit 99.2, respectively.

On February 27, 2009 at 10:00 a.m. the Company will hold a telephone conference call that will be webcast and that is complimentary to the press release announcing financial results for the quarter and year ended December 31, 2008.

**Item 9.01 Financial Statements and Exhibits.**

Exhibit 99.1 Press Release Text

Exhibit 99.2 Financial Information

---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Erie Indemnity Company

February 26, 2009

By: *Philip A. Garcia*

---

*Name: Philip A. Garcia*

*Title: Executive Vice President & CFO*

---

Exhibit Index

Exhibit No.	Description
99.1	Press Release Text
99.2	Financial Information

## Erie Indemnity Company Reports Fourth Quarter and Full Year 2008 Results

Erie, Pa., February 26, 2009 — Erie Indemnity Company (NASDAQ: ERIE) today announced financial results for the fourth quarter and year end 2008.

### Key points for the fourth quarter 2008:

- Net loss per share-diluted was \$0.12 per share in the fourth quarter 2008, compared to net income per share-diluted of \$0.55 per share in the fourth quarter of 2007. This was driven by net realized losses on investments of \$0.41 per share, after tax, resulting primarily from the continuing turmoil in the financial markets experienced in the fourth quarter 2008.
- Net realized losses including impairments on fixed maturities and preferred stock were \$0.18 per share, after tax, and net realized and unrealized losses on common stock measured at fair value were \$0.23 per share, after tax.
- Net operating income per share (excluding net realized gains or losses on investments and related taxes) decreased to \$0.29 per share in the fourth quarter of 2008, from \$0.69 per share for the same period one year ago.
- Equity in losses of Erie Family Life Insurance Company (EFL) was \$0.07 per share in the fourth quarter of 2008 compared to breaking even in the fourth quarter of 2007. EFL's 2008 loss was primarily driven by impairment charges on investments.
- Losses from limited partnerships were \$0.18 per share, after tax, for the fourth quarter of 2008 compared to earnings of \$0.14 per share, after tax, from the fourth quarter 2007. Losses in the fourth quarter of 2008 were driven by fair value depreciation resulting from current market conditions.
- Gross margins decreased to 12.1 percent in the fourth quarter of 2008 compared to 15.5 percent in the fourth quarter of 2007 driven by higher personnel costs and other operating costs for various information technology initiatives.
- The GAAP combined ratio was 89.0 in the fourth quarter of 2008, compared to 90.5 in the fourth quarter of 2007.

### Key points for the full-year 2008:

- Net income per share-diluted decreased to \$1.19 per share in 2008, compared to \$3.43 per share in 2007. This was driven by net realized losses on investments of \$1.27 per share, after tax, as a result of the turmoil in the financial market, particularly in the third and fourth quarters of 2008.
- Net realized losses including impairments on fixed maturities and preferred stock were \$0.84 per share, after tax, and net realized and unrealized losses on common stock were \$0.43 per share, after tax.
- Net operating income per share (excluding net realized gains or losses on investments and related taxes) decreased 29.3 percent to \$2.46 in 2008, compared to \$3.48 in 2007.
- Equity in losses of EFL was \$0.23 per share in 2008 compared to earnings of \$0.05 per share in 2007. EFL's 2008 loss was primarily driven by impairment charges recognized on investments.
- Earnings from limited partnerships decreased to \$0.06 per share, after tax, from \$0.62 per share, after tax, from 2007 due to the continuing difficulties in the financial markets.
- Management fee revenue increased 0.3 percent to \$949.8 million in 2008, from \$947.0 million for the same period one year ago. Gross margins from management operations decreased slightly to 17.6 percent in 2008 from 18.1 percent in 2007.
- The GAAP combined ratio of the insurance underwriting operations increased to 93.6 in 2008 from 88.1 in 2007 driven by higher catastrophe losses and less favorable development of prior accident year loss reserves in 2008 compared to 2007.

“Despite the impact of unprecedented investment market volatility, ERIE’s financial position remains strong,” said Terrence W. Cavanaugh, president and chief executive officer. “Our core operations continue to perform well. Policies in force reached new heights in our Property and Casualty Group with over 4 million PIF by year end. Policy volume contributed to a slight increase in 2008 direct written premium and consequently an increase in management fee revenue at the Indemnity Company. The Company also achieved an underwriting profit for the 4<sup>th</sup> quarter and full year 2008.

“In 2009, we will meet the challenge of ongoing economic instability by continuing to focus resources on our core operations and by closely managing cash flow and balance sheet liquidity.”

### Details of fourth quarter 2008 results — Segment Basis:

#### Management operations

Management fee revenue was flat for the fourth quarter of 2008 compared to the fourth quarter of 2007. The management fee rate was set by the Company’s Board of Directors at its maximum level of 25 percent for both 2008 and 2007. Direct written premiums

of the Property and Casualty Group, upon which the management fee is calculated, increased 0.6 percent in the fourth quarter of 2008, compared to the fourth quarter of 2007. Reductions in average premium were offset by increases in policies in force. The Property and Casualty Group has been implementing rate reductions to be more price competitive, which resulted in a \$4.8 million decrease in direct written premiums during the fourth quarter of 2008.

Policies in force grew 2.9 percent to over 4.0 million at December 31, 2008. Growth in policies in force is the result of continuing improvements in policyholder retention and increases in new policies sold. The policy retention ratio improved to 90.6 percent at December 31, 2008, compared to 90.2 percent at December 31, 2007, and 89.5 percent at December 31, 2006.

