



Erie Indemnity Co. Earnings Up 14 Percent in Fourth Quarter

ERIE, Pa. --- February 17, 1999 --- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, today announced an increase in earnings for the fourth quarter and year ended December 31, 1998.

Net income for the quarter ended December 31, 1998 increased 14.0 percent to \$31,685,417 or \$.43 per share, compared with \$27,798,351 or \$.37 per share earned during the prior-year quarter. For the year ended December 31, 1998, net income increased 13.5 percent to \$134,551,494 or \$1.81 per share, from \$118,581,190 or \$1.59 per share recorded in the same period in 1997.

The increase in net income for the quarter and year was driven by improved results in all three of the company's operating segments. The gains generated by management and investment operations were supplemented by improved underwriting results when compared to the same period in 1997.

"In the midst of a tremendously competitive sales environment, the ERIE posted strong fourth quarter results," said Stephen A. Milne, President and Chief Executive Officer of Erie Insurance Group. "Solid underwriting results combined with the favorable results in our management and investment operations all contributed to solid earnings growth."

Net revenues from the company's management operations rose 6.0 percent to \$32,370,482 for the three months ended December 31, 1998 compared to \$30,543,211 for the same period in 1997. Net revenues from management operations for the year ended December 31, 1998 amounted to \$145,243,209 and were 8.2 percent greater than the \$134,200,893 recorded during the year ended December 31, 1997. The gross margin from operations improved to 28.8 percent in 1998 from 28.2 percent in 1997. Property/casualty premium growth for the fourth quarter of 1998 was 3.7 percent. The personal lines auto market continues to be extremely competitive and rate pressures have increased in many of the company's operating jurisdictions.

The company's insurance underwriting operations recorded a loss of \$456,774 during the fourth quarter of 1998 an improvement from the underwriting loss of \$1,129,639 reported in the fourth quarter of 1997. The company recognized premiums earned of \$28,944,373 for the quarter ended December 31, 1998, a 5.2 percent increase over the \$27,511,640 reported in the prior-year quarter. For the year ended December 31, 1998, earned premium revenue totaled \$112,939,446, up 5.2 percent from 1997. The Company had an underwriting profit of \$567,275 for the twelve months ended December 31, 1998 compared to an underwriting loss of \$2,259,425 for the same period in 1997.

Revenues from investment operations for the fourth quarter increased 20.7 percent to \$13,829,121 from \$11,454,011 posted in the fourth quarter of 1997. For all of 1998, revenues from investment operations rose to \$50,546,973, an increase of 17.6 percent from the \$42,978,156, earned in 1997. Growth in revenue from investment operations for the year ended December 31, 1998 resulted from a 17.2 percent increase in interest and dividends, a 12.9 percent increase in earnings from the investment in Erie Family Life Insurance Company and non-recurring realized gains on investments of \$7,163,706.

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

Erie Insurance Group, based in Erie, Pennsylvania, is the 12th largest insurer of private passenger automobiles and the 24th largest property and casualty insurance group in the United States. The Group operates in ten states and the District of Columbia.