Erie Indemnity Company's Second Quarter Earnings Per Share Increase 11 Percent

ERIE, Pa. – July 19, 2000 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced an 11 percent increase in earnings per share for the second quarter of 2000.

Net income for the quarter ended June 30, 2000 increased to $42,518,485 or $.59 per share, from $39,224,982 or $.53 per share earned during the second quarter of 1999. For the six months ended June 30, 2000, net income per share increased 11.1 percent to $78,703,461 or $1.09 per share, from $72,632,540 or $.98 per share recorded in the same period in 1999. The increase in net income for the quarter was due to improved results in the Company's management and investment operating segments while increased underwriting losses were experienced in the Company's insurance underwriting operations.

"We are very pleased with the positive results we have experienced in our management and investment operations during the first six months of 2000," said Stephen A. Milne, President and Chief Executive Officer of Erie Insurance Group. "The increase we have experienced in our policy retention rates and policy growth is particularly satisfying because it is the direct result of our commitment to being above all in service."

Total revenues from management operations increased $10,902,835, or 7.7 percent, to $152,110,258 for the second quarter of 2000 from $141,207,423 in the second quarter of 1999. Management fee revenue grew by 7 percent during the quarter. Direct written premiums, upon which management fee revenue is based, grew 7 percent to $588,694,727 in the second quarter 2000 from $550,011,427 for the same period in 1999. Policy growth for the quarter was strong as policy retention rates and new policy growth improved. Policy-in-force counts grew by 5.9 percent at June 30, 2000 from one year earlier.

The cost of management operations increased 8.1 percent to $108,800,520 in the second quarter of 2000 from $100,620,714 for the same period in 1999. Commission costs for the second quarter 2000 increased 8.9 percent to $75,623,316. Commission costs grew faster than the rate of growth in written premiums due to increased provisions for agent contingency awards and changes in the mix of business written. The cost of management operations excluding commission costs increased 6.4 percent for the quarter ended June 30, 2000 to $33,177,204 from $31,188,302 recorded in the second quarter of 1999.

Net revenues from the company's management operations rose 6.7 percent to $43,309,738 for the three months ended June 30, 2000 compared to $40,586,709 for the same period in 1999. Net revenues for the six months ended June 30, 2000 increased 6.6 percent to $79,927,620. The gross margin from management operations for the six months decreased slightly to 27.9 percent in 2000 from 28.1 percent in 1999.

The company's insurance underwriting operations produced an underwriting loss of $1,590,083 during the second quarter of 2000 compared to a gain of $1,112,954 in the second quarter of 1999. The underwriting loss resulted from higher loss ratios experienced in private passenger automobile and in commercial lines, principally workers' compensation and commercial auto lines of business. Catastrophe losses were relatively consistent at $930,000 for the second quarter 2000 compared to $960,000 for the same period in 1999. The Company had an underwriting loss of $4,792,997 for the first six months of 2000 compared to an underwriting profit of $505,608 for the same period in 1999. Additional development on reinsurance losses from catastrophic storms that devastated Europe in December 1999 contributed about $1.6 million in losses in the first half of 2000.

Net revenue from investment operations for the second quarter of 2000 increased 27.7 percent, to $20,658,313 from $16,177,283 recorded for the second quarter of 1999. Growth in revenue from investment operations in the second quarter of 2000 resulted from a 23.0 percent increase in net investment income and a 49.5 percent increase in realized gains on investments. For the six months ended June 30, 2000, net revenues from investment operations rose to $40,173,108, an increase of 29.8 percent from the $30,947,629, earned in the first six months of 1999.

Net income per share was influenced by the share repurchase program during the quarter. Approximately 150,000 shares were repurchased at a cost of $4.3 million during the second quarter of 2000 compared to 465,300 shares at a cost of $12.6 million during the second quarter of 1999.

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

According to A.M. Best Company, Erie Insurance Group is the 18th largest property/casualty insurer in the United States based on private passenger automobile direct premiums written and the 29th largest property/casualty insurer in the United States based on total lines net premium written. The Group, whose home office is located in Erie, Pennsylvania, has more than 2.9 million policies in force and operates in 10 states and the District of Columbia. Erie Insurance is rated A++ (superior) by A.M. Best Company and is listed in Ward’s Top 50 for financial security and stability.