The cost of management operations increased 4.7 percent to \$198.1 million in the fourth quarter of 2008, from \$189.2 million for the same period in 2007. Commission costs, the largest component of the cost of management operations, decreased to \$132.1 million, or 0.5 percent, in the fourth quarter 2008 from \$132.8 million in the fourth quarter of 2007. Estimates for agent bonuses decreased \$3.6 million in the fourth quarter of 2008, offset by increases in normal and accelerated rate commissions to agents of \$2.1 million and the private passenger auto bonus of \$1.9 million.

Fourth quarter cost of management operations, excluding commission costs, increased 17.1 percent to \$66.0 million from \$56.4 million. The fourth quarter of 2007 was influenced by an adjustment of \$5.2 million for intercompany expense allocations which decreased the cost of management operations of the Company. Excluding the fourth quarter 2007 adjustment, non-commission expenses would have increased 7.2 percent. Of this amount, \$3.0 million was personnel related and \$2.2 million was related to all other operating costs.

Sales and policy issuance costs increased \$3.9 million in the fourth quarter of 2008 due to increased spending on agent marketing and advertising programs. All other operating costs increased \$3.2 million, primarily due to contract labor costs and software costs related to various information technology initiatives.

### **Insurance underwriting operations**

The Company's insurance underwriting operations generated gains of \$5.7 million and \$4.9 million in the fourth quarters of 2008 and 2007, respectively. The Property and Casualty Group's adjusted statutory combined ratio was 89.1 in the fourth quarter of 2008 compared to 89.9 for the same period in 2007.

- Development of prior accident year loss reserves, excluding salvage and subrogation recoveries, improved the loss ratio by 3.4 points in the fourth quarter 2008, while adverse development in the fourth quarter of 2007 contributed 1.2 points.
- Catastrophe losses contributed 0.8 points and 0.9 points to the GAAP combined ratio in the fourth quarter of 2008 and 2007, respectively.

The Property and Casualty Group reduced reserves in the fourth quarter of 2008 on prior accident years as a result of improvements in frequency trends and slight improvements in severity trends on automobile bodily injury and on uninsured/underinsured motorist bodily injury. The adverse development in the fourth quarter of 2007 resulted from a change in mortality assumptions used to estimate the pre-1986 automobile catastrophic injury liability reserves.

### **Investment operations**

Losses from investment operations were \$40.3 million for the fourth quarter of 2008, compared to net revenue of \$12.4 million for the fourth quarter of 2007 driven by the upheaval in the financial markets. Net realized losses on investments were \$32.8 million in the fourth quarter of 2008 compared to \$12.7 million in 2007. Net realized losses including impairments on bonds and preferred stock totaled \$14.5 million during the fourth quarter of 2008. Net realized and unrealized losses on common stock were \$18.3 million in the fourth quarter of 2008.

Equity in losses of limited partnerships totaled \$14.6 million in the fourth quarter of 2008 compared to earnings of \$12.8 million in the fourth quarter of 2007 due to current financial market conditions.

Net investment income, which includes primarily interest and dividends on the Company's bonds and stocks, decreased by 13.3 percent to \$10.8 million for the quarter ended December 31, 2008, from \$12.5 million for the same period in 2007 due to lower invested asset balances as a result of the Company's continued share repurchase activity. In the fourth quarter of 2008, the Company repurchased 93,620 shares of its outstanding Class A common stock in conjunction with its stock repurchase plan at a total cost of \$3.4 million, or \$35.88 per share.

Equity in losses of EFL was \$3.7 million in the fourth quarter of 2008 compared to \$0.2 million in the fourth quarter of 2007, primarily due to impairment charges recognized on investments. EFL has a significant deferred tax asset valuation allowance at December 31, 2008 related to these impairment charges.

### **Details of 2008 year-end results — Segment Basis:**

#### **Management operations**

Management fee revenue increased 0.3 percent as direct written premiums of the Property and Casualty Group increased 0.4 percent in 2008 compared to 2007. The management fee rate was set at 25 percent, the maximum rate, for both 2008 and 2007. The management fee rate was once again set at the maximum level of 25 percent for 2009 by the Company's Board of Directors.

Direct written premiums of the Property and Casualty Group were positively impacted by an increase in policies in force of 2.9 percent, offset by the impact of rate reductions taken in 2008 and 2007. New business policies in force grew 3.1 percent in 2008 and renewal business policies in force grew 2.9 percent in 2008. The Company added 156 new agencies in 2008, and expects another 127 new agency appointments in 2009. The policy retention ratio improved to 90.6 percent at December 31, 2008, compared to 90.2 percent in 2007, and 89.5 percent in 2006.

The Property and Casualty Group has been implementing rate reductions to be more price-competitive which resulted in a net decrease in written premiums of \$30.3 million. Rate actions planned or taken for 2009 could increase direct written premiums by approximately \$36 million in 2009.

The cost of management operations increased 1.2 percent to \$809.5 million in 2008, from \$799.6 million for the year ended 2007. Commission costs, the largest component of the cost of management operations, decreased 0.6 percent to \$554.0 million in 2008, driven by a decrease in the estimate for agent bonuses of \$14.6 million. Offsetting this decrease were increases in normal and accelerated rate commissions of \$6.8 million and increases in promotional incentives and the private passenger auto bonus of \$5.1 million.

Personnel costs increased 3.8 percent, or \$5.3 million, in 2008. Salaries and wages increased \$4.7 million in 2008 due to higher average pay rates. Executive severance costs totaled \$2.9 million in 2008 and \$3.3 million in 2007. Management incentive plan expense increased \$2.7 million due to additional participants in the plans in 2008. Also, management performance under the plans improved relative to plan targets resulting in higher bonuses under the plans. Employee benefit costs, which are included in personnel costs, decreased \$2.7 million in 2008 primarily due to investment losses on compensation plan balances of participating executives.

