



## Erie Indemnity Company Third Quarter Results

Erie, Pa. -- October 17, 1996 -- Erie Indemnity Company, the management company for the Erie Insurance Group, released positive financial results for the third quarter of 1996. Net income increased by 7.0 percent for the quarter ended September 30, 1996 to \$29,186,786 or \$.39 per share, from the \$27,269,453, or \$.37 per share, earned during the third quarter of 1995. For the nine months ended September 30, 1996, net income increased 12.3 percent to \$79,151,207 or \$1.06 per share, from \$70,482,060 or \$.95 per share, earned for the same period in 1995.

The growth in net income during the third quarter of 1996 was driven by improvements in the management and investment operating segments of the Company. Gains made in the Company's management and investment operations, however, were offset by the increase in underwriting losses during this period and also were partly due to losses related to Hurricane Fran in the third quarter of 1996. For the nine months ended September 30, 1996, gains continued in the management and investment operating segments while the insurance underwriting operating results lagged the 1995 underwriting results.

"Although we incurred some tough weather-related losses, we were able to offset those losses with the results from our management operations," said Stephen A. Milne, President and CEO. "We also experienced growth in income from our investment operations, which contributed to the quarter's 7.0 percent increase in net income."

Net revenues from the Company's management operations rose 12.7 percent to \$35,717,734 for the three months ended September 30, 1996 compared to \$31,697,844 for the same period in 1995. This rate of growth in quarterly results was consistent with the 12.5 percent increase in net revenues from management operations for the nine months ended September 30, 1996.

The Company's insurance underwriting operations had premiums earned of \$25,740,991 for the three months ended September 30, 1996, which was a 6.9 percent increase over the \$24,075,923 of earned premiums booked in the third quarter of 1995. Losses, loss adjustment expenses and other underwriting expenses grew by 14.7 percent for the third quarter of 1996, which was greater than the growth in premiums earned. Total losses and expenses for the quarter ended September 30, 1996 totaled \$28,458,639 compared to \$24,812,131 for the same period in 1995. Thus, underwriting losses worsened in the third quarter to a loss of \$2,717,648 compared to a loss of \$736,208 in the third quarter of 1995.

Losses experienced from Hurricane Fran in the eastern United States, particularly North Carolina, and other storm-related losses elsewhere in our operating territories, were partly responsible for the increased underwriting loss in the three months ended September 30, 1996. Losses from Hurricane Fran amounted to approximately \$1.3 million at the end of the third quarter or about \$.01 per share, after federal income taxes. The third quarter losses, coupled with the severe winter weather experienced in the eastern United States during the first three months of 1996, were responsible for the increase in underwriting losses for the nine months ended September 30, 1996. For the nine months ended September 30, 1996, underwriting losses increased to \$9,791,917 from underwriting losses of \$4,477,420 for the same period in 1995.

Revenues from investment operations for the third quarter of 1996 increased by 3.6 percent to \$9,813,062 from the \$9,473,606 posted in the third quarter of 1995. Equity in earnings of Erie Family Life Insurance Company declined 34.5 percent in the third quarter of 1996, which is a direct result of Erie Family Life Insurance Company recognizing fewer non-recurring capital gains during this period. Offsetting this decline is a 20 percent increase in interest and dividend income of the Company for the third quarter of 1996. For the nine months ended September 30, 1996, revenues from investment operations increased to \$24,364,746 from \$20,685,192, an increase of 17.8 percent, from the same period in 1995. A 23.7 percent increase in dividend and interest income, as well as about \$3 million of non-recurring realized capital gains on investments, fueled the growth in revenues from investment operations in the first nine months of 1996.

"We've shown continued success in our efforts to closely control costs, improve employee productivity and enhance investment earnings," said Milne. "The continued dedication of our independent agents and employees has led to these achievements."

Erie Indemnity Company is the principle 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 the Erie Family Life Insurance Company.

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

Indemnity Company is listed on the Nasdaq National Market under the symbol "ERIE."