

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 31, 2001

Commission file number 0-24000

ERIE INDEMNITY COMPANY

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

25-0466020

(State or other jurisdiction of
incorporation or organization)

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

100 Erie Insurance Place, Erie, Pennsylvania

16530

(Address of principal executive offices)

(Zip Code)

(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 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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class A Common Stock, no par value, with a stated value of \$.0292 per share-- 71,399,223 shares as of April 19, 2001.

Class B Common Stock, no par value, with a stated value of \$70 per share-- 3,070 shares as April 19, 2001.

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

INDEX

ERIE INDEMNITY COMPANY

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Consolidated Statements of Financial Position--March 31, 2001 and December 31, 2000

Consolidated Statements of Operations--Three months ended March 31, 2001 and 2000

Consolidated Statements of Comprehensive Income--Three months ended March 31, 2001 and 2000

Consolidated Statements of Cash Flows--Three months ended March 31, 2001 and 2000

Notes to Consolidated Financial Statements--March 31, 2001

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

Item 11. Statement Regarding Computation of Per Share Earnings

SIGNATURES

PART I. FINANCIAL INFORMATION

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	(Dollars in thousands)	
	March 31, 2001 ----- (Unaudited)	December 31, 2000 -----
INVESTMENTS		
Fixed maturities at fair value (amortized cost of \$507,249 and \$524,172, respectively)	\$ 521,614	\$ 531,546
Equity securities at fair value (cost of \$212,273 and \$184,968, respectively)	224,327	204,446
Limited partnerships (cost of \$65,859 and \$60,661, respectively)	74,475	68,242
Real estate mortgage loans	6,542	6,581
	-----	-----
Total investments	\$ 826,958	\$ 810,815
Cash and cash equivalents	7,261	38,778
Accrued investment income	10,360	9,087
Premiums receivable from Policyholders	158,956	156,269
Prepaid federal income tax	0	3,604
Reinsurance recoverable from Erie Insurance Exchange	427,514	412,050
Note receivable from Erie Family Life Insurance Company	15,000	15,000
Other receivables from Erie Insurance Exchange and affiliates	156,683	119,959
Reinsurance recoverable non-affiliates	275	712
Deferred policy acquisition costs	13,885	13,202
Property and equipment	14,147	13,856
Equity in Erie Family Life Insurance Company	43,909	42,331
Other assets	50,683	44,936
	-----	-----
Total assets	\$1,725,631 =====	\$1,680,599 =====

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Dollars in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	March 31, 2001	December 31, 2000
	----- (Unaudited)	-----
LIABILITIES		
Unpaid losses and loss adjustment expenses	\$ 485,866	\$ 477,879
Unearned premiums	270,412	263,855
Commissions payable and accrued	90,075	96,823
Accounts payable and accrued expenses	28,605	30,476
Federal income tax payable	12,380	0
Deferred income taxes	8,416	7,161
Dividends payable	9,836	9,839
Employee benefit obligations	14,931	15,551
	-----	-----
Total liabilities	\$ 920,521	\$ 901,584
	-----	-----
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A common, stated value \$.0292 per share; authorized 74,996,930 shares; 67,032,000 shares issued; 64,039,223 and 64,056,323 shares outstanding in 2001 and 2000, respectively	\$ 1,955	\$ 1,955
Class B common, stated value \$70 per share; authorized 3,070 shares; 3,070 shares issued and outstanding	215	215
Additional paid-in capital	7,830	7,830
Accumulated other comprehensive income	24,804	23,182
Retained earnings	856,502	831,552
	-----	-----
Total contributed capital and retained earnings	\$ 891,306	\$ 864,734
Treasury stock, at cost 2,992,777 shares in 2001 and 2,975,677 in 2000	(86,196)	(85,719)
	-----	-----
Total shareholders' equity	\$ 805,110	\$ 779,015
	-----	-----
Total liabilities and shareholder's equity	\$1,725,631	\$1,680,599
	=====	=====

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Three Months Ended March 31,
2001 2000

(Amounts in thousands, except per share data)

MANAGEMENT OPERATIONS:

Management fee revenue	\$ 145,669	\$ 129,099
Service agreement revenue	6,412	5,233
	-----	-----
Total revenue from management operations	\$ 152,081	\$ 134,332
Cost of management operations	108,881	97,714
	-----	-----
Net revenue from management operations	\$ 43,200	\$ 36,618
	-----	-----

INSURANCE UNDERWRITING OPERATIONS:

Premiums earned	\$ 32,174	\$ 29,891
Losses and loss adjustment expenses incurred	26,961	24,663
Policy acquisition and other underwriting expenses	8,751	8,431
	-----	-----
Total losses and expenses	35,712	33,094
	-----	-----
Underwriting loss	(\$ 3,538)	(\$ 3,203)
	-----	-----

INVESTMENT OPERATIONS:

Net investment income	\$ 12,143	\$ 11,611
Net realized gain on investments	712	5,505
Equity in earnings of Erie Family Life Insurance Company	744	1,407
Equity in (losses) earnings of limited partnerships	(1,403)	992
	-----	-----
Net revenue from investment operations	\$ 12,196	\$ 19,515
	-----	-----
Income before income taxes	\$ 51,858	\$ 52,930
Provision for income taxes	17,073	16,745
	-----	-----
Net income	\$ 34,785	\$ 36,185
	=====	=====
Net income per share (b)	\$.49	\$.50
	=====	=====
Operating income (a)	\$ 34,323	\$ 32,607
	=====	=====
Operating income per share (b)	\$.48	\$.45
	=====	=====
Weighted average shares outstanding (Note B)	71,416	72,300

(a) Operating income excludes net realized gain on investments and related federal income taxes.

(b) Based on weighted average shares outstanding.

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2001	2000

	(In thousands)	
Net income	\$ 34,785	\$ 36,185
	-----	-----
Unrealized gains on securities:		
Unrealized holding gains arising during period	3,207	26,815
Less: reclassification adjustment for gains included in net income	712	5,505
	-----	-----
Net unrealized holding gains arising during period	\$ 2,495	\$ 21,310
Income tax expense related to unrealized gains	(873)	(7,459)
	-----	-----
Other comprehensive income, net of tax	\$ 1,622	\$ 13,851
	-----	-----
Comprehensive income	\$ 36,407	\$ 50,036
	=====	=====

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2001	2000
	-----	-----
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 34,785	\$ 36,185
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	747	579
Deferred income tax expense (benefit)	1,044	(244)
Amortization of deferred policy acquisition costs	5,787	5,701
Realized gain on investments	(712)	(5,505)
Net amortization of bond (discount) premium	(62)	6
Undistributed earnings of Erie Family Life	(346)	(1,039)
Deferred compensation	52	332
Increase in accrued investment income	(1,272)	(1,662)
Increase in receivables	(54,439)	(30,808)
Policy acquisition costs deferred	(6,470)	(5,782)
(Increase) decrease in prepaid expenses and other assets	(5,657)	520
Decrease in accounts payable and accrued expenses	(2,543)	(558)
Decrease in commissions payable and accrued	(6,748)	(10,218)
Increase in income taxes payable	15,985	16,936
Increase in loss reserves	7,987	20,880
Increase in unearned premiums	6,557	1,472
	-----	-----
Net cash (used in) provided by operating activities	(\$ 5,305)	\$ 26,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments (Note C)	(\$ 14,770)	(\$ 7,032)
Purchase of property and equipment	(810)	0
Purchase of computer software	(228)	(39)
Loans to agents	(687)	(419)
Collections on agent loans	598	430
	-----	-----
Net cash used in investing activities	(\$ 15,897)	(\$ 7,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(\$ 9,838)	(\$ 8,853)
Purchase of treasury stock	(477)	(10,659)
	-----	-----
Net cash used in financing activities	(\$ 10,315)	(\$ 19,512)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(31,517)	223
Cash and cash equivalents at beginning of period	38,778	24,214
	-----	-----
Cash and cash equivalents at end of period	\$ 7,261	\$ 24,437
	=====	=====
Supplemental disclosures of cash flow information:		
	-----	-----
Income tax payments	\$ 40	\$ 48
	-----	-----
Dividends declared per share:		
	-----	-----
Class A non-voting common	0.153	0.135
Class B common	22.88	20.25

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
All dollar amounts are in thousands except per share data

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements, which include the accounts of the Erie Indemnity Company and its' wholly owned subsidiaries Erie Insurance Company (EIC), Erie Insurance Company of New York (EINY) and Erie Insurance Property & Casualty Company, have been prepared in accordance with generally accepted accounting principles for interim financial information and with 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 three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2000.

NOTE B -- EARNINGS PER SHARE

Earnings per share is based on the weighted average number of Class A shares outstanding (64,048,234 and 64,932,010 at March 31, 2001 and 2000, respectively), giving effect to the conversion of the weighted average number of Class B shares outstanding (3,070 in 2001 and 2000) at a rate of 2,400 Class A shares for one Class B share. Weighted average equivalent shares outstanding totaled 71,416,234 for the quarter ended March 31, 2001 and 72,300,010 for the same period a year ago.