Sales and policy issuance costs increased \$6.1 million in 2008 driven by an increase in agent marketing and advertising program expense. All other operating costs increased 3.1 percent driven by \$5.2 million of consulting fees, primarily contract labor costs, and \$2.8 million of hardware and software costs related to various information technology initiatives. In 2007, all other operating costs included a charge of \$4.3 million for a judgment against us.

### **Insurance underwriting operations**

The insurance underwriting operations generated gains of \$13.3 million for 2008, compared to \$24.7 million in 2007.

- Catastrophe losses, a majority of which related to Hurricane Ike in 2008, contributed 3.4 points, or \$7.0 million, to the GAAP combined ratio, compared to 1.7 points, or \$3.6 million, in 2007.
- Development of prior accident year loss reserves, excluding salvage and subrogation recoveries, improved the GAAP combined ratio by 3.2 points in 2008, compared to 5.3 points in 2007.
- The underlying non-catastrophe accident year combined ratio increased to 93.4 in 2008, compared to 91.7 in 2007, as a result of slightly decreasing average premiums and increased loss costs.

The Company's 5.5 percent share of the Property and Casualty Group's favorable development of prior accident year losses, after removing the effects of salvage and subrogation recoveries, was \$6.7 million in 2008 and \$11.0 million in 2007. The favorable development of prior accident year losses in 2008 and 2007 was a result of improvements in frequency and severity trends on automobile bodily injury and on uninsured/underinsured motorist bodily injury.

### **Investment operations**

Net losses from investment operations totaled \$77.8 million in 2008, compared to net gains of \$110.5 million for 2007.

Net investment income decreased 16.4 percent to \$44.2 million for 2008, from \$52.8 million for 2007, as the Company continued to repurchase shares of its common stock. In 2008, 2.1 million shares were repurchased at a total cost of \$102.0 million. At December 31, 2008, approximately \$89.9 million of outstanding repurchase authority remains under the repurchase program that runs through June 30, 2009.

For the year ended December 31, 2008, the Company had net realized losses on investments of \$113.0 million, compared to \$5.2 million for 2007. Total impairment charges in 2008 for fixed maturities and preferred stock were \$69.5 million primarily on investments in the banking and finance industries. Valuation losses on common equity securities of \$21.7 million were reported through earnings in 2008 as realized capital losses on investments as these securities are measured at fair value. Net realized losses on common stock for 2008 were \$16.9 million. Included in the 2007 realized losses on investments were impairment charges of \$22.5 million related to fixed maturities and equity securities offset somewhat by gains on common stock sales of \$14.3 million.

Effective October 2008, we terminated our securities lending program and are in the process of unwinding the current securities on loan, which is expected to be complete in 2009. Loaned securities included as part of our invested assets had a fair value of \$17.5 million at December 31, 2008 and \$29.4 million at December 31, 2007.

Equity in earnings of limited partnership investments decreased to \$5.7 million, compared to \$59.7 million in 2007, as a result of fair value depreciation caused by the current financial market conditions.

Equity in losses of EFL was \$14.6 million in 2008, compared to earnings of \$3.1 million in 2007, primarily due to investment impairment charges. EFL recorded impairment charges of \$83.5 million and \$11.1 million in 2008 and 2007, respectively. A valuation allowance of \$39.6 million has been recorded by EFL as of December 31, 2008 related to these impairments where the deferred tax asset is not expected to be realized.

In December, the Company's Board of Directors increased the regular quarterly dividend from \$0.44 to \$0.45 on each Class A share and from \$66.00 to \$67.50 on each Class B share. This is the 75<sup>th</sup> consecutive year the Company has paid dividends.

According to A.M. Best Company, Erie Insurance Group, based in Erie, Pennsylvania, is the 16<sup>th</sup> largest automobile insurer in the United States based on direct premiums written and the 21<sup>st</sup> largest property/casualty insurer in the United States based on total lines net premium written. The Group, rated A+ (Superior) by A.M. Best Company, has over 4.0 million policies in force and operates in 11 states and the District of Columbia. Erie Insurance Group ranks 488 on the FORTUNE 500.

Most recently, Erie Insurance earned J.D. Power and Associates' award for "Highest in Customer Satisfaction with the Auto Insurance Purchase Experience." This award recognizes the top rankings in J.D. Power's 2008 Insurance New Buyer Study, which assesses customers' experience in purchasing a new auto insurance policy.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Certain statements contained herein are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are not in the present or past tense and can generally be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "seek," "should," "target," "will," and other expressions that indicate future trends and events. Forward-looking statements include, without limitation, statements and assumptions on which such statements are based that are related to our plans, strategies, objectives, expectations, intentions and adequacy of resources. Examples of such statements are discussions relating to management fee revenue, cost of management operations, underwriting, premium and investment income volumes, and agency appointments. Such statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Among the risks and uncertainties that could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements are the following: factors affecting the property/casualty and life insurance industries generally, including price competition, legislative and regulatory developments, government regulation of the insurance industry including approval of rate increases, the size, frequency and severity of claims, natural disasters, exposure to environmental claims, fluctuations in interest rates, inflation and general business conditions; the geographic concentration of our business as a result of being a regional company; the accuracy of our pricing and loss reserving methodologies; changes in driving habits; our ability to maintain our business operations including our information technology system; our dependence on the independent agency system; the quality and liquidity of our investment portfolio; our dependence on our relationship with Erie Insurance Exchange; and the other risks and uncertainties discussed or indicated in all documents filed by the Company with the Securities and Exchange Commission. A forward-looking statement speaks only as of the date on which it is made and reflects the Company's analysis only as of that date. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions, or otherwise.

News releases and more information about Erie Insurance Group are available at <http://www.erieinsurance.com>.

