
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

February 26, 2008

Erie Indemnity Company

(Exact name of registrant as specified in its charter)

Pennsylvania

0-24000

25-0466020

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

100 Erie Insurance Place, Erie, Pennsylvania

16530

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(814)870-2785

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

a) On February 27, 2008, Erie Indemnity Company (Company) issued a press release announcing financial results for the quarter and year ended December 31, 2007. A copy of the press release and financial information is attached hereto and is incorporated herein by reference as Exhibit 99.1 and Exhibit 99.2, respectively.

On February 28, 2008 at 10:00 a.m. the Company will hold a telephone conference call that will be webcast and that is complimentary to the press release announcing financial results for the quarter and year ended December 31, 2007.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Also in the attached press release are announcements related to certain Board members and transitions of certain management positions.

b) On February 26, 2008, the Company received from two of its incumbent directors, Kaj Ahlmann and John T. Baily, letters indicating that neither intends to stand for re-election to the Company's Board of Directors at the upcoming 2008 Annual Meeting of Shareholders. Neither Mr. Ahlmann nor Mr. Baily expressed any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

On February 27, 2008, the Company received notification of the resignation of Thomas B. Morgan, Executive Vice President, Insurance Operations to be effective February 29, 2008.

c) In conjunction with the resignation of Thomas B. Morgan discussed in b) above, the Company's Insurance Operations will be restructured under the leadership of Michael S. Zavasky, Senior Vice President and Division Officer, Strategy Management Office and George R. Lucore who retired from the Company in 2006.

Item 9.01 Financial Statements and Exhibits.

Exhibit 99.1 Press Release Text

Exhibit 99.2 Financial Information

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Erie Indemnity Company

February 27, 2008

By: *Philip A. Garcia*

Name: Philip A. Garcia

Title: Executive Vice President & CFO

Exhibit Index

Exhibit No.	Description
99.1	Press Release Text
99.2	Financial Information

Erie Indemnity Company Reports Strong Fourth Quarter Net Operating Income and Announces Management Change

Erie, Pa., February 27, 2008 — Erie Indemnity Company (NASDAQ: ERIE) today announced financial results for the fourth quarter and year end 2007.

Key points for the fourth quarter 2007:

- Net income was \$32.6 million for the fourth quarter of 2007, down from \$45.5 million for the same period in 2006. Net income per share-diluted decreased to \$0.55 per share, compared to \$0.71 per share in the comparable quarter in 2006. Net income in the fourth quarter of 2007 was affected by net realized losses on investments, which included \$16.8 million for impairments of securities.
- Net operating income per share (excluding net realized gains or losses on investments and related taxes) was \$0.69 in each of the fourth quarters of 2007 and 2006.
- Gross margins from management operations increased to 15.5 percent in the fourth quarter of 2007 from 14.2 percent in the fourth quarter of 2006.
- The GAAP combined ratio of the insurance underwriting operations was 90.5 percent in the fourth quarter of 2007 compared to 100.0 percent in the same period of 2006.
- Net revenue from investment operations decreased to \$12.4 million from \$30.7 million for the fourth quarters of 2007 and 2006, respectively, driven by realized losses on investments.
- The fourth quarter 2007 provision for income taxes was increased by adjustments to the tax basis of certain limited partnership investments.

“We capped the year with strong 4th quarter performance in our underlying business operations,” said John J. Brinling, Jr., president and chief executive officer. “Our refined pricing model, improved retention and the expansion of our agency force helped us continue to grow our total policies in force, with new policies up more than 6 percent over 2006 and new written premium up 9 percent. We continued to retain greater numbers of our current customers ending the year with a strong retention ratio of 90.2 percent. We believe our Company is positioned for another positive year in 2008.”