NOTE C -- INVESTMENTS

Management considers all fixed maturities and marketable equity securities available-for-sale. Marketable equity securities consist primarily of common and nonredeemable preferred stocks while fixed maturities consist of bonds, notes and redeemable preferred stock. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of deferred tax, reported as a separate component of comprehensive income and shareholders' equity. Management determines the appropriate classification of fixed maturities at the time of purchase and reevaluates such designation as of each statement of financial position date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE C -- INVESTMENTS (Continued)

The following is a summary of available-for-sale securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	-----	-----	-----	-----
March 31, 2001				
Fixed Maturities:				

U.S. treasuries & government agencies	\$ 11,215	\$ 514	\$ 9	\$ 11,720
States & political subdivisions	45,147	2,139	0	47,286
Special revenue	111,768	4,356	0	116,124
Public utilities	21,136	504	61	21,579
U.S. industrial & miscellaneous	276,584	8,318	3,078	281,824
Foreign	30,082	274	183	30,173
	-----	-----	-----	-----
Total bonds	\$ 495,932	\$ 16,105	\$ 3,331	\$ 508,706
Redeemable preferred stock	11,317	1,591	0	12,908
	-----	-----	-----	-----
Total fixed maturities	\$ 507,249	\$ 17,696	\$ 3,331	\$ 521,614
	-----	-----	-----	-----
Equity securities:				

Common stock:				
U.S. banks, trusts & insurance companies	\$ 3,651	\$ 564	\$ 195	\$ 4,020
U.S. industrial & miscellaneous	65,911	31,807	17,817	79,901
Foreign	6,892	539	2,838	4,593
Nonredeemable				
preferred stock:				
U.S. banks, trusts & insurance companies	23,020	444	166	23,298
U.S. industrial & miscellaneous	85,352	2,785	3,589	84,548
Foreign	27,447	899	379	27,967
	-----	-----	-----	-----
Total equity securities	\$ 212,273	\$ 37,038	\$ 24,984	\$ 224,327
	-----	-----	-----	-----
Total available-for-sale securities	\$ 719,522	\$ 54,734	\$ 28,315	\$ 745,941
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE C -- INVESTMENTS (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	-----	-----	-----	-----
December 31, 2000				
Fixed maturities:				

U.S. treasuries & government agencies	\$ 11,216	\$ 420	\$ 24	\$ 11,612
States & political subdivisions	50,337	1,656	34	51,959
Special revenue	110,855	3,779	68	114,566
Public utilities	23,221	550	207	23,564
U.S. industrial & miscellaneous	267,231	4,770	5,940	266,061
Foreign	30,082	238	406	29,914
	-----	-----	-----	-----
Total bonds	\$ 492,942	\$ 11,413	\$ 6,679	\$ 497,676
Redeemable preferred stock	31,230	3,341	701	33,870
	-----	-----	-----	-----
Total fixed maturities	\$ 524,172	\$ 14,754	\$ 7,380	\$ 531,546
	-----	-----	-----	-----
Equity securities:				

Common stock:				
U.S. banks, trusts & insurance companies	\$ 3,651	\$ 422	\$ 275	\$ 3,798
U.S. industrial & miscellaneous	63,662	38,286	15,343	86,605
Foreign	7,100	581	2,719	4,962
Nonredeemable preferred stock:				
U.S. banks, trusts & insurance companies	22,094	97	66	22,125
U.S. industrial & miscellaneous	62,266	1,987	3,119	61,134
Foreign	26,195	217	590	25,822
	-----	-----	-----	-----
Total equity securities	\$ 184,968	\$ 41,590	\$ 22,112	\$ 204,446
	-----	-----	-----	-----
Total available-for-sale securities	\$ 709,140	\$ 56,344	\$ 29,492	\$ 735,992
	=====	=====	=====	=====

In the third quarter 2000, the Company began participating in a securities lending program whereby certain securities from its portfolio are loaned to other institutions for short periods of time through a lending agent. A fee is paid to the Company by the borrower. Collateral that exceeds the market value of the loaned securities is maintained by the lending agent. The Company has an indemnification agreement with the lending agents in the event a borrower becomes insolvent or fails to return securities. At March 31, 2001, the Company had loaned securities with a market value of \$26.9 million secured by collateral of \$28.1 million. The borrower of the securities is not permitted to sell or replace the security on loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE C -- INVESTMENTS (Continued)