\*\*\*

**ERIE INDEMNITY COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(dollars in thousands, except per share data)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
<b>Operating revenue</b>				
Management fee revenue, net	\$ 204,790	\$ 204,549	\$ 897,526	\$ 894,981
Premiums earned	51,688	51,574	207,407	207,562
Service agreement revenue	8,817	7,562	32,298	29,748
<b>Total operating revenue</b>	<u>265,295</u>	<u>263,685</u>	<u>1,137,231</u>	<u>1,132,291</u>
<b>Operating expenses</b>				
Cost of management operations	187,258	178,873	765,012	755,642
Losses and loss adjustment expenses incurred	32,399	33,114	137,167	125,903
Policy acquisition and other underwriting expenses	12,626	12,131	49,218	48,909
<b>Total operating expenses</b>	<u>232,283</u>	<u>224,118</u>	<u>951,397</u>	<u>930,454</u>
<b>Investment (loss) income – unaffiliated</b>				
Investment income, net of expenses	10,823	12,483	44,181	52,833
Net realized losses on investments	(32,816)	(12,742)	(113,019)	(5,192)
Equity in (losses) earnings of limited partnerships	(14,600)	12,823	5,710	59,690
<b>Total investment (loss) income – unaffiliated</b>	<u>(36,593)</u>	<u>12,564</u>	<u>(63,128)</u>	<u>107,331</u>
(Loss) income before income taxes and equity in (losses) earnings of Erie Family Life Insurance	(3,581)	52,131	122,706	309,168
Provision for income taxes	(685)	19,370	39,865	99,137
Equity in (losses) earnings of Erie Family Life Insurance, net of tax	(3,406)	(159)	(13,603)	2,914
<b>Net (loss) income</b>	<u>(\$6,302)</u>	<u>\$ 32,602</u>	<u>\$ 69,238</u>	<u>\$ 212,945</u>
<b>Net (loss) income per share:</b>				
Class A common stock – basic	<u>(\$0.12)</u>	<u>\$ 0.61</u>	<u>\$ 1.34</u>	<u>\$ 3.80</u>
Class A common stock – diluted	<u>(0.12)</u>	<u>0.55</u>	<u>1.19</u>	<u>3.43</u>
Class B common stock – basic and diluted	<u>(12.39)</u>	<u>90.23</u>	<u>204.20</u>	<u>572.98</u>
<b>Weighted average shares outstanding:</b>				
Class A common stock – basic	<u>51,349,457</u>	<u>53,550,013</u>	<u>51,824,649</u>	<u>55,928,177</u>
Class A common stock – diluted*	<u>51,369,552</u>	<u>59,689,852</u>	<u>57,967,144</u>	<u>62,096,816</u>
Class B common stock – basic and diluted	<u>2,551</u>	<u>2,551</u>	<u>2,551</u>	<u>2,563</u>
<b>Dividends declared per share:</b>				
Class A common stock	<u>\$ 0.45</u>	<u>\$ 0.44</u>	<u>\$ 1.77</u>	<u>\$ 1.64</u>
Class B common stock	<u>67.50</u>	<u>66.00</u>	<u>265.50</u>	<u>246.00</u>

\*Given the net loss generated in the fourth quarter of 2008, the effect of using the if-converted method would be anti-dilutive; therefore the two class method was used to calculate earnings per share for the Class A common stock-diluted for the three months ended December 31, 2008.

**ERIE INDEMNITY COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS — SEGMENT BASIS**

(amounts in thousands, except per share data)

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
<b>Management operations</b>				
Management fee revenue	\$216,644	\$216,332	\$ 949,775	\$947,023
Service agreement revenue	8,817	7,562	32,298	29,748
Total revenue from management operations	225,461	223,894	982,073	976,771
Cost of management operations	198,121	189,220	809,548	799,597
<b>Income from management operations</b>	<u>27,340</u>	<u>34,674</u>	<u>172,525</u>	<u>177,174</u>
<b>Insurance underwriting operations</b>				
Premiums earned	51,688	51,574	207,407	207,562
Losses and loss adjustment expenses incurred	32,399	33,114	137,167	125,903
Policy acquisition and other underwriting expenses	13,618	13,567	56,931	56,996
Total losses and expenses	46,017	46,681	194,098	182,899
<b>Underwriting income</b>	<u>5,671</u>	<u>4,893</u>	<u>13,309</u>	<u>24,663</u>
<b>Investment operations</b>				
Investment income, net of expenses	10,823	12,483	44,181	52,833
Net realized losses on investments	(32,816)	(12,742)	(113,019)	(5,192)
Equity in (losses) earnings of limited partnerships	(14,600)	12,823	5,710	59,690
Equity in (losses) earnings of Erie Family Life Insurance	<u>(3,662)</u>	<u>(171)</u>	<u>(14,627)</u>	<u>3,133</u>

<b>Net (loss) revenue from investment operations</b>	<u>(40,255)</u>	<u>12,393</u>	<u>(77,755)</u>	<u>110,464</u>
(Loss) income before income taxes	(7,244)	51,960	108,079	312,301
Provision for income taxes	(942)	19,358	38,841	99,356
<b>Net (loss) income</b>	<u>(\$6,302)</u>	<u>\$ 32,602</u>	<u>\$ 69,238</u>	<u>\$212,945</u>
<b>Net (loss) income per share – Class A basic</b>	<u>(\$0.12)</u>	<u>\$ 0.61</u>	<u>\$ 1.34</u>	<u>\$ 3.80</u>
<b>Net (loss) income per share – Class A diluted*</b>	<u>(0.12)</u>	<u>0.55</u>	<u>1.19</u>	<u>3.43</u>
<b>Net (loss) income per share – Class B basic and diluted</b>	<u>(12.39)</u>	<u>90.23</u>	<u>204.20</u>	<u>572.98</u>
<b>Weighted average shares outstanding - Class A diluted*</b>	<u>51,370</u>	<u>59,690</u>	<u>57,967</u>	<u>62,097</u>

Amounts presented on a segment basis are gross of intercompany/intersegment items.

