

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

Commission file number 0-24000

ERIE INDEMNITY COMPANY

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of
incorporation or organization)

25-0466020

(I.R.S. Employer
Identification No.)

100 Erie Insurance Place, Erie, Pennsylvania

(Address of principal executive offices)

16530

(Zip Code)

(814) 870-2000

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of the registrant's Class A Common Stock as of the latest practicable date, with no par value and a stated value of \$.0292 per share, was 51,252,693 at July 27, 2009.

The number of shares outstanding of the registrant's Class B Common Stock as of the latest practicable date, with no par value and a stated value of \$70 per share, was 2,546 at July 27, 2009.

The common stock is the only class of stock the registrant is presently authorized to issue.

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ERIE INDEMNITY COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(dollars in thousands, except share data)

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Investments		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost of \$610,251 and \$597,672, respectively)	\$ 601,971	\$ 563,429
Equity securities (cost of \$49,596 and \$59,958, respectively)	46,491	55,281
Trading securities, at fair value (cost of \$36,683 and \$37,835, respectively)	36,125	33,338
Limited partnerships (cost of \$283,702 and \$272,144, respectively)	254,710	299,176
Real estate mortgage loans	1,166	1,215
Total investments	940,463	952,439
Cash and cash equivalents	26,417	61,073
Accrued investment income	8,163	8,420
Premiums receivable from policyholders	257,049	244,760
Federal income taxes recoverable	16,236	7,498
Deferred income taxes	78,077	72,875
Reinsurance recoverable from Erie Insurance Exchange on unpaid losses and loss adjustment expenses	788,326	777,754
Ceded unearned premiums to Erie Insurance Exchange	122,504	109,613
Note receivable from Erie Family Life Insurance	25,000	25,000
Other receivables due from Erie Insurance Exchange and affiliates	208,256	218,243
Reinsurance recoverable from non-affiliates	2,113	1,944
Deferred policy acquisition costs	17,279	16,531
Equity in Erie Family Life Insurance	57,476	29,236
Securities lending collateral	14,149	18,155
Other assets	74,220	69,845
Total assets	\$2,635,728	\$2,613,386

See accompanying notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
(dollars in thousands, except share data)

	June 30, 2009 (Unaudited)	December 31, 2008
Liabilities and shareholders' equity		
Liabilities		
Unpaid losses and loss adjustment expenses	\$ 979,869	\$ 965,081
Unearned premiums	442,579	424,370
Commissions payable	133,157	126,208
Agent bonuses	30,273	81,269
Securities lending collateral	14,379	18,155
Accounts payable and accrued expenses	52,069	51,333
Deferred executive compensation	10,387	15,152
Dividends payable	23,231	23,249
Pension plan liability	103,584	97,682
Employee benefit obligations	17,084	19,012
Total liabilities	1,806,612	1,821,511
Shareholders' Equity		
Capital stock:		
Class A common, no par value and stated value of \$0.0292 per share; authorized 74,996,930 shares; issued 68,277,600 shares; 51,240,693 and 51,282,893 shares outstanding, respectively	1,991	1,991
Class B common, convertible at a rate of 2,400 Class A shares for one Class B share, no par value and stated value of \$70 per share; and 2,551 shares authorized, issued and outstanding	179	179
Additional paid-in capital	7,830	7,830
Accumulated other comprehensive loss	(101,465)	(135,854)
Retained earnings, before cumulative effect adjustment	1,726,092	1,717,499
Cumulative effect of accounting changes, net of tax	6,692	11,191
Retained earnings, after cumulative effect adjustment	1,732,784	1,728,690
Total contributed capital and retained earnings	1,641,319	1,602,836
Treasury stock, at cost, 17,036,907 and 16,994,707 shares, respectively	(812,203)	(810,961)
Total shareholders' equity	829,116	791,875
Total liabilities and shareholders' equity	\$2,635,728	\$2,613,386

See accompanying notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars in thousands, except share data)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Operating revenue				
Management fee revenue, net	\$ 245,412	\$ 241,646	\$ 462,517	\$ 458,617
Premiums earned	52,110	51,736	103,860	103,662
Service agreement revenue	8,604	7,748	17,182	15,139
Total operating revenue	306,126	301,130	583,559	577,418
Operating expenses				
Cost of management operations	196,609	201,338	379,236	382,456
Losses and loss adjustment expenses incurred	35,084	33,823	78,088	67,583
Policy acquisition and other underwriting expenses	12,381	12,281	24,910	24,281
Total operating expenses	244,074	247,442	482,234	474,320
Investment (loss) income — unaffiliated				
Investment income, net of expenses	9,548	11,467	22,060	23,139
Realized gains (losses) on investments	3,467	(1,818)	(367)	(14,443)
Total other-than-temporary impairment losses on securities	(2,544)	(12,449)	(7,152)	(24,403)
Portion of losses recognized in other comprehensive income (before taxes)	0	0	0	0
Net impairment losses recognized in earnings	(2,544)	(12,449)	(7,152)	(24,403)
Equity in (losses) earnings of limited partnerships	(26,798)	11,275	(54,829)	19,253
Total investment (loss) income — unaffiliated	(16,327)	8,475	(40,288)	3,546
Income before income taxes and equity in earnings (losses) of Erie Family Life Insurance	45,725	62,163	61,037	106,644
Provision for income taxes	14,855	20,288	17,478	34,539
Equity in earnings (losses) of Erie Family Life Insurance, net of tax	1,864	(560)	304	(813)
Net income	\$ 32,734	\$ 41,315	\$ 43,863	\$ 71,292
Net income per share				
Class A common stock — basic	\$ 0.63	\$ 0.80	\$ 0.85	\$ 1.36
Class A common stock — diluted	0.57	0.71	0.76	1.22
Class B common stock — basic and diluted	93.19	116.10	127.98	200.67
Weighted average shares outstanding — basic				
Class A common stock	51,240,693	51,754,896	51,255,385	52,291,387
Class B common stock	2,551	2,551	2,551	2,551
Weighted average shares outstanding — diluted				
Class A common stock	57,390,302	57,898,022	57,404,994	58,434,513
Class B common stock	2,551	2,551	2,551	2,551
Dividends declared per share				
Class A common stock	\$ 0.45	\$ 0.44	\$ 0.90	\$ 0.88
Class B common stock	67.50	66.00	135.00	132.00

See accompanying notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
(dollars in thousands)

	Three months ended June 30, 2009	June 30, 2008	Six months ended June 30, 2009	June 30, 2008
Accumulated other comprehensive loss				
Balance, beginning of period	\$(137,437)	\$ (2,453)	\$(135,854)	\$ 10,048
Adjustment to opening balance, net of tax*	(6,692)	0	(6,692)	(11,191)
Adjusted balance, beginning of period	(144,129)	(2,453)	(142,546)	(1,143)
Net unrealized gains (losses) before tax arising during period	60,636	(19,032)	54,522	(31,935)
Less: reclassification adjustment for gross realized losses included in net income	5,001	9,663	8,680	20,550
Change in comprehensive income (loss), before tax	65,637	(9,369)	63,202	(11,385)
Income tax (expense) benefit related to items of other comprehensive income	(22,973)	3,279	(22,121)	3,985
Change in other comprehensive income (loss), net of tax	42,664	(6,090)	41,081	(7,400)
Balance, end of period	<u><u>\$ (101,465)</u></u>	<u><u>\$ (8,543)</u></u>	<u><u>\$ (101,465)</u></u>	<u><u>\$ (8,543)</u></u>
Comprehensive income				
Net income	\$ 32,734	\$ 41,315	\$ 43,863	\$ 71,292
Net change in accumulated other comprehensive loss	42,664	(6,090)	41,081	(7,400)
Total comprehensive income	<u><u>\$ 75,398</u></u>	<u><u>\$ 35,225</u></u>	<u><u>\$ 84,944</u></u>	<u><u>\$ 63,892</u></u>

* Previously recognized non-credit other-than-temporary impairment losses were reclassified from retained earnings to other comprehensive income upon the implementation of FSP FAS 115-2 and 124-2, "Recognition and Presentation of Other-than-Temporary Impairments," during the second quarter of 2009. See Note 2. The 2008 adjustment reclassified unrealized gains related to common stock to retained earnings upon the adoption of the fair value option at January 1, 2008 in accordance with FAS No. 159.

See accompanying notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Six months ended June 30, 2009	2008
Cash flows from operating activities		
Management fee received	\$ 453,019	\$ 450,090
Service agreement fee received	17,182	15,140
Premiums collected	105,298	104,154
Net investment income received	23,143	27,626
Limited partnership distributions	7,183	16,774
Reduction (increase) in reimbursements collected from affiliates	23,668	(2,627)
Commissions paid to agents	(219,775)	(209,845)
Agent bonuses paid	(80,304)	(94,855)
Salaries and wages paid	(57,819)	(57,365)
Pension contribution and employee benefits paid	(10,661)	(32,546)
Losses paid	(62,947)	(58,922)
Loss adjustment expenses paid	(10,961)	(10,346)
Other underwriting and acquisition costs paid	(29,869)	(30,510)
General operating expenses paid	(55,001)	(59,853)
Interest paid on bank line of credit	0	(503)
Income taxes paid	(46,718)	(41,920)
Net cash provided by operating activities	55,438	14,492
Cash flows from investing activities		
Purchase of investments:		
Fixed maturities	(65,427)	(124,407)
Preferred stock	(2,293)	(29,565)
Common stock	(12,130)	(42,570)
Additional investment in EFL	(11,897)	—
Limited partnerships	(18,148)	(36,016)
Sales/maturities of investments:		
Fixed maturity sales	32,057	112,392
Fixed maturity calls/maturities	18,538	69,575
Preferred stock	12,347	29,203
Common stock	11,110	46,490
Sale of and returns on limited partnerships	1,214	19,932
Purchase of property and equipment	(5,615)	(5,463)
Net distributions on agent loans	(2,127)	(2,784)
Net cash (used in) provided by investing activities	(42,371)	36,787
Cash flows from financing activities		
Dividends paid to shareholders	(46,481)	(46,745)
Purchase of treasury stock	(1,242)	(94,403)
Decrease in collateral from securities lending	(3,775)	(7,460)
Redemption of securities lending collateral	3,775	7,460
Proceeds from bank line of credit	0	75,000
Net cash used in financing activities	(47,723)	(66,148)
Net decrease in cash and cash equivalents	(34,656)	(14,869)
Cash and cash equivalents at beginning of period	61,073	31,070
Cash and cash equivalents at end of period	\$ 26,417	\$ 16,201

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 — BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements, which include the accounts of Erie Indemnity Company and our wholly owned property/casualty insurance subsidiaries, Erie Insurance Company (EIC), Erie Insurance Company of New York (EINY) and Erie Insurance Property and Casualty Company (EIPC), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and footnotes included in our Form 10-K for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on February 26, 2009. Erie Insurance Exchange (Exchange), for whom we serve as attorney-in-fact, and its property/casualty subsidiary, Flagship City Insurance Company, our three insurance subsidiaries, EIC, EINY and EIPC and Erie Family Life Insurance Company (EFL) operate collectively as the Erie Insurance Group (Group).

While completing our second quarter close process for 2009, we identified an adjustment related to the first quarter 2009 equity in losses of limited partnerships resulting from the misinterpretation of facts that existed at the time the financial statements were prepared. We assessed the materiality of this error in accordance with the SEC's Staff Accounting Bulletin (SAB) No. 99 and SAB No. 108 and concluded the error was not material. The adjustment did not skew our trend of earnings and the underlying gains and losses resulting from limited partnership investments are often volatile. Therefore, the effect of this error was recorded as an adjustment in the second quarter of 2009. The effect of this adjustment increased the second quarter 2009 equity in losses of limited partnership investments. The impact of the adjustment reduced second quarter 2009 net income by \$5.0 million and diluted earnings per share by \$0.09. This adjustment did not impact our cash flows from operating, investing or financing activities.

NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS

In April 2009, the Financial Accounting Standards Board (FASB) issued three FASB Staff Positions (FSP's) to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities.

- FSP FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, "Fair Value Measurements" when the volume and level of activity for the asset or liability have significantly decreased in relation to normal market activity. This FSP states a reporting entity shall evaluate circumstances to determine whether the transaction is orderly based on the weight of the evidence. Additional disclosures required by this FSP include the inputs and valuation techniques used to measure fair values and any changes in such. We implemented this guidance during the second quarter of 2009 and have provided the required disclosure concerning fair value measure inputs and valuation techniques in Note 6.
- FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," requires disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. We adopted this FSP in the second quarter of 2009 and the additional fair value disclosures have been provided in Note 6.
- FSP FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," amends the existing other-than-temporary impairment guidance for debt securities. This amended other-than-temporary impairment (OTTI) model requires that credit-related losses and securities in an unrealized position we intend to sell be recognized in earnings, with the remaining decline being recognized in other comprehensive income. This FSP also changes the presentation of OTTI in the statement of operations with the total OTTI

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 — RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

presented along with an offset for the amount of OTTI recognized in other comprehensive income. Disclosures include further disaggregation of securities, methodology and inputs related to credit-related loss impairments and a rollforward of credit-related loss impairments. We implemented this FSP during the second quarter of 2009 and have made the applicable presentations in the accompanying financial statements and footnotes. The adoption of this FSP required a cumulative effect adjustment to reclass previously recognized non-credit other-than-temporary impairments from retained earnings to other comprehensive income. The net impact of the cumulative effect adjustment for our available-for-sale debt securities on April 1, 2009 increased retained earnings and decreased other comprehensive income by \$6.7 million, net of tax. Disclosures regarding our impairment methodology are included in Note 3. The remaining disclosures regarding credit and non-credit related impairments have been provided in Note 7.

FAS 165, “Subsequent Events,” was issued in June 2009 to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. It requires disclosure of the date through which subsequent events are evaluated. This statement became effective for periods ending after June 15, 2009. We have provided the required disclosures concerning subsequent events in Note 17.

FAS 167, “Amendments to FASB Interpretation No. 46(R),” was issued in June 2009 and amends the guidance for determining whether an enterprise is the primary beneficiary of a variable interest entity (VIE) by requiring a qualitative analysis to determine if an enterprise’s variable interest gives it a controlling financial interest. A primary beneficiary is expected to be identified through qualitative analysis, which looks at the power to direct activities of the VIE, including its economic performance and the right to receive benefits from the VIE that are significant. This statement is effective for fiscal years that begin after November 15, 2009. Under the current quantitative analysis required by FIN 46(R), although we hold a variable interest in it, we are not deemed to be the primary beneficiary of the Exchange (see Note 15), and the Exchange’s financial statements are not consolidated with ours. Under the provisions of FAS 167 we believe we will be deemed to have a controlling financial interest in the Exchange, by virtue of our attorney-in-fact relationship with the Exchange, and we believe consolidation of the Exchange in our financial statements would be required effective for our first quarter 2010 financial statements. This will require that the Exchange’s financial statements, which are currently only prepared in accordance with statutory accounting principles, be prepared in accordance with GAAP. The Exchange will then also be subject to the Sarbanes-Oxley Section 404 internal control reporting requirements. Given the materiality of the Exchange’s operations, consolidating the Exchange’s financial statements with the Company’s will significantly change our reporting entity, related footnote disclosures and the overall presentation of management’s discussion and analysis. The Exchange’s equity will be shown as a noncontrolling interest in such consolidated statements and the net earnings and equity of the Company will be unchanged by this presentation.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES

Available-for-sale securities — Fixed maturity and preferred stock securities are classified as available-for-sale and are reported at fair value. Unrealized holding gains and losses, net of related tax effects, on fixed maturities and preferred stock are charged or credited directly to shareholders’ equity as accumulated other comprehensive (loss) income.

Realized gains and losses on sales of fixed maturity and preferred stock securities are recognized in income based upon the specific identification method. Interest and dividend income are recognized as earned.

Fixed income and redeemable preferred stock (debt securities) are evaluated monthly for other-than-temporary impairment loss. For debt securities that have experienced a decline in fair value and we intend to sell or for which it is more likely than not we will be required to sell the security before recovery of its amortized cost, an other-than-temporary impairment is deemed to have occurred. These other-than-temporary impairment charges are recognized in earnings.

Debt securities that have experienced a decline in fair value and we do not intend to sell and will not be required to sell before recovery, are evaluated to determine if the decline in fair value is other-than-temporary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (Continued)

Some factors considered in this evaluation include:

- the extent and duration to which fair value is less than cost;
- historical operating performance and financial condition of the issuer;
- short and long-term prospects of the issuer and its industry based on analysts' recommendations;
- specific events that occurred affecting the issuer, including a ratings downgrade
- near term liquidity position of the issuer
- compliance with financial covenants

If a decline is deemed to be other-than-temporary, an assessment is made as to determine the amount of the total impairment related to a credit loss and that related to all other factors. Consideration is given to all available information relevant to the collectibility of the security in this determination. If the entire amortized cost basis of the security will not be recovered, a credit loss exists. The total amount of these impairments related to credit losses is recognized in earnings. When we determine that a security has incurred a credit-related loss, we will conclude that we intend to sell the security when market conditions provide a reasonable opportunity for sale.

Impairment charges on non-redeemable preferred securities and hybrid securities with equity characteristics are included in earnings consistent with the treatment for equity securities. This approach is more conservative since the lack of a final maturity and unlikelihood of a call means recovery is uncertain and would occur over a multi-year period. We consider whether we have the intent and ability to hold these types of securities until recovery.

NOTE 4 — RECLASSIFICATIONS

Certain amounts previously reported in the 2008 financial statements have been reclassified to conform to the current period's presentation. Such reclassifications affected the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows. These reclassifications had no effect on previously reported net income.

NOTE 5 — EARNINGS PER SHARE

Earnings per share are calculated under the two-class method, which allocates earnings to each class of stock based on its dividend rights. Class B shares are convertible into Class A shares at a conversion ratio of 2,400 to 1. Class A diluted earnings per share are calculated under the if-converted method that reflects the conversion of Class B shares and the effect of potentially dilutive outstanding employee stock-based awards under the long-term incentive plan and awards not yet vested related to the outside directors' stock compensation plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 5 — EARNINGS PER SHARE (Continued)

A reconciliation of the numerators and denominators used in the basic and diluted per-share computations is presented as follows for each class of common stock:

	Three Months Ended June 30,					
	2009			2008		
(dollars in thousands, except per share data)	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount
Class A — Basic EPS:						
Income available to Class A stockholders	\$32,496	51,240,693	\$ 0.63	\$41,019	51,754,896	\$ 0.80
Dilutive effect of stock awards	0	27,209	—	—	20,726	—
Assumed conversion of Class B shares	238	6,122,400	—	296	6,122,400	—
Class A — Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	\$32,734	57,390,302	\$ 0.57	\$41,315	57,898,022	\$ 0.71
Class B — Basic and diluted EPS:						
Income available to Class B stockholders	\$ 238	2,551	\$93.19	\$ 296	2,551	\$116.10
	Six Months Ended June 30,					
	2009			2008		
(dollars in thousands, except per share data)	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount
Class A — Basic EPS:						
Income available to Class A stockholders	\$43,536	51,255,385	\$ 0.85	\$70,780	52,291,387	\$ 1.36
Dilutive effect of stock awards	0	27,209	—	—	20,726	—
Assumed conversion of Class B shares	327	6,122,400	—	512	6,122,400	—
Class A — Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	\$43,863	57,404,994	\$ 0.76	\$71,292	58,434,513	\$ 1.22
Class B — Basic and diluted EPS:						
Income available to Class B stockholders	\$ 327	2,551	\$127.98	\$ 512	2,551	\$200.67

As of December 2008, all shares awarded under our pre-2004 long-term incentive plan for executive and senior management were fully vested. Awards not yet vested related to this plan and included in the calculation of diluted earnings per share for the second quarter of 2008 were 12,535 shares. There were 14,400 shares of other stock-based awards not yet vested that were included in the second quarter 2009 diluted EPS calculation. Awards not yet vested related to the outside directors' stock compensation plan were 12,809 and 8,191 for the second quarters of 2009 and 2008, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 6 — FAIR VALUE

FAS 157, “Fair Value Measurement,” provides guidance for using fair value to measure assets and liabilities and enhances disclosures about fair value measurement. The standard describes three levels of inputs that may be used to measure fair value, which are provided below.

Valuation techniques used to derive fair value of our available-for-sale and trading securities are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect our own assumptions regarding exit market pricing for these securities. Although the majority of our prices are obtained from third party sources, we also perform an internal pricing review for securities with low trading volumes in the current market conditions. Certain securities were downgraded to Level 3 as a result. These techniques provide the inputs for the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets. Such prices are obtained from third party nationally recognized pricing services. Level 1 securities primarily include publicly traded common stock, nonredeemable preferred stocks and treasury securities.
- Level 2 Observable inputs other than quoted prices in Level 1. These would include prices obtained from third party pricing services that model prices based on observable inputs. Included in this category are primarily municipal securities, asset backed securities, collateralized-mortgage obligations, foreign and domestic corporate bonds and redeemable preferred stocks. Nonredeemable preferred stocks for which a quote in an active market is unavailable and a value is obtained from a third party pricing service are also included in this level.
- Level 3 One or more of the inputs used to determine the value of the security are unobservable. Fair values for these securities are determined using comparable securities or valuations received from outside brokers or dealers. In cases where there has been little or no activity in the current market and no other inputs from external sources are available, an internal review is also performed to evaluate the price and make adjustments as necessary. Factors used to estimate a price most representative of fair value include potential for default, structure and collateral, market discount rates and current credit rating. Examples of Level 3 fixed maturities may include certain private preferred stock and bond securities, collateralized debt and loan obligations, and credit-linked notes.

The following table represents the fair value measurements on a recurring basis for our invested assets by major category and level of input:

	At June 30, 2009			
	Fair value measurements using:			
	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
<i>(in thousands)</i>				
Available-for-sale securities:				
Fixed maturities	\$601,971	\$ 5,979	\$581,625	\$14,367
Preferred stock	46,491	23,849	11,427	11,215
Trading securities:				
Common stock	36,125	36,103	0	22
Total	\$684,587	\$65,931	\$593,052	\$25,604

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 6 — FAIR VALUE (Continued)

Level 3 Invested Assets — Quarterly Change:

<i>(in thousands)</i>	Beginning balance at March 31, 2009	Included in earnings(1)	Included in other comprehensive income	Purchases, sales and adjustments related to FSP 115-2	Transfers in and (out) of Level 3(2)	Ending balance at June 30, 2009
Available-for-sale securities:						
Fixed maturities	\$12,739	\$(1,258)	\$3,510	\$1,076	\$(1,700)	\$14,367
Preferred stock	10,163	0	1,052	0	0	11,215
Trading securities:						
Common stock	22	0	0	0	0	22
Total Level 3 assets	\$22,924	\$(1,258)	\$4,562	\$1,076	\$(1,700)	\$25,604

Level 3 Invested Assets — Year-to-Date Change:

<i>(in thousands)</i>	Beginning balance at December 31, 2008	Included in earnings(1)	Included in other comprehensive income	Purchases, sales and adjustments related to FSP 115-2	Transfers in and (out) of Level 3(2)	Ending balance at June 30, 2009
Available-for-sale securities:						
Fixed maturities	\$14,217	\$ (995)	\$2,070	\$775	\$(1,700)	\$14,367
Preferred stock	11,818	(1,118)	515	0	0	11,215
Trading securities:						
Common stock	22	0	0	0	0	22
Total Level 3 assets	\$26,057	\$(2,113)	\$2,585	\$775	\$(1,700)	\$25,604

-
- (1) Includes losses as a result of other-than-temporary impairments and accrual of discount and amortization of premium. These amounts are reported in the Consolidated Statement of Operations. There were no unrealized gains or losses included in earnings for the three or six months ended June 30, 2009 on Level 3 securities.
 - (2) Transfers in and out of Level 3 would be attributable to changes in the availability of market observable information for individual securities within the respective categories.

We have no assets measured at fair value on a nonrecurring basis during the six months ended June 30, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS

Available-for-sale securities

The following table summarizes the cost and fair value of our available-for-sale securities at June 30, 2009. Fixed maturities consist of bonds, notes and redeemable preferred stock. Equity securities include nonredeemable preferred stock.

(in thousands)	At June 30, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities				
Fixed maturities				
U.S. treasuries and government agencies	\$ 2,598	\$ 269	\$ 0	\$ 2,867
Foreign government	1,998	0	24	1,974
Municipal securities	221,187	4,761	1,320	224,628
U.S. corporate debt — non-financial	171,424	5,275	3,999	172,700
U.S. corporate debt — financial	125,479	4,883	10,950	119,412
Foreign corporate debt — non-financial	34,024	975	1,439	33,560
Foreign corporate debt — financial	15,784	142	3,444	12,482
Structured securities:				
Asset-backed securities — auto loans	4,000	0	123	3,877
Collateralized debt obligations	11,543	59	2,894	8,708
Commercial mortgage-backed	5,619	0	331	5,288
Residential mortgage-backed:				
Government sponsored enterprises	13,565	157	64	13,658
Non-government sponsored enterprises	3,030	0	213	2,817
Total fixed maturities	\$610,251	\$16,521	\$24,801	\$601,971
Equity securities				
U.S. nonredeemable preferred securities:				
Financial	\$ 30,113	\$ 3,878	\$ 6,316	\$ 27,675
Non-financial	14,356	814	1,658	13,512
Government sponsored enterprises	166	212	0	378
Foreign nonredeemable preferred securities:				
Financial	2,961	604	249	3,316
Non-financial	2,000	0	390	1,610
Total equity securities	\$ 49,596	\$ 5,508	\$ 8,613	\$ 46,491
Total available-for-sale securities	\$659,847	\$22,029	\$33,414	\$648,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS (Continued)

The following table summarizes the cost and fair value of our available-for-sale securities at December 31, 2008.

(in thousands)	At December 31, 2008			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities:				
Fixed maturities				
U.S. treasuries and government agencies	\$ 3,078	\$ 345	\$ 51	\$ 3,372
Foreign government	1,998	0	180	1,818
Municipal securities	212,224	3,041	3,846	211,419
U.S. corporate debt — non-financial	164,419	1,963	13,181	153,201
U.S. corporate debt — financial	130,929	4,500	15,807	119,622
Foreign corporate debt — non-financial	34,900	86	2,681	32,305
Foreign corporate debt — financial	21,917	100	2,875	19,142
Structured securities:				
Asset-backed securities — auto loans	4,000	0	321	3,679
Collateralized debt obligations	11,438	0	4,362	7,076
Commercial mortgage-backed	5,098	80	484	4,694
Residential mortgage-backed:				
Government sponsored enterprises	3,450	219	0	3,669
Non-government sponsored enterprises	4,221	0	789	3,432
Total fixed maturities	\$597,672	\$10,334	\$44,577	\$563,429
Equity securities				
U.S. nonredeemable preferred securities:				
Financial	\$ 34,353	\$ 3,045	\$ 5,650	\$ 31,748
Non-financial	19,359	449	2,270	17,538
Government sponsored enterprises	180	0	1	179
Foreign nonredeemable preferred securities:				
Financial	4,066	187	57	4,196
Non-financial	2,000	0	380	1,620
Total equity securities	\$ 59,958	\$ 3,681	\$ 8,358	\$ 55,281
Total available-for-sale securities	\$657,630	\$14,015	\$52,935	\$618,710

The amortized cost and estimated fair value of available-for-sale fixed maturities at June 30, 2009, are shown below by remaining contractual term to maturity. Mortgage-backed securities are allocated based on their stated maturity dates. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized cost	Estimated fair value
Due in one year or less	\$ 54,061	\$ 53,170
Due after one year through five years	233,764	235,366
Due after five years through ten years	234,964	230,668
Due after ten years	87,462	82,767
Total fixed maturities	<u>\$610,251</u>	<u>\$601,971</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS (Continued)

Available-for-sale fixed maturities and equity securities in a gross unrealized loss position at June 30, 2009 are as follows. Data are provided by length of time securities were in a gross unrealized loss position.