Limited partnerships include U.S. and foreign private equity, real estate and fixed income investments. The private equity limited partnerships invest in small-to medium-sized companies. The private equity limited partnerships are carried at estimated market value with unrealized gains and losses, net of deferred taxes, reflected in shareholders' equity in accumulated other comprehensive income. Investment income or loss is recognized on the sale of the equity investment. Real estate and fixed income limited partnerships are recorded using the equity method, which approximates the Company's share of the carrying value of the partnership. The components of equity in (losses) earnings of limited partnerships as reported on the Consolidated Statements of Operations are as follows:

	Three Months Ended March 31,	
	2001	2000
Private equity	(\$ 1,673)	\$ 83
Real estate	262	209
Fixed income	8	700
Total equity in (losses) earnings of limited partnerships	(\$ 1,403)	\$ 992

The Company began using forward currency contracts to hedge the risks related to investments in partnerships in 2001. The Company recognized a loss on these contracts of \$26 during 2001 which is included in the Consolidated Statements of Operations.

Mortgage loans on commercial real estate are recorded at unpaid balances, adjusted for amortization of premium or discount. A valuation allowance would be provided for impairment in net realizable value based on periodic valuations as needed.

Net purchases of investments as presented in the Consolidated Statements of Cash Flows consist of the following:

	Three Months Ended March 31,	
	2001	2000
Purchase of investments:		
Fixed maturities	(\$ 38,218)	(\$ 38,598)
Equity securities	(15,322)	(10,517)
Limited partnerships	(7,415)	(1,166)
Total purchases	(\$ 60,955)	(\$ 50,281)
Sales/maturities of investments:		
Sales of fixed maturities	\$ 7,871	\$ 13,426
Calls of fixed maturities	24,652	14,147
Equity securities	11,408	12,988
Mortgage loans	39	1,537
Limited partnerships	2,215	1,151
Total sales/maturities	\$ 46,185	\$ 43,249
Net purchase of investments	(\$ 14,770)	(\$ 7,032)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE D -- SUMMARIZED FINANCIAL STATEMENT INFORMATION OF AFFILIATE

The Company has a 21.63% investment in Erie Family Life Insurance Company (EFL) and accounts for this investment using the equity method of accounting.

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

	Three Months Ended March 31, 2001	2000
	-----	-----
Revenues	\$25,526	\$28,760
Benefits and expenses	20,265	18,812
	-----	-----
Income before income taxes	5,261	9,948
Income taxes	1,820	3,442
	-----	-----
Net income	\$ 3,441	\$ 6,506
	=====	=====
Comprehensive income	\$ 9,136	\$19,605
	=====	=====
Dividends paid to shareholders	\$ 1,701	\$ 1,559
	=====	=====
Net unrealized appreciation on investment securities at March 31, net of deferred taxes	\$ 9,382	\$10,755
	=====	=====

NOTE E -- NOTE RECEIVABLE FROM ERIE FAMILY LIFE INSURANCE COMPANY

The Company is due \$15 million from EFL in the form of a surplus note. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to prior approval of the Pennsylvania Insurance Commissioner. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005. EFL accrued \$242 in the first quarters of 2001 and 2000 to be paid to the Company.

NOTE F -- TREASURY STOCK

In December 1998 the Board of Directors of the Company approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as \$120 million of its outstanding Class A common stock through December 31, 2002. At March 31, 2001 the Company had repurchased \$86 million in stock. Treasury shares are recorded on the Consolidated Statements of Financial Position at cost.

NOTE G -- SEGMENT INFORMATION

The Company operates its business as two reportable segments - management operations and property/casualty insurance operations. The Company's principal operations consist of serving as attorney-in-fact for the Erie Insurance Exchange (Exchange), which constitutes its management operations. The Company's property/casualty insurance operations arise through direct business of its subsidiaries and by virtue of a pooling agreement between its subsidiaries and the Exchange. The performance of the personal lines and commercial lines is evaluated based upon the underwriting results as determined under statutory accounting practices (SAP) for the total pooled business of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE G - SEGMENT INFORMATION (CONTINUED)

Summarized financial information for these operations is presented below:

	Three Months Ended 2001	March 31, 2000
	-----	-----
Management Operations:		
Revenue:		
Management fee revenue	\$ 145,669	\$ 129,099
Service agreement revenue	6,412	5,233
	-----	-----
Total revenue from management operations	152,081	134,332
Net revenue from investment operations	7,703	15,217
	-----	-----
Total revenue	\$ 159,784	\$ 149,549
	=====	=====
Income before taxes	\$ 50,903	\$ 51,835
	=====	=====
Net income	\$ 34,064	\$ 35,028
	=====	=====
Property/Casualty Operations:		
Revenue:		
Premiums earned:		
Commercial lines	\$ 7,934	\$ 6,592
Personal lines	23,096	21,856
Reinsurance	2,286	2,273
	-----	-----
Total premiums earned (SAP)	33,316	30,721
GAAP adjustments	(1,142)	(830)
	-----	-----
Total premiums earned (GAAP)	32,174	29,891
Net revenue from investment operations	4,493	4,298
	-----	-----
Total revenue	\$ 36,667	\$ 34,189
	=====	=====
Losses and expenses:		
Commercial lines	\$ 9,266	\$ 8,010
Personal lines	25,362	21,395
Reinsurance	1,766	3,770
	-----	-----
Total losses and loss expenses (SAP)	36,394	33,175
GAAP adjustments	(682)	(81)
	-----	-----
Total losses and loss expenses (GAAP)	\$ 35,712	\$ 33,094
	=====	=====
Income before taxes	\$ 955	\$ 1,095
	=====	=====
Net income	\$ 721	\$ 1,157
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE G - SEGMENT INFORMATION (CONTINUED)

The following information further describes the financial results of the Company by segment, as presented on the previous page.

Management fee revenue by line of business:

	Three Months Ended March 2001	31, 2000
Private Passenger Auto	\$ 79,969	\$ 74,528
Commercial Auto	13,108	11,041
Homeowner	19,181	16,987
Commercial Multi-Peril	15,555	12,353
Worker's Compensation	13,703	10,649
All Other Lines of Business	4,153	3,541
Total	\$ 145,669	\$ 129,099

Policy counts for Erie Insurance Group property/casualty operations:

Date	Private Passenger Auto	CML* Auto	Homeowner	CML* Multi-Peril	Worker's Comp.	All other Lines of Business	Total
12/31/99	1,274,869	82,760	917,902	174,085	43,508	196,725	2,689,849
03/31/00	1,287,868	83,534	931,971	178,191	44,235	199,580	2,725,379
06/30/00	1,305,888	85,089	952,325	184,913	45,408	204,412	2,778,035
09/30/00	1,324,104	86,592	971,213	190,120	46,529	208,832	2,827,390
12/31/00	1,337,280	87,567	986,654	195,137	47,156	211,759	2,865,553
03/31/01	1,356,651	89,388	1,003,517	200,671	48,104	215,747	2,914,078

Retention rates for Erie Insurance Group property/casualty operations:

Date	Private Passenger Auto	CML* Auto	Homeowner	CML* Multi-Peril	Worker's Comp.	All other Lines of Business	Total
12/31/99	91.58%	89.27%	90.47%	87.42%	87.59%	86.85%	90.45%
03/31/00	91.83	89.52	90.66	88.08	88.52	87.23	90.72
06/30/00	92.03	89.53	90.89	88.19	88.62	87.57	90.92
09/30/00	92.19	89.90	90.88	88.38	88.67	87.75	91.03
12/31/00	92.31	89.80	90.75	88.14	88.48	87.64	91.01
03/31/01	92.24	90.29	90.71	88.59	89.06	87.75	91.03

*CML = Commercial

NOTE H -- RECLASSIFICATIONS

Certain amounts previously reported in the 2000 financial statements have been reclassified to conform to the current period's presentation.

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 our Annual Report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission on March 23, 2001.

OPERATING RESULTS

Financial Overview

Operating income (net income less realized gains or losses net of related federal income taxes) increased 5.3%, or \$1,715,737, to \$34,322,780 in 2001 from \$32,607,043 in 2000. Operating income per share increased 6.6% to \$.48 per share from \$.45 for the same period one year ago. Net income declined slightly as a result of decreased earnings from investments and decreased realized gains on investments. Management operations grew as a result of a 12.8% increase in direct written premiums. Insurance underwriting operations declined in the first quarter of 2001 compared to the same period in 2000 primarily as a result of increased losses in the Company's direct personal lines of business. Revenue from investment operations decreased as the result of a decline in realized gains caused by adverse market conditions as well as losses generated from private equity limited partnerships in 2001.

RESULTS OF OPERATIONS

Analysis of Management Operations

Management fee revenue derived from the management operations of the Company, serving as attorney-in-fact for the Exchange, increased 12.8% to \$145,669,105 for the three months ended March 31, 2001 from \$129,098,508 for the three months ended March 31, 2000 (see also Note G, "Segment Information" which displays management fee revenue by line of business). The management fee rate charged the Exchange in the first quarters of 2001 and 2000 was 25%. The Company's Board of Directors has the authority to change the management fee rate at its discretion, but cannot exceed a rate of 25%.

