



Erie Indemnity Company's Third Quarter Earnings Per Share Increase 9.4 Percent

Erie, Pa. -- October 20, 2000 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 9.4 percent increase in earnings per share for the third quarter of 2000.

Net income for the quarter ended September 30, 2000 increased to \$41,192,193, or \$.57 per share, from \$38,424,589, or \$.52 per share earned during the third quarter of 1999. For the nine months ended September 30, 2000, net income per share increased 10.5 percent to \$119,895,654, or \$1.66 per share, from \$111,057,129, or \$1.51 per share recorded in the same period in 1999. The increase in net income for the quarter was due to improved results in the company's management and investment operating segments while increased losses were experienced in the company's insurance underwriting operations.

Total revenues from management operations increased \$12,683,417, or 9.1 percent, to \$152,272,147 for the third quarter of 2000 from \$139,588,730 in the third quarter of 1999. Management fee revenue grew by 7.3 percent during the quarter. Direct written premiums, upon which management fee revenue is based, also grew 7.3 percent to \$582,877,042 in the third quarter 2000 from \$543,185,707 for the same period in 1999. Policy growth for the quarter was strong as policy retention rates and new policy growth improved. Policies-in-force grew by 6.3 percent at September 30, 2000 from one year earlier.

The cost of management operations increased 10.5 percent to \$107,854,662 in the third quarter of 2000 from \$97,643,292 for the same period in 1999. Commission costs for the third quarter 2000 increased 9.1 percent to \$74,825,430. Commission costs grew faster than the rate of growth in written premiums due to increased provisions for agent contingency awards, changes in the mix of business written and increased costs from special commission contracts used primarily to assist new ERIE agencies get established. The cost of management operations excluding commission costs increased 13.7 percent for the quarter ended September 30, 2000 to \$33,029,232 primarily due to increases in information technology expenditures and field sales employee incentive compensation.

Net revenue from the company's management operations rose 5.9 percent to \$44,417,485 for the three months ended September 30, 2000 compared to \$41,945,438 for the same period in 1999. Net revenue for the nine months ended September 30, 2000 increased 6.4 percent to \$124,345,105. The gross margin from management operations for the nine months decreased slightly to 28.3 percent in 2000 from 28.8 percent in 1999.

"We follow a solid business strategy which continues to prove successful," says Stephen A. Milne, president and CEO of Erie Insurance Group. "While our numbers speak for themselves, we are consistently recognized by leading industry authorities. Most recently, Ward Financial Group named The ERIE as one of only 13 property/casualty companies to be named to the Ward's 50 benchmark group for 10 consecutive years. And in its first national automobile insurance customer satisfaction survey, J.D. Power & Associates ranked ERIE second among the nation's largest auto insurance companies and number one among agent-represented companies."

The company's insurance underwriting operations produced an underwriting loss of \$2,742,068 during the third quarter of 2000 compared to a loss of \$1,579,458 in the third quarter of 1999. The underwriting loss in the third quarter of 2000 resulted from higher loss ratios experienced in private passenger automobile and in commercial lines of business. Catastrophe losses totaled \$316,000 in the third quarter of 2000 compared to \$1.3 million recorded in the third quarter of 1999. The company had underwriting losses of \$7,535,065 and \$1,073,850 for the nine months ended September 30, 2000 and 1999, respectively. Additional development on reinsurance losses from catastrophic storms that devastated Europe in December 1999 contributed about \$1.7 million in losses in the first nine months of 2000.

Net revenue from investment operations for the third quarter of 2000 increased 15.4 percent, to \$18,986,285 from \$16,449,582 recorded for the third quarter of 1999. This growth was the result of a \$1,565,336 increase in equity in earnings of limited partnerships combined with a \$1,269,220 increase in net investment income. Earnings recognized from the Company's 21.6% ownership of Erie Family Life Insurance Company declined slightly to \$1,303,442 in the third quarter of 2000 from the \$1,456,208 recorded in the third quarter of 1999. Net revenue from investment operations for the nine months ended September 30, 2000 increased 24.8% to \$59,159,393 from \$47,397,211 for the same period in 1999. This increase resulted from a \$3,665,001 increase in net investment income, a \$4,074,858 increase in net realized gains on investments and a \$3,823,349 increase in equity in earnings of limited partnerships.

The share repurchase program influenced net income per share during the quarter. During the third quarter of 2000, 226,000 shares were repurchased at a cost of \$6.9 million while 729,000 shares were repurchased at a cost of \$21.8 million during the

first nine months 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 is the 18th largest property/casualty insurer in the United States based on private passenger automobile 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 2.9 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.