June 30, 2009
(dollars in thousands)

	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Fixed maturities							
Foreign government	\$ 0	\$ 0	\$ 1,974	\$ 24	\$ 1,974	\$ 24	1
Municipal securities	27,542	452	25,795	868	53,337	1,320	30
U.S. corporate debt — non-financial	8,822	526	36,083	3,473	44,905	3,999	37
U.S. corporate debt — financial	14,297	1,246	55,908	9,704	70,205	10,950	63
Foreign corporate debt — non-financial	4,585	357	2,450	1,082	7,035	1,439	6
Foreign corporate debt — financial	987	344	8,236	3,100	9,223	3,444	9
Structured securities:							
Asset-backed securities — auto loans	990	10	2,887	113	3,877	123	3
Collateralized debt obligations	1,116	42	6,571	2,852	7,687	2,894	11
Commercial mortgage-backed	0	0	5,288	331	5,288	331	5
Residential mortgage-backed:							
Government sponsored enterprises	5,149	64	0	0	5,149	64	2
Non-government sponsored enterprises	923	87	1,895	126	2,818	213	3
Total fixed maturities	\$64,411	\$3,128	\$147,087	\$21,673	\$211,498	\$24,801	170

Equity securities

U.S. nonredeemable preferred securities:							
Financial	\$ 5,929	\$1,901	\$ 13,251	\$ 4,415	\$ 19,180	\$ 6,316	16
Non-financial	2,566	324	6,355	1,334	8,921	1,658	6
Foreign nonredeemable preferred securities:							
Financial	881	249	0	0	881	249	1
Non-financial	0	0	1,610	390	1,610	390	1
Total equity securities	\$ 9,376	\$2,474	\$ 21,216	\$ 6,139	\$ 30,592	\$ 8,613	24

Quality breakdown of available-for-sale fixed maturities at June 30, 2009
(dollars in thousands)

	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Investment grade	\$56,746	\$1,889	\$123,118	\$14,231	\$179,864	\$16,120	134
Non-investment grade	7,665	1,239	23,969	7,442	31,634	8,681	36
Total fixed maturities	\$64,411	\$3,128	\$147,087	\$21,673	\$211,498	\$24,801	170

The above securities have all been evaluated and determined to be temporary impairments and we expect to recover all of our principal. The primary drivers of this analysis are a general review of market conditions and financial performance of the issuer along with the extent and duration of which fair value is less than cost. Any debt securities that we intend to sell or will more likely than not be required to sell before recovery are included in other-than-temporary impairments with the impairment charges recognized in earnings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS (Continued)

Available-for-sale fixed maturities and equity securities in a gross unrealized loss position at December 31, 2008 are as follows:

December 31, 2008
(dollars in thousands)

(dollars in thousands)	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Fixed maturities							
U.S. treasuries and government agencies	\$ 948	\$ 51	\$ 0	\$ 0	\$ 948	\$ 51	1
Foreign government	1,818	180	0	0	1,818	180	1
Municipal securities	82,222	2,960	4,291	886	86,513	3,846	53
U.S. corporate debt — non-financial	98,422	8,199	18,961	4,982	117,383	13,181	92
U.S. corporate debt — financial	70,528	10,625	18,047	5,182	88,575	15,807	84
Foreign corporate debt — non-financial	24,007	1,725	1,042	956	25,049	2,681	18
Foreign corporate debt — financial	10,514	2,029	2,154	846	12,668	2,875	11
Structured securities:							
Asset-backed securities — auto loans	3,678	321	0	0	3,678	321	3
Collateralized debt obligations	6,198	4,192	426	170	6,624	4,362	13
Commercial mortgage-backed	2,064	396	1,198	88	3,262	484	4
Residential mortgage-backed:							
Non-government sponsored enterprises	2,703	549	729	240	3,432	789	5
Total fixed maturities	\$303,102	\$31,227	\$46,848	\$13,350	\$349,950	\$44,577	285
Equity securities							
U.S. nonredeemable preferred securities:							
Financial	\$ 18,370	\$ 5,396	\$ 741	\$ 254	\$ 19,111	\$ 5,650	17
Non-financial	10,538	1,286	5,708	984	16,246	2,270	9
Government sponsored enterprises	15	1	0	0	15	1	1
Foreign nonredeemable preferred securities:							
Financial	1,073	57	0	0	1,073	57	1
Non-financial	1,620	380	0	0	1,620	380	1
Total equity securities	\$ 31,616	\$ 7,120	\$ 6,449	\$ 1,238	\$ 38,065	\$ 8,358	29

Quality breakdown of available-for-sale fixed maturities at December 31, 2008
(dollars in thousands)

	Less than 12 months		12 months or longer		Total		No. of holdings
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	
Investment grade	\$296,457	\$29,068	\$42,002	\$12,216	\$338,459	\$41,284	271
Non-investment grade	6,645	2,159	4,846	1,134	11,491	3,293	14
Total fixed maturities	\$303,102	\$31,227	\$46,848	\$13,350	\$349,950	\$44,577	285

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS (Continued)

We adopted FAS 159 for our common stock portfolio effective January 1, 2008 as it better reflects the way we manage our common stock portfolio under a total return approach. Dividend income is recognized as earned and recorded to net investment income.

The components of net realized losses and gains on investments as reported in the Consolidated Statements of Operations are included below.

<i>(in thousands)</i>	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Available-for-sale securities:				
Fixed maturities				
Gross realized gains	\$ 587	\$ 879	\$ 700	\$ 2,173
Gross realized losses	(659)	(203)	(2,608)	(340)
Net realized (losses) gains	(72)	676	(1,908)	1,833
Equity securities				
Gross realized gains	266	2,295	2,789	2,683
Gross realized losses	(1,915)	(2,295)	(2,825)	(4,603)
Net realized (losses) gains	(1,649)	0	(36)	(1,920)
Trading securities:				
Common stock				
Gross realized gains	335	4,766	724	6,745
Gross realized losses	(1,422)	(2,656)	(3,085)	(4,433)
Valuation adjustments	6,275	(4,604)	3,938	(18,296)
Net realized (losses) gains	5,188	(2,494)	1,577	(15,984)
Limited partnerships				
Gross realized gains	0	0	0	3,541
Gross realized losses	0	0	0	(1,913)
Net realized gains	0	0	0	1,628
Net realized (losses) gains on investments	\$ 3,467	\$ (1,818)	\$ (367)	\$ (14,443)

We recorded \$1.3 million of credit loss impairments on fixed maturities for the three months ended June 30, 2009, which are included in the Consolidated Statement of Operations. Some of the factors considered in determining that these securities were credit impaired include potential for the default of interest and/or principal, level of subordination, collateral of the issue, compliance with financial covenants, credit ratings and industry conditions. We have the intent to sell all credit-impaired debt securities, therefore the entire amount of the impairment charges were included in earnings and no non-credit impairments were recognized in the second quarter of 2009. Prior to the implementation of FSP FAS 115-2 in the second quarter of 2009, there was no differentiation between impairments related to credit loss and those related to other factors and declines in fair values of debt securities were deemed other-than-temporary if we did not have the intent and ability to hold a security to recovery. Impairment charges recorded on fixed maturities in the second quarter of 2008 were \$8.0 million. Impairment charges recorded on equity securities were \$1.2 million and \$4.4 million in the second quarters of 2009 and 2008, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS (Continued)

Limited partnerships

Erie Indemnity Company has limited partnership investments that are recorded using the equity method of accounting. As these investments are generally reported on a one-quarter lag, our limited partnership results through June 30, 2009 are comprised of general partnership financial results for the fourth quarter of 2008 and the first quarter of 2009. Therefore, the volatility in market conditions experienced in these periods is included in our 2009 results. Given the lag in general partner reporting, our limited partnership results do not reflect the market conditions of the second quarter of 2009. There may be additional deterioration reflected in the general partners' second quarter 2009 financial statements. Such declines could be significant. Cash contributions made to and distributions received from the partnerships are recorded in the period in which the transaction occurs.

For the six months ended June 30, 2009, our equity in losses from limited partnerships as reported in the Consolidated Statements of Operations totaled \$54.8 million. See Note 1 for discussion of an adjustment to limited partnership investments related to the first quarter of 2009.

Our ownership interest is less than 50% in any limited partnership and we do not exercise significant influence over any of these partnerships. As the fair value of our limited partnership investments is approximately 10% of total assets, we have provided summarized financial information in the following table.

(dollars in thousands)

	Recorded by Erie Indemnity Company as of and for the six months ended June 30, 2009			
Investment percentage in partnership for Erie Indemnity Company	Number of partnerships	Asset recorded	Loss recognized due to valuation adjustments by the partnerships	Income (loss) recorded
Private equity:				
Less than 10%	30	\$ 78,480	\$(15,238)	\$ (448)
Greater than or equal to 10% but less than 50%	1	3,484	(9)	(187)
Total private equity	31	81,964	(15,247)	(635)
Mezzanine debt:				
Less than 10%	15	52,161	(4,602)	3,569
Greater than or equal to 10% but less than 50%	1	2,237	(1,366)	374
Total mezzanine debt	16	54,398	\$(5,968)	3,943
Real estate:				
Less than 10%	24	104,002	(29,383)	(1,494)
Greater than or equal to 10% but less than 50%	5	14,346	(6,845)	800
Total real estate	29	118,348	(36,228)	(694)
Total limited partnerships	76	\$254,710	\$(57,443)	\$ 2,614

Per the limited partner financial statements, total partnership assets were \$34.5 billion and total partnership liabilities were \$9.0 billion at March 31, 2009. For the six month period comparable to that presented in the preceding table (fourth quarter of 2008 and first quarter of 2009), total partnership valuation adjustment losses were \$5.4 billion and total partnership net loss was \$0.4 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7 — INVESTMENTS (Continued)

As these investments are generally reported on a one-quarter lag, our limited partnership results through December 31, 2008 include the general partnership financial results for the fourth quarter of 2007 and the first three quarters of 2008.

(dollars in thousands)

	Recorded by Erie Indemnity Company as of and for the year ended December 31, 2008			
Investment percentage in partnership for Erie Indemnity Company	Number of partnerships	Asset recorded	(Loss) income recognized due to valuation adjustments by the partnerships	Income (loss) recorded
Private equity:				
Less than 10%	31	\$ 91,222	\$ (4,668)	\$ 8,915
Greater than or equal to 10% but less than 50%	1	3,290	0	(434)
Total private equity	32	94,512	(4,668)	8,481
Mezzanine debt:				
Less than 10%	15	51,941	1,164	4,664
Greater than or equal to 10% but less than 50%	1	3,224	(717)	496
Total mezzanine debt	16	55,165	447	5,160
Real estate:				
Less than 10%	24	127,349	(16,176)	11,224
Greater than or equal to 10% but less than 50%	5	22,150	(675)	1,917
Total real estate	29	149,499	(16,851)	13,141
Total limited partnerships	77	\$299,176	\$(21,072)	\$26,782

Per the limited partner financial statements, total partnership assets were \$48.0 billion and total partnership liabilities were \$9.4 billion at September 30, 2008. For the twelve month period comparable to that presented in the preceding table (fourth quarter of 2007 and first three quarters of 2008), total partnership valuation adjustment losses were \$2.3 billion and total partnership net income was \$1.3 billion.

See also Note 14 for investment commitments related to limited partnerships.

Securities lending program

We participate in a program whereby marketable securities from our investment portfolio are lent to independent brokers or dealers based on, among other things, their creditworthiness, in exchange for collateral equal to 102% of the value of the securities on loan. The collateral is invested primarily in short-term, investment grade asset-backed securities and floating rate notes. The program is in the process of being terminated and we anticipate it to be completed by the end of 2009.

We had loaned securities included as part of our invested assets with a fair value of \$13.7 million and \$17.5 million at June 30, 2009 and December 31, 2008, respectively. We have incurred no losses on the securities lending program since the program's inception.

Cash equivalents are principally comprised of investments in bank money market funds and approximate fair value.

NOTE 8 — BANK LINE OF CREDIT

As of June 30, 2009, we have available with a bank a \$100 million line of credit that expires on December 31, 2009. There were no borrowings outstanding on the line of credit as of June 30, 2009. Bonds with a fair value of \$133.6 million are pledged as collateral on the line at June 30, 2009. These securities have no restrictions and are reported as available-for-sale fixed maturities in the Consolidated Statements of Financial Position as of June 30, 2009. The bank requires compliance with certain covenants which include minimum net worth and leverage ratios. Effective June 29, 2009, the net worth covenant was amended to lower the minimum required to be maintained. We are in compliance with all covenants at June 30, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 9 — INCOME TAXES

The annualized effective tax rate of 31.8% was impacted in the second quarter of 2009 by an adjustment to increase taxes by \$0.8 million related to the 2005 IRS audit.

We account for income taxes in accordance with FAS 109, “Accounting for Income Taxes.” FAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statement or tax returns. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. At June 30, 2009, we recorded a net deferred tax asset of \$78.1 million on our Consolidated Statements of Financial Position. We evaluated the need for an offsetting valuation allowance. Management considered securities that we expect to recover to cost as well as tax planning strategies and determined that we would recover the deferred tax asset in future periods, and thus, an allowance was not recorded at June 30, 2009.

NOTE 10 — SUMMARIZED FINANCIAL STATEMENT INFORMATION OF EFL

EFL is an affiliated Pennsylvania-domiciled life insurance company operating in 10 states and the District of Columbia. We own 21.6% of EFL’s outstanding common shares and account for this investment using the equity method of accounting. The remaining 78.4% of EFL is owned by Erie Insurance Exchange.

The following represents unaudited condensed financial statement information for EFL on a GAAP basis:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenues	\$37,986	\$ 20,281	\$60,458	\$ 46,939
Benefits and expenses	32,286	24,442	60,990	53,818
Income (loss) before income taxes	5,700	(4,161)	(532)	(6,879)
Net income (loss)	10,763	(2,786)	1,510	(4,431)
Comprehensive income (loss)	74,048	(11,266)	75,559	(11,974)

The increase in revenues is the result of impairment charges of \$1.0 million in the second quarter of 2009 compared to \$20.5 million recorded in the second quarter of 2008. The more significant impairment charges in 2008 were primarily related to bonds and preferred stocks in the financial services industry.

The second quarter 2009 benefit and expenses amounts were higher due to increased death benefit expenses. The lower second quarter 2008 benefits and expenses were the result of a decline in deferred policy acquisition amortization in 2008 caused by the significant level of bond impairments.

Net income in the second quarter of 2009 was positively impacted by a reduction in the deferred tax valuation allowance of \$7.0 million. EFL has recorded a deferred tax valuation allowance of \$21.5 million at June 30, 2009 related to currently and previously recorded impairments where the related deferred tax asset is not expected to be realized.

Comprehensive income was positively impacted by the \$26.9 million cumulative effect of implementing FSP FAS 115-2 in the second quarter of 2009. Additionally, EFL experienced unrealized gains, after tax of \$36.4 million in the second quarter of 2009 and \$47.2 million in the first half of 2009 which contributed to the increase in comprehensive income and invested assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 10 — SUMMARIZED FINANCIAL STATEMENT INFORMATION OF EFL (Continued)

(in thousands)	As of	
	June 30, 2009	December 31, 2008
Investments	\$1,458,939	\$1,327,553
Total assets	1,827,279	1,645,249
Liabilities	1,561,547	1,510,076
Accumulated other comprehensive loss	(24,515)	(71,666)
Cumulative effect of adopting FSP FAS 115-2	26,899	—
Total shareholders' equity	265,732	135,173
Book value per share	\$ 28.12	\$ 14.30

In June 2009, we made an \$11.9 million capital contribution to EFL and the Exchange made a \$43.1 million capital contribution to EFL to strengthen its surplus. The \$55 million in capital contributions increased EFL's investments and total shareholders' equity.

EFL implemented FSP FAS 115-2 during the second quarter of 2009. The required cumulative effect adjustment reclassified previously recognized non-credit other-than-temporary impairments of \$26.9 million out of retained earnings. Deferred taxes of \$9.4 million related to this cumulative effect adjustment were offset by a valuation allowance in the same amount that had been previously recorded related to these impairments.

NOTE 11 — POSTRETIREMENT BENEFITS

The liabilities for the plans described in this note are presented in total for all employees of the Group. The gross liability for the pension plans is presented in the Consolidated Statements of Financial Position as employee benefit obligations. A portion of annual expenses related to the pension plans is allocated to related entities within the Group.

We offer a noncontributory defined benefit pension plan that covers substantially all employees. This is the largest benefit plan we offer. We also offer an unfunded supplemental retirement plan (SERP) for certain members of executive and senior management of the Erie Insurance Group. The components of net periodic benefit cost for our pension benefits are:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Service cost	\$ 3,725	\$ 3,169	\$ 7,600	\$ 6,272
Interest cost	4,750	4,386	9,700	8,895
Expected return on plan assets	(6,350)	(6,042)	(12,350)	(12,085)
Amortization of prior service cost (credit)	175	(42)	350	66
Amortization of actuarial loss	700	153	1,650	155
Settlement	—	74	—	74
Net periodic benefit cost	<u>\$ 3,000</u>	<u>\$ 1,698</u>	<u>\$ 6,950</u>	<u>\$ 3,377</u>

The increase in the net periodic benefit cost of the pension plans is primarily due to a change in discount rate to 6.06% for 2009 compared to 6.62% in 2008. The increase in amortization of actuarial loss is a result of the significant difference between the defined benefit pension plan's actual investment returns in 2008 and the expected returns assumed. These experience losses are being amortized over the average remaining service period of the employee group covered under the plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12 — NOTE RECEIVABLE FROM ERIE FAMILY LIFE INSURANCE COMPANY

We are due \$25 million from EFL in the form of a surplus note. The note may be repaid only out of unassigned surplus of EFL and repayment is subject to prior approval by the Pennsylvania Insurance Commissioner. The note bears an annual interest rate of 6.70% and is payable on demand on or after December 31, 2018. EFL accrued interest, payable semi-annually to us, of \$0.8 million in each of the second quarters ended June 30, 2009 and 2008.

NOTE 13 — STATUTORY INFORMATION

Cash and securities with carrying value of \$6.6 million were deposited by our property/casualty insurance subsidiaries with regulatory authorities under statutory requirements at both June 30, 2009 and December 31, 2008.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

We have contractual commitments to invest up to \$72.6 million of additional funds in limited partnership investments at June 30, 2009. These commitments will be funded as required by the partnerships' agreements. At June 30, 2009, the total commitment to fund limited partnerships that invest in private equity securities is \$35.7 million, real estate activities is \$22.0 million and mezzanine debt securities is \$14.9 million.

We are involved in litigation arising in the ordinary course of business. In our opinion, the effects, if any, of such litigation are not expected to be material to our consolidated financial condition, operations or cash flows.

NOTE 15 — VARIABLE INTEREST ENTITY

The Exchange is a reciprocal insurance company, domiciled in Pennsylvania, for which we serve as attorney-in-fact. We hold a variable interest in the Exchange, however, we are not the primary beneficiary as defined under Financial Accounting Standards Interpretation 46, "Consolidation of Variable Interest Entities." We have a significant interest in the financial condition of the Exchange because net management fee revenues are based on the direct written premiums of the Exchange and the other members of the Property and Casualty Group. The additional disclosure about our involvement with variable interest entities as required by FSP FAS 140-4 and FIN 46(R)-8 "Disclosures by Public Entities about Transfers of Financial Assets and Interests in Variable Interest Entities," effective for interim and annual periods ending after December 15, 2008, are included in this footnote. See Note 2 for discussion of the issuance of FAS 167 and the expected impact on our financial statements.

We hold a variable interest in the Exchange because of the absence of decision-making capabilities by the equity owners (subscribers) of the Exchange; however, we do not qualify as the primary beneficiary under Financial Accounting Standards Interpretation 46(R), "Consolidation of Variable Interest Entities." Our consolidation conclusion has not changed from December 31, 2008.

The Exchange underwrites a broad line of personal and commercial insurance, including private passenger auto, homeowners and commercial multi-peril insurance. Direct written premiums of the Exchange totaled \$859.9 million and \$852.0 million for the second quarters of 2009 and 2008, respectively. These premiums, along with investment income are the major sources of cash that support the operations of the Exchange. Policyholders' surplus was \$3.9 billion and \$4.0 billion at June 30, 2009 and December 31, 2008, respectively.

In the determination as to whether we are the primary beneficiary we consider the variability in the management fee as well as the variability in underwriting results that would accrue to us under the pooling arrangement in determining the residual returns from the Exchange. The variability is modeled using our stochastic modeling software assigning probabilities to the possible outcomes and determining a probability in the weighted result. The outcomes are calculated using discounted cash flows assuming a discount rate of 5%. Gross cash flows modeled assume a run-off of existing insurance policies and investments. To evaluate circumstances as of the determination date, no new insurance policies are assumed to be written after the evaluation date. We do not include new investments from cash inflows from underwriting profits or investment

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 15 — VARIABLE INTEREST ENTITY (Continued)

income, which is conservative, as inclusion of these would only lessen our beneficial interest.

We calculate the amount of variability absorbed by us and compare it to the total variability absorbed by all variable interest holders of the Exchange. In the modeled result we absorb approximately 2% of the total variability of the Exchange at December 31, 2008, which is well below the majority and supports the conclusion that the Company is not the primary beneficiary of the Exchange. No changes or triggering events have occurred in the second quarter 2009 that would require reconsideration of this conclusion.

We have not provided financial or other support to the Exchange for the reporting periods presented, that we were not previously contractually required to provide. At June 30, 2009, there are no explicit arrangements that would require us to provide future support to the Exchange.

We have a significant interest in the financial condition of the Exchange:

- Our management fee revenues, which are based on the direct written premiums of the Exchange and the other members of the Property and Casualty Group, made up 85% of our total revenues for the period ended June 30, 2009. This proportion was greater than the historical percentage, which has approximated 72%. Our limited partnership investments generated significant losses as a result of the volatile market conditions experienced in the first quarter of 2009. Given the quarter lag in receipt of general partner financial statements, which serve as the basis for valuing limited partnership interests, these first quarter 2009 partnership results are included in our second quarter 2009 results. Excluding the limited partnership losses and market value adjustments, management fee revenues accounted for 77% of our 2009 total revenues.
- We participate in the underwriting results of the Exchange through the pooling arrangement in which our insurance subsidiaries have a 5.5% participation. If the Exchange were to default, our insurance subsidiaries would be liable for the policies that they wrote directly. Our property/casualty insurance subsidiaries wrote approximately 16% of the direct written premiums of the Property and Casualty Group in the second quarter 2009.
- A concentration of credit risk exists, and our exposure is limited to the unsecured receivables due from the Exchange for our management fee, costs and reimbursements that are reflected on our Consolidated Statements of Financial Position.

We have no obligation related to any underwriting and/or investment losses experienced by the Exchange. We would however be adversely impacted if the Exchange incurred significant underwriting and/or investment losses. If the surplus of the Exchange were to decline significantly from its current level, its financial strength ratings could be reduced and as a consequence the Exchange could find it more difficult to retain its existing business and attract new business. A decline in the business of the Exchange would have an adverse effect on the amount of the management fees we receive and the underwriting results of the Property and Casualty Group in which we have a 5.5% participation. In addition, a decline in the surplus of the Exchange from its current level would make it more likely that the management fee rate received by us would be reduced. See also the risk factors relating to the business of the Property and Casualty Group in Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on February 26, 2009.

The Exchange has available with a bank a \$75 million line of credit that expires on December 31, 2009. There were no borrowings under the line at June 30, 2009. Bonds with a fair value of \$108.6 million were pledged as collateral on the line at June 30, 2009. These securities have no restrictions. The bank requires compliance with certain covenants, which include minimum statutory surplus and risk based capital ratios. The Exchange was in compliance with all bank covenants at June 30, 2009.

The Exchange has contractual commitments to invest up to \$581.5 million related to its limited partnership investments at June 30, 2009. These commitments will be funded as required by the partnerships' agreements. At June 30, 2009, the total remaining commitment to fund limited partnerships that invest in private equity securities was \$280.4 million, real estate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 15 — VARIABLE INTEREST ENTITY (Continued)

activities was \$200.7 million and mezzanine debt securities was \$100.4 million.

The financial statements of the Exchange are prepared in accordance with statutory accounting principles (SAP) prescribed by the Commonwealth of Pennsylvania. The Exchange is not required to prepare financial statements in accordance with GAAP. Financial statements prepared under statutory accounting principles focus on the solvency of the insurer and generally provide a more conservative approach than under GAAP. Differences between SAP and GAAP include the valuation of investments, deferred policy acquisition cost assets, deferred tax assets, assets for estimated salvage and subrogation recoveries and unearned subscriber fees. Fixed maturities investments are carried at amortized cost and subject to impairment accounting. At June 30, 2009, the market value of fixed maturities was \$51.5 million less than the carrying cost. Equity securities are carried at market value.

The selected financial data below is derived from the Exchange's financial statements prepared in accordance with Statutory Accounting Principles (SAP) required by the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, as modified to include prescribed practices of the Insurance Department of the Commonwealth of Pennsylvania. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation, have been included. The condensed financial data set forth below represents the Exchange's share of underwriting results after accounting for intercompany pooling transactions.

Erie Insurance Exchange — Condensed statutory statements of operations

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Premiums earned	\$ 913,464	\$ 905,050	\$ 1,797,715	\$ 1,792,542
Losses, loss adjustment expenses and other underwriting expenses*	874,063	844,022	1,868,722	1,665,440
Net underwriting income (loss)	39,401	61,028	(71,007)	127,102
Total investment income (loss)	283	(54,492)	(191,408)	(24,263)
Net income (loss) before federal income tax	39,684	6,536	(262,415)	102,839
Federal income tax expense (benefit)	5,656	52,564	(47,564)	113,364
Net income (loss)	\$ 34,028	\$ (46,028)	\$ (214,851)	\$ (10,525)

* Includes management fees paid or accrued as payable to the Company.

The Exchange had catastrophe losses of \$82.5 million and \$40.8 million in the first half of 2009 and 2008, respectively. Catastrophes in 2009 included wind and hail storms primarily in the states of Pennsylvania, Ohio and Indiana. The Exchange had adverse development of prior accident year loss reserves that contributed 1.9 points to the combined ratio in the first half of 2009 compared to favorable development in the first half of 2008 that improved the combined ratio by 4.6 points.

