

Erie Indemnity Company
Consolidated Statements of Operations

(dollars in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Operating revenue				
Management fee revenue, net	\$241,646	\$242,324	\$458,617	\$458,343
Premiums earned	51,736	52,122	103,662	104,096
Service agreement revenue	7,748	7,299	15,139	14,717
Total operating revenue	301,130	301,745	577,418	577,156
Operating expenses				
Cost of management operations	201,338	195,969	382,456	375,855
Losses and loss adjustment expenses incurred	33,823	29,789	67,583	62,023
Policy acquisition and other underwriting expenses	12,281	11,695	24,281	23,689
Total operating expenses	247,442	237,453	474,320	461,567
Investment income - unaffiliated				
Investment income, net of expenses	11,467	14,138	23,139	28,116
Net realized (losses) gains on investments	(14,267)	2,222	(38,846)	4,112
Equity in earnings of limited partnerships	11,275	20,180	19,253	32,698
Total investment income - unaffiliated	8,475	36,540	3,546	64,926
Income before income taxes and equity in (losses) earnings of Erie Family Life Insurance	62,163	100,832	106,644	180,515
Provision for income taxes	20,288	31,505	34,539	56,098
Equity in (losses) earnings of Erie Family Life Insurance, net of tax	(560)	1,159	(813)	2,430
Net income	\$41,315	\$70,486	\$71,292	\$126,847
Net income per share:				
Class A common stock - basic	\$0.80	\$1.22	\$1.36	\$2.19
Class A common stock - diluted	0.71	1.11	1.22	1.99
Class B common stock - basic and diluted	116.10	187.31	200.67	336.32
Weighted average shares outstanding:				
Class A common stock - basic	51,754,896	57,337,436	52,291,387	57,513,372
Class A common stock - diluted	57,898,022	63,556,114	58,434,513	63,734,450
Class B common stock - basic and diluted	2,551	2,571	2,551	2,572
Dividends declared per share:				
Class A common stock	\$0.44	\$0.40	\$0.88	\$0.80
Class B common stock	66.00	60.00	132.00	120.00

Erie Indemnity Company
Consolidated Statements of Operations - Segment Basis
(amounts in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Management operations				
Management fee revenue	\$255,809	\$256,462	\$485,408	\$485,106
Service agreement revenue	7,748	7,299	15,139	14,717
Total revenue from management operations	263,557	263,761	500,547	499,823
Cost of management operations	213,114	207,392	404,774	397,777
Income from management operations	50,443	56,369	95,773	102,046
Insurance underwriting operations				
Premiums earned	51,736	52,122	103,662	104,096
Losses and loss adjustment expenses incurred	33,823	29,789	67,583	62,023
Policy acquisition and other underwriting expenses	14,668	14,410	28,754	28,530
Total losses and expenses	48,491	44,199	96,337	90,553
Underwriting income	3,245	7,923	7,325	13,543
Investment operations				
Investment income, net of expenses	11,467	14,138	23,139	28,116
Net realized (losses) gains on investments	(14,267)	2,222	(38,846)	4,112
Equity in earnings of limited partnerships	11,275	20,180	19,253	32,698
Equity in (losses) earnings of Erie Family Life Insurance	(602)	1,247	(874)	2,613
Net revenue from investment operations	7,873	37,787	2,672	67,539
Income before income taxes	61,561	102,079	105,770	183,128
Provision for income taxes	20,246	31,593	34,478	56,281
Net income	\$41,315	\$70,486	\$71,292	\$126,847
Net income per share - Class A basic	\$0.80	\$1.22	\$1.36	\$2.19
Net income per share - Class A diluted	0.71	1.11	1.22	1.99
Net income per share - Class B basic and diluted	116.10	187.31	200.67	336.32
Weighted average shares outstanding - Class A diluted	57,898	63,556	58,435	63,734

Amounts presented on a segment basis are gross of intercompany/intersegment items.