\*Given the net loss generated in the fourth quarter of 2008, the effect of using the if-converted method would be anti-dilutive; therefore the two class method was used to calculate earnings per share for the Class A common stock-diluted for the three months ended December 31, 2008.

## ERIE INDEMNITY COMPANY

### RECONCILIATION OF OPERATING INCOME TO NET INCOME

#### Definition of non-GAAP and operating measures

We believe that investors' understanding of our performance is enhanced by the disclosure of the following non-GAAP financial measure. Our method of calculating this measure may differ from those used by other companies and therefore comparability may be limited.

**Operating income** is net income excluding realized capital gains and losses and related federal income taxes. We elected the fair value measurement option for our common stock portfolio effective January 1, 2008. As such, changes in value related to common stocks are reported in earnings. These unrealized gains or losses are included in the net realized losses/gains on investments on the Consolidated Statements of Operations that is used to calculate operating income. Equity in earnings or losses of Erie Family Life Insurance Company and equity in earnings or losses of limited partnerships are not excluded from the calculation of operating income. Equity in earnings or losses of limited partnerships includes the respective investment's realized capital gains and losses, as well as unrealized gains and losses.

Net income is the GAAP measure that is most directly comparable to operating income.

We use operating income to evaluate the results of operations. It reveals trends in our management services, insurance underwriting and investment operations that may be obscured by the net effects of realized capital gains and losses. Realized capital gains and losses may vary significantly between periods and are generally driven by business decisions and economic developments such as capital market condition, the timing of which is unrelated to management services and insurance underwriting processes. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. We are aware that the price to earnings multiple commonly used by investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered as a substitute for net income and does not reflect our overall profitability.

The following table reconciles operating income and net income for the periods ended December 31, 2008 and 2007:

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
	(Unaudited)		(Unaudited)	
<b>Operating income</b>	<b>\$ 15,028</b>	<b>\$ 40,884</b>	<b>\$ 142,700</b>	<b>\$216,320</b>
Net realized losses on investments	(32,816)	(12,742)	(113,019)	(5,192)
Income tax benefit on realized losses	11,486	4,460	39,557	1,817
Realized losses, net of income taxes	(21,330)	(8,282)	(73,462)	(3,375)
<b>Net (loss) income</b>	<b>(\$6,302)</b>	<b>\$ 32,602</b>	<b>\$ 69,238</b>	<b>\$212,945</b>
	(Unaudited)		(Unaudited)	
Per Class A share – diluted:				
<b>Operating income</b>	<b>\$ 0.29</b>	<b>\$ 0.69</b>	<b>\$ 2.46</b>	<b>\$ 3.48</b>
Net realized losses on investments	(0.63)	(0.21)	(1.95)	(0.08)
Income tax benefit on realized losses	0.22	0.07	0.68	0.03
Realized losses, net of income taxes	(0.41)	(0.14)	(1.27)	(0.05)
<b>Net (loss) income</b>	<b>(\$0.12)</b>	<b>\$ 0.55</b>	<b>\$ 1.19</b>	<b>\$ 3.43</b>

## ERIE INDEMNITY COMPANY

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(amounts in thousands, except per share data)

	December 31, 2008	December 31, 2007
<b>Assets</b>		
<b>Investments</b>		
Available-for-sale securities, at fair value:		

Fixed maturities	\$ 563,429	\$ 703,406
Equity securities	55,281	218,270
Trading securities, at fair value	33,338	0
Other invested assets	300,391	297,059
<b>Total investments</b>	<u>952,439</u>	<u>1,218,735</u>
Cash and cash equivalents	61,073	31,070
Equity in Erie Family Life Insurance	29,236	59,046
Premiums receivable from policyholders	244,760	243,612
Receivables from affiliates	1,130,610	1,177,830
Other assets	195,268	148,330
<b>Total assets</b>	<u><b>\$2,613,386</b></u>	<u><b>\$2,878,623</b></u>
<b>Liabilities and shareholders' equity</b>		
<b>Liabilities</b>		
Unpaid losses and loss adjustment expenses	\$ 965,081	\$1,026,531
Unearned premiums	424,370	421,263
Other liabilities	432,060	379,550
<b>Total liabilities</b>	<u>1,821,511</u>	<u>1,827,344</u>
<b>Total shareholders' equity</b>	<u>791,875</u>	<u>1,051,279</u>
<b>Total liabilities and shareholders' equity</b>	<u><b>\$2,613,386</b></u>	<u><b>\$2,878,623</b></u>
<b>Book value per share</b>	<u><b>\$ 13.79</b></u>	<u><b>\$ 17.68</b></u>
<b>Shares outstanding</b>	<u><b>57,405</b></u>	<u><b>59,461</b></u>