As with our investments, the Exchange's investment portfolio was impacted by declines in the value of securities related to current market conditions. In the second quarter 2009, the Exchange recognized impairment charges of \$78.5 million, including \$4.7 million on fixed maturities, \$4.3 million on common stock, \$3.1 million on preferred securities, and \$66.4 million on limited partnerships. In the second quarter of 2008, total impairment charges were \$172.2 million. Under statutory accounting, deferred tax assets on realized capital losses from impairments of investments are reflected as a change in surplus rather than in deferred income taxes on the statement of operations. Deferred taxes on impairment charges totaled \$27.5 million in the second quarter of 2009. These deferred taxes were not expected to reverse in one year and are nonadmitted on the statutory balance sheet resulting in a charge to surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 15 — VARIABLE INTEREST ENTITY (Continued)

Erie Insurance Exchange — Condensed statutory statements of financial position

	June 30, 2009	As of December 31, 2008
<i>(in thousands)</i>		
Fixed maturities	\$ 4,340,748	\$ 4,119,753
Equity securities	2,000,589	1,900,320
Alternative investments	1,140,767	1,340,047
Other invested assets	303,680	235,607
Total invested assets	7,785,784	7,595,727
Other assets	1,388,664	1,552,902
Total assets	\$ 9,174,448	\$ 9,148,629
Loss and loss adjustment expense reserves	\$ 3,398,477	\$ 3,323,704
Unearned premium reserves	1,518,964	1,444,536
Accrued liabilities	341,763	334,399
Total liabilities	5,259,204	5,102,639
Total policyholders' surplus	3,915,244	4,045,990
Total liabilities and policyholders' surplus	\$ 9,174,448	\$ 9,148,629

Erie Insurance Exchange — Condensed statutory statements of cash flows

	Six months ended June 30, 2009	2008
<i>(in thousands)</i>		
Cash flows from operating activities		
Premiums collected net of reinsurance	\$ 1,811,902	\$ 1,785,067
Losses and loss adjustment expenses paid	(1,085,732)	(1,016,543)
Management fee and expenses paid	(718,443)	(691,606)
Net investment income received	169,494	239,570
Federal income taxes and other expenses recovered (paid)	210,820	(126,652)
Net cash provided by operating activities	388,041	189,836
Net cash used in investing activities	(338,486)	(184,779)
Net cash provided by financing activities	3,830	14,231
Net increase in cash and cash equivalents	53,385	19,288
Cash and cash equivalents-beginning of period	203,193	98,712
Cash and cash equivalents-end of period	\$ 256,578	\$ 118,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 16 — SEGMENT INFORMATION

We operate our business as three reportable segments — management operations, insurance underwriting operations and investment operations. Accounting policies for segments are the same as those described in the summary of significant accounting policies Note 3 of our Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on February 26, 2009. The management fee revenues received from the property/casualty insurance subsidiaries are not eliminated in the segment detail that follows as management bases its decisions on the segment presentation. Summarized financial information for our operating segments is presented as follows:

<i>(in thousands)</i>	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Management Operations				
<i>Operating revenue</i>				
Management fee revenue	\$ 259,771	\$ 255,809	\$ 489,541	\$ 485,408
Service agreement revenue	8,604	7,748	17,182	15,139
Total operating revenue	268,375	263,557	506,723	500,547
Cost of management operations	208,093	213,114	401,367	404,774
Income before income taxes	\$ 60,282	\$ 50,443	\$ 105,356	\$ 95,773
Net income from management operations	\$ 40,697	\$ 33,980	\$ 75,187	\$ 64,755
Insurance Underwriting Operations				
<i>Operating revenue</i>				
Premiums earned:				
Personal lines	\$ 37,413	\$ 36,628	\$ 74,441	\$ 73,048
Commercial lines	14,690	15,369	29,575	30,802
Reinsurance — nonaffiliates	7	(261)	(156)	(188)
Total premiums earned	52,110	51,736	103,860	103,662
<i>Operating expenses</i>				
Losses and expenses:				
Personal lines	37,045	33,641	78,595	65,832
Commercial lines	13,041	14,444	28,346	29,415
Reinsurance — nonaffiliates	254	406	951	1,090
Total losses and expenses	50,340	48,491	107,892	96,337
Income (loss) before income taxes	\$ 1,770	\$ 3,245	\$ (4,032)	\$ 7,325
Net income (loss) from insurance underwriting operations	\$ 1,195	\$ 2,186	\$ (2,877)	\$ 4,953
Investment Operations				
Investment income, net of expenses	\$ 9,548	\$ 11,467	\$ 22,060	\$ 23,139
Realized gains (losses) on investments	3,467	(1,818)	(367)	(14,443)
Net impairment losses recognized in earnings	(2,544)	(12,449)	(7,152)	(24,403)
Equity in (losses) earnings of limited partnerships	(26,798)	11,275	(54,829)	19,253
Total investment (loss) income-unaffiliated	\$ (16,327)	\$ 8,475	\$ (40,288)	\$ 3,546
Net (loss) income from investment operations	\$ (11,022)	\$ 5,709	\$ (28,751)	\$ 2,397
Equity in earnings (losses) of EFL, net of tax	\$ 1,864	\$ (560)	\$ 304	\$ (813)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 16 — SEGMENT INFORMATION (Continued)

A reconciliation of reportable segment revenues and operating expenses to the Consolidated Statements of Operations is as follows:

(in thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Segment revenues, excluding investment operations	\$ 320,485	\$ 315,293	\$ 610,583	\$ 604,209
Elimination of intersegment management fee revenues	(14,359)	(14,163)	(27,024)	(26,791)
Total operating revenues	<u>\$ 306,126</u>	<u>\$ 301,130</u>	<u>\$ 583,559</u>	<u>\$ 577,418</u>
Segment operating expenses	\$ 258,433	\$ 261,605	\$ 509,258	\$ 501,111
Elimination of intersegment management fee revenue	(14,359)	(14,163)	(27,024)	(26,791)
Total operating expenses	<u>\$ 244,074</u>	<u>\$ 247,442</u>	<u>\$ 482,234</u>	<u>\$ 474,320</u>

The intersegment revenues and expenses that are eliminated in the Consolidated Statements of Operations relate to our property/casualty insurance subsidiaries' 5.5% share of the intersegment management fees paid to us.

The growth rate of policies in force, policy retention (the percentage of policyholders eligible for renewals who have renewed their policies measured on a twelve-month rolling basis) and average premium per policy trends directly impact our management operations and insurance underwriting operating segments. Below is a summary of each major line of business for the Property and Casualty Group.

Growth rates of policies in force for Property and Casualty Group insurance operations:

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
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
03/31/2009	1,694,583	2.3	1,466,227	3.2	353,470	8.5	3,514,280	3.3
06/30/2009	1,709,580	2.5	1,483,763	3.5	362,582	8.9	3,555,925	3.6

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
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
03/31/2009	123,747	0.7	236,804	3.1	56,661	3.2	98,622	2.2	515,834	2.4
06/30/2009	124,917	0.8	240,970	2.8	57,549	3.1	99,973	2.3	523,409	2.2

* CML = Commercial

Date	Total All Lines	12-mth. growth rate
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
03/31/2009	4,030,114	3.2
06/30/2009	4,079,334	3.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 16 — SEGMENT INFORMATION (Continued)

Policy retention trends for Property and Casualty Group insurance operations:

Date	Private Passenger Auto	CML* Auto	Homeowners	CML* Multi-Peril	Workers Comp.	All Other Lines	Total All Lines
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
03/31/2009	91.9	87.5	91.4	85.7	86.3	88.8	90.8
06/30/2009	91.9	87.3	91.6	85.2	85.7	89.1	90.8

* CML = Commercial

Average premium per policy trends for Property and Casualty Group insurance operations:

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
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)
03/31/2009	1,081	(0.9)	512	(1.2)	358	1.1	771	(1.3)
06/30/2009	1,076	(1.1)	516	0.4	359	1.7	769	(1.0)

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	Total All Lines	12-mth. percent change
03/31/2008	\$2,568	(3.6)%	\$5,453	(7.8)%	\$1,576	(4.0)%	\$2,240	(5.3)%	\$969	(2.2)%
06/30/2008	2,530	(3.7)	5,236	(11.3)	1,546	(4.3)	2,187	(6.3)	960	(2.4)
09/30/2008	2,514	(3.3)	5,067	(12.3)	1,536	(3.5)	2,157	(6.0)	953	(2.6)
12/31/2008	2,505	(2.8)	4,951	(11.6)	1,533	(3.0)	2,141	(5.3)	949	(2.5)
03/31/2009	2,483	(3.3)	4,792	(12.1)	1,537	(2.5)	2,122	(5.3)	944	(2.6)
06/30/2009	2,439	(3.6)	4,555	(13.0)	1,511	(2.3)	2,067	(5.5)	936	(2.5)

* CML = Commercial

NOTE 17 — SUBSEQUENT EVENTS

We have evaluated for recognized and nonrecognized subsequent events through August 5, 2009, which is the date of financial statement issuance. No items were identified in this period subsequent to the financial statement date that required adjustment or disclosure.

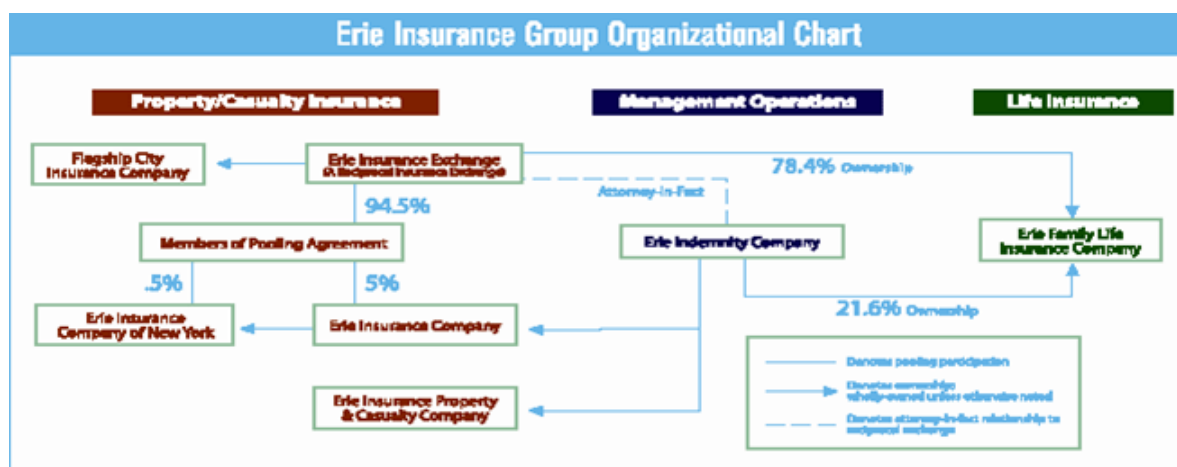
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the historical financial information and the notes thereto included in Item 1. of this Quarterly Report on Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on February 26, 2009. The following discussion of financial results focuses heavily on our three segments: management operations, insurance underwriting operations and investment operations, consistent with the presentation in Item 1. Note 16 in the Notes to Consolidated Financial Statements. That presentation, which management uses internally to monitor and evaluate results, is an alternative presentation of our Consolidated Statements of Operations.

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, including those described in Part I, "Item 1A. Risk Factors" of the 2008 Form 10-K, which information is incorporated by reference, updated by Part II, "Item 1A. Risk Factors" of this Form 10-Q. 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.

NATURE OF ORGANIZATION

The following organizational chart depicts the organization of the various entities of the Erie Insurance Group:



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

We serve as the attorney-in-fact for the Erie Insurance Exchange (Exchange), a reciprocal insurance exchange, and operate as a provider of certain management services to the Exchange. We also own subsidiaries that are property and casualty insurers. The Exchange and its property/casualty insurance subsidiary, Flagship City Insurance Company, and our three property/casualty insurance subsidiaries, Erie Insurance Company (EIC), Erie Insurance Company of New York (EINY) and Erie Insurance Property and Casualty Company (EIPC), (collectively, the Property and Casualty Group) underwrite personal and commercial lines property and casualty insurance exclusively through over 2,000 independent agencies comprising over 8,900 licensed independent agents. The entities within the Property and Casualty Group pool their underwriting results. The financial position and results of operations of the Exchange are not consolidated with ours. We, together with the Property and Casualty Group and Erie Family Life Insurance Company (EFL), operate collectively as the Erie Insurance Group.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements for a discussion of recent accounting pronouncements.

OVERVIEW

The property/casualty insurance industry remains in a stable financial condition, however, the ongoing economic recession is expected to suppress exposure growth. The industry is experiencing mixed insurance premium pricing momentum and modestly deteriorating underwriting results. The cyclical nature of the insurance industry has a direct impact on our income from management operations as our management fee revenues are based on the direct written premiums of the Property and Casualty Group and the management fee rate we charge. Our management fee revenue increased 1.5%, as the direct written premiums of the Property and Casualty Group reflected growth of 1.4% in the second quarter of 2009 compared to the second quarter of 2008.

The financial information presented herein reflects our management operations from serving as attorney-in-fact for the Exchange, our insurance underwriting results from our wholly-owned subsidiaries (EIC, EINY and EIPC) and our investment operations. The bases of calculations used for segment data are described in more detail in Item 1. Note 16 in the Notes to Consolidated Financial Statements.

SEGMENT RESULTS

(dollars in thousands, except per share data)	Three months ended June 30,			Six months ended June 30,		
	2009 (Unaudited)	2008 (Unaudited)	% Change	2009 (Unaudited)	2008 (Unaudited)	% Change
Income from management operations	\$ 60,282	\$ 50,443	19.5%	\$ 105,356	\$ 95,773	10.0%
Underwriting income (loss)	1,770	3,245	(45.5)	(4,032)	7,325	NM
Net (loss) revenue from investment operations	(14,322)	7,873	NM	(39,961)	2,672	NM
Income before income taxes	47,730	61,561	(22.5)	61,363	105,770	(42.0)
Provision for income taxes	14,996	20,246	(25.9)	17,500	34,478	(49.2)
Net income	\$ 32,734	\$ 41,315	(20.8)	\$ 43,863	\$ 71,292	(38.5)
Net income per share — diluted	\$ 0.57	\$ 0.71	(20.1)%	\$ 0.76	\$ 1.22	(37.4)%

NM = not meaningful

Key points:

- Decrease in net income per share-diluted in the second quarter of 2009 was impacted by losses from our limited partnership investments of \$26.8 million compared to earnings of \$11.3 million in the second quarter of 2008

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- Gross margins from management operations increased to 22.5% in the second quarter of 2009 from 19.1% in the second quarter of 2008.
- Our cost of management operations decreased 2.4% to \$208.1 million in the second quarter of 2009 driven by a decrease in the estimate for agent bonuses as a result of a reduction in the profitability component of the bonus.
- GAAP combined ratios of the insurance underwriting operations increased to 96.6% in the second quarter of 2009, from 93.7% in the second quarter of 2008. Favorable development of prior accident year loss reserves improved the combined ratio by 0.3 points in the second quarter of 2009, compared to 3.9 points in the second quarter of 2008.

ANALYSIS OF BUSINESS SEGMENTS

MANAGEMENT OPERATIONS

	2009	Three months ended June 30, 2008	% Change	2009	Six months ended June 30, 2008	% Change
<i>(dollars in thousands)</i>		(Unaudited)		(Unaudited)		
Management fee revenue	\$ 259,771	\$ 255,809	1.5%	\$ 489,541	\$ 485,408	0.9%
Service agreement revenue	8,604	7,748	11.0	17,182	15,139	13.5
Total revenue from management operations	268,375	263,557	1.8	506,723	500,547	1.2
Cost of management operations	208,093	213,114	(2.4)	401,367	404,774	(0.8)
Income from management operations	\$ 60,282	\$ 50,443	19.5%	\$ 105,356	\$ 95,773	10.0%
Gross margin	22.5%	19.1%		20.8%	19.1%	

Key Points:

- The management fee rate was 25% in 2009 and 2008.
- Direct written premiums of the Property and Casualty Group increased 1.4% in the second quarter of 2009 compared to the second quarter of 2008.
 - Year-over-year policies in force grew 3.4%, or 133,568 policies, to 4,079,334 at June 30, 2009, compared to year-over-year growth of 97,586 policies in the second quarter of 2008.
 - Year-over-year average premium per policy was \$936 and \$960 at June 30, 2009 and 2008, respectively, a decrease of 2.5%.
- Cost of management operations decreased 2.4%. Commission costs decreased 3.6% while non-commission expense increased 0.6% in the second quarter of 2009 compared to the second quarter of 2008.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Management fee revenue

The following table presents the direct written premium of the Property and Casualty Group, shown by major line of business, and the calculation of our management fee revenue.

(dollars in thousands)	Three months ended June 30,			Six months ended June 30,		
	2009	2008	% Change	2009	2008	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Private passenger auto	\$ 491,865	\$ 483,217	1.8%	\$ 933,348	\$ 920,216	1.4%
Homeowners	221,218	207,022	6.9	379,942	358,159	6.1
Commercial multi-peril	120,020	119,800	0.2	236,087	234,775	0.6
Commercial auto	84,010	86,552	(2.9)	163,014	169,422	(3.8)
Workers compensation	68,554	77,960	(12.1)	144,188	162,817	(11.4)
All other lines of business	58,618	55,485	5.6	108,785	103,043	5.6
Property and Casualty Group direct written premiums	\$ 1,044,285	\$ 1,030,036	1.4%	\$ 1,965,364	\$ 1,948,432	0.9%
Management fee rate	25.00%	25.00%		25.00%	25.00%	
Management fee revenue, gross	\$ 261,071	\$ 257,509	1.4%	\$ 491,341	\$ 487,108	0.9%
Change in allowance for management fee returned on cancelled policies ⁽¹⁾	(1,300)	(1,700)	NM	(1,800)	(1,700)	NM
Management fee revenue, net of allowance	\$ 259,771	\$ 255,809	1.5%	\$ 489,541	\$ 485,408	0.9%

NM = not meaningful

- (1) Management fees are returned to the Exchange when policies are cancelled mid-term and unearned premiums are refunded. We record an estimated allowance for management fees returned on mid-term policy cancellations.

Direct written premiums of the Property and Casualty Group increased 1.4% in the second quarter of 2009 reflecting an increase in policies in force offset by reductions in average premium. Total year-over-year policies in force increased by 3.4% to 4,079,334 at June 30, 2009. Growth in policies in force is the result of continuing improvements in policyholder retention and increased new policies sold. The year-over-year average premium per policy declined 2.5% to \$936 at June 30, 2009 from \$960 at June 30, 2008. The impact of these average premium decreases is seen primarily in the commercial lines renewal premiums.

Premiums generated from new business increased 2.9% to \$116.8 million from \$113.5 million in the second quarter of 2009 as compared to 2008. Underlying the trend in new business premiums is an increase in new business policies in force of 6.1% to 496,166 at June 30, 2009 from 467,747 at June 30, 2008, while the year-over-year average premium per policy on new business decreased 2.2% to \$847 at June 30, 2009, from \$866 at June 30, 2008.

Premiums generated from renewal business increased 1.2% to \$927.5 million from \$916.5 million in the second quarters of 2009 and 2008, respectively. Renewal policies in force increased 3.0% to 3,583,168 from 3,478,019, while the twelve-month average premium per policy on renewal business decreased 2.5% to \$948 from \$972 for the same respective periods in 2009 and 2008. The Property and Casualty Group's policy retention ratio has been steadily improving to a twelve-month moving average of 90.8% in the second quarter of 2009, up from 90.6% in the fourth quarter of 2008. The policy retention ratio was 90.4% in the second quarter 2008.

Personal lines — The Property and Casualty Group's personal lines new business premiums written increased 7.7% to \$76.7 million in the second quarter of 2009 compared to \$71.2 million in the second quarter of 2008. Personal lines new policies in force increased 7.7% to 408,258 for the twelve months ended June 30, 2009, compared to 379,005 for the twelve months ended June 30, 2008, while the year-over-year average premium per policy on new business declined 0.3% to \$685 at June 30, 2009, from \$687 at June 30, 2008.

Private passenger auto new business premiums written increased 4.5% to \$47.9 million during the second quarter of 2009 driven by a 9.8% increase in new business policies in force to 177,357 for the twelve months ended June 30, 2009. The

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

private passenger auto new business year-over-year average premium per policy decreased 1.6% to \$1,000 at June 30, 2009. A private passenger auto incentive program has been in place since July 2006 to stimulate policy growth.

Renewal premiums written on personal lines policies increased 3.3% during the second quarter of 2009 to \$673.6 million from \$652.4 million during the second quarter of 2008. The impact of rate reductions was offset by improving policy retention ratio trends. The year-over-year average premium per policy on personal lines renewal business decreased 1.0% to \$780 at June 30, 2009, from \$788 at June 30, 2008. The year-over-year policy retention ratio for private passenger auto improved to 91.9% at June 30, 2009, from 91.8% at December 31, 2008, and 91.6% at June 30, 2008, while the policy retention for homeowners improved to 91.6% at June 30, 2009, from 91.1% at December 31, 2008 and 90.7% at June 30, 2008.

Commercial lines — The commercial lines new business premiums written decreased 5.2% to \$40.0 million in the second quarter of 2009 from \$42.2 million in the second quarter of 2008. Commercial lines new policies in force decreased 0.9% to 87,908 for the twelve months ended June 30, 2009, while the average premium per policy on commercial lines new business decreased 2.0%.

Renewal premiums for commercial lines decreased 3.9% to \$253.9 million from \$264.1 million in the second quarter of 2009 compared to 2008. While renewal policies in force increased 2.9% to 435,501 for the twelve months ended June 30, 2009, the year-over-year average premium per policy on commercial lines renewal business declined 6.1% due primarily to the workers compensation and commercial auto lines of business. The workers compensation and commercial auto year-over-year average premium per policy decreased 12.8% and 3.9%, respectively, at June 30, 2009. This was due primarily to reductions in exposures driven by continued economic pressure on commercial customers.

Future trends Property and Casualty Group — premium revenue — We are continuing our efforts to grow Property and Casualty premiums and improve our competitive position in the marketplace. Expanding the size of our agency force will contribute to future growth as existing and new agents build up their books of business with the Property and Casualty Group. Additionally, we expect our pricing actions to result in a net increase in direct written premium in 2009, however, current economic conditions could adversely impact the average premium written by the Property and Casualty Group as customers reduce coverages.

Cost of management operations

(in thousands)	Three months ended June 30,		% Change	Six months ended June 30,		% Change
	2009	2008		2009	2008	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Commissions	\$ 143,436	\$ 148,818	(3.6)%	\$ 272,685	\$ 278,575	(2.1)%
Personnel costs	35,918	36,307	(1.1)	72,351	73,282	(1.3)
Survey and underwriting costs	6,524	6,288	3.8	12,957	12,203	6.2
Sales and policy issuance costs	7,147	7,584	(5.8)	13,252	13,177	0.6
All other operating costs	15,068	14,117	6.7	30,122	27,537	9.4
Non-commission expense	64,657	64,296	0.6	128,682	126,199	2.0
Total cost of management operations	\$ 208,093	\$ 213,114	(2.4)%	\$ 401,367	\$ 404,774	(0.8)%

Key Points:

- Included in the \$5.4 million decrease in second quarter 2009 commissions are:
 - a decrease in the estimate for agent bonuses of \$8.0 million, offset by;
 - an increase in scheduled and accelerated rate commissions of \$2.5 million, driven by a 1.4% increase in the direct written premiums of the Property and Casualty Group, as well as an increase in certain commercial commission rates.
- Personnel costs decreased 1.1% in the second quarter of 2009 driven by a \$0.8 million decrease in executive severance costs and a \$0.7 million decrease in management incentive plan expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- All other operating costs increased \$1.0 million primarily as the result of contract labor costs related to various technology initiatives.

Commissions

Commissions to independent agents, which are the largest component of the cost of management operations, include scheduled commissions earned by independent agents on premiums written, accelerated commissions and agent bonuses and are outlined in the following table:

(in thousands)	Three months ended June 30,			Six months ended June 30,		
	2009	2008	% Change	2009	2008	% Change
	(Unaudited)			(Unaudited)		
Scheduled rate commissions	\$ 127,104	\$ 124,510	2.1%	\$ 237,352	\$ 233,333	1.7%
Accelerated rate commissions	1,011	1,135	(10.9)	2,027	2,105	(3.7)
Agent bonuses	13,601	21,581	(37.0)	29,604	39,355	(24.8)
Promotional incentives	(50)	745	NM	569	1,506	(62.2)
Private passenger auto bonus	2,470	1,847	33.7	4,133	3,276	26.2
Change in commissions allowance for mid-term policy cancellations	(700)	(1,000)	NM	(1,000)	(1,000)	NM
Total commissions	<u>\$ 143,436</u>	<u>\$ 148,818</u>	<u>(3.6)%</u>	<u>\$ 272,685</u>	<u>\$ 278,575</u>	<u>(2.1)%</u>

NM = not meaningful

Scheduled and accelerated rate commissions — Scheduled rate commissions were impacted by the 1.4% increase in the direct written premiums of the Property and Casualty Group in the second quarter of 2009 compared to the second quarter of 2008. Also, effective July 1, 2008, commission rates were increased for certain commercial lines new business premiums, which added \$0.4 million to the second quarter of 2009 scheduled rate commissions. In the second quarter of 2008, we recognized \$0.5 million of additional commission expense for those commission rate increases related to commercial premiums written but not yet collected at June 30, 2008.

Accelerated rate commissions are offered under specific circumstances to certain newly-recruited agents for their initial three years of operations. Accelerated rate commissions decreased during the second quarter of 2009 as existing accelerated commission contracts are beginning to expire. This is reflective of the fact that although new agency appointments continue, the number of such appointments has been declining. We appointed 214 new agencies in 2007 and 156 in 2008. In the first half of 2009, we appointed 54 new agencies and expect to appoint a total of 127 new agencies for the year.

Agent bonuses — Agent bonuses are based predominantly on an individual agency's property/casualty underwriting profitability over a three-year period. There is also a growth component to the bonus, paid only if the agency is profitable. The estimate for the bonus is modeled on a monthly basis using the two prior years' actual underwriting data by agency combined with the current year-to-date actual data and projected underwriting data for the remainder of the current year. The decrease in the estimate for agent bonuses in the second quarter of 2009 reflects a reduction in our estimate of the profitability component of the bonus due to factoring in the most recent year's underwriting data. The agent bonus award is estimated at \$59.0 million for 2009.

Private passenger auto bonus — In July 2006, an incentive program was implemented that pays a bonus to agents for each qualifying new private passenger auto policy issued. Effective June 1, 2008, a tiered payout structure was introduced. Additional commission expense, as a result of the tiered bonus structure, was \$0.7 million and \$0.2 million in the second quarters of 2009 and 2008, respectively.

Other costs of management operations

The cost of management operations excluding commission costs increased 0.6% in the second quarter of 2009 compared to 2008. Personnel costs decreased 1.1%, or \$0.4 million, in the second quarter of 2009. Executive severance cost decreased \$0.8 million. Management incentive plan expense decreased \$0.7 million primarily related to a reduction in the estimate for plan payouts due to lower targeted projections compared against our peer group of companies. Offsetting these decreases was a \$0.9 million increase in employee benefit costs driven by higher pension benefit costs due to the change in the discount rate assumption used to calculate the pension expense to 6.06% in 2009 from 6.62% in 2008. All other operating costs increased

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

6.7%, or \$1.0 million, in the second quarter of 2009 primarily due to increased contract labor costs related to various technology initiatives.

For the six months ending June 30, 2009, personnel costs decreased 1.3%, or \$0.9 million, compared to the six months ending June 30, 2008. Executive severance costs decreased \$2.1 million in the first half of 2009 compared to the first half of 2008. Employee benefit costs increased \$1.4 million primarily as a result of higher pension benefit costs due to the lower discount rate assumption used to calculate the pension expense in 2009. All other operating costs increased 9.4%, or \$2.6 million, driven by an increase in consulting fees primarily due to contract labor costs related to various technology initiatives.

During 2008 and continuing in 2009, we are making investments to support our efforts to increase sales and improve our operating performance. As noted previously, increased expenses related to commissions and incentive changes, as well as investments in new information technology are being incurred. See also "Factors That May Affect Future Results."

Future trends — cost of management operations — The competitive position of the Property and Casualty Group is based on many factors including price considerations, service levels, ease of doing business, product features and billing arrangements, among others. Pricing of Property and Casualty Group policies is directly affected by the cost structure of the Property and Casualty Group and the underlying costs of sales, underwriting activities and policy issuance activities performed by us for the Property and Casualty Group. Management's goal remains to better align our growth in costs to our growth in premium over the long-term.

In 2009, our retirement plan GAAP benefit expenses are expected to increase approximately \$10 million for all retirement plans as the assumed discount rate used to calculate the pension costs decreased from 6.62% used in 2008 to 6.06% for 2009. Although we are the sponsor of these postretirement plans and record on our balance sheet the funded status of these plans, generally the Exchange and EFL reimburse us for about 50% of the annual benefit expense of these plans.

INSURANCE UNDERWRITING OPERATIONS

Our insurance underwriting operations originate through direct business of our property/casualty insurance subsidiaries but net underwriting results are a product of the intercompany reinsurance pooling agreement between our subsidiaries and the Erie Insurance Exchange.