Erie Indemnity Company
Reconciliation of Operating Income to Net Income

Definition of non-GAAP and operating measures

We believe that investors' understanding of our performance is enhanced by the disclosure of the following non-GAAP financial measure. Our method of calculating this measure may differ from those used by other companies and therefore comparability may be limited.

Operating income is net income excluding realized capital gains and losses and related federal income taxes. We elected the fair value measurement option for our common stock portfolio effective January 1, 2008. As such, changes in value related to common stocks are reported in earnings. These unrealized gains or losses are included in the net realized losses/gains on investments on the Consolidated Statements of Operations that is used to calculate operating income. Equity in earnings or losses of Erie Family Life Insurance Company and equity in earnings or losses of limited partnerships are not excluded from the calculation of operating income. Both of these categories include the respective investment's realized capital gains and losses, as well as unrealized gains and losses, as these investments are accounted for under the equity method.

Net income is the GAAP measure that is most directly comparable to operating income.

We use operating income to evaluate the results of operations. It reveals trends in our management services, insurance underwriting and investment operations that may be obscured by the net effects of realized capital gains and losses. Realized capital gains and losses may vary significantly between periods and are generally driven by business decisions and economic developments such as capital market condition, the timing of which is unrelated to our management services and insurance underwriting processes. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our performance. We are aware that the price to earnings multiple commonly used by investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered as a substitute for net income and does not reflect our overall profitability.

The following table reconciles operating income and net income for the periods ended June 30, 2008 and 2007:

(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Operating income	\$50,589	\$69,042	\$96,542	\$124,174
Net realized (losses) gains on investments	(14,267)	2,222	(38,846)	4,112
Income tax benefit (expense) on realized (losses) gains	4,993	(778)	13,596	(1,439)
Realized (losses) gains, net of income taxes	(9,274)	1,444	(25,250)	2,673
Net income	\$41,315	\$70,486	\$71,292	\$126,847

Per Class A share - diluted:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Operating income	\$0.87	\$1.09	\$1.65	\$1.95
Net realized (losses) gains on investments	(0.25)	0.03	(0.66)	0.06
Income tax benefit (expense) on realized (losses) gains	0.09	(0.01)	0.23	(0.02)
Realized (losses) gains, net of income taxes	(0.16)	0.02	(0.43)	0.04
Net income	\$0.71	\$1.11	\$1.22	\$1.99

Erie Indemnity Company
Consolidated Statements of Financial Position
(amounts in thousands, except per share data)

	June 30, 2008 <u>(Unaudited)</u>	December 31, 2007
Assets		
Investments		
Available-for-sale securities, at fair value:		
Fixed maturities	\$630,116	\$703,406
Equity securities	99,754	218,270
Trading securities, at fair value	91,133	0
Other invested assets	313,905	297,059
Total investments	<u>1,134,908</u>	<u>1,218,735</u>
Cash and cash equivalents	16,201	31,070
Equity in Erie Family Life Insurance	56,540	59,046
Premiums receivable from policyholders	257,658	243,612
Receivables from affiliates	1,170,534	1,177,830
Other assets	168,911	148,330
Total assets	<u>\$2,804,752</u>	<u>\$2,878,623</u>
Liabilities and shareholders' equity		
Liabilities		
Unpaid losses and loss adjustment expenses	\$1,004,553	\$1,026,531
Unearned premiums	437,094	421,263
Other liabilities	391,571	379,550
Total liabilities	<u>1,833,218</u>	<u>1,827,344</u>
Total shareholders' equity	<u>971,534</u>	<u>1,051,279</u>
Total liabilities and shareholders' equity	<u>\$2,804,752</u>	<u>\$2,878,623</u>
Book value per share	<u>\$16.89</u>	<u>\$17.68</u>
Shares outstanding	<u>57,519</u>	<u>59,461</u>

Erie Indemnity Company
Reconciliation of Property and Casualty Group to
Indemnity Results

(dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Property & Casualty Group insurance underwriting operations (SAP basis)				
Direct underwriting results	(Unaudited)		(Unaudited)	
Direct written premium	\$1,030,036	\$ 1,028,247	\$ 1,948,432	\$ 1,946,425
Premiums earned	962,466	963,691	1,900,286	1,905,849
Loss and loss adjustment expenses incurred	602,238	542,795	1,205,628	1,115,123
Policy acquisition and other underwriting expenses	284,255	281,669	539,118	538,771
Total losses and expenses	886,493	824,464	1,744,746	1,653,894
Direct underwriting income	75,973	139,227	155,540	251,955
Nonaffiliated reinsurance underwriting results				
Assumed voluntary-less ceded retrocessions	(555)	(652)	(345)	(3,550)
Assumed involuntary	(1,614)	23,643	(2,405)	22,279
Less: Ceded	9,253	6,843	18,296	14,659
Nonaffiliated reinsurance underwriting (loss) income	(11,422)	16,148	(21,046)	4,070
Net underwriting income (SAP basis)	\$64,551	\$155,375	\$134,494	\$256,025
Erie Indemnity insurance underwriting operations (SAP to GAAP basis)				
Percent of pool assumed by the Indemnity Company	5.50%	5.50%	5.50%	5.50%
Indemnity preliminary underwriting income (SAP basis)	\$3,550	\$8,546	\$7,397	\$14,081
SAP to GAAP adjustments	(305)	(623)	(72)	(538)
Indemnity underwriting income before tax (GAAP basis)	\$3,245	\$7,923	\$7,325	\$13,543

Property & Casualty Group (SAP basis)				
Net basis				
Loss and LAE ratio	63.8%	55.6%	64.7%	58.9%
Underwriting ratio	27.4	26.7	27.3	26.9
Policyholder dividends ratio	-	0.1	0.1	0.2
Statutory combined ratio	91.2	82.4	92.1	86.0
Adjusted combined ratio, excluding profit component	87.0	77.7	88.0	81.5
Direct business				
Loss ratio points from prior accident year reserve development - redundancy	(3.9)	(4.3)	(4.6)	(7.4)
Loss ratio points from prior accident years from salvage and subrogation recoveries collected	(1.6)	(1.8)	(2.4)	(2.4)
Total loss ratio points from prior accident years	(5.5)	(6.1)	(7.0)	(9.8)
Loss ratio points from catastrophes	2.9	2.1	2.3	1.3
Erie Indemnity Company				
GAAP combined ratio	93.7	84.8	92.9	87.0
GAAP loss ratio points from catastrophes	3.0	2.2	2.3	1.3

SAP basis represents statutory accounting principles as codified by the National Association of Insurance Commissioners (NAIC).

Selected financial data of Erie Insurance Exchange:

The selected financial data below is derived from the Erie Insurance Exchange's financial statements prepared in accordance with Statutory Accounting Principles. In our opinion, all adjustments consisting only of normal recurring accruals, considered necessary for a fair presentation have been included. The financial data set forth below is only a summary.

(dollars in thousands)

Statutory accounting basis	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(Unaudited)		(Unaudited)	
Premiums earned	\$905,050	\$913,316	\$1,792,542	\$1,802,867
Losses, loss adjustment expenses and underwriting expenses	844,022	766,464	1,665,440	1,560,891
Net underwriting income	61,028	146,852	127,102	241,976
Total investment (loss) income	(54,492)	212,935	(24,263)	349,581
Income before income taxes	6,536	359,787	102,839	591,557
Federal income tax expense	52,564	110,527	113,364	182,519
Net (loss) income	<u>(\$46,028)</u>	<u>\$249,260</u>	<u>(\$10,525)</u>	<u>\$409,038</u>

(dollars in thousands)