The property/casualty direct premium written by the Erie Insurance Group, upon which management fee revenue is based, grew 12.8% to \$582,676,418 in the first quarter of 2001 from \$516,394,026 for the same period in 2000. Continued improvement in policy retention rates and new policy growth drove the gains experienced in the Group's direct written premium.

Policies in force increased an annualized 6.9% to 2,914,078 at March 31, 2001 from 2,725,379 at March 31, 2000. Policy retention (the percentage of current Policyholders who have renewed their policies) was 91.03% and 90.72% for the quarters ended March 31, 2001 and 2000, respectively, for all lines of business (see also Note G, "Segment Information" which contains additional rates by line of business).

Service agreement revenue grew by 22.5% to \$6,412,349 in the first quarter of 2001 from \$5,232,919 for the same period in 2000. Included in service agreement revenue are service charges the Company collects from Policyholders for providing extended payment terms on policies written by the Group. Such service charges amounted to \$3,662,245 and \$2,303,055 for the quarters ended March 31, 2001 and 2000, respectively. During the second quarter 2000, this charge increased from \$2 to \$3 per installment for policies renewing in most states.

Also included in service agreement revenue is service income received from the Exchange as compensation for the management and administration of voluntary assumed reinsurance from non-affiliated insurers. The Company receives a service fee of 7.0% of non-affiliated assumed reinsurance premiums. These fees totaled

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

\$2,750,104 and \$2,929,864 for the three months ended March 31, 2001 and 2000 respectively, on net voluntary assumed reinsurance premiums of \$39,287,202 and \$41,855,200 for the first quarters of 2001 and 2000, respectively.

The cost of management operations increased 11.4% for the first quarter of 2001 to \$108,881,196 from \$97,713,545 during the first quarter of 2000. Commissions to independent Agents are the largest component of the cost of management operations. Included in commission expenses are the cost of scheduled commissions earned by independent Agents on premiums written as well as promotional incentives for Agents and Agent contingency awards. Agent contingency awards are based upon a three-year average of the underwriting profitability of the direct business written and serviced by the independent Agent within the Erie Insurance Group of companies. Commission costs totaled \$73,592,987 for the first quarter of 2001, an 11.8% increase over the \$65,816,070 reported in the first quarter of 2000. The provision for Agent contingency awards totaled \$3,675,000 and \$4,850,000 in 2001 and 2000, respectively. Commission costs grew more slowly than the growth in direct premium written in the first quarter 2001 due to lower accruals for agent contingency awards relative to the first quarter 2001.

The cost of management operations excluding commission costs, increased 10.6% for the three months ended March 31, 2001 to \$35,288,209 from \$31,897,475 recorded in the first quarter of 2000. Personnel costs, including salaries, employee benefits, and payroll taxes, are the second largest component in cost of operations. The Company's personnel costs totaled \$21,165,209 for the three month period ended March 31, 2001, compared to \$19,478,249 for the same period in 2000, an increase of 8.7%. Personnel costs increased in the first quarter 2001 due to staffing increases and employee pay rate increases. Also driving the increase were increases in both health plan employee benefit costs from increased claims experience when compared to the same period in 2000. The remaining increase in the cost of management operations during 2001 related primarily to information technology consulting expenditures increasing from the same period in 2000.

Net revenue from the Company's management operations increased 18.0% to \$43,200,258 for the three months ended March 31, 2001 from \$36,617,882 for the same period in 2000. The gross margin from management operations (net revenue divided by total revenue) increased to 28.4% in the first quarter of 2001, compared to the gross margin of 27.3% reported in the first quarter of 2000.

Analysis of Insurance Underwriting Operations

The insurance underwriting operations on the Company's property/casualty insurance subsidiaries, EIC and EINY, which together assume a 5.5% share of the underwriting results of the Erie Insurance Group under an intercompany pooling agreement, declined during the first quarter of 2001 when compared to the same period in 2000.

The Company's insurance underwriting operations recorded underwriting losses of \$3,537,907 and \$3,202,914 in the first quarter of 2001 and 2000, respectively. The Company recognized premiums earned of \$32,173,914 for the quarter ended March 31, 2001, a 7.6 percent increase over the \$29,891,067 reported in the first quarter of 2000. The 2001 underwriting loss resulted from increased losses in the direct business of the Company's property/casualty subsidiaries, primarily in private passenger automobile and homeowners insurance and continued losses in commercial insurance.

EIC and EINY have in effect an all-lines aggregate excess of loss reinsurance agreement with the Exchange to limit their net retained share of ultimate net losses in any applicable accident year.