(in thousands)	Three months ended June 30,			Six months ended June 30,		
	2009	2008	% Change	2009	2008	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Premiums earned	\$ 52,110	\$ 51,736	0.7%	\$ 103,860	\$ 103,662	0.2%
Losses and loss adjustment expenses incurred	35,084	33,823	3.7	78,088	67,583	15.5
Policy acquisition and other underwriting expenses	15,256	14,668	4.0	29,804	28,754	3.7
Total losses and expenses	50,340	48,491	3.8	107,892	96,337	12.0
Underwriting income (loss)	\$ 1,770	\$ 3,245	(45.5)%	\$ (4,032)	\$ 7,325	NM

NM = not meaningful

Key Points:

- The loss and loss adjustment expense ratio related to current accident year, excluding catastrophe losses, was 66.0% in the second quarter of 2009, which was 0.3 points lower than the second quarter of 2008.
- Development of prior accident year loss reserves improved the combined ratio by 0.3 points, or \$0.1 million, in the second quarter of 2009 compared to 3.9 points for the second quarter of 2008.
- Catastrophe losses contributed 1.6 points and 3.0 points to the GAAP combined ratio in the second quarters of 2009 and 2008, respectively

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Profitability Measures	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Erie Indemnity Company GAAP loss and LAE ratio(1)	67.3%	65.4%	75.2%	65.2%
Erie Indemnity Company GAAP combined ratio(2)	96.6	93.7	103.9	92.9
P&C Group statutory combined ratio	93.2	91.2	102.7	92.1
P&C Group adjusted statutory combined ratio(3)	88.2	87.0	98.2	88.0
Direct business:				
Personal lines adjusted statutory combined ratio(4)	90.8	85.5	99.9	85.4
Commercial lines adjusted statutory combined ratio	84.5	90.1	92.0	90.9
Prior accident year reserve development — (redundancy) deficiency	(0.3)	(3.9)	1.9	(4.6)
Prior year salvage and subrogation recoveries collected	(1.6)	(1.6)	(2.4)	(2.4)
Total loss ratio points from prior accident years	<u>(1.9)%</u>	<u>(5.5)%</u>	<u>(0.5)%</u>	<u>(7.0)%</u>

- (1) The GAAP loss and LAE ratio, expressed as a percentage, is the ratio of losses and loss adjustment expenses incurred to earned premiums of our property/casualty insurance subsidiaries.
- (2) The GAAP combined ratio, expressed as a percentage, is the ratio of losses, loss adjustment, acquisition and other underwriting expenses incurred to earned premiums of our property/casualty insurance subsidiaries. Our GAAP combined ratios are different than the results of the Property and Casualty Group due to certain GAAP adjustments.
- (3) The adjusted statutory combined ratio removes the profit margin on the management fee we earn from the Property and Casualty Group.
- (4) The 2009 personal lines adjusted statutory combined ratio reflects increasing severity trends on homeowners and private passenger auto with frequency trends flattening, coupled with higher catastrophe losses. In 2008, a greater extent of favorable development on prior accident year loss reserves was experienced on automobile bodily injury and uninsured/underinsured motorist bodily injury.

Development of direct loss reserves on prior accident years

Our 5.5% 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 \$0.1 million and \$2.0 million, in the second quarters of 2009 and 2008, respectively, and improved the combined ratio by 0.3 points and 3.9 points, respectively. In the second quarter of 2009, frequency and severity trends were relatively stable. The favorable development in 2008 resulted from improvements in frequency trends on automobile bodily injury and uninsured/underinsured motorist bodily injury. Severity trends in the second quarter of 2008 reflected slight improvements over anticipated trends.

Catastrophe losses

Our share of catastrophe losses, as defined by the Property and Casualty Group, amounted to \$0.8 million and \$1.5 million in the second quarters of 2009 and 2008, respectively. Catastrophes in the second quarter of 2009 included flooding, wind and rain storms primarily in the states of Indiana and Illinois. Catastrophes in the second quarter of 2008 included wind, tornado and hail storms primarily in the states of Indiana, Maryland and North Carolina. These catastrophe losses contributed 1.6 points and 3.0 points to the GAAP combined ratio in the second quarters of 2009 and 2008, respectively. Catastrophe losses incurred for the first half of 2009 and 2008 were \$4.8 million and \$2.4 million, respectively, and contributed 4.6 points and 2.3 points to the combined ratio, respectively.

Underwriting losses are seasonally higher in the second and fourth quarters and as a consequence, our combined ratio generally increases as the year progresses. In the second quarter of 2009, our share of the increase to incurred but not reported reserves related to seasonality adjustments was \$0.3 million, compared to \$0.9 million in the second quarter of 2008. In the first quarter of 2009, the seasonality adjustment reduced our share of the incurred but not reported reserves by \$1.8 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

INVESTMENT OPERATIONS

(in thousands)	Three months ended June 30,			Six months ended June 30,		
	2009	2008	% Change	2009	2008	% Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Net investment income	\$ 9,548	\$ 11,467	(16.7)%	\$ 22,060	\$ 23,139	(4.7)%
Net realized gains (losses) on investments	3,467	(1,818)	NM	(367)	(14,443)	97.5
Net impairment losses recognized in earnings	(2,544)	(12,449)	79.6	(7,152)	(24,403)	70.7
Equity in (losses) earnings of limited partnerships	(26,798)	11,275	NM	(54,829)	19,253	NM
Equity in earnings (losses) of EFL	2,005	(602)	NM	327	(874)	NM
Net (loss) revenue from investment operations	<u>\$ (14,322)</u>	<u>\$ 7,873</u>	<u>NM</u>	<u>\$ (39,961)</u>	<u>\$ 2,672</u>	<u>NM</u>

NM = not meaningful

Key Points

- Net investment income decreased 16.7% for the quarter driven primarily by lower investment income resulting from the sale of some of our non-redeemable preferred stock investments in 2008 and 2009.
- Net impairment losses recognized in earnings decreased \$9.9 million in the second quarter of 2009 compared to 2008 due to an improvement of the financial market and the change in the impairment policies for debt securities as a result of the adoption of FSP FAS 115-2.
- Equity in earnings of limited partnerships decreased \$38.1 million in the second quarter of 2009 compared to the second quarter of 2008 due to the continued economic downturn in the financial and real estate markets.
- Equity in earnings (losses) of EFL include our share of impairment losses recognized by EFL of \$0.2 million in the second quarter of 2009 compared to \$4.4 million in the second quarter of 2008.

Limited partnership investments generated losses in the second quarter and year to date June 30, 2009, which is reflective of market conditions. Limited partnership investments are valued based on the general partner financial statements which are generally received on a one-quarter lag. Our year to date June 30, 2009 limited partnership investment losses primarily include general partners' financial results for the fourth quarter of 2008 and the first quarter of 2009. Also included in the second quarter 2009 limited partnership results was a pre-tax charge of \$7.6 million related to the first quarter of 2009 equity in losses of limited partnerships. See Note 1, Basis of Presentation, for additional information.

Private equity and mezzanine debt limited partnerships generated losses of \$12.9 million and earnings of \$7.2 million for the quarters ended June 30, 2009 and 2008, respectively. Real estate limited partnerships generated losses of \$13.9 million and earnings of \$4.1 million in the second quarters of 2009 and 2008, respectively. As these investments are generally reported on a one-quarter lag, they do not reflect the market conditions experienced during the second quarter of 2009.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

FINANCIAL CONDITION

Investments

Our 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. Our investment strategy also provides for liquidity to meet our short- and long-term commitments. At June 30, 2009, our investment portfolio of investment-grade bonds and preferred stock, common stock and cash and cash equivalents represents \$652.5 million, or 24.8%, of total assets.

Our investments are subject to certain risks, including interest rate and price risk. Our exposure to interest rates is concentrated in our fixed maturities portfolio. The fixed maturities portfolio comprises 64.0% and 59.2% of invested assets at June 30, 2009 and December 31, 2008, respectively. We calculate the duration and convexity of the fixed maturities portfolio each month to measure the price sensitivity of the portfolio to interest rate changes. Duration measures the relative sensitivity of the fair value of an investment to changes in interest rates. Convexity measures the rate of change of duration with respect to changes in interest rates. These factors are analyzed monthly to ensure that both the duration and convexity remain in the targeted ranges established by management.

We continually review the available-for-sale debt and equity portfolios to evaluate positions that might incur other-than-temporary declines in value. For all investment holdings, general economic conditions and/or conditions specifically affecting the underlying issuer or its industry, including downgrades by the major rating agencies, are considered in evaluating impairment in value. In addition to specific factors, other factors considered in our review of investment valuation are the length of time and amount the fair value is below cost.

We individually analyze all positions with emphasis on those that have, in management's opinion, declined significantly below costs. With the implementation of FSP FAS 115-2 in the second quarter of 2009, we analyze debt securities to determine if a credit-related impairment has occurred. Some of the factors considered in determining whether a debt security is credit impaired include potential for the default of interest and/or principal, level of subordination, collateral of the issue, compliance with financial covenants, credit ratings and industry conditions. We have the intent to sell all credit-impaired debt securities, therefore the entire amount of the impairment charges are included in earnings and no non-credit impairments are recorded in other comprehensive income. Prior to the implementation of FSP FAS 115-2 in the second quarter of 2009, there was no differentiation between impairments related to credit loss and those related to other factors and declines in fair values of debt securities were deemed other-than-temporary if we did not have the intent and ability to hold a security to recovery. For available-for-sale equity securities, a charge is recorded in the Consolidated Statement of Operations for positions that have experienced other-than-temporary impairments due to credit quality or other factors, or for which it is not our intent or ability to hold the position until recovery has occurred. (See "Investment Operations" section herein.)

If our policy for determining the recognition of impaired positions were different, our Consolidated Results of Operations could be significantly impacted. Management believes its investment valuation philosophy and accounting practices result in appropriate and timely measurement of value and recognition of impairment.

Fixed maturities

Under our investment strategy, we maintain a fixed maturities portfolio that is of high quality and well diversified within each market sector. This investment strategy also achieves a balanced maturity schedule. The fixed maturities portfolio is managed with the goal of achieving reasonable returns while limiting exposure to risk.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following is a breakdown of the fair value of our fixed maturity portfolio by industry sector as of June 30, 2009:

<i>(in thousands)</i>	Fair value	Percentage to total
Basic materials	\$ 9,537	1.6%
Communications	33,659	5.6
Consumer	65,546	10.9
Diversified	1,073	0.2
Energy	32,263	5.4
Financial	133,868	22.3
U.S. Treasury	2,867	0.5
Municipal	224,628	37.2
Industrial	24,022	4.0
Structured securities (1)	34,348	5.7
Technology	4,979	0.8
Utilities	35,181	5.8
Total	\$601,971	100.0%

(1) Structured securities include asset-based securities, collateral, lease and debt obligations, commercial mortgage-backed securities and residential mortgage-backed securities.

Equity securities

Our equity securities consist of common stock and nonredeemable preferred stock. Investment characteristics of common stock and nonredeemable preferred stock differ substantially from one another. Our nonredeemable preferred stock portfolio provides a source of current income that is competitive with investment-grade bonds.

The following tables present an analysis of our preferred and common stock securities by industry sector at June 30, 2009:

Preferred Stock

<i>(in thousands)</i>	Fair value	Percentage to total
Communications	\$ 1,610	3.5%
Financial	30,991	66.7
Government sponsored enterprises	378	0.8
Industrial	1,590	3.4
Technology	3,000	6.4
Utilities	8,922	19.2
Total	\$46,491	100.0%

Common Stock

<i>(in thousands)</i>	Fair value	Percentage to total
Basic materials	\$ 1,818	5.0%
Communications	2,663	7.4
Consumer	14,714	40.7
Diversified	473	1.3
Energy	1,804	5.0
Financial	7,591	21.0
Industrial	4,890	13.5
Technology	1,361	3.8
Utilities	811	2.3
Total	\$36,125	100.0%

Limited partnership investments

In the second quarter of 2009, investments in limited partnerships decreased \$19.3 million to \$254.7 million due to fair value depreciation on existing limited partnerships. See also Note 1, Basis of Presentation in the Notes to the Consolidated Financial Statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Property/casualty loss 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 reported. The factors that may potentially cause the greatest variation between current reserve estimates and the actual future paid amounts are: unforeseen changes in statutory or case law altering the amounts to be paid on existing claim obligations, new medical procedures and/or drugs with costs significantly different from those seen in the past, and claims patterns on current business that differ significantly from historical claims patterns.

Loss and loss adjustment expense reserves are presented in our Consolidated Statements of Financial Position on a gross basis for EIC, EINY, and EIPC. Our property/casualty insurance subsidiaries wrote about 16% of the direct property/casualty premiums of the Property and Casualty Group during the first six months of 2009. Under the terms of the Property and Casualty Group's quota share and intercompany pooling arrangement, a significant portion of these reserve liabilities are recoverable. Recoverable amounts are reflected as an asset in our Consolidated Statements of Financial Position. The direct and assumed loss and loss adjustment expense reserves by major line of business and the related amount recoverable under the intercompany pooling arrangement are presented as follows:

<i>(in thousands)</i>	June 30, 2009	As of December 31, 2008
Gross reserve liability:		
Private passenger auto	\$293,437	\$295,174
Pre-1986 automobile catastrophic injury	157,741	167,748
Homeowners	34,637	28,984
Workers compensation	159,973	162,898
Workers compensation catastrophic injury	102,146	92,019
Commercial auto	75,208	75,480
Commercial multi-peril	88,064	76,584
All other lines of business	68,663	66,194
Gross reserves	979,869	965,081
Reinsurance recoverables	788,848	778,328
Net reserve liability	\$191,021	\$186,753

The reserves that have the greatest potential for variation are the catastrophic injury liability reserves. We are currently reserving for about 300 claimants requiring lifetime medical care, of which about 120 involve catastrophic injuries. The reserve carried by the Property and Casualty Group for the catastrophic injury claimants, which is our best estimate of this liability at this time, was \$506.3 million at June 30, 2009, which is net of \$157.9 million of anticipated reinsurance recoverables. Our property/casualty subsidiaries' share of the net catastrophic injury liability reserves is \$27.9 million at June 30, 2009, compared to \$28.3 million at December 31, 2008. The decrease in the pre-1986 automobile catastrophic injury reserve at June 30, 2009, compared to December 31, 2008, was primarily due to continued lower cost expectations of future attendant care services combined with the death of one claimant, while the increase in the workers compensation catastrophic injury reserve was primarily due to one large workers compensation claim.

Off-balance sheet arrangements

Off-balance sheet arrangements include those with unconsolidated entities that may have a material current or future effect on our financial condition or results of operations, including material variable interests in unconsolidated entities that conduct certain activities. There are no off-balance sheet obligations related to our variable interest in the Exchange. Any liabilities between us and the Exchange are recorded in our Consolidated Statements of Financial Position. We have no material off-balance sheet obligations or guarantees, other than the limited partnership investment commitments discussed in Note 14 to the Consolidated Financial Statements herein.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure of a company's ability to generate sufficient cash flows to meet the short-and long-term cash requirements of its business operations. Our liquidity requirements have been met primarily by funds generated from management operations, the net cash flows of our insurance subsidiaries 5.5% participation in the underwriting results of the reinsurance pool with the Exchange, and investment income from nonaffiliated investments. Cash provided from these sources is used primarily to fund the costs of management operations including salaries and wages, commissions, pension plans, share repurchases, dividends to shareholders and the purchase and development of information technology. We expect that our operating cash needs will be met by funds generated from operations. When cash provided by operating activities is in excess of our operating cash needs, we may use this excess to fund our investment portfolios. When funding requirements exceed operating cash flows, our investment portfolios may be used as a funding source. Continuing volatility in the financial markets presents challenges to us as we occasionally access our investment portfolio as a source of cash. Some of our fixed income investments, despite being publicly traded, are illiquid due to credit market conditions. Further volatility in these markets could impair our ability to sell certain of our fixed income securities or cause such securities to sell at deep discounts. Additionally, our limited partnership investments are illiquid. We believe we have sufficient liquidity to meet our needs from other sources even if credit market volatility persists throughout 2009. See Item 3. "Quantitative and Qualitative Disclosures about Market Risk," herein for further information on the risk of market volatility.

If the financial market volatility continues, we have the ability to meet our future funding requirements through various alternatives available to us. Outside of our normal operating and investing cash activities future funding requirements could be met through: (1) a \$100 million bank line of credit, from which we have no borrowings as of June 30, 2009, (2) dividend payments from our wholly-owned property/casualty insurance subsidiaries, EIC, EIPC and EINY, up to their statutory limits totaling \$23.0 million under current regulatory restrictions as of June 30, 2009, (3) our more liquid investments that can be sold, such as our common stock and cash and cash equivalents, which total approximately \$62.5 million at June 30, 2009, and (4) the ability to curtail or modify discretionary cash outlays such as those related to our share repurchase activities until the investment markets better support our financing activities. We believe we have the funding sources available to us to support future cash flow requirements.

Cash flows provided by our operating activities totaled \$55.4 million for the first six months of 2009, compared to \$14.5 million for the first six months of 2008. Cash paid for agent bonuses in the first six months of 2009 was \$80.3 million, of which \$80.0 million was accrued for at December 31, 2008, compared to \$94.9 million in the first six months of 2008. The first six months of 2008 also includes a pension contribution of \$15.0 million to our pension plan. We expect to make another contribution to our pension plan in the third quarter of 2009 for approximately \$15 million. Pension expense is anticipated to be approximately \$10 million higher in 2009 as a result of the change in discount rate to 6.06% in 2009 from 6.62% in 2008. Our affiliated entities generally reimburse us for about 50% of the net periodic benefit cost of the pension plan.

At June 30, 2009, we recorded a deferred tax asset of \$78.1 million, which included \$7.4 million relating to unrealized and realized net capital losses that have not yet been recognized for tax purposes. Although realization is not assured, management believes it is more likely than not that the deferred tax asset will be realized based on our assessment that the losses ultimately recognized for tax purposes will be fully utilized. As such, there was no deferred tax valuation allowance recorded at June 30, 2009.

We have the ability to carry back capital losses of \$98.3 million as a result of gains recognized in prior years. We have disposed of assets with tax losses of approximately \$34.5 million to carry back against these gains. Our capital gain and loss strategies take into consideration our ability to offset gains and losses in future periods, further capital loss carry-back opportunities to the three preceding years and capital loss carry-forward opportunities to apply against future capital gains over the next five years.

Cash flows used in our investing activities totaled \$42.4 million for the six months ended June 30, 2009, compared to cash provided of \$36.8 million for the six months ended June 30, 2008. In 2008, our investing operations were impacted by fewer reinvestments as a result of our continued share repurchase activity. Also impacting our future investing activities are our limited partnership commitments, which at June 30, 2009, totaled \$72.6 million and are required to be funded through 2012. In the second quarter of 2009, we made a capital contribution to EFL in the amount of \$11.9 million. The capital will be used to

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

support EFL's life insurance and annuity business and strengthen its surplus as EFL's capital has declined as a result of realized and unrealized investment losses due to the turmoil in the financial markets in the second half of 2008 and the continued volatility in 2009.

There were no shares repurchased in the second quarter of 2009 in conjunction with our stock repurchase plan that was authorized by our Board of Directors in April 2008. During the first half of 2009, 42,200 shares of our outstanding Class A common stock were repurchased at a total cost of \$1.2 million. In May 2009, our Board of Directors approved a continuation of the current stock repurchase program through June 30, 2010. We have approximately \$100 million of repurchase authority remaining under this plan at June 30, 2009. The first half of 2008 included 1.9 million shares of our outstanding Class A common stock that were repurchased at a total cost of \$97.7 million. (See Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, Issuer Purchases of Equity Securities.)

Financing activities through June 30, 2008 included borrowings of \$75.0 million on our bank line of credit for certain intercompany cash settlement needs. This amount was repaid in full by December 31, 2008. This line of credit was extended to December 31, 2009. There were no borrowings on this line as of June 30, 2009. The bank requires compliance with certain covenants, which include minimum net worth and leverage ratios, and we are in compliance with all covenants at June 30, 2009.

CRITICAL ACCOUNTING ESTIMATES

We make estimates and assumptions that have a significant effect on the amounts and disclosures reported in the financial statements. The most significant estimates relate to valuation of investments, reserves for property/casualty insurance unpaid losses and loss adjustment expenses and retirement benefits. While management believes its estimates are appropriate, the ultimate amounts may differ from estimates provided. Our most critical accounting estimates are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2008. See Note 6, Fair Value, for additional information.

Investment valuation

We make estimates concerning the valuation of all investments. Valuation techniques used to derive fair value of our available-for-sale and trading securities are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, such as prices obtained from nationally recognized pricing services for identical instruments in active markets. Observable inputs other than quoted prices would include prices obtained from third party pricing services that model prices based on observable inputs. Unobservable inputs reflect our own assumptions regarding exit market pricing for these securities. Fair value for these securities, that comprise only 4.0% of our total investment portfolio, are determined using comparable securities or valuations received from outside broker dealers. In cases where there has been little or no activity in the current market and no other inputs from external sources are available, an internal review is also performed to evaluate the price and make adjustments as necessary. Factors used to estimate a price most representative of fair value include potential for default, structure and collateral, market discount rates and current credit rating.

Investments are evaluated monthly for other-than-temporary impairment loss. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include:

- the extent and duration for which fair value is less than cost;
- historical operating performance and financial condition of the issuer;
- short- and long-term prospects of the issuer and its industry based on analysts' recommendations;
- specific events that occurred affecting the issuer, including rating downgrades;
- our intent to sell or more likely than not be required to sell (debt securities); and
- our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value (equity securities).

For debt securities in which we do not expect full recovery of amortized cost, the security is deemed to be credit-impaired. Credit-related impairments and impairments on securities we intend to sell or more likely than not will be required to sell are recorded in the Consolidated Statements of Operations. It is our intention to sell all debt securities with credit impairments. For

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

available-for-sale equity securities, a charge is recorded in the Consolidated Statements of Operations for positions that have experienced other-than-temporary impairments due to credit quality or other factors, or for which it is not our intent or ability to hold the position until recovery has occurred.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Financial condition of the Exchange

We have a direct interest in the financial condition of the Exchange because management fee revenues are based on the direct written premiums of the Exchange and the other members of the Property and Casualty Group. Additionally, we participate in the underwriting results of the Exchange through the pooling arrangement in which our insurance subsidiaries have 5.5% participation. A concentration of credit risk exists related to the unsecured receivables due from the Exchange for certain fees, costs and reimbursements.

To the extent that the Exchange incurs underwriting losses or investment losses resulting from declines in the value of its marketable securities or limited partnership investments, the Exchange's policyholders' surplus would be adversely affected. If the surplus of the Exchange were to decline significantly from its current level, the Property and Casualty Group could find it more difficult to retain its existing business and attract new business. A decline in the business of the Property and Casualty Group would have an adverse effect on the amount of the management fees we receive and the underwriting results of the Property and Casualty Group. In addition, a significant decline in the surplus of the Exchange from its current level would make it more likely that the management fee rate would be reduced. A decline in surplus could also result from variability in investment markets as realized and unrealized losses are recognized. Due to the continued distress in the securities markets, the Exchange recognized impairment charges of \$78.5 million in the second quarter of 2009. To the extent the market downturn continues, the Exchange's investment portfolio may continue to be impacted. In the second quarter of 2009, the Exchange made a capital contribution to EFL in the amount of \$43.1 million. The capital will be used to support its life insurance and annuity business and strengthen its surplus as EFL's capital has declined as a result of realized and unrealized investment losses due to the turmoil in the financial markets in the second half of 2008 and the continued volatility in 2009. Despite these recent market events, at June 30, 2009, the Exchange had \$3.9 billion in statutory surplus and a premium to surplus ratio of less than 1 to 1.

The Exchange has strong underlying operating cash flows and sufficient liquidity to meet its needs, including the ability to pay the management fees owed to us. Through the six months ended June 30, 2009, the Exchange generated \$388.0 million in cash flows from operating activities. At June 30, 2009, the Exchange had \$256.6 million in cash and cash equivalents. The Exchange also has an unused \$75 million bank line of credit at June 30, 2009. This line of credit was renewed through December 31, 2009. The bank requires compliance with certain covenants. The Exchange was in compliance with all bank covenants at June 30, 2009, which include minimum statutory surplus and risk based capital ratios.

Additional information, including condensed statutory financial statements of the Exchange, is presented in Note 15 to the Consolidated Financial Statements herein.

Insurance premium rate actions

The changes in premiums written attributable to rate changes of the Property and Casualty Group directly affect the direct written premium levels and underwriting profitability of the Property and Casualty Group, the Exchange and us, and also have a direct bearing on management fees. Pricing actions contemplated or taken by the Property and Casualty Group are also subject to various regulatory requirements of the states in which these insurers operate. The pricing actions already implemented, or to be implemented through 2009, will also have an effect on the market competitiveness of the Property and Casualty Group's insurance products. Such pricing actions, and those of competitors, could affect the ability of our agents to sell and/or renew business. We expect our pricing actions to result in a net increase in direct written premium in 2009, however, current economic conditions could adversely impact the average premium per policy written by the Property and Casualty Group as customers reduce coverages.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Market volatility

Our portfolio of fixed income, limited partnerships, preferred and common stocks are subject to significant market value changes especially in the current environment of instability in the worldwide financial markets. Uncertainty remains surrounding the general market conditions. The current volatility in the financial markets could have an adverse impact on our financial condition, operations and cash flows.

With the adoption of FAS 159 as of January 1, 2008, all changes to unrealized gains and losses on the common stock portfolio are recognized in investment income as net realized gains or losses in the Consolidated Statements of Operations. The fair value of the common stock portfolio is subject to fluctuation from period-to-period resulting from changes in prices. Depending upon market conditions, this could cause considerable fluctuation in reported total investment income in 2009 and beyond. See Item 3. “Quantitative and Qualitative Disclosures about Market Risk,” herein for further information on the risk of market volatility. See additional information related to the Exchange in Note 15 to the Consolidated Financial Statements herein.

Economic conditions

Financial markets have been experiencing an improvement in recent months although overall economic conditions remain poor. Unfavorable changes in economic conditions, including declining consumer confidence, inflation, recession or other changes, may lead the Property and Casualty Group’s customers to cancel insurance policies, modify coverage or not renew policies, and the Group’s premium revenue, and consequently our management fee, could be adversely affected. Challenging economic conditions also may impair the ability of the Group’s customers to pay premiums as they fall due, and as a result, the Group’s reserves and write-offs could increase. The Group is unable to predict the uncertainty in current financial markets and adverse economic conditions in the United States and other countries.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is primarily related to fluctuations in prices and interest rates. Quantitative and qualitative disclosures about market risk resulting from changes in prices and interest rates are included in Item 7A. in our 2008 Annual Report on Form 10-K. There have been no material changes in such risks or our periodic reviews of asset and liability positions during the six months ended June 30, 2009. The information contained in the investments section of Management's Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

Our objective is to earn competitive returns by investing in a diversified portfolio of securities. We are exposed to credit risk through our portfolios of fixed maturity securities, nonredeemable preferred stock, limited partnerships, mortgage loans and to a lesser extent short-term investments. This risk is defined as the potential loss in fair value resulting from adverse changes in the borrower's ability to repay the debt. We manage this risk by performing up front underwriting analysis and ongoing reviews of credit quality by position and for the fixed maturity portfolio in total. We do not hedge credit risk inherent in our fixed maturity investments. Our investment portfolio is diversified with 93.5% of the fixed income portfolio rated investment grade (BBB or higher).

In our limited partnership investment portfolio we are exposed to credit risk, as well as price risk. Price risk is defined as the potential loss in estimated fair value resulting from an adverse change in prices. Our investments are directly affected by the impact of changes in these risk factors on the underlying investments held by our fund managers, which could vary significantly from fund to fund. We manage these risks by performing up front due diligence on our fund managers, ongoing monitoring and through the construction of a diversified portfolio.

We have significant receivables from the Exchange, which are subject to credit risk. Our results are directly related to the financial strength of the Exchange. Credit risks related to the receivables from the Exchange are evaluated periodically by management. Similar to our investment portfolio, the Exchange maintains 93.3% of its bond portfolio rated investment grade.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. Our management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, any change in our internal control over financial reporting and determined there has been no change in our internal control over financial reporting during the quarter ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our annual report on Form 10-K for the fiscal year ended December 31, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

There were no shares purchased in any month in the second quarter of 2009. In May 2009, our Board of Directors approved a continuation of the stock repurchase program, authorizing repurchases through June 30, 2010. As of June 30, 2009, we have approximately \$100 million of shares that may yet be purchased under the publicly announced share repurchase plan.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We have two classes of common stock. On May 5, 2009, the date of our Annual Meeting of Shareholders, we had 51,240,693 shares of Class A common stock outstanding and 2,551 shares of Class B common stock outstanding. Sole shareholder voting power is vested in the Class B common stock.

The election of directors to serve on our Board occurred at our Annual Meeting of Shareholders. All nominees to the Board were unanimously elected by the 2,528 votes cast. This information is incorporated by reference to our Form 8-K as filed with the Securities and Exchange Commission on May 11, 2009.

