Erie Insurance

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Erie Indemnity Reports Record Earnings in 2000

ERIE, Pa. – February 21, 2001 – Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, today reported record net income per share of $2.12 for the year ended December 31, 2000 compared to $1.95 per share for the same period in 1999. Net income per share for the fourth quarter of 2000 increased to $.45 per share from $.44 per share for the same period in 1999. Net income, excluding realized capital gain on investments and federal income tax on the realized capital gain, for the fourth quarter 2000 was $.44 per share, an increase of 7.1 percent from the $.41 per share for the same period in 1999. The quarterly results were driven by accelerating management fee revenue growth and continued growth in investment earnings, which were partially offset by increased property/casualty insurance underwriting losses.

For the year ended December 31, 2000, net income increased 6.5 percent to $152.4 million from $143.1 million recorded in 1999. Net income was $32.5 million for the fourth quarter of 2000, compared to $32.0 million for the same period of 1999. Total revenue from management operations increased 10.7 percent, to $135.6 million for the fourth quarter of 2000 from $122.5 million in the fourth quarter of 1999. The property/casualty direct premium written by the Erie Insurance Group, upon which management fee revenue is based, grew 9.7 percent to $518.6 million in the fourth quarter of 2000 from $473.0 million for the same period in 1999. Total revenue from management operations rose to $574.3 million for the year ended December 31, 2000, an increase of 8.6 percent. Management fee revenue rose 7.5 percent, to $551.6 million in 2000 from $513.4 million in 1999. The property/casualty direct premium written by the Erie Insurance Group grew 7.5 percent in 2000 to over $2.2 billion.

Policy growth for 2000 was strong as new policy growth and policy retention rates continued to improve. Policies in force grew 6.5 percent, to 2,865,553 for the year ended December 31, 2000, while the policy retention rate improved to 91.0 percent for the year ended December 31, 2000 from 90.5 percent for all of 1999. The average premium per policy increased just 0.9 percent to $770 in 2000 from $763 in 1999. The private passenger automobile average premium per policy decreased 1.6 percent to $938 in 2000 from $954 in 1999 as a result of The ERIE’s previously announced pricing actions and the competitive marketplace for automobile insurance.

"I am pleased about the accelerating premium growth achieved during the 75th Anniversary year of The ERIE," said Stephen A. Milne, president and chief executive officer of Erie Insurance Group. "Our employees, agents and management team combined efforts to produce outstanding growth in new policies, while at the same time, improving our policy retention rate. Their performance is impressive given the competitive insurance marketplace, particularly for private passenger automobile insurance. Our commitment to superior customer service, as recently recognized by J.D. Power and Associates, enables us to compete effectively with all the players in this marketplace. We are optimistic about the future as we enter 2001 with substantial sales momentum, as well as our planned expansion into Wisconsin. Our plans also include the announcement soon that we will be entering another new state in 2002."

The cost of management operations increased $10,355,297, or 11.4 percent, to $101,192,729 in the fourth quarter of 2000 from $90,837,432 for the same period in 1999. Commission costs grew more slowly than the growth in direct premium written in the fourth quarter 2000 due to lower accruals for agency contingency awards relative to the fourth quarter 1999. Other operating costs, excluding commissions, were effected by increased information technology expenditures and increased personnel costs including a new incentive compensation plan for field sales employees effective in 2000. The gross margin from management operations was 25.4 percent in the fourth quarter 2000 compared to 25.8 percent for the same period in 1999.

For the year ended December 31, 2000, the cost of management operations rose $35,263,277, or 9.3 percent, to $415,561,456 from $380,298,179 in 1999. Commission costs in 2000 increased 7.3 percent to $282,402,388 as the result of the 7.5 percent increase in direct premium written. The cost of management operations, excluding commission costs, increased 13.6 percent for the year ended December 31, 2000 to $133,159,068. As a result, net revenue from management operations for the year ended December 31, 2000 rose 6.9 percent to $158,746,324.

The Company’s insurance operations recorded an underwriting loss of $2,867,055 during the fourth quarter of 2000 compared to an underwriting loss of $2,465,034 in the fourth quarter of 1999. In 2000 the Company’s insurance underwriting loss totaled $10,402,120 compared to an underwriting loss of $3,538,884 recorded in 1999. The 2000 underwriting loss resulted from a combination of reduced pricing and increased claims severity in private passenger automobile insurance along with increased losses in commercial lines of insurance.

The Company recognized earned premiums of $31,946,041 for the quarter ended December 31, 2000, a 7.7 percent increase over the $29,650,804 reported in the fourth quarter of 1999. For the year ended December 31, 2000, earned premium revenue totaled $123,708,194, up 5.5 percent from 1999. Total losses and expenses for the fourth quarter 2000 increased 8.4 percent to $34,813,096. Total losses and expenses increased $13,347,557, or 11.1 percent, for the year ended December 31, 2000 when compared to the same period in 1999. The Company's property/casualty subsidiaries direct loss and loss adjustment expense incurred increased $9,383,475 in 2000 from 1999, as growth in loss and loss adjustment expense outpaced premiums earned. Catastrophic losses from direct business in the fourth quarter totaled $737,292 in 2000 compared to $461,067 recorded in the fourth quarter 1999. For the year ended December 31, 2000, catastrophe losses were $2,074,437 compared to $4,402,020 for all of 1999.

In 2000, net revenue from investment operations rose to $75,593,393, an increase of 18.5 percent from the $63,775,746 earned in 1999. The growth resulted from an 11.7 percent increase in net investment income, a $4,092,360 increase in income from limited partnerships and a $2,222,485 increase net realized gain on investments. Growth in net investment income has slowed as the Company has committed significant cash flow to the repurchase of its shares in 1999 and 2000.

Net income per share was influenced favorably by the Company's share repurchase program, which began January 1, 1999. Approximately 1,075,000 shares were repurchased at a cost of $31,389,218 during 2000. Since its inception, total shares repurchased were approximately 2,976,000 at a total cost of $85,719,349.

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, based in Erie, Pennsylvania, is the 18th largest automobile insurer in the United States based on direct premiums written and the 29th largest property/casualty insurer in the United States based on total lines premium written. The Group, whose home office is located in Erie, Pennsylvania, has more than 3.1 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.

"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.