



Erie Indemnity Company's Second Quarter Earnings Up 15 Percent

Erie, Pa. -- July 16, 1997 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 15 percent increase in earnings for the second quarter of 1997.

Net income for the quarter ended June 30, 1997 increased to \$30,443,769 or \$.41 per share, from \$26,466,344 or \$.36 per share earned during the second quarter of 1996 (adjusted for the three-for-one split of Class A Shares in May, 1996). For the six months ended June 30, 1997, net income increased 17.4 percent to \$58,654,563 or \$.79 per share, from \$49,964,421, or \$.67 per share, recorded in the first half of 1996.

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

"We are pleased with our overall financial performance during the first six months of 1997," said Steve Milne, President and Chief Executive Officer of the Erie Insurance Group. "The strength of The ERIE has always been rooted in the unparalleled level of service we provide our Policyholders. We are constantly looking for innovative ways to improve the quality of our service, which ultimately will positively impact our financial and operating condition."

Net revenues from the Company's management operations showed continued growth, rising 5.8 percent to \$35,378,390 for the three months ended June 1997 compared to \$33,444,575 for the same period in 1996. Net revenues from management operations increased 4.6 percent for the six months ended June 30, 1997 to \$67,051,949.

Total revenue from management operations rose to \$125,502,524 for the three months ended June 30, 1997, compared to \$118,897,226 for the second quarter of 1996. The cost of management operations rose 5.5 percent to \$90,124,134 compared to \$85,452,651 for the second quarter of 1997 and 1996, respectively. Commission costs, which are primarily related to premium volume, increased more than the rate of premium growth due to higher Agent bonus costs resulting from improved underwriting profitability in 1997. The cost of management operations, excluding commission costs fell 0.2 percent to \$29,063,138 in the second quarter of 1997 versus \$29,126,159 in the same quarter in 1996. The Company continues to improve operating efficiencies and productivity.

The Company's insurance underwriting operations had premiums earned of \$26,888,265 for the three months ended June 30, 1997, a 7.5 percent increase over the \$25,007,216 of earned premiums booked in the second quarter of 1996. The net underwriting loss reported in the second quarter of 1997 amounted to \$782,915, an improvement from the net underwriting loss of \$1,257,113 experienced in the second quarter of 1996. Second quarter 1997 underwriting profitability was reduced by the return of first quarter recoveries under the reinsurance arrangement with the Erie Insurance Exchange, which amounted to \$1,262,112. For the first half of 1997, earned premium revenues totaled \$52,738,839 and were up 6.4 percent from the first half of 1996. The underwriting loss for the first six months of 1997 stood at \$830,828 compared to the storm-influenced underwriting loss of \$7,074,269 recorded in the first half of 1996.

Revenues from investment operations for the second quarter of 1997 increased by 35.3 percent to \$10,122,680 from the \$7,483,154 posted in the second quarter of 1996. For the six months ended June 30, 1997, revenues from investment operations rose to \$19,839,607 from \$14,551,684, an increase of 36.3 percent from the same period in 1996. A 29 percent increase in dividend and interest income, \$2.5 million of non-recurring realized capital gains on investments, and increased earnings from Erie Family Life Insurance Company fueled the growth in revenue from investment operations in the first six months of 1997.

"Mild weather conditions had a favorable impact on our year-to-date results, as did the strong financial markets and the continued efforts of our Employees and Agents," Milne said.

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

Erie Insurance Group, based in Erie, Pennsylvania, is the 12th largest insurer of private passenger automobiles and the 23rd largest property and casualty insurance group in the United States. The Group operates in nine states and the District of Columbia.