Our shareholders also voted on two amendments to our bylaws pertaining to (i) the timing of the Annual Meeting of Shareholders and (ii) the advance notice requirements for shareholder proposals. The amendment relating to the timing of our Annual Meeting of Shareholders, which would allow the meeting to be held at any time prior to the first day of July, was voted on and unanimously approved by the 2,528 votes cast. The amendment to the advance notice requirements provides that proposals relating to (a) the nomination of persons as candidates for election by shareholders as a director at the next Annual Meeting of Shareholders, and (b) matters other than candidates for election as directors, must be received by the Company not later than 5:00 p.m. Eastern Time on the last business day of the calendar year prior to the calendar year in which such Annual Meeting of Shareholders is to be held. This amendment to the advance notice provisions was voted on and unanimously approved by the 2,528 votes cast.

Finally, our shareholders voted to approve the continuation of our Annual Incentive Plan and Long-Term Incentive Plan for the purpose of qualifying the plans under Section 162(m) of the Internal Revenue Code of 1986. The continuation of these plans was unanimously approved by the 2,528 votes cast.

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PART II. OTHER INFORMATION (Continued).

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	Loan Agreement between Erie Indemnity Company and PNC Bank, National Association dated January 30, 2008, Amendment to Loan Documents dated February 27, 2008, Reimbursement Agreement for Standby Letter(s) of Credit dated February 27, 2008, Sixth Amendment to Loan Documents dated December 29, 2008, Eighth Amendment to Loan Documents dated April 21, 2009, and Ninth Amendment to Loan Documents dated June 29, 2009
10.2	Committed Line of Credit Note between Erie Indemnity Company and PNC Bank, National Association dated January 30, 2008, and Third Amended and Restated Committed Line of Credit Note dated December 29, 2008
10.3	Notification and Control Agreement between Erie Indemnity Company and PNC Bank, National Association dated January 30, 2008
10.4	Pledge Agreement between Erie Indemnity Company and PNC Bank, National Association dated January 30, 2008
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Erie Indemnity Company Amended and Restated Bylaws. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on May 11, 2009.

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 thereunto duly authorized.

Erie Indemnity Company
(Registrant)

Date: August 5, 2009

/s/ Terrence W. Cavanaugh
Terrence W. Cavanaugh, President & CEO

/s/ Marcia A. Dall
Marcia A. Dall, Executive Vice President & CFO

Loan Agreement



THIS LOAN AGREEMENT (the “**Agreement**”), is entered into as of January 30, 2008, between **ERIE INDEMNITY COMPANY**, a Pennsylvania corporation (the “**Borrower**”), with an address at 100 Erie Insurance Place, Erie, Pennsylvania 16530, and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”), with an address at 901 State Street, P.O. Box 8480, Erie, Pennsylvania 16553.

The Borrower and the Bank, with the intent to be legally bound, agree as follows:

1. Loan. The Bank has made or may make one or more loans (collectively, the “**Loan**” or “**Loans**”) to the Borrower subject to the terms and conditions and in reliance upon the representations and warranties of the Borrower set forth in this Agreement. The Loan is or will be evidenced by a promissory note or notes of the Borrower and all renewals, extensions, amendments and restatements thereof (if one or more, collectively, the “**Note**”) acceptable to the Bank, which shall set forth the interest rate, repayment and other provisions, the terms of which are incorporated into this Agreement by reference. The Loan governed by this Agreement as of the date hereof shall include, but is not limited to, the following:

1.1. Committed Revolving Line of Credit. A committed revolving line of credit under which the Borrower may request and the Bank, subject to the terms and conditions of this Agreement, will make advances to the Borrower from time to time until the Expiration Date, in an amount in the aggregate at any time outstanding not to exceed **\$50,000,000.00** (the “**Line of Credit**”). The “**Expiration Date**” means **December 31, 2008**, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. Advances under the Line of Credit will be used for working capital or other general business purposes of the Borrower.

2. Security. The security for repayment of the Loan shall include but not be limited to (i) a pledge agreement (the “**Pledge Agreement**”), dated on or about the date hereof, between the Bank and the Borrower, granting the Bank a first priority perfected lien on pledged collateral of the Borrower consisting of marketable securities acceptable to the Bank and properly margined as set forth in the Pledge Agreement, (the “**Pledged Collateral**”), together with a notification and control agreement, in form and content satisfactory to the Bank, and (ii) any additional collateral, guaranties and other documents heretofore, contemporaneously or hereafter executed and delivered to the Bank (the “**Security Documents**”), which shall secure repayment of the Loan, the Note and all other loans, advances, debts, liabilities, obligations, covenants and duties owing by the Borrower to the Bank or to any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, whether or not (i) evidenced by any note, guaranty or other instrument, (ii) arising under any agreement, instrument or document, (iii) for the payment of money, (iv) arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, (v) under any interest or currency swap, future, option or other interest rate protection or similar agreement, (vi) under or by reason of any foreign currency transaction, forward, option or other similar transaction providing for the purchase of one currency in exchange for the sale of another currency, or in any other manner, or (vii) arising out of overdrafts on deposit or other accounts or out of electronic funds transfers (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of the Bank to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of the Bank’s non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements; and any amendments, extensions, renewals and increases of or to any of the foregoing, and all costs and expenses of the Bank incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with any of the foregoing, including reasonable attorneys’ fees and expenses (hereinafter referred to collectively as the “**Obligations**”). Unless expressly provided to the contrary in documentation for any other loan or loans, it is the

express intent of the Bank and the Borrower that all Obligations including those included in the Loan be cross-collateralized and cross-defaulted, such that collateral securing any of the Obligations shall secure repayment of all Obligations and a default under any Obligation shall be a default under all Obligations.

This Agreement, the Note, the Security Documents and all other agreements and documents executed and/or delivered pursuant hereto, as each may be amended, modified, extended or renewed from time to time, are collectively referred to as the **“Loan Documents.”** Capitalized terms not defined herein shall have the meanings ascribed to them in the Loan Documents.

3. Representations and Warranties. The Borrower hereby makes the following representations and warranties, which shall be continuing in nature and remain in full force and effect until the Obligations are paid in full, and which shall be true and correct except as otherwise set forth on the Addendum attached hereto and incorporated herein by reference (the **“Addendum”**):

3.1. Existence, Power and Authority. If not a natural person, the Borrower is duly organized, validly existing and in good standing under the laws of the State of its incorporation or organization and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing. The Borrower is duly authorized to execute and deliver the Loan Documents, all necessary action to authorize the execution and delivery of the Loan Documents has been properly taken, and the Borrower is and will continue to be duly authorized to borrow under this Agreement and to perform all of the other terms and provisions of the Loan Documents.

3.2. Financial Statements. If the Borrower is not a natural person, it has delivered or caused to be delivered to the Bank its most recent balance sheet, income statement and statement of cash flows, or if the Borrower is a natural person, its personal financial statement and tax returns (as applicable, the **“Historical Financial Statements”**). The Historical Financial Statements are true, complete and accurate in all material respects and fairly present the financial condition, assets and liabilities, whether accrued, absolute, contingent or otherwise and the results of the Borrower’s operations for the period specified therein. The Historical Financial Statements have been prepared in accordance with generally accepted accounting principles (**“GAAP”**) consistently applied from period to period, subject in the case of interim statements to normal year-end adjustments and to any comments and notes acceptable to the Bank in its sole discretion.

3.3. No Material Adverse Change. Since the date of the most recent Financial Statements (as hereinafter defined), the Borrower has not suffered any damage, destruction or loss, and no event or condition has occurred or exists, which has resulted or could result in a material adverse change in its business, assets, operations, condition (financial or otherwise) or results of operation (a **“Material Adverse Effect”**).

3.4. Binding Obligations. The Borrower has full power and authority to enter into the transactions provided for in this Agreement and has been duly authorized to do so by appropriate action of its Board of Directors if the Borrower is a corporation, all its general partners if the Borrower is a partnership or otherwise as may be required by law, charter, other organizational documents or agreements; and the Loan Documents, when executed and delivered by the Borrower, will constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their terms.

3.5. No Defaults or Violations. There does not exist any Event of Default under this Agreement or any default or violation by the Borrower of or under any of the terms, conditions or obligations of: (i) its partnership agreement if the Borrower is a partnership, its articles or certificate of incorporation, regulations or bylaws if the Borrower is a corporation or its other organizational documents as applicable; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, ordinance, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon it by any law, the action of any court or any governmental authority or agency; and the consummation of this Agreement and the transactions set forth herein will not result in any such default or violation or Event of

Default.

3.6. Title to Assets. The Borrower has good and marketable title to the assets reflected on the most recent Financial Statements, free and clear of all liens and encumbrances, except for (i) current taxes and assessments not yet due and payable, (ii) assets disposed of by the Borrower in the ordinary course of business since the date of the most recent Financial Statements, and (iii) those liens or encumbrances in excess of \$25,000,000.00 per instance, if any, specified on the Addendum.

3.7. Litigation. There are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Borrower, threatened against the Borrower, which could result in a Material Adverse Effect, and there is no basis known to the Borrower for any action, suit, proceeding or investigation which could result in such a Material Adverse Effect to such an extent as to cause the Borrower to fail to be in compliance with the financial covenants set forth on the Addendum. All pending and threatened litigation against the Borrower which the Borrower reasonably believes to be in excess of \$25,000,000.00 per instance is listed on the Addendum.

3.8. Tax Returns. The Borrower has filed all returns and reports that are required to be filed by it in connection with any federal, state or local tax, duty or charge levied, assessed or imposed upon it or its property or withheld by it, including income, unemployment, social security and similar taxes, and all of such taxes have been either paid or adequate reserve or other provision has been made therefor.

3.9. Employee Benefit Plans. Each employee benefit plan as to which the Borrower may have any liability complies in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 (as amended from time to time, “**ERISA**”), including minimum funding requirements, and (i) no Prohibited Transaction (as defined under ERISA) has occurred with respect to any such plan, (ii) no Reportable Event (as defined under Section 4043 of ERISA) has occurred with respect to any such plan which would cause the Pension Benefit Guaranty Corporation to institute proceedings under Section 4042 of ERISA, (iii) the Borrower has not withdrawn from any such plan or initiated steps to do so, and (iv) no steps have been taken to terminate any such plan.

3.10. Environmental Matters. The Borrower is in compliance, in all material respects, with all Environmental Laws (as hereinafter defined), including, without limitation, all Environmental Laws in jurisdictions in which the Borrower owns or operates, or has owned or operated, a facility or site, stores Collateral, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other waste, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise. Except as otherwise disclosed on the Addendum, no litigation or proceeding arising under, relating to or in connection with any Environmental Law is pending or, to the best of the Borrower’s knowledge, threatened against the Borrower, any real property which the Borrower holds or has held an interest or any past or present operation of the Borrower. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or to the best of the Borrower’s knowledge has occurred, on, under or to any real property in which the Borrower holds or has held any interest or performs or has performed any of its operations, in violation of any Environmental Law. As used in this Section, “**litigation or proceeding**” means any demand, claim notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by a governmental authority or other person, and “**Environmental Laws**” means all provisions of laws, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by any governmental authority concerning health, safety and protection of, or regulation of the discharge of substances into, the environment.

3.11. Intellectual Property. The Borrower owns or is licensed to use all patents, patent rights, trademarks, trade names, service marks, copyrights, intellectual property, technology, know-how and processes necessary for the conduct of its business as currently conducted that are material to the condition (financial or otherwise), business or operations of the Borrower.

3.12. Regulatory Matters. No part of the proceeds of the Loan will be used for “purchasing” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time in effect or for any purpose which

violates the provisions of the Regulations of such Board of Governors.

3.13. Solvency. As of the date hereof and after giving effect to the transactions contemplated by the Loan Documents, (i) the aggregate value of the Borrower's assets will exceed its liabilities (including contingent, subordinated, unmatured and unliquidated liabilities), (ii) the Borrower will have sufficient cash flow to enable it to pay its debts as they become due, and (iii) the Borrower will not have unreasonably small capital for the business in which it is engaged.

3.14. Disclosure. None of the Loan Documents contains or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary in order to make the statements contained in this Agreement or the Loan Documents not misleading. There is no fact known to the Borrower which materially adversely affects or, so far as the Borrower can now foresee, might materially adversely affect the business, assets, operations, condition (financial or otherwise) or results of operation of the Borrower and which has not otherwise been fully set forth in this Agreement or in the Loan Documents.

4. Affirmative Covenants. The Borrower agrees that from the date of execution of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, the Borrower will:

4.1. Books and Records. Maintain books and records in accordance with GAAP and give representatives of the Bank access thereto at all reasonable times, including permission to examine, copy and make abstracts from any of such books and records and such other information as the Bank may from time to time reasonably request, and the Borrower will make available to the Bank for examination copies of any reports, statements and returns which the Borrower may make to or file with any federal, state or local governmental department, bureau or agency.

4.2. Interim Financial Statements; Compliance Certificate. Furnish the Bank within 45 days after the end of each quarter the Borrower's Financial Statements for such period, in reasonable detail, certified by an authorized officer of the Borrower and prepared in accordance with GAAP consistently applied from period to period. The Borrower shall also deliver a certificate as to its compliance with applicable financial covenants (containing detailed calculations of all financial covenants) for the period then ended and whether any Event of Default exists, and, if so, the nature thereof and the corrective measures the Borrower proposes to take ("**Compliance Certificate**"). "**Financial Statements**" means the Borrower's consolidated and, if required by the Bank in its sole discretion, consolidating balance sheets, income statements and statements of cash flows for the year, month or quarter together with year-to-date figures and comparative figures for the corresponding periods of the prior year.

4.3. Annual Financial Statements; Compliance Certificate. Furnish the Borrower's Financial Statements to the Bank within 120 days after the end of each fiscal year, together with a Compliance Certificate. Those Financial Statements will be prepared on an audited basis in accordance with GAAP by an independent certified public accountant selected by the Borrower and satisfactory to the Bank. Audited Financial Statements shall contain the unqualified opinion of an independent certified public accountant and all accountant examinations shall have been made in accordance with GAAP consistently applied from period to period.

4.4. Pledged Collateral Statements. Furnish to the Bank, within 20 days after the end of each month (or more frequently as the Bank may request in its sole discretion), valuation statements from the custodian of the Pledged Collateral, in form and content satisfactory to the Bank.

4.5. Payment of Taxes and Other Charges. Pay and discharge when due all indebtedness and all taxes, assessments, charges, levies and other liabilities imposed upon the Borrower, its income, profits, property or business, except those which currently are being contested in good faith by appropriate proceedings and for which the Borrower shall have set aside adequate reserves or made other adequate provision with respect thereto.

4.6. Maintenance of Existence, Operation and Assets. Do all things necessary to (i) maintain, renew and keep in full force and effect its organizational existence and all rights, permits and franchises necessary to enable it to continue its business as currently conducted; (ii) continue in operation in substantially the same manner as at present; (iii) keep its properties in good operating condition and repair; and (iv) make all necessary and proper repairs, renewals, replacements, additions and improvements thereto.

4.7. Insurance. Maintain, with financially sound and reputable insurers, insurance with respect to its property and business against such casualties and contingencies, of such types and in such amounts, as is customary for established companies engaged in the same or similar business and similarly situated. In the event of a conflict between the provisions of this Section and the terms of any Security Documents relating to insurance, the provisions in the Security Documents will control.

4.8. Compliance with Laws. Comply with all laws applicable to the Borrower and to the operation of its business (including without limitation any statute, ordinance, rule or regulation relating to employment practices, pension benefits or environmental, occupational and health standards and controls).

4.9. Bank Accounts. Establish and maintain at the Bank the Borrower's primary operating accounts.

4.10. Financial Covenants. Comply with all of the financial and other covenants, if any, set forth on the Addendum.

4.11. Additional Reports. Provide prompt written notice to the Bank of the occurrence of any of the following (together with a description of the action which the Borrower proposes to take with respect thereto): (i) any Event of Default or any event, act or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default (a "Default"), (ii) any litigation filed by or against the Borrower, which could reasonably be expected to have a Material Adverse Effect, (iii) any Reportable Event or Prohibited Transaction with respect to any Employee Benefit Plan(s) (as defined in ERISA) or (iv) any event which might result in a Material Adverse Effect.

5. Negative Covenants. The Borrower covenants and agrees that from the date of this Agreement until all Obligations have been paid in full and any commitments of the Bank to the Borrower have been terminated, except as set forth in the Addendum, the Borrower will not, without the Bank's prior written consent:

5.1. Indebtedness. Create, incur, assume or suffer to exist any indebtedness for borrowed money other than: (i) the Loan and any subsequent indebtedness to the Bank; and (ii) open account trade debt incurred in the ordinary course of business and not past due; and (iii) indebtedness in respect of purchase money financings of real or personal property.

5.2. Liens and Encumbrances. Except as provided in Section 3.6, create, assume, incur or permit to exist any mortgage, pledge, encumbrance, security interest, lien or charge of any kind upon any of its property, now owned or hereafter acquired, or acquire or agree to acquire any kind of property subject to any conditional sales or other title retention agreement, except liens securing purchase money indebtedness permitted pursuant to Section 5.1 above.

5.3. Guarantees. Guarantee, endorse or become contingently liable for the obligations of any person, firm, corporation or other entity, in excess of \$50,000,000.00 in the aggregate at any time, except in connection with the endorsement and deposit of checks in the ordinary course of business for collection.

5.4. Loans or Advances. Purchase or hold beneficially any stock, other securities or evidences of indebtedness of, or make or have outstanding, any loans or advances to, or otherwise extend credit to, or make any investment or acquire any interest whatsoever in, any other person, firm, corporation or other entity in excess of \$50,000,000.00 in the aggregate at any time, except (i) investments disclosed on the Borrower's Historical Financial Statements or acceptable to the Bank in its sole discretion, (ii) investments that are disclosed as soon as practicable on

the Borrower's Financial Statements required pursuant to Sections 4.2 and 4.3 herein, (iii) the \$100,000,000.00 stock buy-back program in progress by the Borrower as of the date of this Agreement, and (iv) the stock buy-back in respect of the Borrower's stock equity executive compensation plans for officers and directors.

5.5. Merger or Transfer of Assets. Liquidate or dissolve, or merge or consolidate with or into any person, firm, corporation or other entity, or sell, lease, transfer or otherwise dispose of all or any substantial part of its property, assets, operations or business, whether now owned or hereafter acquired.

5.6. Change in Business, Management or Ownership. Make or permit any change in its form of organization or the nature of its business as carried on as of the date hereof.

5.7. Acquisitions. Make acquisitions of all or substantially all of the property or assets of any person, firm, corporation or other entity; provided, that the Borrower may make such acquisitions if (i) at the time of any such acquisition, the Borrower is able to demonstrate pro forma compliance with the financial covenants set forth in the Addendum to this Agreement, and (ii) such acquisition results in the Borrower being the surviving legal entity.

6. Events of Default. The occurrence of any of the following will be deemed to be an **Event of Default**:

6.1. Covenant Default. The Borrower shall default in the performance of any of the covenants or agreements contained in this Agreement.

6.2. Breach of Warranty. Any Financial Statement, representation, warranty or certificate made or furnished by the Borrower to the Bank in connection with this Agreement shall be false, incorrect or incomplete when made.

6.3. Other Default. The occurrence of an Event of Default as defined in the Note or any of the Loan Documents.

Upon the occurrence of an Event of Default, the Bank will have all rights and remedies specified in the Note and the Loan Documents and all rights and remedies (which are cumulative and not exclusive) available under applicable law or in equity.

7. Conditions. The Bank's obligation to make any advance under the Loan is subject to the conditions that as of the date of the advance:

7.1. No Event of Default. No Event of Default or event which with the passage of time, the giving of notice or both would constitute an Event of Default shall have occurred and be continuing;

7.2. Authorization Documents. The Bank shall have received certified copies of resolutions of the board of directors, the general partners or the members or managers of any partnership, corporation or limited liability company that executes this Agreement, the Note or any of the other Loan Documents; or other proof of authorization satisfactory to the Bank;

7.3. Opinion of Counsel. The Bank shall have received an opinion of counsel to the Borrower addressing such matters relating to the Borrower and this transaction as the Bank may reasonably request; and

7.4. Receipt of Loan Documents. The Bank shall have received the Loan Documents and such other instruments and documents which the Bank may reasonably request in connection with the transactions provided for in this Agreement.

8. Fees. On or before the date of this Agreement, the Borrower shall pay to the Bank a fee of \$7,500.00.

9. Expenses. The Borrower agrees to pay the Bank, upon the execution of this Agreement, and otherwise on

demand, all costs and expenses incurred by the Bank in connection with the preparation, negotiation and delivery of this Agreement and the other Loan Documents, and any modifications thereto, and the collection of all of the Obligations, including but not limited to enforcement actions, relating to the Loan, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to this Agreement, including reasonable fees and expenses of counsel (which may include costs of in-house counsel), expenses for auditors, appraisers and environmental consultants, lien searches, recording and filing fees and taxes.

10. Increased Costs. On written demand, together with written evidence of the justification therefor, the Borrower agrees to pay the Bank all direct costs incurred and any losses suffered or payments made by the Bank as a consequence of making the Loan by reason of any change in law or regulation, or the interpretation thereof, imposing any reserve, deposit, allocation of capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets.

11. Miscellaneous.

11.1. Notices: All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section.

11.2. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity.

11.3. Illegality. If any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Agreement.

11.4. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Agreement will be effective unless made in a writing signed by the party to be charged, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower will entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

11.5. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

11.6. Counterparts. This Agreement may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

11.7. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns; provided,

however, that the Borrower may not assign this Agreement in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Agreement in whole or in part.

11.8. Interpretation. In this Agreement, unless the Bank and the Borrower otherwise agree in writing, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections) or exhibits are to those of this Agreement; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. Unless otherwise specified in this Agreement, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with GAAP. If this Agreement is executed by more than one party as Borrower, the obligations of such persons or entities will be joint and several.

11.9. No Consequential Damages, Etc. The Bank will not be responsible for any damages, consequential, incidental, special, punitive or otherwise, that may be incurred or alleged by any person or entity, including the Borrower and any Guarantor, as a result of this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, or the use of the proceeds of the Loan.

11.10. Assignments and Participations. At any time, without any notice to the Borrower, the Bank may sell, assign, transfer, negotiate, grant participations in, or otherwise dispose of all or any part of the Bank's interest in the Loan. The Borrower hereby authorizes the Bank to provide, without any notice to the Borrower, any information concerning the Borrower, including information pertaining to the Borrower's financial condition, business operations or general creditworthiness, to any person or entity which may succeed to or participate in all or any part of the Bank's interest in the Loan.

11.11. Governing Law and Jurisdiction. This Agreement has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Agreement will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Bank and the Borrower agree that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement.

11.12. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understood all the provisions of this Agreement, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above.

WITNESS / ATTEST:

Print Name: _____
Title: _____
(Include title only an officer or entity signing to the right)

ERIE INDEMNITY COMPANY, a Pennsylvania corporation

By: /s/ Philip A. Garcia
Print Name: Philip A. Garcia
Title: Executive Vice President & CFO

PNC BANK, NATIONAL ASSOCIATION

By: /s/ James F. Stevenson
James F. Stevenson
Vice President

ADDENDUM to that certain Loan Agreement dated January 30, 2008 between Erie Indemnity Company as the Borrower and PNC Bank, National Association, as the Bank. Capitalized terms used in this Addendum and not otherwise defined shall have the meanings given them in the Agreement. Section numbers below refer to the sections of the Agreement.

3.6 Title to Assets. Describe additional liens and encumbrances below:

3.7 Litigation. Describe pending and threatened litigation, investigations, proceedings, etc. below:

CONTINUATION OF ADDENDUM

FINANCIAL COVENANTS

(1) The Borrower will maintain at all times a minimum consolidated net worth of the sum of (A) 70% of the Borrower's consolidated net worth as of December 31, 2007, plus (B) 50% of positive net income on a cumulative basis for each succeeding fiscal quarter, commencing with the fiscal quarter ending March 31, 2008.

(2) The Borrower will maintain at all times a ratio (expressed as a percentage) of consolidated debt to consolidated total capitalization of not more than 35%.

All of the above financial covenants shall be computed and determined in accordance with GAAP applied on a consistent basis (subject to normal year-end adjustments).

Amendment to Loan Documents



THIS AMENDMENT TO LOAN DOCUMENTS (this “**Amendment**”) is made as of February 27, 2008, by and between **ERIE INDEMNITY COMPANY** (the “**Borrower**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

BACKGROUND

A. The Borrower has executed and delivered to the Bank (or a predecessor which is now known by the Bank’s name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the “**Loan Documents**”) which evidence or secure some or all of the Borrower’s obligations to the Bank for one or more loans or other extensions of credit (the “**Obligations**”).

B. The Borrower and the Bank desire to amend the Loan Documents as provided for in this Amendment.

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

1. Certain of the Loan Documents are amended as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower’s existing and future Obligations to the Bank, as modified by this Amendment.

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.

5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

7. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.

8. This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated in the Loan Documents is located. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State where the Bank's office indicated in the Loan Documents is located, excluding its conflict of laws rules.

9. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the waiver of jury trial provisions contained in the Loan Documents.**

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

WITNESS / ATTEST:

ERIE INDEMNITY COMPANY

/s/ Donald A. McRae

Print Name: Donald A. McRae

Title: AVP & Cash Manager

(Include title only if an officer of entity signing to the right)

By: /s/ Philip A. Garcia

Print Name: Philip A. Garcia

Title: EVP & CFO

PNC BANK, NATIONAL ASSOCIATION

By: /s/ James F. Stevenson

James F. Stevenson

Vice President

**EXHIBIT A TO
AMENDMENT TO LOAN DOCUMENTS
DATED AS OF FEBRUARY 27, 2008**

A. The "Loan Documents" that are the subject of this Amendment include the following (as any of the foregoing have previously been amended, modified or otherwise supplemented):

1. Loan Agreement, dated January 30, 2008, between the Borrower and the Bank (the **"Agreement"**); and
2. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.

B. The Agreement is amended as follows:

1. Section 1.1 of the Agreement is hereby amended by adding the following two (2) paragraphs to the end thereof:

"The Borrower may request that the Bank, in lieu of cash advances, issue standby letters of credit (individually, a **"Letter of Credit"** and collectively the **"Letters of Credit"**) under the Line of Credit in the face amount in the aggregate at any time outstanding not to exceed \$50,000,000.00; provided, however, that after giving effect to the face amount of such Letter of Credit, the sum of the aggregate outstanding advances under the Line of Credit and the aggregate face amount of all Letters of Credit issued and outstanding shall not exceed the Line of Credit. The availability of advances under the Line of Credit shall be reduced by the face amount of each Letter of Credit issued and outstanding (whether or not drawn). For purposes of this Agreement, the **"face amount"** of any Letter of Credit shall include any automatic increases in face amount under the terms of such Letter of Credit, whether or not any such increase in face amount has become effective. Unless otherwise consented to by the Bank in writing, each Letter of Credit shall have an expiry date which is not later than twelve (12) months following the Expiration Date (the **"Final LC Expiration Date"**). Each payment by the Bank under a Letter of Credit shall constitute an advance of principal under the Line of Credit and shall be evidenced by the Note. The Letters of Credit shall be governed by the terms of this Agreement and by one or more reimbursement agreements, in form and content satisfactory to the Bank, executed by the Borrower in favor of the Bank (collectively if more than one, the **"Reimbursement Agreement"**). Each request for the issuance of a Letter of Credit must be accompanied by the Borrower's execution of an application on the Bank's standard forms (each, an **"Application"**), together with all supporting documentation. Each Letter of Credit will be issued in the Bank's sole discretion and in a form acceptable to the Bank. This Agreement is not a pre-advice for the issuance of a letter of credit and is not irrevocable.

The Borrower shall pay the Bank's standard issuance fee on the face amount of each Letter of Credit upon issuance, together with such other customary fees and expenses therefore as shall be required by the Bank. In addition, the Borrower shall pay to the Bank a fee (the **"Letter of Credit Commission"**), calculated daily (on the basis of a year of 360 days), equal to the amount available to be drawn at such time under all Letters of Credit issued under the Line of Credit (including any amounts drawn thereunder and not reimbursed, regardless of the existence or satisfaction of any conditions or limitations on drawing) on each day multiplied by fifty (50) basis points (0.50%). The Letter of Credit Commission shall be payable quarterly in arrears beginning on April 1, 2008, and continuing on the first day of each fiscal quarter thereafter and on the Final LC Expiration Date. Notwithstanding the foregoing, after the occurrence and during

the continuance of an Event of Default, the Letter of Credit Commission, as calculated above, shall be increased by three percent (3.00%) per annum.”