Details of fourth quarter 2007 results — Segment Basis:

Management operations

Management fee revenue grew 1.1 percent, while the direct written premiums of the Property and Casualty Group decreased 0.5 percent in the fourth quarter of 2007 compared to the fourth quarter of 2006. The management fee rate was 25 percent for 2007 and 24.75 percent in 2006. The higher management fee rate in 2007 increased management fee revenue by \$2.1 million, or \$0.02 per share-diluted for the quarter ended December 31, 2007.

New business premiums written in the fourth quarter of 2007 increased by 6.6 percent to \$91.3 million. In the fourth quarter of 2007, personal lines new business premiums written increased 3.5 percent, while commercial lines new business premiums written increased 12.6 percent, when compared to the same period in 2006. The Company’s year-over-year policy retention continued to improve to 90.2 at December 31, 2007, compared to 89.5 at December 31, 2006. Rate actions implemented by the Property and Casualty Group resulted in a \$13.7 million decrease in direct written premiums during the fourth quarter of 2007.

The total cost of management operations decreased 0.6 percent to \$189.2 million in the fourth quarter of 2007, from \$190.3 million for the same period in 2006. Commission costs, the largest component of the cost of management operations, increased 1.7 percent to \$132.8 million from \$130.6 million in the fourth quarter 2006. Normal and accelerated commissions increased \$0.3 million, or 0.3 percent, impacted by more agencies receiving accelerated commissions, as expected in conjunction with the recent expansion of the Company’s agency force. Agent bonuses increased \$0.9 million, or 3.5 percent to \$26.3 million in the fourth quarter of 2007 due to a new promotional incentive that began in October 2007.

Fourth quarter cost of management operations, excluding commissions, decreased 5.6 percent to \$56.4 million in 2007 from \$59.8 million in 2006. Personnel costs decreased by 9.1 percent, or \$3.2 million, in the fourth quarter of 2007 primarily due to a \$2.5 million adjustment to information technology costs allocated to affiliates. Exclusive of this adjustment, personnel costs decreased \$0.7 million as a result of a decrease in the management incentive plan expenses that were offset by higher average pay rates of Company employees.

All other operating costs increased 6.6 percent, or \$0.8 million, to \$13.8 million for the fourth quarter of 2007 compared to the fourth quarter of 2006. These costs were reduced by \$1.8 million due to the information technology cost allocation adjustment mentioned above. Exclusive of this adjustment, all other operating costs increased \$2.6 million driven primarily by \$1.5 million in additional professional fees related to various corporate initiatives and \$1.2 million in additional software purchases, software maintenance and license agreements.

Insurance underwriting operations

The insurance underwriting operations generated gains of \$4.9 million in the fourth quarter of 2007. The Property and Casualty Group's adjusted statutory combined ratio was 89.9 and 99.8 in the fourth quarter of 2007 and 2006, respectively.

- Earned premiums declined \$1.2 million for the fourth quarter of 2007 reflecting the trend of premium rate decreases.
- The fourth quarter 2007 result reflects lower catastrophe levels. Catastrophe losses incurred were \$0.5 million, or 0.9 points, in the fourth quarter of 2007 and \$2.6 million, or 4.9 points in the fourth quarter of 2006.
- Adverse development of prior accident year loss reserves, excluding salvage and subrogation recoveries, contributed \$0.6 million, or 1.2 points, to the loss ratio in the fourth quarter 2007.

The adverse development in the fourth quarter of 2007 resulted from a change in mortality assumptions used to estimate the pre-1986 automobile catastrophic injury liability reserves. The fourth quarter of 2006 also experienced adverse development resulting primarily from reserve strengthening to the pre-1986 automobile catastrophic injury liability reserves as a result of a change in the medical inflation rate assumption.

Investment operations

Net revenue from investment operations decreased to \$12.4 million in the fourth quarter of 2007 compared to \$30.7 million in the same period of 2006.

Net investment income, which includes primarily interest and dividends on the Company's fixed maturity and equity security portfolios, decreased 11.5 percent to \$12.5 million in the fourth quarter of 2007. The use of funds during the year to repurchase shares of the Company's Class A common stock has reduced the capital available for investment operations. The Company repurchased 320,958 shares of the Company's Class A non-voting common stock at a cost of \$16.9 million during the fourth quarter of 2007.