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

This reinsurance treaty is excluded from the intercompany pooling agreement. The annual premium paid to the Exchange for the agreement totaled \$909,617 and \$748,523 for the quarter ended March 31, 2001 and 2000, respectively. During the first quarter 2001, the Company's property/casualty insurance subsidiaries recorded loss recoveries through this excess of loss agreement with the Exchange amounting to \$352,179. No amounts were recovered under this agreement for the year 2000.

The GAAP combined ratio for the Company's property/casualty insurance operations was 111.0% for the three months ended March 31, 2001 compared to a ratio of 110.7% for the same period in 2000. The GAAP combined ratio represents the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

Analysis of Investment Operations

Net revenue from investment operations for the first quarter of 2001 decreased 37.5% to \$12,196,084 from \$19,514,795 in the first quarter of 2000. Realized gains on investments decreased \$4,792,936 to \$711,576 in 2001 primarily as the result of the Company taking advantage of favorable stock market conditions in the first quarter of 2000. Equity in earnings of limited partnerships decreased \$2,395,019 in the first quarter of 2001 when compared with the same period in 2000 as a result of partnership losses in private equity limited partnerships.

FINANCIAL CONDITION

Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment strategy also provides for liquidity to meet the short- and long-term commitments of the Company. At March 31, 2001, the Company's investment portfolio of investment-grade bonds, common stock, preferred stock and cash and cash equivalents totaled \$732.2 million, or 42.4%, of total assets. These investments provide the liquidity the Company requires to meet the demands on its funds.

At March 31, 2001, 90.2% of total investments consist of fixed maturities and equity securities. Mortgage loans and limited partnerships, represented 9.8% of total investments at that date. Mortgage loans on real estate and limited partnerships have the potential for higher returns, but also carry more risk, including less liquidity and greater uncertainty in the rate of return. Fixed income and real estate limited partnerships at March 31, 2001, which comprise 29.8% of the total limited partnerships, produce a predictable earnings stream while private equity limited partnerships, which comprise 70.2% of the total limited partnerships at March 31, 2001, tend to provide a less predictable earnings stream.

The Company's investments are subject to certain risks, including interest rate and price risk. The Company monitors exposure to interest rate risk through periodic reviews of asset and liability positions. Estimates of cash flows and the impact of interest rate fluctuations relating to the investment portfolio are monitored regularly.

The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analyzed regularly and market risk is actively managed through a variety of techniques. Portfolio holdings are diversified across industries and concentrations in any one company or industry are limited by parameters established by management and the Company's Board of Directors.

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure an entity's ability to secure enough cash to meet its contractual obligations and operating needs. Operating cash flows are generated from management operations as the attorney-in-fact for the Exchange, the net cash flow from the EIC's 5% and the EINY's .5% participation in the underwriting results of the reinsurance pool with the Exchange, and the Company's investment income from affiliated and non-affiliated investments. With respect to the management fee, funds are generally received from the Exchange on a premiums collected basis. The other receivable from Erie Insurance Exchange and affiliates represents the management fee receivable from premiums written but not yet collected as well as the management fee receivable on premiums collected in the current month, net of operating expenses paid by the Exchange. The amount of this receivable payable from the Exchange to the Company at March 31, 2001 was \$17 million. The Company pays commissions on premiums collected rather than written premiums. Cash outflows are variable because of the fluctuations in settlement dates for liabilities for unpaid losses and because of the potential for large losses, either individually or in aggregate.

The Company generates sufficient net positive cash flow from its operations to fund its commitments, repurchase its common stock, and build its investment portfolio, thereby increasing future investment returns. The Company also maintains a high degree of liquidity in its investment portfolio in the form of readily marketable fixed maturities, equity securities and short-term investments.

Dividends declared and paid to shareholders in the three months ended March 31, 2001 and 2000, totaled \$9,838,817 and \$8,852,950, respectively. There are no regulatory restrictions on the payment of dividends to the Company's shareholders, although there are state law restrictions on the payment of dividends from the Company's insurance subsidiaries to the Company. Dividends from subsidiaries are not material to the Company's cash flows.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at March 31, 2001 of \$8,415,668 and at December 31, 2000 of \$7,161,544. The primary reason for the increase in the deferred tax liability is an increase in unrealized gains from available-for-sale securities resulting in an increased deferred tax liability in 2001.

At March 31, 2001 and December 31, 2000, the Company's receivables from its affiliates totaled \$584,197,412 and \$532,008,287, respectively. These receivables, primarily due from the Exchange, as a result of the management fee, expense reimbursements and the intercompany reinsurance pool, represent a concentration of credit risk.