**ERIE INDEMNITY COMPANY**  
**RECONCILIATION OF PROPERTY AND CASUALTY GROUP TO INDEMNITY RESULTS**

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
<i>(dollars in thousands)</i>				
<b>Property and Casualty Group insurance underwriting operations (SAP basis)</b>				
<b>Direct underwriting results</b>				
Direct written premium	\$862,177	\$856,926	\$3,799,901	\$3,784,891
Premiums earned	929,576	926,876	3,786,632	3,786,603
Loss and loss adjustment expenses incurred	608,514	632,764	2,509,350	2,294,964
Policy acquisition and other underwriting expenses	240,477	236,998	1,050,734	1,048,510
Total losses and expenses	848,991	869,762	3,560,084	3,343,474
Direct underwriting income	80,585	57,114	226,548	443,129
<b>Nonaffiliated reinsurance underwriting results</b>				
Assumed voluntary-less ceded retrocessions	16,014	19,125	16,500	12,234
Assumed involuntary	12,218	(1,468)	25,310	15,009
Less: Ceded	13,495	(4,202)	28,478	16,281
Nonaffiliated reinsurance underwriting income	14,737	21,859	13,332	10,962
<b>Net underwriting income (SAP basis)</b>	<u><b>\$ 95,322</b></u>	<u><b>\$ 78,973</b></u>	<u><b>\$ 239,880</b></u>	<u><b>\$ 454,091</b></u>
<b>Erie Indemnity insurance underwriting operations (SAP to GAAP basis)</b>				
Percent of pool assumed by the Indemnity Company	5.50%	5.50%	5.50%	5.50%
Indemnity preliminary underwriting income (SAP basis)	\$ 5,243	\$ 4,344	\$ 13,193	\$ 24,975
SAP to GAAP adjustments	428	549	116	(312)
<b>Indemnity underwriting income before tax (GAAP basis)</b>	<u><b>\$ 5,671</b></u>	<u><b>\$ 4,893</b></u>	<u><b>\$ 13,309</b></u>	<u><b>\$ 24,663</b></u>
<b>Property &amp; Casualty Group (SAP basis)</b>				
Net basis:				
Loss and LAE ratio	63.9%	66.0%	66.0%	60.5%
Underwriting ratio	27.3	26.9	27.2	27.0
Policyholder dividends ratio	0.1	0.2	0.1	0.2
Statutory combined ratio	91.3	93.1	93.3	87.7
Adjusted combined ratio, excluding profit component	89.1	89.9	89.6	83.8
Direct business:				
Loss ratio points from prior accident year reserve development – (redundancy) deficiency	(3.4)	1.2	(3.2)	(5.3)
Loss ratio points from prior accident years from salvage and subrogation recoveries collected	(1.2)	(0.9)	(1.8)	(1.7)
Total loss ratio points from prior accident years	<u>(4.6)</u>	<u>0.3</u>	<u>(5.0)</u>	<u>(7.0)</u>
Loss ratio points from catastrophes	0.8	0.9	3.4	1.7

GAAP combined ratio	89.0	90.5	93.6	88.1
GAAP loss ratio points from catastrophes	0.8	0.9	3.4	1.7

SAP basis represents statutory accounting principles as codified by the National Association of Insurance Commissioners (NAIC).

### Selected financial data of Erie Insurance Exchange:

The selected financial data below is derived from the Erie Insurance Exchange's financial statements prepared in accordance with Statutory Accounting Principles. In our opinion, all adjustments consisting only of normal recurring accruals, considered necessary for a fair presentation have been included. The financial data set forth below is only a summary.

	Three months ended December 31, 2008	Three months ended December 31, 2007	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007
<i>(dollars in thousands)</i>				
Statutory accounting basis				
Premiums earned	\$ 871,648	\$869,867	\$3,566,450	\$3,572,189
Losses, loss adjustment expenses and underwriting expenses	<u>781,572</u>	<u>795,191</u>	<u>3,339,743</u>	<u>3,142,990</u>
Net underwriting income	<u>90,076</u>	<u>74,676</u>	<u>226,707</u>	<u>429,199</u>
Total investment (loss) income	<u>(346,207)</u>	<u>103,573</u>	<u>(640,348)</u>	<u>563,087</u>
(Loss) income before income taxes	<u>(256,131)</u>	<u>178,249</u>	<u>(413,641)</u>	<u>992,286</u>
Federal income tax (benefit) expense	<u>(179,412)</u>	<u>87,912</u>	<u>(50,248)</u>	<u>372,209</u>
Net (loss) income	<u><u>(\$76,719)</u></u>	<u><u>\$ 90,337</u></u>	<u><u>(\$363,393)</u></u>	<u><u>\$ 620,077</u></u>

	As of December 31, 2008	As of December 31, 2007
<i>(dollars in thousands)</i>		
Statutory accounting basis		
Cash and invested assets	\$7,595,727	\$8,927,997
Other assets	<u>1,552,902</u>	<u>1,033,852</u>
Total assets	<u><u>\$9,148,629</u></u>	<u><u>\$9,961,849</u></u>
Loss, loss adjustment expense and unearned premium reserves	\$4,768,240	\$4,848,549
Other liabilities	<u>334,399</u>	<u>345,776</u>
Total liabilities	<u><u>5,102,639</u></u>	<u><u>5,194,325</u></u>
Policyholders' surplus	4,045,990	4,767,524
Total liabilities and policyholders' surplus	<u><u>\$9,148,629</u></u>	<u><u>\$9,961,849</u></u>

### Management fee revenue by major lines of business – Segment basis:

	Three months ended December 31, 2008	Three months ended December 31, 2007	%	Twelve months ended December 31, 2008	Twelve months ended December 31, 2007	%
			Change			Change
<i>(dollars in thousands)</i>						
Private passenger auto	\$104,471	\$103,040	1.4%	\$456,536	\$450,651	1.3%
Homeowners	44,025	42,973	2.4	185,831	183,221	1.4
Commercial multi-peril	24,371	24,537	(0.7)	108,942	108,907	0.0
Commercial auto	17,066	17,500	(2.5)	77,772	78,963	(1.5)
Workers compensation	13,650	14,882	(8.3)	70,186	76,641	(8.4)
All other lines of business	<u>11,961</u>	<u>11,300</u>	<u>5.8</u>	<u>50,708</u>	<u>47,840</u>	<u>6.0</u>
	215,544	214,232	0.6	949,975	946,223	0.4
Change in allowance for management fee returned on cancelled policies	<u>1,100</u>	<u>2,100</u>		<u>(200)</u>	<u>800</u>	
Management fee revenue, net of allowance	<u><u>\$216,644</u></u>	<u><u>\$216,332</u></u>	<u>0.1%</u>	<u><u>\$949,775</u></u>	<u><u>\$947,023</u></u>	<u>0.3%</u>
Management fee rate	<u><u>25.00%</u></u>	<u><u>25.00%</u></u>		<u><u>25.00%</u></u>	<u><u>25.00%</u></u>	