Equity in earnings of limited partnerships totaled \$12.8 million in the fourth quarter of 2007. Included in the fourth quarter of 2007 were realized gains recognized in the equity in earnings of limited partnerships of \$11.3 million and market value adjustments of \$1.5 million. The fourth quarter of 2006 equity in earnings of limited partnerships of \$12.7 million included realized gains of \$9.7 million with market value adjustments of \$3.0 million.

Net realized losses on investments totaled \$12.7 million in the fourth quarter of 2007 compared to gains of \$2.1 million in the fourth quarter of 2006. Included in net realized losses/gains on investments are impairment charges of \$16.8 million and \$1.4 million in the fourth quarters of 2007 and 2006, respectively. Contributing to the fourth quarter 2007 impairments were common stock impairments totaling \$7.0 million and preferred stock impairments totaling \$6.3 million.

Equity in losses of Erie Family Life Insurance Company (EFL) was \$0.2 million compared to earnings of \$1.8 million in the fourth quarters of 2007 and 2006, respectively. EFL had net realized losses on investments in the fourth quarter of 2007 due to \$7.2 million of impairment charges related to their bond portfolio.

The Company adopted Financial Accounting Standard (FAS) 159, "The Fair Value Option for Financial Assets and Financial Liabilities" effective January 1, 2008 for its common stock portfolio. As a result of adopting this standard, all changes in unrealized gains and losses will be reflected in the Company's Statement of Operations. A one-time cumulative-effect adjustment of approximately \$11.2 million, net of tax, will be recorded as an increase to retained earnings with an offsetting reduction to other comprehensive income on January 1, 2008.

Income Taxes

The fourth quarter 2007 provision for income taxes was increased by \$1.3 million for adjustments made to the tax basis and sale of certain limited partnership investments that impacted the Company's deferred tax liability. The low effective income tax rate of 26.8 percent in the fourth quarter 2006 was influenced by the effect of favorable IRS audit adjustments and a downward adjustment to the effective income tax rate recorded through the first three quarters of 2006.

Key points for the full-year 2007:

- Net income was \$212.9 million for the year ended December 31, 2007, a 4.4 percent increase from \$204.0 million for the year ended December 31, 2006. Net income per share-diluted increased to \$3.43 per share from \$3.13 per share in 2006. Net income was impacted by improved underwriting operations and limited partnership earnings.
- Net operating income per share (excluding net realized gains or losses on investments and related taxes) increased 11.9 percent to \$3.48 in 2007, compared to \$3.12 in 2006.
- Management fee revenue increased 0.4 percent to \$947.0 million, from \$942.8 million for the same period one year ago. Gross margins from management operations decreased to 18.1 percent for the year ended December 31, 2007 from 19.2 percent in 2006.

- GAAP combined ratios of the insurance underwriting operations improved to 88.1 percent for 2007 from 93.7 percent for 2006.
- Catastrophe losses contributed 1.7 points and 4.0 points in 2007 and 2006, respectively.
- Positive prior accident year loss reserve development favorably impacted the combined ratio in 2007.
- Net revenue from investment operations was positively impacted by a 42.9 percent increase in earnings from limited partnership investments in 2007.
- The Company repurchased 4.5 million shares of its common stock in 2007 at a cost of \$236.7 million.

Details of 2007 year-end results — Segment Basis:

Management operations

Management fee revenue reflected modest growth of 0.4 percent as direct written premiums of the Property and Casualty Group decreased 0.5 percent in 2007 compared to 2006. The management fee rate being set at its maximum level of 25 percent for 2007, up from 24.75 percent for 2006, contributed to the slight increase in management fee revenue compared to 2006. This higher management fee rate increased management fee revenue by \$9.5 million, or \$0.10 per share-diluted in 2007. The management fee rate was once again set at the maximum level of 25 percent for 2008 by the Company's Board of Directors.