C. Conditions to Effectiveness of Amendment: The Bank’s willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:

1. Execution by all parties and delivery to the Bank of this Amendment, and a Reimbursement Agreement for Standby Letters of Credit, in form and content satisfactory to the Bank.
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Reimbursement Agreement for Standby Letter(s) of Credit



THIS REIMBURSEMENT AGREEMENT FOR STANDBY LETTER(S) OF CREDIT (this “**Agreement**”) is made as of this 27th day of February, 2008, by ERIE INDEMNITY COMPANY (the “**Obligor**”), with an address at 100 Erie Insurance Place, Erie, Pennsylvania 16530, in favor of PNC BANK, NATIONAL ASSOCIATION (the “**Bank**”), with an address at 500 First Avenue, Third Floor, Pittsburgh, PA 15219. From time to time by submitting an application in a form approved by the Bank (an “**Application**”), the Obligor or any of its subsidiaries or affiliates may request the Bank to issue one or more letters of credit (each, a “**Credit**”). The Bank may issue any such Credit, but the Bank shall have no obligation to do so unless otherwise agreed in writing. The Obligor agrees that the following terms and conditions shall apply to any Credit:

1. Definitions and Interpretation. (a) In addition to terms defined elsewhere in this Agreement: “**Bank Affiliate**” means any direct or indirect subsidiary of The PNC Financial Services Group, Inc.; “**Base Rate**” means a fluctuating rate per annum equal to the greater of (i) the interest rate per annum announced from time to time by the Bank as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Bank; or (ii) the rate applicable to federal funds transactions, as reasonably determined by the Bank, *plus* .50%; “**Business Day**” means any day other than a Saturday, Sunday or other day on which banks in Pittsburgh, Pennsylvania, or any other city of which the Bank may give the Obligor notice from time to time, are authorized or required by law to close; “**Dollar Equivalent**” means, with respect to an amount in any currency other than U.S. dollars, as of any date, the amount of U.S. dollars into which such amount in such currency may be converted at the spot rate at which U.S. dollars are offered by the Bank in Pittsburgh for such currency at approximately 11:00 a.m., Prevailing Time, on such date, *plus* all actual costs of settlement, including amounts incurred by the Bank to comply with currency exchange requirements of any Governmental Authority; “**Governmental Authority**” means any *de facto* or *de jure* domestic or foreign government, court, tribunal, agency, or other purported authority; “**ISP98**” means the International Standby Practices 1998, and any subsequent official revision thereof; “**Prevailing Time**” means the prevailing time in Pittsburgh, Pennsylvania (or any other city of which the Bank may have given the Obligor notice) on the date in question; “**Taxes**” means all taxes, fees, duties, levies, imposts, deductions, charges or withholdings of any kind (other than taxes on the Bank’s net income); and “**UCP**” means the Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce at the time a Credit is issued.

(b) If this Agreement is signed by more than one Obligor, each shall be deemed to make to the Bank all the representations, warranties and covenants contained herein, and each shall be jointly and severally liable hereunder. Any reference herein to this Agreement, an Application, a Credit, or any other instrument, agreement or document related hereto or thereto shall be deemed to refer to all amendments, modifications, extensions and renewals hereof and thereof. Determinations made by the Bank pursuant to the terms hereof shall be conclusive absent manifest error.

2. Payments. (a) The Obligor will pay to the Bank the amount to be paid by the Bank with respect to each draft or other payment demand made under a Credit no later than 10 a.m., Prevailing Time, on the date such payment is to be made by the Bank, or such earlier time as the Bank may reasonably require. If a Credit calls for the delivery by the Bank of an item other than money, the Obligor shall deliver or cause to be delivered such item to the Bank at such time, in advance of the time the Bank is to deliver such item, as the Bank may reasonably require.

(b) The Obligor agrees to be primarily liable for payment to the Bank with respect to any Credit issued by the Bank at the request of any subsidiary or affiliate of the Obligor. The Obligor authorizes the Bank to accept Applications from the Obligor's subsidiaries and affiliates.

(c) The Obligor will pay to the Bank upon receipt of the Bank's invoice therefor (i) interest on all amounts payable to the Bank hereunder from the date due to the date of payment, at the Base Rate *plus* ____% (or, if the preceding blank is not completed, the Base Rate *plus* 4%); provided that in no event shall the Obligor pay interest in excess of the maximum rate permitted by applicable law; (ii) the Bank's fees as separately agreed to by the Obligor and the Bank, as well as the customary commissions and other charges regularly charged by the Bank for letters of credit; and (iii) all charges and expenses paid or incurred by the Bank or any of its correspondents in connection with this Agreement or any Credit, including all reasonable legal fees and expenses, whether of internal or external counsel to the Bank. All periodic interest, fees and commissions shall be calculated on the basis of the actual days elapsed in a 360 day year, and interest shall continue to accrue at the applicable rate set forth herein whether or not a default exists or a judgment has been entered.

(d) All amounts payable hereunder by the Obligor shall be paid to the Bank at its address set forth above or at such other place as the Bank may give notice from time to time, in immediately available funds in the currency specified by the Bank, without set off, defense, recoupment, deduction, cross-claim or counterclaim of any kind; and free and clear of, and without deduction for, any present or future Taxes. If the Bank or the Obligor pays any Taxes, whether or not correctly or legally assessed, the amounts payable hereunder shall be increased so that, after the payment of such Taxes, the Bank shall have received an amount equal to the sum the Bank would have received had no such Taxes been paid. If any amount payable hereunder is denominated in a currency other than U.S. dollars, the Obligor shall make payment in such currency or, at the Bank's option, shall pay the Dollar Equivalent thereof. To effect any payment due hereunder, the Bank may debit any account that the Obligor may have with the Bank or any Bank Affiliate.

3. Nature of Obligations. (a) The Obligor's obligations to the Bank under this Agreement are absolute, unconditional and irrevocable, and shall be paid and performed in accordance with the terms hereof irrespective of any act, omission, event or condition, including, without limitation (i) the form of, any lack of power or authority of any signer of, or the lack of validity, sufficiency, accuracy, enforceability or genuineness of (or any defect in or forgery of any signature or endorsement on) any draft, demand, document, certificate or instrument presented in connection with any Credit, or any fraud or alleged fraud in connection with any Credit or any obligation underlying any Credit, in each case, even if the Bank or any of its correspondents have been notified thereof; (ii) any claim of breach of warranty that might be made by the Obligor or the Bank against any beneficiary of a Credit, or the existence of any claim, set off, recoupment, counterclaim, cross-claim, defense, or other right that the Obligor may at any time have against any beneficiary, any successor beneficiary, any transferee or assignee of the proceeds of a Credit, the Bank or any correspondent or agent of the Bank, or any other person, however arising; (iii) any acts or omissions by, or the solvency of, any beneficiary of any Credit, or any other person having a role in any transaction or obligation relating to a Credit; (iv) any failure by the Bank to issue any Credit in the form requested by the Obligor, *unless* the Bank receives written notice from the Obligor of such failure within three Business Days after the Bank shall have furnished the Obligor (by facsimile transmission or otherwise) a copy of such Credit and such error is material; and (v) any action or omission (including failure or compulsion to honor a presentation under any Credit) by the Bank or any of its correspondents in connection with a Credit, draft or other demand for payment, document, or any property relating to a Credit, and resulting from any censorship, law, regulation, order, control, restriction, or the like, rightfully or wrongly exercised by any Governmental Authority, or from any other cause beyond the reasonable control of the Bank or any of its correspondents, or for any loss or damage to the Obligor or to anyone else, or to any property of the Obligor or anyone else, resulting from any such action or omission.

(b) The Bank is authorized to honor any presentation under a Credit without regard to, and without any duty on the Bank's part to inquire into, any transaction or obligation underlying such Credit, or any disputes or controversies between the Obligor and any beneficiary of a Credit, or any other person, notwithstanding that the Bank may have assisted the Obligor in the preparation of the wording of any Credit or documents required to be

presented thereunder or that the Bank may be aware of any underlying transaction or obligation or be familiar with any of the parties thereto.

(c) The Obligor agrees that any action or omission by the Bank or any of its correspondents in connection with any Credit or presentation thereunder shall be binding on the Obligor and shall not result in any liability of the Bank or any of its correspondents to the Obligor in the absence of the gross negligence or willful misconduct of the Bank. Without limiting the generality of the foregoing, the Bank and each of its correspondents (i) may rely on any oral or other communication believed in good faith by the Bank or such correspondent to have been authorized or given by or on behalf of the Obligor; (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Credit; (iii) may honor a previously dishonored presentation under a Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by the Bank; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being separately delivered), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Credit; and (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located. In no event shall the Bank be liable to the Obligor for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Credit.

(d) If the Obligor or any other person seeks to delay or enjoin the honor by the Bank of a presentation under a Credit, the Bank shall have no obligation to delay or refuse to honor the presentation until validly so ordered by a court of competent jurisdiction.

4. Set Off and Security. As collateral security for the due payment and performance of the Obligor's obligations to the Bank hereunder and otherwise, whether such obligations are absolute or contingent and exist now or arise after the date hereof, the Obligor grants to the Bank a contractual possessory security interest in, an unqualified right to possession and disposition of, and a contractual right of set off against, in each case, to the fullest extent permitted by law (a) all property relating to any Credit, and all drafts, payment demands, transport documents, warehouse receipts, documents of title, policies or certificates of insurance and other documents relating to any Credit; (b) property in the possession of, on deposit with, or in transit to, the Bank or any Bank Affiliate, now or hereafter, regardless of how obtained or held (whether in a general or special account or deposit, jointly or with someone else, in safekeeping, or otherwise); and (c) the proceeds (including insurance proceeds) of each of the above (collectively, the "**Collateral**"). The Bank's rights with respect to the Collateral may be exercised without demand on or notice to the Obligor. The Bank shall be deemed to have exercised its right of set off immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time. The Obligor agrees from time to time to deliver to the Bank, on demand, such further agreements and instruments, and such additional security, as the Bank may require to secure, or further secure, the Obligor's obligations hereunder.

5. Representations, Warranties, Covenants. The Obligor represents, warrants, and covenants that (a) if not a natural person, the Obligor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and duly qualified to do business in those jurisdictions in which its ownership of property or the nature of its business activities makes such qualification necessary; (b) the Obligor has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all such action has been duly authorized by all necessary proceedings on the Obligor's part, and neither now nor hereafter shall contravene or result in a breach of any organizational document of the Obligor, any agreement, document, or instrument binding on the Obligor or its property, or any law, treaty, regulation, or order of any Governmental Authority, or require any notice, filing, or other action to or by any Governmental Authority; (c) all financial statements and other information received from the Obligor by the Bank prior to the date hereof fairly and accurately present its financial condition in accordance with generally accepted accounting principles, and no material adverse change has occurred in the Obligor's financial condition or business operations since the date

thereof; (d) there are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Obligor, threatened against the Obligor which could result in a material adverse change in its financial condition or business operations; (e) the Obligor will promptly submit to the Bank such information relating to the Obligor's affairs (including but not limited to annual financial statements) as the Bank may reasonably request; and (f) the Obligor and each transaction and obligation underlying each Credit are and shall remain in compliance with all laws, treaties, rules, and regulations of any Governmental Authority, including, without limitation, foreign exchange control, United States foreign assets control, and currency reporting laws and regulations, now or hereafter applicable.

6. Events of Default. The occurrence of any of the following is an "Event of Default" hereunder: (a) the Obligor's failure to pay when due any obligation to the Bank or any Bank Affiliate under this Agreement or otherwise; (b) the Obligor's failure to perform or observe any other term or covenant of this Agreement; (c) any representation or warranty contained in this Agreement or in any document given now or hereafter by the Obligor in connection herewith is materially false, erroneous, or misleading; (d) the occurrence of any event of default or default and the lapse of any notice or cure period under any other debt, liability or obligation of the Obligor to the Bank or any Bank Affiliate; (e) the failure to pay or perform any material obligation to any other person if such failure may cause any such obligation to be due or performable immediately; (f) any levy, garnishment, attachment, or similar proceeding is instituted against the Obligor's property in possession of, on deposit with, or in transit to, the Bank; (g) the Obligor's dissolution or termination, or the institution by or against the Obligor or any of its property of any proceeding relating to bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship, foreclosure, execution, attachment, garnishment, levy, assignment for the benefit of creditors, relief of debtors, or similar proceeding (and, in the case of any such proceeding instituted against the Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof); (h) the entry of a material final judgment against the Obligor and the failure of the Obligor to discharge the judgment within 10 days of the final entry thereof; (i) any material adverse change in the Obligor's business, assets, operations, financial condition or results of operations; (j) the death, incarceration, indictment, or legal incompetency of an individual Obligor or, if the Obligor is a partnership or limited liability company, the death, incarceration, indictment, or legal incompetency of any individual general partner or member; (k) the occurrence of any of the above events with respect to any person which has now or hereafter guaranteed or provided any collateral for any of the Obligor's obligations hereunder; or (l) any guarantee, or any document, instrument or agreement purporting to provide the Bank security for the Obligor's obligations hereunder shall be challenged, repudiated, or unenforceable for any reason.

7. Remedies. Upon the occurrence of any Event of Default (a) the amount of each Credit, together with any additional amounts payable hereunder, shall, at the Bank's option, become due and payable immediately without demand upon or notice to the Obligor; (b) the Bank may exercise from time to time any of the rights and remedies available to the Bank under this Agreement, under any other documents now or in the future evidencing or securing obligations of the Obligor to the Bank, or under applicable law, and all such remedies shall be cumulative and not exclusive; and (c) upon request of the Bank, the Obligor shall promptly deliver to the Bank in immediately available funds, as collateral for any and all obligations of the Obligor to the Bank, an amount equal to 105% of the maximum aggregate amount then or at any time thereafter available to be drawn under all outstanding Credits, and the Obligor hereby pledges to the Bank and grants to the Bank a security interest in all such funds as security for such obligations, acknowledges that the Bank shall at all times have control of such funds and shall be authorized to give entitlement orders (as defined in the UCC) with respect to such funds, without further consent of the Obligor or any other person, and agrees promptly to do all further things that the Bank may deem necessary in order to grant and perfect the Bank's security interest in such funds. The Obligor waives presentment, protest, dishonor, notice of dishonor, demand, notice of protest, notice of non-payment, and notice of acceptance of this Agreement, and any other notice or demand of any kind from the Bank.

8. Subrogation. The Bank, at its option, shall be subrogated to the Obligor's rights against any person who may be liable to the Obligor on any transaction or obligation underlying any Credit, to the rights of any holder in due course or person with similar status against the Obligor, and to the rights of any beneficiary or any successor or assignee of any beneficiary.

9. Indemnification. The Obligor agrees to indemnify the Bank and each Bank Affiliate and each of their respective officers, directors, shareholders, employees and agents (each, an “**Indemnified Party**”) and to hold each Indemnified Party harmless from and against any and all claims, liabilities, losses, damages, Taxes, penalties, interest, judgments, costs and expenses (including reasonable legal fees and costs, whether of internal or external counsel to the Bank and all expenses of litigation or preparation therefor), which may be incurred by or awarded against any Indemnified Party, and which arise out of or in connection with (a) any Credit, this Agreement, or any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority, which arise out of or relates to this Agreement or any Credit (and irrespective of who may be the prevailing party); (b) any payment or action taken in connection with any Credit, including, without limitation, any action or proceeding seeking to restrain any drawing under a Credit or to compel or restrain any payment or any other action under a Credit or this Agreement (and irrespective of who may be the prevailing party); (c) the enforcement of this Agreement or the collection or sale of any property or collateral; and (d) any act or omission of any Governmental Authority or other cause beyond the Bank’s reasonable control; except, in each case, to the extent such claim, liability, loss, damage, Tax, penalty, interest, judgment, cost or expense is found by a final judgment of a court of competent jurisdiction to have resulted from the Bank’s gross negligence or willful misconduct.

10. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (“Notices”) must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing: (i) first class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices and (ii) Applications may be submitted electronically via, and in accordance with the terms and conditions of, the PINACLE Network System (or such other network system offered by the Bank), if Obligor is an authorized user of such system or by such other electronic means acceptable to the Bank. Regardless of the manner in which provided, Notices may be sent to a party’s address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section. The Bank may rely, and shall be protected in acting or refraining from acting, upon any Notice or Application believed by the Bank to be genuine and to have been given by the proper party or parties. No delay or omission on the Bank’s part to exercise any right or power arising hereunder will impair any such right or power or be considered to be a waiver of any such right or power, nor will the Bank’s action or inaction impair any such right or power. No modification, amendment or waiver of, or consent to any departure by the Obligor from, any provision of this Agreement, will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. If any provision of this Agreement is found to be invalid by a court, all the other provisions of the Agreement will remain in full force and effect. If this Agreement is executed by more than one Obligor, each Obligor waives any and all defenses to payment and performance hereunder based upon principles of suretyship, impairment of collateral, or otherwise and, without limiting the generality of the foregoing, each Obligor consents to: any change in the time, manner, or place of payment of or in any other term of all or any of the obligations of any other Obligor hereunder or otherwise, and any exchange or release of any property or collateral, or the release or other amendment, extension, renewal, waiver of, or consent to departure from, the terms hereof or of any guaranty or security agreement or any other agreement related hereto. This Agreement will be binding upon and inure to the benefit of the Obligor and the Bank and their respective heirs, executors, administrators, successors and assigns; *provided, however*, that the Obligor may not assign this Agreement in whole or in part without the Bank’s prior written consent and the Bank may at any time assign this Agreement in whole or in part. The Obligor hereby authorizes the Bank, from time to time without notice to the Obligor, to record telephonic and other electronic communications of the Obligor and provide any information pertaining to the financial condition, business operations or credit worthiness of the Obligor to or at the direction of any Governmental Authority, to any of the Bank’s correspondents, and any Bank Affiliate, and to any of its or their directors, officers, employees, auditors and professional advisors, to any person which in the ordinary course of its business makes credit reference inquiries, to any person which may succeed to or participate in all or part of the Bank’s interest hereunder, and as may be necessary or advisable for the preservation of the Bank’s rights hereunder. This is a continuing Agreement and shall remain in full force and effect until no obligations of the Obligor and no Credit exist hereunder; *provided, however*, that termination of this Agreement shall not release the Obligor from any payment or performance that is subsequently rescinded or recouped, and the obligation to make any such payment or

performance shall continue until paid or performed as if no such payment or performance ever occurred. Provisions concerning payment, indemnification, increased costs, Taxes, immunity, and jurisdiction shall survive the termination of this Agreement.

11. Financial Institution Obligor. If one of two or more Obligors is a financial institution (the “**Financial Institution**”), the Financial Institution shall be deemed to request the issuance of any Credit for its customer (the “**Customer**”) who has also executed this Agreement as an Obligor. In consideration of any such issuance, and as a direct and primary obligation, the Financial Institution agrees to pay the Bank all amounts that become due and payable to the Bank under this Agreement, when and as due, in accordance with the terms hereof. The Financial Institution hereby assigns to the Bank all security interests now or at any time existing granted in favor of the Financial Institution as security for the Customer’s obligations to the Financial Institution arising out of this Agreement or any Credit, and agrees to do all things necessary from time to time to effect such assignment.

12. Representative of Obligor. If this Agreement is executed by more than one Obligor and neither is a Financial Institution, the Obligor whose signature is first shown below shall have the exclusive right to deal with the Bank in connection with the matters addressed herein, notwithstanding conflicting instructions or requests from any other Obligor.

13. Waiver of Immunity. The Obligor acknowledges that this Agreement is entered into, and each Credit will be issued, for commercial purposes and, if the Obligor now or hereafter acquires any immunity (sovereign or otherwise) from the jurisdiction of any court or from any legal process with respect to itself or any of its property, the Obligor hereby irrevocably waives such immunity.

14. Jurisdiction. The Obligor hereby irrevocably consents to the exclusive jurisdiction of any state or federal court for the county or judicial district in the State of Pennsylvania where the Bank’s office set forth above is located; provided that nothing contained in this Agreement will prevent the Bank from bringing any action, enforcing any award or judgment, or exercising any right against the Obligor individually, against any security, or against any property of the Obligor within any other county, state or other foreign or domestic jurisdiction. The Obligor agrees that the venue provided above is the most convenient forum for the Bank and the Obligor. The Obligor waives any objection to venue and any objection based on a more convenient forum in any action under this Agreement.

15. WAIVER OF JURY TRIAL. THE OBLIGOR IRREVOCABLY WAIVES ALL RIGHTS THE OBLIGOR MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY CREDIT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY CREDIT, OR ANY OBLIGATION OR TRANSACTION UNDERLYING ANY OF THE FOREGOING. THE OBLIGOR ACKNOWLEDGES THAT THIS WAIVER IS KNOWING AND VOLUNTARY.

16. Governing Law. This Agreement and each Credit shall be interpreted, construed, and enforced according to (a) the laws of the Commonwealth of Pennsylvania, including, without limitation, the Uniform Commercial Code (“UCC;” with the definitions of Article 5 of the UCC controlling over any conflicting definitions in other UCC Articles); and (b) the UCP or the ISP, as set forth in each Credit, which are, as applicable, incorporated herein by reference and which shall control (to the extent not prohibited by the law referred to in (a)) in the event of any inconsistent provisions of such law. In the event that a body of law other than that set forth above is applicable to a Credit, the Obligor shall be obligated to pay and reimburse the Bank for any payment made under such Credit if such payment is, in the Bank’s judgment, justified under either the law governing this Agreement or the law governing such Credit.

ERIE INDEMNITY COMPANY

By: /s/ Philip A. Garcia

Print Name: Philip A. Garcia

Title: EVP & CFO

Sixth Amendment to Loan Documents



THIS SIXTH AMENDMENT TO LOAN DOCUMENTS (this “**Amendment**”) is made as of December 29, 2008, by and between **ERIE INDEMNITY COMPANY** (the “**Borrower**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

BACKGROUND

A. The Borrower has executed and delivered to the Bank (or a predecessor which is now known by the Bank’s name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the “**Loan Documents**”) which evidence or secure some or all of the Borrower’s obligations to the Bank for one or more loans or other extensions of credit (the “**Obligations**”).

B. The Borrower and the Bank desire to amend the Loan Documents as provided for in this Amendment.

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

1. Certain of the Loan Documents are amended as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower’s existing and future Obligations to the Bank, as modified by this Amendment.

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.

5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

7. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.

8. This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated in the Loan Documents is located. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State where the Bank's office indicated in the Loan Documents is located, excluding its conflict of laws rules.

9. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the waiver of jury trial provisions contained in the Loan Documents.**

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

WITNESS / ATTEST:

ERIE INDEMNITY COMPANY

/s/ Donald A. McRae

Print Name: Donald A. McRae
Title: AVP
(Include title only if an officer of entity signing to the right)

By: /s/ Douglas F. Ziegler

Print Name: DOUGLAS F. ZIEGLER
Title: Sup, Treasurer & CIO

PNC BANK, NATIONAL ASSOCIATION

By: /s/ James F. Stevenson

James F. Stevenson
Senior Vice President

**EXHIBIT A TO
SIXTH AMENDMENT TO LOAN DOCUMENTS
DATED AS OF DECEMBER 29, 2008**

- A. The "Loan Documents" that are the subject of this Amendment include the following (as any of the foregoing have previously been amended, modified or otherwise supplemented):
1. Loan Agreement, dated January 30, 2008, between the Borrower and the Bank (the **"Loan Agreement"**);
 2. Second Amended and Restated Committed Line of Credit Note, dated June 30, 2008, in the original principal amount of \$100,000,000.00, made by the Borrower to the Bank (the **"Note"**), evidencing a line of credit extended by the Bank to the Borrower in an amount not to exceed \$100,000,000.00 (the **"Line of Credit"**); and
 3. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.
- B. The Loan Agreement is amended as follows:
1. The second sentence of the first paragraph of Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:
"The **"Expiration Date"** means **December 31, 2009**, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower."
 2. The second sentence of the third paragraph of Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:
"In addition, the Borrower shall pay to the Bank a fee (the **"Letter of Credit Commission"**), calculated daily (on the basis of a year of 360 days), equal to the amount available to be drawn at such time under all Letters of Credit issued under the Line of Credit (including any amounts drawn thereunder and not reimbursed, regardless of the existence or satisfaction of any conditions or limitations on drawing) on each day multiplied by one hundred twelve and one-half (112.5) basis points (1.125%)."
 3. Section 8 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:
"**8. Fees.** Beginning on March 31, 2009 and continuing on the last day of each quarter thereafter until the Expiration Date, the Borrower shall pay a commitment fee to the Bank, in arrears, at the rate of seventy-five one-thousandths percent (0.075%) per annum on the average daily balance of the Line of Credit which is undisbursed and uncanceled during the preceding quarter. The commitment fee shall be computed on the basis of a year of 360 days and paid on the actual number of days elapsed."
- C. **Restated Note.** Concurrently with the execution and delivery of this Amendment, the Borrower shall execute and deliver to the Bank a Third Amended and Restated Committed Line of Credit Note (the **"Restated Note"**), evidencing the Line of Credit in the principal amount of \$100,000,000.00, in form and substance satisfactory to the Bank. Upon receipt by the Bank of the Restated Note, the original Note shall be canceled and returned to the Borrower; the Line of Credit and all accrued and unpaid interest on
-

the original Note shall thereafter be evidenced by the Restated Note; and all references to the “Note” evidencing the Line of Credit in any documents relating thereto shall thereafter be deemed to refer to the Restated Note. Without duplication, the Restated Note shall not constitute a novation and shall in no way extinguish the Borrower’s unconditional obligation to repay all indebtedness, including accrued and unpaid interest, evidenced by the original Note.

D. Conditions to Effectiveness of Amendment: The Bank’s willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:

- 1. Execution by all parties and delivery to the Bank of this Amendment and the Restated Note.
 - 2. Payment by the Borrower to the Bank of a renewal fee in the amount of \$40,000.00, in respect of the Line of Credit, on or before the date of this Amendment.
-

Eighth Amendment to Loan Documents

THIS EIGHTH AMENDMENT TO LOAN DOCUMENTS (this “**Amendment**”) is made as of April 21, 2009, by and between **ERIE INDEMNITY COMPANY** (the “**Borrower**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

BACKGROUND

A. The Borrower has executed and delivered to the Bank (or a predecessor which is now known by the Bank’s name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the “**Loan Documents**”) which evidence or secure some or all of the Borrower’s obligations to the Bank for one or more loans or other extensions of credit (the “**Obligations**”).

B. The Borrower and the Bank desire to amend the Loan Documents as provided for in this Amendment.

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

1. Certain of the Loan Documents are amended as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower’s existing and nature Obligations to the Bank, as modified by this Amendment.

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.

5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

7. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.

8. This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated in the Loan Documents is located. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State where the Bank's office indicated in the Loan Documents is located, excluding its conflict of laws rules.

9. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the waiver of jury trial provisions contained in the Loan Documents.**

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

WITNESS / ATTEST:

/s/ Penny Hokins

Print Name: Penny Hokins

Title: Investment Accountant

(Include title only if an officer of entity signing to the right)

ERIE INDEMNITY COMPANY

By: /s/ Douglas F. Ziegler

(SEAL)

Print Name: Douglas F. Ziegler

Title: _____

PNC BANK, NATIONAL ASSOCIATION

By: /s/ James F. Stevenson

James F. Stevenson

Senior Vice President

**EXHIBIT A TO
EIGHTH AMENDMENT TO LOAN DOCUMENTS
DATED AS OF APRIL 21, 2009**

- A. The “Loan Documents” that are the subject of this Amendment include the following (as any of the foregoing have previously been amended, modified or otherwise supplemented):
1. Pledge Agreement, dated January 30, 2008, made by the Borrower in favor of the Bank (the “**Pledge Agreement**”); and
 2. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.
- B. The Pledge Agreement is amended as follows:
1. Exhibit A to the Pledge Agreement is hereby amended and restated to read as set forth in Exhibit B attached to this Amendment.
- C. Conditions to Effectiveness of Amendment: The Bank’s willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:
1. Execution by all parties and delivery to the Bank of this Amendment.
-

**EXHIBIT B TO
EIGHTH AMENDMENT TO LOAN DOCUMENTS
DATED AS OF APRIL 21, 2009**

**EXHIBIT A TO PLEDGE AGREEMENT
(UNCERTIFICATED SECURITIES)**

With respect to the following account:

Title of the Securities Account:	Erie Indemnity Company
Securities Account No.:	EIRF 2221002
Custodian:	Mellon Bank, N.A.

