Erie Insurance

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Erie Indemnity Reports First Quarter 2001 Earnings

ERIE, Pa. – April 19, 2001 – Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 6.6 percent increase in operating earnings per share for the first quarter of 2001 to $.48 per share from $.45 for the same period one year ago. Net income declined slightly as a result of decreased earnings from investments including decreased realized gains on investments.

Operating income (net income less realized gains and related federal income taxes) increased 5.3 percent, or $1,715,737, to $34,322,780 in the first quarter of 2001 from $32,607,043 for the same period in 2000. Operating income was bolstered by improved management operations, which grew as a result of a 12.8 percent increase in management fees, based on the direct written premiums of the Erie Insurance Group.

Direct written premiums grew 12.8 percent on strong new policy growth, gains in policy retention, improved commercial lines pricing and more stable personal lines pricing. Personal lines premium grew 8.6 percent during the first quarter 2001 while commercial lines grew 24.1 percent during the same period. Policies in force grew at an annual rate of 6.9 percent through March 31, 2001while the policy retention rate improved to 91.0 percent from 90.7 percent in the first quarter 2001 compared to the first quarter 2000.

"The combination of consistent and significant increases in quality agency appointments and our traditional steady as you go approach to underwriting during the record 10-year-soft cycle in pricing has positioned us to increase our market share and grow the Company at a pace that exceeds industry growth and retention rates in a meaningful way," said Stephen Milne, president and CEO of Erie Insurance Group.

Management fee revenue grew 12.8 percent to $145,669,105 in the first quarter of 2001 from $129,098,508 for the same period in 2000. The growth in the management fee revenue was a direct result of the growth in written premiums from $516,394,026 for the quarter ended March 31, 2000 to $582,676,418 for the same period ended 2001. Total revenues from management operations increased $17,750,027, or 13.2 percent, to $152,081,454 for the first quarter of 2001.

The cost of management operations increased 11.4 percent from $97,713,545 in the first quarter of 2000 to $108,881,196 for the same period in 2001. Commission costs totaled $73,592,987 for the first quarter of 2001, an 11.8 percent increase over the $65,816,070 reported in the first quarter of 2000. Commission costs grew more slowly than the rate of growth in direct premium written in the first quarter 2001 due to lowered accruals for agent contingency awards.

The cost of management operations excluding commission costs increased 10.6 percent for the three months ended March 31, 2001 to $35,288,209 from $31,897,475 recorded in the first quarter of 2000. Other operating costs, excluding commissions, were affected by increased consulting fees related to information technology initiatives and increased personnel costs in 2001.

Net revenue from the Company’s management operations rose 18.0 percent to $43,200,258 for the three months ended March 31, 2001 compared to $36,617,882 for the same period in 2000.

The Company’s insurance underwriting operations recorded underwriting losses of $3,537,907 and $3,202,914 in the first quarter of 2001 and 2000, respectively. The Company recognized premiums earned of $32,173,914 for the quarter ended March 31, 2001, a 7.6 percent increase over the $29,891,067 reported in the first quarter of 2000. The 2001 underwriting loss resulted from increased losses in the direct business of the Company’s property/casualty subsidiaries, primarily in private passenger automobile and homeowners insurance and continued losses in commercial insurance. Catastrophe losses for the quarter ended March 31, 2001 were $70,069. There were no catastrophe losses in the first quarter of 2000.

Net revenue from investment operations for the first quarter of 2001 decreased to $12,196,084 from $19,514,795 in 2000. Net investment income increased 4.6 percent for the first quarter of 2001 to $12,142,942 from $11,610,569 for the first quarter 2000. During the first quarter of 2000, with the equity markets at record levels, the Company realized significant gains on sales of available-for-sale securities in its investment portfolio of $5,504,512. During the first quarter of 2001, despite the decline in the equity markets, the Company was able to generate realized gains on investments of $711,576. Equity in earnings of limited partnerships recorded a partnership loss of $1,402,645 in the first quarter of 2001 compared to a partnership gain of $992,374 for the same period in 2000. The loss in 2001 was related to partnership losses in the private equity sector of the Company’s limited partnership investments, which were also affected by market conditions.

The combined results from management, insurance underwriting and investment operations generated net income for the quarter ended March 31, 2001 of $34,785,305, or $.49 per share compared to $36,184,976, or $.50 per share, earned during the first quarter of 2000.

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 private passenger 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 net 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.