Direct written premiums of the Property and Casualty Group were positively impacted by an increase in policies in force of 2.4 percent, offset by the impact of rate reductions taken in 2007 and 2006. New business policies in force grew 6.4 percent in 2007 and renewal business policies in force grew 1.9 percent in 2007. The Company added 214 new agencies in 2007 and expects another 140 new agency appointments in 2008.

Due to continued soft market conditions, the Property and Casualty Group implemented rate reductions in 2005, 2006 and 2007 to be more price-competitive for potential new policyholders and to improve retention of existing policyholders. This resulted in the decline in the Property and Casualty Group's direct written premiums. The effect of premium rate actions resulted in a net decrease in direct written premiums of \$85.9 million in 2007. Rate actions planned for 2008 could result in a net reduction to direct written premiums of \$8.8 million in 2008.

The cost of management operations increased 1.8 percent to \$799.6 million at December 31, 2007, from \$785.7 million for the year ended 2006. Commission costs, the largest component of the cost of management operations, increased 0.6 percent to \$557.4 million in 2007. Scheduled rate commissions remained level while other agent incentives drove the \$3.3 million increase in total commissions. The first full year impact of the \$50 private passenger auto bonus resulted in an increase in expense of \$3.1 million in 2007. This program runs through June 30, 2008. Accelerated rate commissions increased \$1.3 million given the recent new agency appointments.

Personnel costs increased 1.7%, or \$2.4 million, to \$138.9 million in 2007. Contributing to this increase was \$3.3 million in compensation recognized for the voluntary resignation of the Company's former chief executive officer. Higher average pay rates of employees offset by lower staffing levels also contributed to the increase. Offsetting these increases was a \$2.3 million decrease in expense for management incentive plans in 2007 due primarily to fluctuations in the market value of the estimated shares and lower than targeted performance.

All other operating costs increased \$9.9 million, or 21.1% in 2007 due to a charge for a judgment against the Company of \$4.3 million and an increase in professional fees of \$4.0 million related to various corporate initiatives.

Insurance underwriting operations

The insurance underwriting operations generated gains of \$24.7 million for the year ended December 31, 2007, compared to \$13.4 million in 2006.

- Earned premiums declined \$6.1 million in 2007, reflecting the impact of rate reductions taken in 2006 and 2007.
- Favorable development of prior accident year losses, excluding salvage and subrogation recoveries, improved the GAAP combined ratio by 5.3 points and 1.9 points in 2007 and 2006, respectively.
- Catastrophe losses incurred for 2007 were \$3.6 million compared to \$8.5 million in 2006. The Property and Casualty Group's actuarially projected average catastrophe level is about 6 loss ratio points per accident year.

The Company's 5.5 percent share of the Property and Casualty Group's positive favorable development of prior accident year losses, after removing the effects of salvage and subrogation recoveries, was \$11.0 million in 2007 and \$4.0 million in 2006. The Property and Casualty Group reduced reserves in 2007 on prior accident years as a result of sustained improved severity trends on automobile bodily injury and on uninsured/underinsured motorist (UM/UIM) bodily injury. In 2006, the total favorable development of 3.9 points was offset by 2.0 points for reserve strengthening of the pre-1986 automobile catastrophic injury liability reserve. The Property and Casualty Group's favorable development in 2006 on prior accident years was the result of improved frequency trends for automobile bodily injury and uninsured/underinsured motorist bodily injury, predominantly from 2004 and 2005 accident years.

Investment operations

Net revenue from investment operations increased by 6.6 percent to \$110.5 million for the year ended December 31, 2007, from \$103.6 million at December 31, 2006.