Statutory accounting basis	As of June 30,	As of December 31,
	2008	2007
	(Unaudited)	
Cash and invested assets	\$8,743,798	\$8,927,997
Other assets	1,247,042	1,033,852
Total assets	<u>\$9,990,840</u>	<u>\$9,961,849</u>
Loss, loss adjustment expense and unearned premium reserves	\$4,873,914	\$4,848,549
Other liabilities	360,699	345,776
Total liabilities	<u>5,234,613</u>	<u>5,194,325</u>
Policyholders' surplus	<u>4,756,227</u>	<u>4,767,524</u>
Total liabilities and policyholders' surplus	<u>\$9,990,840</u>	<u>\$9,961,849</u>

Management fee revenue by major lines of business - Segment basis:

	Three months ended			Six months ended		
	June 30,		%	June 30,		%
<i>(dollars in thousands)</i>	2008	2007	Change	2008	2007	Change
Private passenger auto	\$120,804	\$118,693	1.8 %	\$230,054	\$227,369	1.2 %
Homeowners	51,756	51,566	0.4	89,540	88,659	1.0
Commercial multi-peril	29,950	30,116	-0.6	58,694	58,880	-0.3
Commercial auto	21,638	22,125	-2.2	42,355	42,916	-1.3
Workers compensation	19,490	21,321	-8.6	40,704	44,297	-8.1
All other lines of business	13,871	13,241	4.8	25,761	24,485	5.2
	<u>257,509</u>	<u>257,062</u>	<u>0.2</u>	<u>487,108</u>	<u>486,606</u>	<u>0.1</u>
Change in allowance for management fee returned on cancelled policies	<u>(1,700)</u>	<u>(600)</u>		<u>(1,700)</u>	<u>(1,500)</u>	
Management fee revenue, net of allowance	<u>\$255,809</u>	<u>\$256,462</u>	<u>-0.3 %</u>	<u>\$485,408</u>	<u>\$485,106</u>	<u>0.1 %</u>
Management fee rate	<u>25.00%</u>	<u>25.00%</u>		<u>25.00%</u>	<u>25.00%</u>	

Growth rates of policies in force for Property and Casualty Group insurance operations by major lines of business:

Date	Private Passenger Auto	12-mth. growth rate	Homeowners	12-mth. growth rate	All Other Personal Lines	12-mth. growth rate	Total Personal Lines	12-mth. growth rate
06/30/2006	1,637,472	(1.3) %	1,366,633	1.2 %	294,409	4.2 %	3,298,514	0.2 %
09/30/2006	1,636,947	(0.9)	1,373,763	1.4	298,361	4.6	3,309,071	0.5
12/31/2006	1,633,882	(0.4)	1,377,965	1.8	301,497	5.2	3,313,344	1.0
03/31/2007	1,635,714	0.0	1,384,856	2.1	305,591	5.4	3,326,161	1.3
06/30/2007	1,644,561	0.4	1,398,034	2.3	311,761	5.9	3,354,356	1.7
09/30/2007	1,649,801	0.8	1,408,114	2.5	316,786	6.2	3,374,701	2.0
12/31/2007	1,651,234	1.1	1,413,712	2.6	321,431	6.6	3,386,377	2.2
03/31/2008	1,655,869	1.2	1,420,250	2.6	325,926	6.7	3,402,045	2.3
06/30/2008	1,667,446	1.4	1,433,504	2.5	332,922	6.8	3,433,872	2.4

Date	CML* Auto	12-mth. growth rate	CML* Multi-Peril	12-mth. growth rate	Workers Comp.	12-mth. growth rate	All Other CML* Lines	12-mth. growth rate	Total CML* Lines	12-mth. growth rate
06/30/2006	119,471	0.9 %	217,134	2.4 %	54,871	(4.4) %	91,568	2.9 %	483,044	1.3 %
09/30/2006	119,555	0.8	217,763	2.3	54,379	(4.4)	92,687	2.9	484,384	1.2
12/31/2006	119,801	0.9	218,542	2.4	53,923	(4.1)	92,687	2.7	484,953	1.3
03/31/2007	119,907	1.1	219,300	2.3	53,498	(3.2)	92,857	2.8	485,562	1.5
06/30/2007	121,587	1.8	223,670	3.0	53,955	(1.7)	94,612	3.3	493,824	2.2
09/30/2007	122,154	2.2	226,302	3.9	54,341	(0.1)	96,167	3.8	498,964	3.0
12/31/2007	122,558	2.3	228,214	4.4	54,720	1.5	96,464	4.1	501,956	3.5
03/31/2008	122,882	2.5	229,577	4.7	54,927	2.7	96,511	3.9	503,897	3.8
06/30/2008	123,955	1.9	234,393	4.8	55,801	3.4	97,745	3.3	511,894	3.7