STOCK REPURCHASE PLAN

Beginning in 1999, the Company established a stock repurchase program. The Company may repurchase as much as \$120 million of its outstanding Class A common stock through December 31, 2002. During the first quarter of 2001, 17,100 shares were repurchased at a total cost of \$476,294 or an average price of \$27.85. The Company repurchased 352,750 shares at a total cost of \$10,658,695 or an average price of \$30.22 during the first quarter of 2000. The Company may purchase the shares from time to time in the open market or through privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital.

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

STOCK REDEMPTION PLAN

On March 13, 2001, the Board of Directors approved the recommendation of the Executive Committee to terminate the Stock Redemption Plan. The Plan had entitled estates of qualified shareholders to cause the Company to redeem shares of stock of the Company at a price equal to the fair market value of the Stock at the time of redemption, subject to certain limitations. No shares were ever redeemed by the Company under the Plan.

FACTORS THAT MAY EFFECT FUTURE RESULTS

Rate Increases

In 2000, the Erie Insurance Group filed for rate increases in its private passenger auto, commercial auto and workers' compensation insurance lines of business in Pennsylvania, Maryland and Indiana. These increases were sought to offset growing loss costs in these lines of business as discussed earlier. The requests will result in an estimated \$18.9 million increase in written premium for 2001 for the Group, if they are approved by state regulators. These increases, if approved, will result in an additional \$4.7 million in annual gross revenue from management operations, assuming no change in the current management fee rate.

Information Technology Costs

In 2001, the Company began the development of several eCommerce initiatives in support of the Erie Insurance Group's business model of distributing insurance products exclusively through independent agents. The eCommerce program includes initiatives to replace property/casualty policy administration, rating and underwriting systems as well as customer interaction systems. The eCommerce program also includes significant information technology infrastructure expenditures. The program is intended to improve service and efficiency, as well as result in increased sales. Total five-year expenditures for the program are estimated at \$150 to \$175 million. The cost of these initiatives will be shared among several companies of the Erie Insurance Group, including the Company. Based on preliminary estimates, the after-tax effect on net income of the Company is estimated to reduce earnings per share between \$0.08 and \$0.12 for 2001 and between \$0.05 and \$0.07 per share for each of the next four years of the program.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's 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 the Company's 2000 Annual Report on Form 10-K. There have been no material changes in such risks or the Company's periodic reviews of asset and liability positions during the three months ended March 31, 2001. 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.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Certain forward-looking statements contained herein involve risks and uncertainties. Many factors could cause future results to differ materially from those discussed. Examples of such factors include variations in catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations or legislation that disadvantage the members of the Group in the marketplace and recession, economic conditions or stock market changes affecting pricing or demand for insurance products or ability to generate investment income. Growth and profitability have been and will be potentially materially affected by these and other factors.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information concerning the legal proceedings of the Company is incorporated by reference to pages 20 through 22 in the section "Legal Proceedings" in the Company's definitive Proxy Statement with respect to the Company's Annual Meeting of Shareholders to be held on April 24, 2001 filed with the Securities and Exchange Commission on March 28, 2001.

On April 5, 2001, a Stipulation among Mrs. Hagen, Bankers Trust, and the Company was filed with the Court whereby these three parties agreed to accept the April 24th Ruling as a final adjudication of this matter. As a consequence of this Stipulation agreement, Mrs. Hagen withdrew her Motion for Judgment on the Pleadings. The Company's execution of the Stipulation did not bind any other parties other than the signatories to the Stipulation. As a result of the Stipulation, the hearing scheduled for April 10, 2001 was ordered cancelled by the Court.

Item 6. Exhibits and Reports on Form 8-K

The Company did not file any exhibits or reports on Form 8-K during the three month period ended March 31, 2001.

Item 11. Statement Regarding Computation of Per Share Earnings:

	Three Months Ended March 31, 2001	2000
	-----	-----
Class A weighted average common shares outstanding (stated value \$.0292)	64,048,234	64,932,010
Class B common shares outstanding (stated value \$70)		
Conversion of Class B shares to Class A shares (one share of Class B for 2,400 shares of Class A)	7,368,000	7,368,000
	-----	-----
Total weighted average shares outstanding	71,416,234	72,300,010
	=====	=====
Net income	\$ 34,785,305	\$ 36,184,976
	=====	=====
Net income per share	\$.49	\$.50
	=====	=====

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: April 19, 2001

\s\ Stephen A. Milne
Stephen A. Milne, President & CEO

\s\ Philip A. Garcia
Philip A. Garcia, Executive Vice President & CFO