Net investment income decreased to \$52.8 million for 2007, from \$55.9 million for 2006, down 5.5 percent, as the Company continued to repurchase shares of its common stock. In 2007, 4.5 million shares were repurchased at a total cost of \$236.7 million. Included in 2007 are 1.9 million shares repurchased from the F. William Hirt Estate that was separately authorized from the Company's repurchase program, for a total cost of \$99.0 million. At December 31, 2007, approximately \$92 million of outstanding repurchase authority remains under the repurchase program that runs through December 31, 2008.

For the year ended December 31, 2007, the Company had net realized losses on investments of \$5.2 million, compared to net realized gains of \$1.3 million for 2006. Total impairment charges in 2007 for fixed maturities and equity securities were \$22.5 million, primarily in issues in the banking and finance industries, offset somewhat by gains on common stock sales of \$14.3 million. Included in the 2007 impairment charges are \$8.5 million related to common stock and \$8.8 million related to preferred stock. Total impairment charges in 2006 were \$6.4 million, with \$4.4 million related to equity securities.

Equity in earnings of limited partnership investments increased 42.9 percent to \$59.7 million, compared to \$41.8 million in 2006, as a result of fair value appreciation from private equity partnerships and fair value appreciation and earnings from the Company's real estate limited partnerships.

In December, the Company's Board of Directors increased the regular quarterly dividend from \$0.40 to \$0.44 on each Class A share and from \$60.00 to \$66.00 on each Class B share. The dividend increase is a result of the Company's continuing strong financial results and capitalization.

Current Market Environment

The current credit environment turmoil caused by the subprime mortgage crisis did not have a significant impact on the Company's investment portfolio in 2007. Approximately 5.0 percent of the Company's fixed income portfolio is invested in structured products and have an average rating of A+ or higher. The Company has no direct exposure to the subprime residential mortgage market through investments in structured products.

In addition to the subprime crisis, the Company continues to monitor its municipal bond portfolio and impacts that municipal bond insurer's credit rating downgrades could have on the Company's portfolio. The Company's municipal bond portfolio accounts for \$249.4 million, or 35.5 percent, of the total fixed income portfolio. Of the total municipal bond portfolio, \$199.1 million, or 79.8 percent, are insured. This insurance guarantees the payment of principal and interest on a bond if the issuer defaults. The Company's municipal bond portfolio is highly rated and includes all investment grade holdings (BBB or higher). The overall credit quality rating of the municipal bond portfolio is AAA, while the overall credit quality rating of the municipal bond portfolio giving no effect to insurance is A+.

Management Transition

The Company also announced today that Thomas B. Morgan, executive vice president, Insurance Operations, has resigned from the Company effective Friday, Feb. 29, to pursue other interests. The Company's Insurance Operations will be restructured under the leadership of two long-time ERIE employees. Michael S. Zavasky, senior vice president and division officer, Strategy Management Office, will oversee Personal Lines, Commercial Lines and Customer Service. Zavasky joined ERIE in 1977 and has worked in a variety of positions, including managing director of Reinsurance Operations and senior vice president and division officer, Commercial Lines. George Lucore, who retired in 2006 after 34 years with the Company, will rejoin ERIE to oversee Agency, Claims and Field Operations. Prior to his retirement, Lucore served as senior vice president and division officer of the Agency Division.

Board Positions

The Company has been advised by two of its incumbent directors, Kaj Ahlmann and John T. Baily, that they do not intend to stand for reelection to the Company's Board of Directors at its annual shareholders' meeting scheduled for April 22, 2008. In separate letters to the Board's Nominating Committee chair, each director indicated that they will finish out their current term, continuing in their respective roles as Strategy Committee chair (Ahlmann) and Audit Committee chair (Baily). The Board will announce the 2008 slate of directors for election on or about March 10, 2008.

Erie Indemnity Company provides management services to 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 16th largest automobile insurer in the United States based on direct premiums written and the 21st largest property/casualty insurer in the United States based on total lines net premium written. The Group, rated A+ (Superior) by A.M. Best Company, has over 3.8 million policies in force and

operates in 11 states and the District of Columbia. Erie Insurance Group ranked 463 on the FORTUNE 500 and Erie Indemnity Company is included in Forbes Magazine's PLATINUM 400 list of the best-managed companies in America.