The specific assets listed below, which are in the securities account referred to above, are being pledged as Collateral, and must at all times meet the following criteria: (i) at least \$62,500,000.00 of the Collateral pledged to the Secured Party hereunder must consist of securities having a rating at all times equal to or greater than “AAA”, (ii) not more than \$18,750,000.00 of the Collateral pledged to the Secured Party hereunder may consist of securities having a rating at any time equal to “A”, and (iii) the balance of the Collateral pledged to the Secured Party hereunder must consist of securities having a rating at all times equal to or greater than “AA”. A specific security will be considered based upon the higher of Moody’s/S&P rating of the underlying security or the rating provided by the monoline insurer (i.e., AMBAC, MBIA, FSA, FGIC, etc.) wrapping the specific security itself. If a security has no rating and the wrap would identify it as less than an “A” rating, such security will be disqualified as Collateral hereunder, and the Pledgor will be required to provide to the Secured Party additional Collateral in accordance with Section 4.1 of the Pledge Agreement.

Trading and withdrawals are permitted provided that the above criteria are met, and provided that the Collateral pledged to the Secured Party at all times meets the minimum market value requirement set forth in Section 4.1 of this Pledge Agreement.

Par Value (in millions of dollars)	Description of Securities	CUSIP #
2	Alaska GO @5% due 08/01/2015	011770p73
3	Alaska Airport @5% due 10/01/2017	011842pe5
2.105	Central Puget Snd @5% due 11/01/2015	15504raj8
2	Chicago Trans @5.25% due 06/01/2012	167723bb0
4	Collier Cty Sch @5.25% due 02/15/2018	194653jg7
2	Detroit Sch @5% due 05/01/2018	251129x72
2.655	Hillsboro Cty Airport @5% due 10/01/2011	432308ux0

Par Value (in millions of dollars)	Description of Securities	CUSIP #
1.390	Alabama Hsg @4.875% due 10/01/2019	01030rem0
1	Chicago MidwyArpt @5.5% due 01/01/2012	167562fr3
1	Chicago MidwyArpt @5.5% due 01/01/2013	167562fsl
2	Indiana Bd Bk @4.5% due 02/01/2013	4546233m9
1.45	Joliet Wtr @5% due 01/01/2015	479790hb6
1	Kentucky Prop @5% due 08/01/2013	49151eyz0
2.805	Ohio Hsg @4.2% due 09/01/2014	676907kp2
1	Port Houston @5% due 10/01/2014	734260g22
1	Port Houston @5% due 10/01/2015	734260g30
2	Port Seattle @5% due 11/01/2015	735371hz2
1.035	Bedford, TX @5% due 02/01/2015	076465ug6
1	Bedford, TX @5% due 02/01/2017	076465tt0
2.065	Cal Hsg @3.95% due 02/01/2012	13034pba4
1.93	Chicago O'Hare @5.5% due 01/01/2014	167592vm3
1.25	Indiana Hlth @5% due 05/01/2013	454798qa0
1	Indianapolis Loc @5.5% due 01/01/2017	45528smq6

Par Value (in millions of dollars)	Description of Securities	CUSIP #
2.035	PhillyWtr @5% due 07/01/2014	717893pf2
2.19	Pierce Cty SD @5% due 06/01/2013	720424uv0
1.83	Pima Sch @4.625% due 07/01/2013	721799vg6
2.685	Chip Vly Sch @5% due 05/01/2012	170016up2
2	Memphis GO @5% due 10/01/2015	586145nz3
2	Minneap Sch @4.25% due 02/01/2012	603792nr9
2	NJ Trans @5.25% due 12/15/2013	6461355d1
2.17	PaGos @4% due 02/01/2016	709141g33
2	PinellasHlth @4% due 11/15/2011	72316med7
2.41	Pinellas Hlth @5% due 11/15/2012	72316mdy2
2.19	RI Econ Dev @5% due 07/01/2012	76223pdd4
3.165	Suffolk Cty @4% due 02/01/2016	864766n71
2.1	Trinity Rvr @5% due 02/01/2014	89657pcv3
3	Round Rock Sch @5% due 08/01/2015	7792398f2
2	Virginia Hsg @3.90% due 04/01/2012	92812ufg8
3	Virginia Hsg @3.65% due 10/01/2012	92812ufz6
1	Virginia Hsg @4% due 04/01/2013	92812ufh6

Par Value (in millions of dollars)	Description of Securities	CUSIP #
2.535	Indiana Ofc Bld @5% due 07/01/2016	455066kg4
2.27	Kane & DuPage Ctys @3.25% due 01/01/2010	483800qr2
2	Memphis Elec @5% due 12/01/2015	586158lb1
2.565	Met DC Airport @5.25% due 10/01/2014	592646nh2
4	Michigan Mun Bd Det @5% due 06/01/2014	59455tgt3
2	Michigan Trunk @5% due 09/01/2013	594700cb0
3	Moon Twnshp Sch @5% due 11/15/2024	615401jg2
2.41	Nevada Bond Bk @5% due 12/01/2017	641460p38
2	New Jersey Econ @5% due 09/01/2018	6459164y0
2	NE MD Wst @5.5% due 04/01/2016	664257ba9
2	Orange Sch @5.25% due 08/01/2015	684517dr3
2	Denton Util @5% due 12/01/2018	249015vv7
2	DuPage Cty Sch @4% due 12/01/2013	263417hs9
2.2	Joliet Wtr @5% due 01/01/2016	479790hc4
2	Kane & DuPage Ctys @5% due 01/01/2015	483800qwl
2	NY Thruway @4.75% due 04/01/2018	650013L37

Par Value (in millions of dollars)	Description of Securities	CUSIP #
2	Lake Cty Sch @3.6% due 01/01/2015	509250cb0
1.5	Los Angeles Hbr @5% due 08/01/2011	544552pv8
1.795	NC Medcare @5% due 10/01/2018	65820pcf0
2.24	Port Auth NY/NJ @4% due 10/01/2010	73358tly5
2	Virginia Ports @5% due 07/01/2019	928075cj7
1.28	Univ KS Hosp. @5% due 09/01/2011	914367bt3
TOTAL at par		<u>\$126,255,000.00</u>

Ninth Amendment to Loan Documents



THIS NINTH AMENDMENT TO LOAN DOCUMENTS (this “**Amendment**”) is made as of June 29, 2009, by and between **ERIE INDEMNITY COMPANY** (the “**Borrower**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

BACKGROUND

A. The Borrower has executed and delivered to the Bank (or a predecessor which is now known by the Bank’s name as set forth above), one or more promissory notes, letter agreements, loan agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents, some or all of which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively as amended from time to time, the “**Loan Documents**”) which evidence or secure some or all of the Borrower’s obligations to the Bank for one or more loans or other extensions of credit (the “**Obligations**”).

B. The Borrower and the Bank desire to amend the Loan Documents as provided for in this Amendment.

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

1. Certain of the Loan Documents are amended as set forth in Exhibit A. Any and all references to any Loan Document in any other Loan Document shall be deemed to refer to such Loan Document as amended by this Amendment. This Amendment is deemed incorporated into each of the Loan Documents. Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Loan Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Loan Document, the terms and provisions of this Amendment shall control.

2. The Borrower hereby certifies that: (a) all of its representations and warranties in the Loan Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Loan Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms. The Borrower confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. The Borrower hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the Borrower or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the Borrower’s existing and future Obligations to the Bank, as modified by this Amendment.

4. As a condition precedent to the effectiveness of this Amendment, the Borrower shall comply with the terms and conditions (if any) specified in Exhibit A.

5. To induce the Bank to enter into this Amendment, the Borrower waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations. The Borrower further agrees to indemnify and hold the Bank and its officers, directors, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including attorneys' fees) suffered by or rendered against the Bank or any of them on account of any claims arising out of or relating to the Obligations. The Borrower further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

6. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

7. This Amendment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns.

8. This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated in the Loan Documents is located. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State where the Bank's office indicated in the Loan Documents is located, excluding its conflict of laws rules.

9. Except as amended hereby, the terms and provisions of the Loan Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Loan Document, a waiver of any default or Event of Default under any Loan Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved). **The Borrower expressly ratifies and confirms the waiver of jury trial provisions contained in the Loan Documents.**

WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

WITNESS / ATTEST:

ERIE INDEMNITY COMPANY

/s/ Donald A. McRae
Print Name: Donald A. McRae
Title: Assistant Vice President
(Include title only if an officer of entity signing to the right)

By: /s/ Douglas F. Ziegler
Print Name: Douglas F. Ziegler
Title: Senior Vice President & Treasurer

PNC BANK, NATIONAL ASSOCIATION

By: /s/ James F. Stevenson
James F. Stevenson
Senior Vice President

**EXHIBIT A TO
NINTH AMENDMENT TO LOAN DOCUMENTS
DATED AS OF JUNE 29, 2009**

- A. The “Loan Documents” that are the subject of this Amendment include the following (as any of the foregoing have previously been amended, modified or otherwise supplemented):
1. Loan Agreement, dated January 30, 2008, between the Borrower and the Bank (the **“Loan Agreement”**); and
 2. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Loan Documents listed in this Section A.
- B. The Loan Agreement is amended as follows:
1. Section (1) as set forth in the Continuation of Addendum to the Agreement is hereby amended and restated in its entirety to read as follows:
“(1) Beginning June 30, 2009, the Borrower will maintain at all times a minimum consolidated net worth of \$579,875,000.00, to be increased on the last day of each fiscal quarter thereafter by an amount equal to 50% of the Borrower’s cumulative positive net income for the fiscal quarter then ending.”
- C. Conditions to Effectiveness of Amendment: The Bank’s willingness to agree to the amendments set forth in this Amendment is subject to the prior satisfaction of the following conditions:
1. Execution by all parties and delivery to the Bank of this Amendment.
 2. Payment by the Borrower to the Bank of an amendment fee of \$20,000.00.

Committed Line of Credit Note

(Multi-Rate Options)



\$50,000,000.00

January 30, 2008

FOR VALUE RECEIVED, ERIE INDEMNITY COMPANY (the “**Borrower**”), with an address at 100 Erie Insurance Place, Erie, Pennsylvania 16530, promises to pay to the order of **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”), in lawful money of the United States of America in immediately available funds at its offices located at 901 State Street, P.O. Box 8480, Erie, Pennsylvania 16553, or at such other location as the Bank may designate from time to time, the principal sum of **FIFTY MILLION DOLLARS (\$50,000,000.00)** (the “**Facility**”) or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. Advances. The Borrower may request advances, repay and request additional advances hereunder until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined). The “**Expiration Date**” shall mean December 31, 2008, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (Erie, Pennsylvania time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined) or the Fed Funds Rate Option (as hereinafter defined) and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the LIBOR Option (as hereinafter defined), followed promptly thereafter by the Borrower’s written confirmation to the Bank of any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest rate options set forth below (each, an “**Option**”):

(i) **Base Rate Option.** A rate of interest per annum which is at all times equal to the Prime Rate (“**Base Rate**”). For purposes hereof, the term “**Prime Rate**” shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) **Fed Funds Rate Option.** A rate of interest per annum which is at all times equal to (A) the Federal Funds Rate plus (B) fifty (50) basis points (0.50%) (“**Fed Funds Rate**”). For purposes hereof, “**Federal Funds Rate**” for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed) determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the Open Rate for federal funds transactions as of the opening of business for federal funds transactions among members of the Federal Reserve System arranged by federal funds brokers on such day, as quoted by Garvin Guybutler (or any successor) or any other broker selected by the Bank, as set forth on the applicable Telerate display page; provided however, that if such day is not a Business Day, the Federal Funds Rate for such day shall be the Open Rate on the immediately preceding Business Day or if no such rate shall be quoted by a federal funds broker at such time, such other rate as determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error). If and when the Federal Funds Rate changes, the rate of interest with respect to any advance to which the Federal Funds Rate applies will change automatically without notice to the Borrower, effective on the date of any such change.

(iii) **LIBOR Option.** A rate per annum equal to (A) LIBOR plus (B) fifty (50) basis points (0.50%), for the applicable LIBOR Interest Period.

For purposes hereof, the following terms shall have the following meanings:

“Business Day” shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in Erie, Pennsylvania.

“LIBOR” shall mean, with respect to any advance to which the LIBOR Option applies for the applicable LIBOR Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/16th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such LIBOR Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such LIBOR Interest Period by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“LIBOR Interest Period” shall mean, as to any advance to which the LIBOR Option applies, the period of one (1), two (2), three (3) or six (6) month/months as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, commencing on the date of disbursement of an advance (or the date of conversion of an advance to the LIBOR Option, as the case may be) and each successive period selected by the Borrower thereafter; provided that, (i) if a LIBOR Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the LIBOR Interest Period shall end on the next preceding Business Day, (ii) the Borrower may not select a LIBOR Interest Period that would end on a day after the Expiration Date, and (iii) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the last calendar month of such LIBOR Interest Period) shall end on the last Business Day of the last calendar month of such LIBOR Interest Period.

“LIBOR Reserve Percentage” shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

LIBOR shall be adjusted with respect to any advance to which the LIBOR Option applies on and as of the effective date of any change in the LIBOR Reserve Percentage. The Bank shall give prompt notice to the Borrower of LIBOR as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the LIBOR Option shall be converted at the expiration of the then current LIBOR Interest Period(s) to the Base Rate.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on LIBOR, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the LIBOR Option shall be converted to the Base Rate either (i) on the last

day of the then current LIBOR Interest Period(s) if the Bank may lawfully continue to maintain advances based on LIBOR to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances based on LIBOR.

The foregoing notwithstanding, it is understood that the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to six (6) different interest periods to apply simultaneously to different portions of the advances bearing interest under the LIBOR Option. Interest hereunder will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of Default (as hereinafter defined) has occurred and is continuing, any advances bearing interest under the LIBOR Option shall, at the Bank's sole discretion, be converted at the end of the applicable LIBOR Interest Period to the Base Rate and the LIBOR Option will not be available to Borrower with respect to any new advances (or with respect to the conversion or renewal of any existing advances) until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the LIBOR Option, such notice shall be given at least three (3) Business Days prior to the commencement of any LIBOR Interest Period. If no interest period is specified in any such notice for which the resulting advance is to bear interest under the LIBOR Option, the Borrower shall be deemed to have selected a LIBOR Interest Period of one month's duration. If no notice of election, conversion or renewal is timely received by the Bank with respect to any advance, the Borrower shall be deemed to have elected the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances, if such telephonic requests were made by a person duly authorized by the Borrower. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option or the Fed Funds Rate Option, on the last day of each month during the term hereof, (b) for the portion of advances bearing interest under the LIBOR Option, on the last day of the respective LIBOR Interest Period for such advance, (c) if any LIBOR Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (d) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "**Late Charge**"). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the

Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, each advance outstanding under this Note shall bear interest at a rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) which shall be two percentage points (2%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the **"Default Rate"**). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay any advance hereunder at any time and from time to time, in whole or in part; subject, however, to payment of any break funding indemnification amounts owing pursuant to paragraph 8 below.

8. Yield Protection; Break Funding Indemnification. The Borrower shall pay to the Bank on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit, allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the LIBOR Option) which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance bearing interest under the LIBOR Option, or (iii) the Borrower's payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance bearing interest under the LIBOR Option on a day other than the last day of the applicable LIBOR Interest Period. A notice as to any amounts payable pursuant to this paragraph given to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand. The Borrower's indemnification obligations hereunder shall survive the payment in full of the advances and all other amounts payable hereunder.

9. Other Loan Documents. This Note is issued in connection with a loan agreement between the Borrower and the Bank, dated on or before the date hereof, and the other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the **"Loan Documents"**), and is secured by the property (if any) described in the Loan Documents and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an **"Event of Default"** under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or any default and the lapse of any notice or cure period, or any Obligor's failure to observe or perform any covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt, liability or obligation of any Obligor to the Bank in excess of \$5,000,000.00; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money in excess of \$5,000,000.00, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture

proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of a final judgment against any Obligor and the failure of such Obligor to discharge the judgment within ten (10) days of the entry thereof; (viii) any material adverse change in any Obligor's business, assets, operations, financial condition or results of operations; (ix) any Obligor ceases doing business as a going concern; (x) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xi) if this Note or any guarantee executed by any Obligor is secured, the failure of any Obligor to provide the Bank with additional collateral if in the Bank's opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents or, if no specific value is so required, then in an amount deemed material by the Bank; (xii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor; or (xiii) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member. As used herein, the term "**Obligor**" means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower's obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby grants the Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank, all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

12. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the "**Indemnified Parties**"), and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

13. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (“**Notices**”) must be in writing (except as may be agreed otherwise above with respect to borrowing requests) and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party’s address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. No delay or omission on the Bank’s part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank’s action or inaction impair any such right or power. The Bank’s rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank’s counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank’s written consent and the Bank at any time may assign this Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank’s office indicated above is located. **THIS NOTE WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE BORROWER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK’S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank’s office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

14. Commercial Purpose. The Borrower represents that the indebtedness evidenced by this Note is being incurred by the Borrower solely for the purpose of acquiring or carrying on a business, professional or commercial activity, and not for personal, family or household purposes.

15. WAIVER OF JURY TRIAL. **THE BORROWER IRREVOCABLY WAIVES ANY AND ALL RIGHTS THE BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS NOTE, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS NOTE OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.**

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS / ATTEST:

ERIE INDEMNITY COMPANY

/s/ Donald A. McRae
Print Name: Donald A. McRae
Title: Assistant Vice President
(Include title only if an officer of entity signing to the right)

By: /s/ Philip A. Garcia
Print Name: Philip A. Garcia
Title: Executive Vice President & CFO

**Third Amended and Restated
Committed Line Of Credit Note
(Multi-Rate Options)**



\$100,000,000.00

December 29, 2008

FOR VALUE RECEIVED, ERIE INDEMNITY COMPANY (the **"Borrower"**), with an address at 100 Erie Insurance Place, Erie, Pennsylvania 16530, promises to pay to the order of **PNC BANK, NATIONAL ASSOCIATION** (the **"Bank"**), in lawful money of the United States of America in immediately available funds at its offices located at 901 State Street, P.O. Box 8480, Erie, Pennsylvania 16553, or at such other location as the Bank may designate from time to time, the principal sum of **ONE HUNDRED MILLION DOLLARS (\$100,000,000.00)** (the **"Facility"**) or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. Advances. The Borrower may request advances, repay and request additional advances hereunder until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined). The **"Expiration Date"** shall mean December 31, 2009, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (Erie, Pennsylvania time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined), and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the LIBOR Option (as hereinafter defined), followed promptly thereafter by the Borrower's written confirmation to the Bank of any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest rate options set forth below (each, an **"Option"**):

(i) **Base Rate Option.** A rate of interest per annum which is at all times equal to (A) the Base Rate plus (B) one hundred twelve and one-half (112.5) basis points (1.125%). If and when the Base Rate (or any component thereof) changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) **LIBOR Option.** A rate per annum equal to (A) LIBOR plus (B) one hundred twelve and one-half (112.5) basis points (1.125%), for the applicable LIBOR Interest Period.

For purposes hereof, the following terms shall have the following meanings:

"Base Rate" shall mean the highest of (A) the Prime Rate, and (B) the sum of the Federal Funds Open Rate plus fifty (50) basis points (0.50%), and (C) the sum of the Daily LIBOR Rate plus one hundred (100) basis points (1.0%), so long as a Daily LIBOR Rate is offered, ascertainable and not unlawful.

"Business Day" shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in Erie, Pennsylvania.

"Daily LIBOR Rate" shall mean, for any day, the rate per annum determined by the Bank by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“Federal Funds Open Rate” shall mean, for any day, the rate per annum determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the Open Rate for federal funds transactions as of the opening of business for federal funds transactions among members of the Federal Reserve System arranged by federal funds brokers on such day, as quoted by Garvin Guybutler, any successor entity thereto, or any other broker selected by the Bank, as set forth on the applicable Telerate display page; provided, however, that if such day is not a Business Day, the Federal Funds Rate for such day shall be the Open Rate on the immediately preceding Business Day, or if no such rate shall be quoted by a federal funds broker at such time, such other rate as determined by the Bank in accordance with its usual procedures. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Federal Funds Open Rate without notice to the Borrower.

“LIBOR” shall mean, with respect to any advance to which the LIBOR Option applies for the applicable LIBOR Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, at the Bank’s discretion, to the nearest 1/100th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such LIBOR Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such LIBOR Interest Period by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“LIBOR Interest Period” shall mean, as to any advance to which the LIBOR Option applies, the period of one (1), two (2), three (3) or six (6) month/months as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, commencing on the date of disbursement of an advance (or the date of conversion of an advance to the LIBOR Option, as the case may be) and each successive period selected by the Borrower thereafter; provided that, (i) if a LIBOR Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the LIBOR Interest Period shall end on the next preceding Business Day, (ii) the Borrower may not select a LIBOR Interest Period that would end on a day after the Expiration Date, and (iii) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the last calendar month of such LIBOR Interest Period) shall end on the last Business Day of the last calendar month of such LIBOR Interest Period.

“LIBOR Reserve Percentage” shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

“Prime Rate” shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers.

“Published Rate” shall mean the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication selected by the Bank).

LIBOR and the Daily LIBOR Rate shall be adjusted with respect to any advance to which the LIBOR Option or Base Rate Option applies, as applicable, on and as of the effective date of any change in the LIBOR Reserve

Percentage. The Bank shall give prompt notice to the Borrower of LIBOR or the Daily LIBOR Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the LIBOR Option shall be converted at the expiration of the then current LIBOR Interest Period(s) to the Base Rate Option.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on LIBOR, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the LIBOR Option shall be converted to the Base Rate Option either (i) on the last day of the then current LIBOR Interest Period(s) if the Bank may lawfully continue to maintain advances based on LIBOR to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances based on LIBOR.

The foregoing notwithstanding, it is understood that the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to six (6) different interest periods to apply simultaneously to different portions of the advances bearing interest under the LIBOR Option. Interest hereunder will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of Default (as hereinafter defined) has occurred and is continuing, any advances bearing interest under the LIBOR Option shall, at the Bank's sole discretion, be converted at the end of the applicable LIBOR Interest Period to the Base Rate Option and the LIBOR Option will not be available to Borrower with respect to any new advances (or with respect to the conversion or renewal of any existing advances) until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the LIBOR Option, such notice shall be given at least three (3) Business Days prior to the commencement of any LIBOR Interest Period. If no interest period is specified in any such notice for which the resulting advance is to bear interest under the LIBOR Option, the Borrower shall be deemed to have selected a LIBOR Interest Period of one month's duration. If no notice of election, conversion or renewal is timely received by the Bank with respect to any advance, the Borrower shall be deemed to have elected the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances, if such telephonic requests were made by a person duly authorized by the Borrower. The Bank will enter on its books and records, which entry when made

will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the last day of each month during the term hereof, (b) for the portion of advances bearing interest under the LIBOR Option, on the last day of the respective LIBOR Interest Period for such advance, (c) if any LIBOR Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (d) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "**Late Charge**"). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, each advance outstanding under this Note shall bear interest at a rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) which shall be two percentage points (2%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the "**Default Rate**"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay any advance hereunder at any time and from time to time, in whole or in part; subject, however, to payment of any break funding indemnification amounts owing pursuant to paragraph 8 below.

8. Yield Protection; Break Funding Indemnification. The Borrower shall pay to the Bank on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit, allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the LIBOR Option) which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance bearing interest under the LIBOR Option, or (iii) the Borrower's payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance bearing interest under the LIBOR Option on a day other

than the last day of the applicable LIBOR Interest Period. A notice as to any amounts payable pursuant to this paragraph given to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand. The Borrower's indemnification obligations hereunder shall survive the payment in full of the advances and all other amounts payable hereunder.

9. Other Loan Documents. This Note is issued in connection with that certain Loan Agreement between the Borrower and the Bank, dated January 30, 2008, and the other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the **"Loan Documents"**), and is secured by the property (if any) described in the Loan Documents and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an **"Event of Default"** under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or any default and the lapse of any notice or cure period, or any Obligor's failure to observe or perform any covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt, liability or obligation of any Obligor to the Bank in excess of \$5,000,000.00; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money in excess of \$5,000,000.00, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of a final judgment against any Obligor and the failure of such Obligor to discharge the judgment within ten (10) days of the entry thereof; (viii) any material adverse change in any Obligor's business, assets, operations, financial condition or results of operations; (ix) any Obligor ceases doing business as a going concern; (x) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xi) if this Note or any guarantee executed by any Obligor is secured, the failure of any Obligor to provide the Bank with additional collateral if in the Bank's opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents or, if no specific value is so required, then in an amount deemed material by the Bank; (xii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor; or (xiii) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member. As used herein, the term **"Obligor"** means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower's obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the

Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby grants the Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank, all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

12. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the **"Indemnified Parties"**), and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

13. Amendment and Restatement. This Note amends and restates, and is in substitution for, that certain Second Amended and Restated Committed Line of Credit Note in the original principal amount of \$100,000,000.00 payable to the order of the Bank and dated June 30, 2008 (the **"Existing Note"**). However, without duplication, this Note shall in no way extinguish, cancel or satisfy Borrower's unconditional obligation to repay all indebtedness evidenced by the Existing Note or constitute a novation of the Existing Note. Nothing herein is intended to extinguish, cancel or impair the lien priority or effect of any security agreement, pledge agreement or mortgage with respect to any Obligor's obligations hereunder and under any other document relating hereto.

14. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (**"Notices"**) must be in writing (except as may be agreed otherwise above with respect to borrowing requests) and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank's counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note

will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank's written consent and the Bank at any time may assign this Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS NOTE WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE BORROWER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

15. Commercial Purpose. The Borrower represents that the indebtedness evidenced by this Note is being incurred by the Borrower solely for the purpose of acquiring or carrying on a business, professional or commercial activity, and not for personal, family or household purposes.

16. WAIVER OF JURY TRIAL. THE BORROWER IRREVOCABLY WAIVES ANY AND ALL RIGHTS THE BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS NOTE, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS NOTE OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS / ATTEST:

ERIE INDEMNITY COMPANY

/s/ Donald A. McRae

Print Name: Donald A. McRae

Title: AVP

(Include title only if an officer of entity signing to the right)

By: /s/ Douglas F. Ziegler

Print Name: Douglas F. Ziegler

Title: SUP TREASURER & CIO

Notification and Control Agreement

(Trust, Custody or Brokerage Accounts)

THIS NOTIFICATION AND CONTROL AGREEMENT (the “**Agreement**”) is made this 30th day of January, 2008, by and among ERIE INDEMNITY COMPANY (the “**Pledgor**”), MELLON BANK, N.A., in its capacity as custodian (the “**Custodian**”) and PNC BANK, NATIONAL ASSOCIATION, with an office at 901 State Street, P.O. Box 8480, Erie, Pennsylvania 16553, in its capacity as secured party (the “**Secured Party**”).

The Pledgor has granted to the Secured Party a security interest in certain of the investment property held in its securities account No. EIRF 2221002 maintained with the Custodian (the “**Account**”), all financial assets now or hereafter credited to the Account, and all additions, substitutions, replacements, proceeds, income, dividends and distributions thereon (collectively, the “**Collateral**”), pursuant to, and more particularly described in, an Amended and Restated Pledge Agreement dated as of even date herewith (as amended, restated or otherwise modified from time to time, the “**Pledge Agreement**”) from the Pledgor to the Secured Party. The Custodian is in possession of the Collateral pursuant to a certain Custody Agreement dated February 25, 2004 (the “**Custodian Agreement**”). Pursuant to the Pledge Agreement, the Secured Party has required the execution and delivery of this Agreement.