Date	Total All Lines	12-mth. growth rate
06/30/2006	3,781,558	0.4 %
09/30/2006	3,793,455	0.6
12/31/2006	3,798,297	1.0
03/31/2007	3,811,723	1.3
06/30/2007	3,848,180	1.8
09/30/2007	3,873,665	2.1
12/31/2007	3,888,333	2.4
03/31/2008	3,905,942	2.5
06/30/2008	3,945,766	2.5

CML* = Commercial

Policy retention trends for Property and Casualty Group insurance operations by major lines of business:

Date	Private Passenger Auto	CML* Auto	Homeowners	CML* Multi-Peril	Workers Comp.	All Other Lines	Total All Lines
06/30/2006	90.3 %	87.7 %	88.9 %	85.9 %	85.9 %	86.5 %	89.0 %
09/30/2006	90.5	87.8	89.2	86.0	85.8	86.7	89.2
12/31/2006	90.8	87.7	89.4	86.0	85.7	87.1	89.5
03/31/2007	91.0	88.0	89.7	86.1	86.2	87.2	89.7
06/30/2007	91.1	88.1	89.9	86.0	86.3	87.6	89.9
09/30/2007	91.3	88.2	90.1	86.1	86.8	87.5	90.0
12/31/2007	91.5	88.2	90.3	86.0	86.8	87.8	90.2
03/31/2008	91.6	88.4	90.5	86.5	87.6	87.9	90.4
06/30/2008	91.6	87.9	90.7	86.2	87.5	88.1	90.4

CML* = Commercial

Average premium per policy trends for Property and Casualty Group insurance operations by major lines of business:

Date	Private Passenger Auto	12-mth. percent change	Home-owners	12-mth. percent change	All Other Personal Lines	12-mth. percent change	Total Personal Lines	12-mth. percent change
06/30/2006	\$1,140	(3.9) %	\$535	(2.6) %	\$348	0.6 %	\$818	(3.9) %
09/30/2006	1,122	(4.8)	530	(2.9)	348	0.3	806	(4.7)
12/31/2006	1,110	(5.5)	526	(3.1)	349	0.3	797	(5.2)
03/31/2007	1,100	(5.3)	524	(2.8)	349	0.0	791	(4.9)
06/30/2007	1,094	(4.0)	520	(2.8)	351	0.9	786	(3.9)
09/30/2007	1,093	(2.6)	519	(2.1)	352	1.1	783	(2.9)
12/31/2007	1,092	(1.6)	518	(1.5)	353	1.1	782	(1.9)
03/31/2008	1,091	(0.8)	518	(1.1)	354	1.4	781	(1.3)
06/30/2008	1,088	(0.5)	514	(1.2)	353	0.6	777	(1.1)

Date	CML* Auto	12-mth. percent change	Workers Comp.	12-mth. percent change	All Other CML* Lines	12-mth. percent change	Total CML* Lines	12-mth. percent change
06/30/2006	\$2,730	(1.8) %	\$6,143	0.7 %	\$1,676	(1.9) %	\$2,444	(2.4) %
09/30/2006	2,705	(3.0)	6,047	(0.9)	1,669	(1.5)	2,416	(3.0)
12/31/2006	2,687	(3.4)	5,985	(3.7)	1,657	(2.8)	2,393	(4.3)
03/31/2007	2,664	(4.1)	5,914	(5.7)	1,641	(4.0)	2,365	(5.4)
06/30/2007	2,627	(3.8)	5,901	(3.9)	1,616	(3.6)	2,333	(4.5)
09/30/2007	2,600	(3.9)	5,780	(4.4)	1,592	(4.6)	2,295	(5.0)
12/31/2007	2,577	(4.1)	5,602	(6.4)	1,581	(4.6)	2,262	(5.5)
03/31/2008	2,568	(3.6)	5,453	(7.8)	1,576	(4.0)	2,240	(5.3)
06/30/2008	2,530	(3.7)	5,236	(11.3)	1,546	(4.3)	2,187	(6.3)