News releases and more information about Erie Insurance Group are available at <http://www.erieinsurance.com>

“Safe Harbor” Statement Under the Private Securities Litigation Reform Act of 1995: Certain forward-looking statements contained herein involve risks and uncertainties. These forward-looking statements reflect the Company's current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that may cause results to differ materially from those anticipated in those statements. Many of the factors that will determine future events or achievements are beyond our ability to control or predict. These statements include certain discussions relating to management fee revenue, cost of management operations, underwriting, premium and investment income volume, business strategies, profitability and business relationships and other business activities during 2007 and beyond. The Company assumes no obligation whatsoever to publicly update or revise any forward-looking statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

	Three months ended December 31, 2007	Three months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
Operating revenue				
Management fee revenue, net	\$ 204,549	\$ 202,348	\$ 894,981	\$ 891,071
Premiums earned	51,574	52,797	207,562	213,665
Service agreement revenue	7,562	7,738	29,748	29,246
Total operating revenue	<u>263,685</u>	<u>262,883</u>	<u>1,132,291</u>	<u>1,133,982</u>
Operating expenses				
Cost of management operations	178,873	179,897	755,642	742,526
Losses and loss adjustment expenses incurred	33,114	38,369	125,903	139,630
Policy acquisition and other underwriting expenses	12,131	13,143	48,909	52,048
Total operating expenses	<u>224,118</u>	<u>231,409</u>	<u>930,454</u>	<u>934,204</u>
Investment income – unaffiliated				
Investment income, net of expenses	12,483	14,102	52,833	55,920
Net realized (losses) gains on investments	(12,742)	2,056	(5,192)	1,335
Equity in earnings of limited partnerships	12,823	12,717	59,690	41,766
Total investment income – unaffiliated	<u>12,564</u>	<u>28,875</u>	<u>107,331</u>	<u>99,021</u>
Income before income taxes and equity in (losses) earnings of Erie Family Life Insurance Company	52,131	60,349	309,168	298,799
Provision for income taxes	19,370	16,542	99,137	99,055
Equity in (losses) earnings of Erie Family Life Insurance Company, net of tax	(159)	1,712	2,914	4,281
Net income	<u>\$ 32,602</u>	<u>\$ 45,519</u>	<u>\$ 212,945</u>	<u>\$ 204,025</u>
Net income per share:				
Class A common stock – basic	<u>\$ 0.61</u>	<u>\$ 0.78</u>	<u>\$ 3.80</u>	<u>\$ 3.45</u>
Class A common stock – diluted	<u>0.55</u>	<u>0.71</u>	<u>3.43</u>	<u>3.13</u>
Class B common stock – basic and diluted	<u>90.23</u>	<u>119.65</u>	<u>572.98</u>	<u>524.87</u>
Weighted average shares outstanding:				
Class A common stock – basic	<u>53,550,013</u>	<u>57,782,967</u>	<u>55,928,177</u>	<u>58,827,987</u>
Class A common stock – diluted	<u>59,689,852</u>	<u>64,000,388</u>	<u>62,096,816</u>	<u>65,256,608</u>
Class B common stock – basic and diluted	<u>2,551</u>	<u>2,573</u>	<u>2,563</u>	<u>2,661</u>
Dividends declared per share:				
Class A common stock	<u>\$ 0.44</u>	<u>\$ 0.40</u>	<u>\$ 1.64</u>	<u>\$ 1.48</u>
Class B common stock	<u>66.00</u>	<u>60.00</u>	<u>246.00</u>	<u>222.00</u>

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS — SEGMENT BASIS

(amounts in thousands, except per share data)