Growth rates of policies in force for Property and Casualty Group insurance operations by major lines of business:

Date	Private Passenger Auto	12-mth. growth rate	Homeowners	12-mth. growth rate	All Other Personal Lines	12-mth. growth rate	Total Personal Lines	12-mth. growth rate
12/31/2006	1,633,882	(0.4)%	1,377,965	1.8%	301,497	5.2%	3,313,344	1.0%
03/31/2007	1,635,714	0.0	1,384,856	2.1	305,591	5.4	3,326,161	1.3
06/30/2007	1,644,561	0.4	1,398,034	2.3	311,761	5.9	3,354,356	1.7
09/30/2007	1,649,801	0.8	1,408,114	2.5	316,786	6.2	3,374,701	2.0
12/31/2007	1,651,234	1.1	1,413,712	2.6	321,431	6.6	3,386,377	2.2

03/31/2008	1,655,869	1.2	1,420,250	2.6	325,926	6.7	3,402,045	2.3
06/30/2008	1,667,446	1.4	1,433,504	2.5	332,922	6.8	3,433,872	2.4
09/30/2008	1,677,151	1.7	1,446,779	2.7	340,566	7.5	3,464,496	2.7
12/31/2008	1,683,526	2.0	1,454,797	2.9	346,953	7.9	3,485,276	2.9

Date	CML* Auto	12-mth. growth rate	CML* Multi- Peril	12-mth. growth rate	Workers Comp.	12-mth. growth rate	All Other CML* Lines	12-mth. growth rate	Total CML* Lines	12-mth. growth rate
12/31/2006	119,801	0.9%	218,542	2.4%	53,923	(4.1)%	92,687	2.7%	484,953	1.3%
03/31/2007	119,907	1.1	219,300	2.3	53,498	(3.2)	92,857	2.8	485,562	1.5
06/30/2007	121,587	1.8	223,670	3.0	53,955	(1.7)	94,612	3.3	493,824	2.2
09/30/2007	122,154	2.2	226,302	3.9	54,341	(0.1)	96,167	3.8	498,964	3.0
12/31/2007	122,558	2.3	228,214	4.4	54,720	1.5	96,464	4.1	501,956	3.5
03/31/2008	122,882	2.5	229,577	4.7	54,927	2.7	96,511	3.9	503,897	3.8
06/30/2008	123,955	1.9	234,393	4.8	55,801	3.4	97,745	3.3	511,894	3.7
09/30/2008	124,418	1.9	236,994	4.7	56,381	3.8	98,786	2.7	516,579	3.5
12/31/2008	124,205	1.3	237,228	3.9	56,704	3.6	98,796	2.4	516,933	3.0

Date	Total All Lines	12-mth. growth rate
12/31/2006	3,798,297	1.0%
03/31/2007	3,811,723	1.3
06/30/2007	3,848,180	1.8
09/30/2007	3,873,665	2.1
12/31/2007	3,888,333	2.4
03/31/2008	3,905,942	2.5
06/30/2008	3,945,766	2.5
09/30/2008	3,981,075	2.8
12/31/2008	4,002,209	2.9

CML\* = Commercial

**Policy retention trends for Property and Casualty Group insurance operations by major lines of business:**

Date	Private Passenger Auto	CML* Auto	Homeowners	CML* Multi- Peril	Workers Comp.	All Other Lines	Total All Lines
12/31/2006	90.8%	87.7%	89.4%	86.0%	85.7%	87.1%	89.5%
03/31/2007	91.0	88.0	89.7	86.1	86.2	87.2	89.7
06/30/2007	91.1	88.1	89.9	86.0	86.3	87.6	89.9
09/30/2007	91.3	88.2	90.1	86.1	86.8	87.5	90.0
12/31/2007	91.5	88.2	90.3	86.0	86.8	87.8	90.2
03/31/2008	91.6	88.4	90.5	86.5	87.6	87.9	90.4
06/30/2008	91.6	87.9	90.7	86.2	87.5	88.1	90.4
09/30/2008	91.7	87.8	91.0	86.0	87.2	88.2	90.5
12/31/2008	91.8	87.6	91.1	85.6	86.6	88.5	90.6

CML\* = Commercial

**Average premium per policy trends for Property and Casualty Group insurance operations by major lines of business:**

Date	Private Passenger Auto	12-mth. percent change	Homeowners	12-mth. percent change	All other Personal Lines	12-mth. percent change	Total Personal Lines	12-mth. percent change
12/31/2006	\$1,110	(5.5)%	\$526	(3.1)%	\$349	0.3%	\$797	(5.2)%
03/31/2007	1,100	(5.3)	524	(2.8)	349	0.0	791	(4.9)
06/30/2007	1,094	(4.0)	520	(2.8)	351	0.9	786	(3.9)
09/30/2007	1,093	(2.6)	519	(2.1)	352	1.1	783	(2.9)
12/31/2007	1,092	(1.6)	518	(1.5)	353	1.1	782	(1.9)
03/31/2008	1,091	(0.8)	518	(1.1)	354	1.4	781	(1.3)
06/30/2008	1,088	(0.5)	514	(1.2)	353	0.6	777	(1.1)
09/30/2008	1,086	(0.6)	511	(1.5)	354	0.6	774	(1.1)
12/31/2008	1,085	(0.6)	511	(1.4)	356	0.8	773	(1.2)