Date	Total All Lines	12-mth. percent change
06/30/2006	\$1,026	(3.3) %
09/30/2006	1,011	(4.2)
12/31/2006	1,001	(4.8)
03/31/2007	991	(5.1)
06/30/2007	984	(4.1)
09/30/2007	978	(3.3)
12/31/2007	973	(2.8)
03/31/2008	969	(2.2)
06/30/2008	960	(2.4)

CML* = Commercial

**Property & Casualty Group Adjusted
Combined Ratio by Major Lines of
Business (SAP Basis) - Direct Business**

	Three Months ended June 30, 2008				Three Months ended June 30, 2007			
	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	83.6%	-2.5%	0.4%	85.7%	76.1%	-9.6%	0.2%	85.5%
Homeowners	88.2%	-9.5%	2.0%	95.7%	89.9%	3.4%	1.6%	84.9%
Other personal lines	98.7%	9.1%	0.1%	89.5%	99.8%	18.8%	0.1%	80.9%
Total personal lines	85.5%	-4.0%	2.5%	87.0%	80.9%	-4.9%	2.0%	83.8%
Commercial multi-peril	74.1%	-17.4%	0.3%	91.2%	83.8%	-3.3%	0.1%	87.0%
Commercial auto	94.4%	4.3%	0.1%	90.0%	72.6%	-10.8%	0.0%	83.4%
Workers compensation	115.6%	6.3%	0.0%	109.3%	77.2%	4.5%	0.0%	72.7%
Other commercial lines	63.9%	1.3%	0.0%	62.6%	49.0%	-0.6%	0.0%	49.6%
Total commercial lines	90.1%	-3.7%	0.4%	93.4%	76.6%	-3.1%	0.2%	79.5%
Grand total - direct business only	86.9%	-3.9%	2.9%	87.9%	79.6%	-4.3%	2.1%	81.8%

	Six Months Ended June 30, 2008				Six Months Ended June 30, 2007			
	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar* Year	Prior Year** Reserve Development Deficiency (Redundancy)	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	84.3%	-6.8%	0.3%	90.8%	79.9%	-12.0%	0.1%	91.8%
Homeowners	89.2%	-5.4%	1.5%	93.1%	83.8%	-2.9%	1.1%	85.6%
Other personal lines	79.3%	-3.8%	0.1%	83.0%	89.4%	6.6%	0.1%	82.7%
Total personal lines	85.4%	-6.3%	1.9%	89.8%	81.3%	-8.7%	1.3%	88.7%
Commercial multi-peril	91.6%	-2.1%	0.3%	93.4%	88.7%	-2.2%	0.1%	90.8%
Commercial auto	78.6%	-9.8%	0.1%	88.3%	75.2%	-11.5%	0.0%	86.7%
Workers compensation	103.0%	5.6%	0.0%	97.4%	90.2%	2.5%	0.0%	87.7%
Other commercial lines	90.4%	23.2%	0.0%	67.2%	47.2%	-12.6%	0.0%	59.8%
Total commercial lines	90.9%	-0.5%	0.4%	91.0%	82.6%	-4.2%	0.1%	86.7%
Grand total - direct business only	87.1%	-4.6%	2.3%	89.4%	81.8%	-7.4%	1.3%	87.9%

*The calendar year combined ratio represents the adjusted statutory combined ratio, which removes the profit component of the management fee earned by the Company.

**The prior accident year reserve development does not include the effects of salvage and subrogation recoveries.