NOW, THEREFORE, for valuable consideration and intending to be legally bound, the parties hereto agree and acknowledge as follows:

1. Possession of Collateral. The Custodian acknowledges that: (a) the Collateral is in its possession or in possession of a subcustodian or clearing corporation, and (b) the Pledgor’s interest in the Collateral appears on the Custodian’s books and records. The Custodian will treat all property deposited or credited to the Account as financial assets under Article 8 of the Uniform Commercial Code (as adopted and enacted and in effect from time to time in the State where the Secured Party’s office indicated above is located) (“**UCC**”).

2. Notice of Security Interest. The Custodian acknowledges that this Agreement constitutes written notification to the Custodian, pursuant to Articles 8 and 9 of the UCC and applicable federal regulations for the Federal Reserve Book Entry System, of the Secured Party’s security interest in the Collateral. The Pledgor, Secured Party and Custodian are also entering into this Agreement to provide for the Secured Party’s control of the Collateral and to perfect, and confirm the priority of, the Secured Party’s security interest in the Collateral. The Custodian agrees to promptly make all necessary entries or notations in its books and records to reflect the Secured Party’s security interest in the Collateral. Notwithstanding the foregoing, the Custodian makes no representation or warranty, and shall have no responsibility or liability, with respect to the effectiveness of this Agreement in perfecting such security interest.

3. Control. The Custodian, without further consent from the Pledgor, hereby agrees to comply with all entitlement orders, instructions, and directions of any kind originated by Secured Party concerning the Collateral, to liquidate the Collateral as and to the extent directed by the Secured Party and to pay over to the Secured Party all proceeds therefrom to the extent necessary to satisfy the Pledgor’s obligations, without any setoff or deduction.

4. Trading and Withdrawals. Prior to receipt by the Custodian of a notice from the Secured Party that the Secured Party is exercising exclusive control over the Collateral (a “**Notice of Exclusive Control**”), the Pledgor shall have the right at any time and from time to time to purchase and sell securities included in the Collateral and receive for its own account all cash dividends and interest on the Collateral, provided that the Custodian retains all the Collateral including substitutions and proceeds from the sale of securities in the Account. The Custodian will not comply with any entitlement order originated by the Pledgor that would require the Custodian to make a free delivery to the Pledgor or any other person. Upon the Custodian’s receipt of a Notice of Exclusive Control, Custodian will, after having had a reasonable opportunity to act upon such notice, cease (a) complying with entitlement orders or other directions concerning the Collateral originated by the Pledgor, and (b) if directed by the Secured Party, distributing interest and dividends on the Collateral to the Pledgor.

5. Custodian Agreement. The Custodian shall simultaneously send to the Secured Party copies of all notices given and monthly statements rendered pursuant to the Custodian Agreement and shall notify the Secured Party of the termination of the Custodian Agreement. Notwithstanding anything contained in the Custodian Agreement, so long as this Agreement remains in effect, neither the Pledgor nor the Custodian shall terminate the Custodian Agreement without thirty (30) days' prior written notice to the other party and the Secured Party. In the event of any conflict between the provisions of this Agreement and the Custodian Agreement, the provisions hereof shall control. Regardless of any provision in the Custodian Agreement, the State where the Secured Party's office indicated above is located shall be deemed to be the Custodian's jurisdiction solely for the purposes of this Agreement and the perfection and priority of the Secured Party's security interest in the Collateral. In the event the Custodian no longer serves as custodian for the Collateral, the Collateral shall be transferred (i) to a successor custodian satisfactory to the Secured Party, provided that prior to such transfer, such successor custodian executes an agreement that is in all material respects the same as this Agreement, or (ii) if no satisfactory successor has been designated, then as directed by the Secured Party.

6. Indemnity.

(a) The Pledgor shall indemnify and hold the Custodian harmless from any and all losses, claims, damages, liabilities, expenses and fees, including reasonable attorneys' fees, resulting from the execution of or performance under this Agreement and the delivery by the Custodian of all or any part of the Collateral to the Secured Party pursuant to this Agreement, unless such losses, claims, damages, liabilities, expenses or fees are attributable to the Custodian's gross negligence or willful misconduct. This indemnification shall survive the termination of this Agreement.

(b) The Secured Party shall indemnify and hold the Custodian harmless from and against any and all losses, claims, damages, liabilities, expenses and fees (including reasonable attorneys' fees) arising out of the Custodian's compliance with any instructions from the Secured Party with respect to the Collateral unless such losses, claims, damages, liabilities, expenses or fees are attributable to the Custodian's gross negligence or willful misconduct. This indemnification shall survive the termination of this Agreement.

7. Protection of Custodian. Except as required by Paragraph 3 hereof, the Custodian shall have no duty to require any cash or securities to be delivered to it or to determine that the amount, value and form of assets constituting Collateral comply with any applicable requirements. The Custodian may hold the securities in bearer, nominee, federal reserve book entry, or other form and in any securities depository or UCC clearing corporation, with or without indicating that the securities are subject to a security interest; provided, however, that all Collateral shall be identified on the Custodian's books and records as subject to the Secured Party's security interests and shall be in a form that permits transfer to the Secured Party without additional authorization or consent of the Pledgor. The Custodian may rely and shall be protected in acting upon any notice, instruction, or other communication which it reasonably believes to be genuine and authorized. As between the Pledgor and the Custodian, the terms of the Custodian Agreement shall apply with respect to any losses or liabilities or fees, costs or expenses of such parties arising out of matters covered by this Agreement. The Custodian shall have no responsibility or liability to the Secured Party for making trades of financial assets held in the Account at the direction of the Pledgor, or the Pledgor's authorized representatives, or (except as otherwise provided in Paragraph 4 hereof) complying with entitlement orders concerning the Account from the Pledgor, or the Pledgor's authorized representatives, that are received by the Custodian before the Custodian receives a Notification of Exclusive Control. The Custodian shall have no duty to investigate or make any determination as to whether a default exists under any agreement between the Pledgor and the Secured Party and shall comply with a Notice of Exclusive Control even if it believes that no such default exists. The Pledgor agrees that the Custodian will not be liable to the Pledgor for complying with entitlement orders originated by the Secured Party, unless the Custodian (i) takes the action after it is served with an injunction or other legal process enjoining it from doing so issued by a court of competent jurisdiction and has had a reasonable opportunity to act on the injunction or other legal process, or (ii) acts in collusion with the Secured Party in violating the Pledgor's rights. The Custodian shall have no liability to any party for any incidental, punitive or consequential damages resulting from any breach by the Custodian of its obligations hereunder.

The Custodian will be excused from failing to act or delay in acting, and no such failure or delay shall constitute a breach of this Agreement or otherwise give rise to any liability of the Custodian, if (i) such failure or delay is caused by circumstances beyond the Custodian's reasonable control, including but not limited to legal constraint, emergency conditions, action or inaction of governmental, civil or military authority, fire, strike, lockout or other labor dispute, war, riot, theft, flood, earthquake or other natural disaster, breakdown of public or private or common carrier communications or transmission facilities or equipment failure, or (ii) such failure or delay resulted from the Custodian's reasonable belief that the action would have violated any guideline, rule or regulation of any governmental authority.

8. Termination/Release of Collateral. This Agreement shall terminate automatically upon receipt by the Custodian of written notice executed by two officers of the Secured Party holding titles of Vice President or higher that (a) all of the obligations secured by Collateral have been satisfied, or (b) all of the Collateral may be released, whichever is sooner, and the Custodian shall thereafter be relieved of all duties and obligations hereunder. In addition, any notice from the Secured Party relating to release of all or any portion of the Collateral not permitted by this Agreement without the consent of the Secured Party shall be effective only if executed by two officers of the Secured Party holding titles of Vice President or higher.

9. Waiver and Subordination of Rights. The Custodian hereby waives its right to setoff any obligations of the Pledgor to the Custodian against any or all cash, securities, financial assets and other investment property held by the Custodian as Collateral, and hereby subordinates in favor of the Secured Party any and all liens, encumbrances, claims or security interests which the Custodian may have against the Collateral, either now or in the future, except that the Custodian will retain its prior lien on the property held as Collateral only to secure payment for property purchased for Collateral and normal commissions and fees, including overdraft fees, relating to the property held as Collateral. The Custodian will not agree with any third party that the Custodian will comply (and the Custodian will not comply) with any entitlement orders, instructions or directions of any kind concerning the Collateral originated by such third party without the Secured Party's prior written consent. Except for the claims and interests of the Secured Party and the Pledgor in the Collateral, the Custodian does not know of any claim to or interest in the Collateral. The Custodian will use reasonable efforts to promptly notify the Secured Party and the Pledgor if any other person claims that it has a property interest in any of the Collateral.

10. Expenses. The Pledgor shall pay all fees, costs and expenses (including reasonable fees and expenses of internal or external counsel) of enforcing any of the Secured Party's rights and remedies upon any breach (by the Custodian or the Pledgor) of any of the provisions of this Agreement.

11. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth below, or to such other address as any party may give to the others for such purpose in accordance with this section.

12. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by any party from, any provision of this Agreement will be effective unless made in a writing signed by the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Pledgor in any case will entitle the Pledgor to any other or further notice or demand in the same, similar or other circumstance.

13. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

14. Counterparts. This Agreement may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

15. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Pledgor may not assign this Agreement in whole or in part without the Secured Party's prior written consent and the Secured Party at any time may assign this Agreement in whole or in part.

16. Governing Law and Jurisdiction. This Agreement has been delivered to and accepted by the Secured Party and will be deemed to be made in the State where the Secured Party's office indicated above is located. **THIS AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE SECURED PARTY'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** Each of the parties hereby irrevocably consents to the exclusive jurisdiction and venue of any state or federal court located within the county where the Secured Party's office indicated above is located.

17. Representations. Each party hereby represents and warrants that the individual executing this Agreement on its behalf has the requisite power and authority to do so and to bind it to the terms of this Agreement.

18. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. EACH PARTY HERETO ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

{SIGNATURES APPEAR ON THE FOLLOWING PAGE}

WITNESS the due execution hereof as a document under seal, as of the date first written above.

Pledgor's Address for Notices:

100 Erie Insurance Place
Erie, PA 16530
Attention: _____
Facsimile Number _____

Secured Party's Address for Notices:

901 State Street
P.O. Box 8480
Erie, PA 16553
Attention: James F. Stevenson, Vice President
Facsimile Number: (814) 871-9432

Custodian's Address for Notices:

One Mellon Center
Pittsburgh, PA 15258
Attention: Julie Bour
Facsimile Number 412-234-8725

PLEDGOR:

ERIE INDEMNITY COMPANY

By: /s/ Philip A. Garcia
Print Name: Philip A. Garcia
Title: Executive Vice President & CFO

SECURED PARTY:

PNC BANK, NATIONAL ASSOCIATION

By: /s/ James F. Stevenson
James F. Stevenson
Vice President

CUSTODIAN:

MELLON BANK, N.A.

By: /s/ Julie Bour
Print Name: Julie Bour
Title: Vice President



Pledge Agreement

(Stocks, Bonds and Commercial Paper)

THIS PLEDGE AGREEMENT, dated as of this 30th day of January, 2008 (the **"Pledge Agreement"**), is made by **ERIE INDEMNITY COMPANY** (the **"Pledgor"**), with an address at 100 Erie Insurance Place, Erie, Pennsylvania 16530, in favor of **PNC BANK, NATIONAL ASSOCIATION** (the **"Secured Party"**), with an address at 901 State Street, P.O. Box 8480, Erie, Pennsylvania 16553.

1. Pledge. In order to induce the Secured Party to extend the Obligations (as defined below), the Pledgor hereby grants a security interest in and pledges to the Secured Party all of the Pledgor's right, title and interest in and to the investment property and other assets described in Exhibit A attached hereto and made a part hereof, and all security entitlements of the Pledgor with respect thereto, whether now owned or hereafter acquired, together with all additions, substitutions, replacements and proceeds thereof and all income, interest, dividends and other distributions thereon (collectively, the **"Collateral"**). If the Collateral includes certificated securities, documents or instruments, such certificates are herewith delivered to the Secured Party accompanied by duly executed blank stock or bond powers or assignments as applicable. The Pledgor hereby authorizes the transfer of possession of all certificates, instruments, documents and other evidence of the Collateral to the Secured Party.

2. Obligations Secured. The Collateral secures payment to the Secured Party of the indebtedness of the Pledgor evidenced by that certain Committed Line of Credit Note dated on or about the date hereof, in the principal amount of \$50,000,000.00, and any amendments, extensions, increases or renewals thereof, and all costs and expenses of the Secured Party in the collection of the foregoing, including but not limited to reasonable attorney's fees and expenses (hereinafter referred to collectively as the **"Obligations"**).

3. Representations and Warranties. The Pledgor represents and warrants to the Secured Party as follows:

3.1 There are no restrictions on the pledge or transfer of any of the Collateral, other than restrictions referenced on the face of any certificates evidencing the Collateral.

3.2 The Pledgor is the legal owner of the Collateral, which is registered in the name of the Pledgor, the Custodian (as hereinafter defined) or a nominee.

3.3 The Collateral is free and clear of any security interests, pledges, liens, encumbrances, charges, agreements, claims or other arrangements or restrictions of any kind, except as referenced in Section 3.1 above; and the Pledgor will not incur, create, assume or permit to exist any pledge, security interest, lien, charge or other encumbrance of any nature whatsoever on any of the Collateral or assign, pledge or otherwise encumber any right to receive income from the Collateral, other than in favor of the Secured Party.

3.4 The Pledgor has the right to transfer the Collateral free of any encumbrances and the Pledgor will defend the Pledgor's title to the Collateral against the claims of all persons, and any registration with, or consent or approval of, or other action by, any federal, state or other governmental authority or regulatory body which was or is necessary for the validity of the pledge of and grant of the security interest in the Collateral has been obtained.

3.5 The pledge of and grant of the security interest in the Collateral is effective to vest in the Secured Party a valid and perfected first priority security interest, superior to the rights of any other person, in and to the Collateral as set forth herein.

4. Covenants.

4.1 Unless otherwise agreed in writing between the Pledgor and the Secured Party, the Pledgor agrees to maintain at all times Collateral (of the type listed or otherwise permitted in Exhibit A attached hereto) having a minimum market value of at least \$62,500,000.00 or the outstanding amount of the Obligations, whichever is higher, and to provide additional Collateral (of the type(s) listed or otherwise permitted in Exhibit A attached hereto) to the Secured Party immediately upon the Secured Party's request if the minimum market value is not maintained.

4.2 If all or part of the Collateral constitutes "margin stock" within the meaning of Regulation U of the Federal Reserve Board, the Pledgor agrees to execute and deliver Form U-1 to the Secured Party and, unless otherwise agreed in writing between the Pledgor and the Secured Party, no part of the proceeds of the Obligations may be used to purchase or carry margin stock.

4.3 Pledgor agrees not to invoke, and hereby waives its rights under, any statute under any state or federal law which permits the recharacterization of any portion of the Collateral to be interest or income.

5. Default.

5.1 If any of the following occur (each an "**Event of Default**"): (i) any Event of Default (as defined in any of the Obligations), (ii) any default under any of the Obligations that does not have a defined set of "Events of Default" and the lapse of any notice or cure period provided in such Obligations with respect to such default, (iii) demand by the Secured Party under any of the Obligations that have a demand feature, (iv) the failure by the Pledgor to perform any of its obligations hereunder, (v) the falsity, inaccuracy or material breach by the Pledgor of any written warranty, representation or statement made or furnished to the Secured Party by or on behalf of the Pledgor, (vi) the failure of the Secured Party to have a perfected first priority security interest in the Collateral, (vii) any restriction is imposed on the pledge or transfer of any of the Collateral after the date of this Agreement without the Secured Party's prior written consent, or (viii) the breach of the Control Agreement (referred to in Section 8 below), or receipt of notice of termination of the Control Agreement if no successor custodian acceptable to the Secured Party has executed a Control Agreement in form and substance acceptable to the Secured Party on or before the effective date of the termination, then the Secured Party is authorized in its discretion to declare any or all of the Obligations to be immediately due and payable without demand or notice, which are expressly waived, and may exercise any one or more of the rights and remedies granted pursuant to this Pledge Agreement or given to a secured party under the Uniform Commercial Code of the applicable state, as it may be amended from time to time, or otherwise at law or in equity, including without limitation the right to issue a Notice of Exclusive Control (as defined in the Control Agreement) to the Custodian, and/or to sell or otherwise dispose of any or all of the Collateral at public or private sale, with or without advertisement thereof, upon such terms and conditions as it may deem advisable and at such prices as it may deem best.

5.2 (a) At any bona fide public sale, and to the extent permitted by law, at any private sale, the Secured Party shall be free to purchase all or any part of the Collateral, free of any right or equity of redemption in the Pledgor, which right or equity is hereby waived and released. Any such sale may be on cash or credit. The Secured Party shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account in compliance with Regulation D of the Securities Act of 1933 (the "**Act**") or any other applicable exemption available under such Act. The Secured Party will not be obligated to make any sale if it determines not to do so, regardless of the fact that notice of the sale may have been given. The Secured Party may adjourn any sale and sell at the time and place to which the sale is adjourned. If the Collateral is customarily sold on a recognized market or threatens to decline speedily in value, the Secured Party may sell such Collateral at any time without giving prior notice to the Pledgor. Whenever notice is otherwise required by law to be sent by the Secured Party to the Pledgor of any sale or other disposition of the Collateral, ten (10) days written notice sent to the Pledgor at its address specified above will be reasonable.

(b) The Pledgor recognizes that the Secured Party may be unable to effect or cause to be effected a public sale of the Collateral by reason of certain prohibitions contained in the Act, so that the Secured Party may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obligated to agree, among other things, to acquire the Collateral for their own account, for investment and without a view to the distribution or resale thereof. The Pledgor understands that private sales so made may be at prices and on other terms less favorable to the seller than if the Collateral were sold at public sales, and agrees that the Secured Party has no obligation to delay or agree to delay the sale of any of the Collateral for the period of time necessary to permit the issuer of the securities which are part of the Collateral (even if the issuer would agree), to register such securities for sale under the Act. The Pledgor agrees that private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner.

5.3 The net proceeds arising from the disposition of the Collateral after deducting expenses incurred by the Secured Party will be applied to the Obligations in the order determined by the Secured Party. If any excess remains after the discharge of all of the Obligations, the same will be paid to the Pledgor. If after exhausting all of the Collateral there is a deficiency, the Pledgor will be liable therefor to the Secured Party; provided, however, that nothing contained herein will obligate the Secured Party to proceed against the Pledgor or any other party obligated under the Obligations or against any other collateral for the Obligations prior to proceeding against the Collateral.

5.4 If any demand is made at any time upon the Secured Party for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations and if the Secured Party repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Pledgor will be and remain liable for the amounts so repaid or recovered to the same extent as if such amount had never been originally received by the Secured Party. The provisions of this section will be and remain effective notwithstanding the release of any of the Collateral by the Secured Party in reliance upon such payment (in which case the Pledgor's liability will be limited to an amount equal to the fair market value of the Collateral determined as of the date such Collateral was released) and any such release will be without prejudice to the Secured Party's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable. This Section shall survive the termination of this Pledge Agreement.

6. Voting Rights and Transfer. Prior to the occurrence of an Event of Default, the Pledgor will have the right to exercise all voting rights with respect to the Collateral. At any time after the occurrence of an Event of Default, the Secured Party may transfer any or all of the Collateral into its name or that of its nominee and may exercise all voting rights with respect to the Collateral, but no such transfer shall constitute a taking of such Collateral in satisfaction of any or all of the Obligations unless the Secured Party expressly so indicates by written notice to the Pledgor.

7. Dividends, Interest and Premiums. The Pledgor will have the right to receive all cash dividends, interest and premiums declared and paid on the Collateral prior to the occurrence of any Event of Default. In the event any additional shares are issued to the Pledgor as a stock dividend or in lieu of interest on any of the Collateral, as a result of any split of any of the Collateral, by reclassification or otherwise, any certificates evidencing any such additional shares will be immediately delivered to the Secured Party and such shares will be subject to this Pledge Agreement and a part of the Collateral to the same extent as the original Collateral. At any time after the occurrence of an Event of Default, the Secured Party shall be entitled to receive all cash or stock dividends, interest and premiums declared or paid on the Collateral, all of which shall be subject to the Secured Party's rights under Section 5 above.

8. Securities Account. If the Collateral includes securities or any other financial or other asset maintained in a securities account, then the Pledgor agrees to cause the securities intermediary on whose books and records the ownership interest of the Pledgor in the Collateral appears (the "**Custodian**") to execute and deliver, contemporaneously herewith, a notification and control agreement or other agreement (the "**Control Agreement**") satisfactory to the Secured Party in order to perfect and protect the Secured Party's security interest in the Collateral.

9. Further Assurances. By its signature hereon, the Pledgor hereby irrevocably authorizes the Secured Party, at any time and from time to time, to execute (on behalf of the Pledgor), file and record against the Pledgor any notice, financing statement, continuation statement, amendment statement, instrument, document or agreement under the Uniform Commercial Code that the Secured Party may consider necessary or desirable to create, preserve, continue, perfect or validate any security interest granted hereunder or to enable the Secured Party to exercise or enforce its rights hereunder with respect to such security interest. Without limiting the generality of the foregoing, the Pledgor hereby irrevocably appoints the Secured Party as the Pledgor's attorney-in-fact to do all acts and things in the Pledgor's name that the Secured Party may deem necessary or desirable. This power of attorney is coupled with an interest with full power of substitution and is irrevocable. The Pledgor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof.

10. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as either the Pledgor or the Secured Party may give to the other for such purpose in accordance with this section.

11. Preservation of Rights. (a) No delay or omission on the Secured Party's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Secured Party's action or inaction impair any such right or power. The Secured Party's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Secured Party may have under other agreements, at law or in equity.

(b) The Secured Party may, at any time and from time to time, without notice to or the consent of the Pledgor unless otherwise expressly required pursuant to the terms of the Obligations, and without impairing or releasing, discharging or modifying the Pledgor's liabilities hereunder, (i) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Obligations; (ii) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, any other pledge or security agreements, or any security for any Obligations; (iii) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Obligations of the Pledgor in such order, manner and amount as the Secured Party may determine in its sole discretion; (iv) deal with any other person with respect to any Obligations in such manner as the Secured Party deems appropriate in its sole discretion; (v) substitute, exchange or release any security or guaranty; or (vi) take such actions and exercise such remedies hereunder as provided herein. The Pledgor hereby waives (a) presentment, demand, protest, notice of dishonor and notice of non-payment and all other notices to which the Pledgor might otherwise be entitled, and (b) all defenses based on suretyship or impairment of collateral.

12. Illegality. In case any one or more of the provisions contained in this Pledge Agreement should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions in this Pledge Agreement.

13. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Pledgor from, any provision of this Pledge Agreement will be effective unless made in a writing signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Pledgor in any case will entitle the Pledgor to any other or further notice or demand in the same, similar or other circumstance.

14. Entire Agreement. This Pledge Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written

and oral, between the Pledgor and the Secured Party with respect to the subject matter hereof.

15. Successors and Assigns. This Pledge Agreement will be binding upon and inure to the benefit of the Pledgor and the Secured Party and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Pledgor may not assign this Pledge Agreement in whole or in part without the Secured Party's prior written consent and the Secured Party at any time may assign this Pledge Agreement in whole or in part.

16. Interpretation. In this Pledge Agreement, unless the Secured Party and the Pledgor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Pledge Agreement. Section headings in this Pledge Agreement are included for convenience of reference only and shall not constitute a part of this Pledge Agreement for any other purpose. If this Pledge Agreement is executed by more than one party as Pledgor, the obligations of such persons or entities will be joint and several.

17. Governing Law and Jurisdiction. This Pledge Agreement has been delivered to and accepted by the Secured Party and will be deemed to be made in the State where the Secured Party's office indicated above is located. **THIS PLEDGE AGREEMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PLEDGOR AND THE SECURED PARTY DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE SECURED PARTY'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Pledgor hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Secured Party's office indicated above is located; provided that nothing contained in this Pledge Agreement will prevent the Secured Party from bringing any action, enforcing any award or judgment or exercising any rights against the Pledgor individually, against any security or against any property of the Pledgor within any other county, state or other foreign or domestic jurisdiction. The Pledgor acknowledges and agrees that the venue provided above is the most convenient forum for both the Secured Party and the Pledgor. The Pledgor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Pledge Agreement.

18. WAIVER OF JURY TRIAL. THE PLEDGOR IRREVOCABLY WAIVES ANY AND ALL RIGHT THE PLEDGOR MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS PLEDGE AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS PLEDGE AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE PLEDGOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Pledgor acknowledges that it has read and understood all the provisions of this Pledge Agreement, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS / ATTEST:

ERIE INDEMNITY COMPANY

/s/ Donald A. McRae

Print Name: Donald A. McRae

Title: Assistant Vice President

(Include title only if an officer of entity signing to the right)

By: /s/ Philip A. Garcia

Print Name: Philip A. Garcia

Title: Executive Vice President & CFO

**EXHIBIT A TO PLEDGE AGREEMENT
(UNCERTIFICATED SECURITIES)**

With respect to the following account:

Title of the Securities Account:	Erie Indemnity Company
Securities Account No.:	EIRF 2221002
Custodian:	Mellon Bank, N.A.

The specific assets listed below, which are in the securities account referred to above, are being pledged as collateral and trading and withdrawals are permitted provided that the Collateral pledged to the Secured Party hereunder has a rating at all times equal to or greater than “AAA” and at all times meets the minimum market value requirement set forth in Section 4.1 of this Pledge Agreement.

Par Value (in millions of dollars)	Description of Securities	CUSIP #
2	Alaska GO @5% due 08/01/2015	011770p73
3	Alaska Airport @5% due 10/01/2017	011842pe5
2	Atlanta Airport @5% due 01/01/2010	04780mfj3
2.19	Bristol Sch @3.25% due 02/15/2010	110290jg9
2.105	Central Puget Snd @5% due 11/01/2015	15504raj8
2.5	Chicago O’Hare @5.25% due 01/01/2015	167592p24
2	Chicago Trans @5.25% due 06/01/2012	167723bb0
2	Clark Cty Airport @5.25% due 07/01/2014	18085pdt8
4	Collier Cty Sch @5.25% due 02/15/2018	194653jg7
2.71	Denton ISD @5% due 08/15/2015	249001l48
2	Detroit Sch @5% due 05/01/2018	251129x72

Par Value (in millions of dollars)	Description of Securities	CUSIP #
2.655	Hillsboro Cty Airport @5% due 10/01/2011	432308ux0
4.305	Hoover GO @5% due 03/01/2016	439238he9
2.535	Indiana Ofc Bld @5% due 07/01/2016	455066kg4
2.27	Kane & DuPage Ctys @3.25% due 01/01/2010	483800qr2
4	King Cty Sch @5.125% due 12/01/2020	495044pk9
2	Memphis Elec @5% due 12/01/2015	586158lb1
2.565	Met DC Airport @5.25% due 10/01/2014	592646nh2
4	Michigan Mun Bd Det @5% due 06/01/2014	59455tgt3
2	Michigan Trunk @5% due 09/01/2013	594700cb0
3	Moon Twnshp Sch @5% due 11/15/2024	615401jg2
2.41	Nevada Bond Bk @5% due 12/01/2017	641460p38
2	New Jersey Econ @5% due 09/01/2018	6459164y0
3	New Jersey Econ @5.25% due 12/15/2015	645916y76
TOTAL at par		<u>\$63,245,000.00</u>

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Terrence W. Cavanaugh, Chief Executive Officer of Erie Indemnity Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Erie Indemnity Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2009

/s/ Terrence W. Cavanaugh

Terrence W. Cavanaugh, President & CEO

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Marcia A. Dall, Chief Financial Officer of Erie Indemnity Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Erie Indemnity Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2009

/s/ Marcia A. Dall

Marcia A. Dall, Executive Vice President & CFO

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

We, Terrence W. Cavanaugh, Chief Executive Officer of the Company, and Marcia A. Dall, Chief Financial Officer of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period June 30, 2009 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terrence W. Cavanaugh

Terrence W. Cavanaugh
President and Chief Executive Officer

/s/ Marcia A. Dall

Marcia A. Dall
Executive Vice President and Chief Financial Officer

August 5, 2009

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Erie Indemnity Company and will be retained by Erie Indemnity Company and furnished to the Securities and Exchange Commission or its staff upon request.