Date	CML* Auto	12-mth. percent change	Workers Comp.	12-mth. percent change	All Other CML* Lines	12-mth. percent change	Total CML* Lines	12-mth. percent change
12/31/2006	\$2,687	(3.4)%	\$5,985	(3.7)%	\$1,657	(2.8)%	\$2,393	(4.3)%
03/31/2007	2,664	(4.1)	5,914	(5.7)	1,641	(4.0)	2,365	(5.4)
06/30/2007	2,627	(3.8)	5,901	(3.9)	1,616	(3.6)	2,333	(4.5)
09/30/2007	2,600	(3.9)	5,780	(4.4)	1,592	(4.6)	2,295	(5.0)
12/31/2007	2,577	(4.1)	5,602	(6.4)	1,581	(4.6)	2,262	(5.5)
03/31/2008	2,568	(3.6)	5,453	(7.8)	1,576	(4.0)	2,240	(5.3)
06/30/2008	2,530	(3.7)	5,236	(11.3)	1,546	(4.3)	2,187	(6.3)

09/30/2008	2,514	(3.3)	5,067	(12.3)	1,536	(3.5)	2,157	(6.0)
12/31/2008	2,505	(2.8)	4,951	(11.6)	1,533	(3.0)	2,141	(5.3)

Date	Total All Lines	12-mth. percent change
12/31/2006	\$1,001	(4.8)%
03/31/2007	991	(5.1)
06/30/2007	984	(4.1)
09/30/2007	978	(3.3)
12/31/2007	973	(2.8)
03/31/2008	969	(2.2)
06/30/2008	960	(2.4)
09/30/2008	953	(2.6)
12/31/2008	949	(2.5)

CML\* = Commercial

**PROPERTY & CASUALTY GROUP ADJUSTED COMBINED RATIO BY MAJOR LINES OF BUSINESS (SAP BASIS) – DIRECT BUSINESS**

	Three Months ended December 31, 2008				Three Months ended December 31, 2007			
	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private Passenger Auto	103.0%	-0.2%	0.1%	103.1%	101.1%	1.4%	0.2%	99.5%
Homeowners	73.9%	0.7%	1.3%	71.9%	71.9%	0.2%	2.9%	68.8%
Other Personal Lines	15.7%	-60.2%	1.6%	74.3%	64.4%	-11.2%	1.5%	74.1%
<b>Total Personal</b>	<b>91.0%</b>	<b>-2.7%</b>	<b>0.5%</b>	<b>93.2%</b>	<b>91.5%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>90.0%</b>
Commercial Multi-Peril	69.7%	-21.3%	4.1%	86.9%	83.9%	0.6%	1.6%	81.7%
Commercial Auto	85.4%	-4.2%	0.0%	89.6%	74.7%	-9.7%	0.0%	84.4%
Workers' Compensation	74.9%	-19.2%	0.0%	94.1%	137.1%	33.2%	0.0%	103.9%
Other Commercial Lines	223.8%	129.8%	0.5%	93.5%	14.2%	-50.2%	-0.1%	64.5%
<b>Total Commercial</b>	<b>86.5%</b>	<b>-5.1%</b>	<b>1.6%</b>	<b>90.0%</b>	<b>90.7%</b>	<b>2.8%</b>	<b>0.6%</b>	<b>87.3%</b>
<b>Grand Total – Direct Business Only</b>	<b>89.6%</b>	<b>-3.4%</b>	<b>0.8%</b>	<b>92.2%</b>	<b>91.2%</b>	<b>1.2%</b>	<b>0.9%</b>	<b>89.1%</b>
	Twelve Months ended December 31, 2008				Twelve Months ended December 31, 2007			
	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private Passenger Auto	88.6%	-4.3%	0.6%	92.3%	85.0%	-8.2%	0.5%	92.7%
Homeowners	92.2%	-2.3%	12.0%	82.5%	81.6%	-1.8%	6.4%	77.0%
Other Personal Lines	60.0%	-20.3%	4.8%	75.5%	80.1%	0.2%	3.0%	76.9%
<b>Total Personal</b>	<b>88.3%</b>	<b>-4.5%</b>	<b>4.0%</b>	<b>88.8%</b>	<b>83.9%</b>	<b>-6.1%</b>	<b>2.2%</b>	<b>87.8%</b>
Commercial Multi-Peril	93.0%	-5.3%	4.5%	93.8%	88.7%	-3.3%	1.2%	90.8%
Commercial Auto	80.7%	-6.0%	0.5%	86.2%	73.7%	-12.6%	0.5%	85.8%
Workers' Compensation	99.0%	-0.1%	0.0%	99.1%	99.9%	8.8%	0.0%	91.1%
Other Commercial Lines	137.5%	50.0%	0.4%	87.1%	45.2%	-16.3%	0.0%	61.5%
<b>Total Commercial</b>	<b>94.2%</b>	<b>-0.3%</b>	<b>1.9%</b>	<b>92.6%</b>	<b>84.7%</b>	<b>-3.5%</b>	<b>0.6%</b>	<b>87.6%</b>
<b>Grand Total – Direct Business Only</b>	<b>90.1%</b>	<b>-3.2%</b>	<b>3.4%</b>	<b>89.9%</b>	<b>84.1%</b>	<b>-5.3%</b>	<b>1.7%</b>	<b>87.7%</b>

\*The calendar year combined ratio represents the adjusted statutory combined ratio, which removes the profit component of the management fee earned by the Company.

\*\*The prior accident year reserve development does not include the effects of salvage and subrogation recoveries.