	Three months ended December 31, 2007	Three months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
Management Operations				
Management fee revenue	\$216,332	\$214,067	\$947,023	\$942,845
Service agreement revenue	7,562	7,738	29,748	29,246
Total revenue from management operations	223,894	221,805	976,771	972,091
Cost of management operations	189,220	190,332	799,597	785,683
Income from management operations	<u>34,674</u>	<u>31,473</u>	<u>177,174</u>	<u>186,408</u>
Insurance Underwriting Operations				
Premiums earned	51,574	52,797	207,562	213,665
Losses and loss adjustment expenses incurred	33,114	38,369	125,903	139,630
Policy acquisition and other underwriting expenses	13,567	14,427	56,996	60,665
Total losses and expenses	46,681	52,796	182,899	200,295
Underwriting income	<u>4,893</u>	<u>1</u>	<u>24,663</u>	<u>13,370</u>
Investment Operations				
Investment income, net of expenses	12,483	14,102	52,833	55,920
Net realized (losses) gains on investments	(12,742)	2,056	(5,192)	1,335
Equity in earnings of limited partnerships	12,823	12,717	59,690	41,766
Equity in (losses) earnings of Erie Family Life Insurance	(171)	1,841	3,133	4,604

Company				
Net revenue from investment operations	<u>12,393</u>	<u>30,716</u>	<u>110,464</u>	<u>103,625</u>
Income before income taxes	51,960	62,190	312,301	303,403
Provision for income taxes	19,358	16,671	99,356	99,378
Net income	<u>\$ 32,602</u>	<u>\$ 45,519</u>	<u>\$212,945</u>	<u>\$204,025</u>
Net income per share – Class A basic	<u>\$ 0.61</u>	<u>\$ 0.78</u>	<u>\$ 3.80</u>	<u>\$ 3.45</u>
Net income per share – Class A diluted	<u>0.55</u>	<u>0.71</u>	<u>3.43</u>	<u>3.13</u>
Net income per share – Class B basic and diluted	<u>90.23</u>	<u>119.65</u>	<u>572.98</u>	<u>524.87</u>
Weighted average shares outstanding - Class A diluted	<u>59,690</u>	<u>64,000</u>	<u>62,097</u>	<u>65,257</u>

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

ERIE INDEMNITY COMPANY

RECONCILIATION OF OPERATING INCOME TO NET INCOME

Definition on 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. 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 management services and the 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 December 31, 2007 and 2006:

	Three months ended December 31, 2007 (Unaudited)	Three months ended December 31, 2006 (Unaudited)	Twelve months ended December 31, 2007 (Unaudited)	Twelve months ended December 31, 2006 (Unaudited)
(in thousands, except per share data)				
Operating income	\$ 40,884	\$44,183	\$216,320	\$203,157
Net realized (losses) gains on investments	(12,742)	2,056	(5,192)	1,335
Income tax benefit (expense) on realized (losses) gains	4,460	(720)	1,817	(467)
Realized (losses) gains, net of income taxes	<u>(8,282)</u>	<u>1,336</u>	<u>(3,375)</u>	<u>868</u>
Net income	<u>\$ 32,602</u>	<u>\$45,519</u>	<u>\$212,945</u>	<u>\$204,025</u>
	Three months ended December 31, 2007 (Unaudited)	Three months ended December 31, 2006 (Unaudited)	Twelve months ended December 31, 2007 (Unaudited)	Twelve months ended December 31, 2006 (Unaudited)
Per Class A Share – Diluted				
Operating income	\$ 0.69	\$ 0.69	\$ 3.48	\$ 3.12
Net realized (losses) gains on investments	(0.21)	0.03	(0.08)	0.02
Income tax benefit (expense) on realized (losses) gains	0.07	(0.01)	0.03	(0.01)
Realized (losses) gains, net of income taxes	<u>(0.14)</u>	<u>0.02</u>	<u>(0.05)</u>	<u>0.01</u>
Net income	<u>\$ 0.55</u>	<u>\$ 0.71</u>	<u>\$ 3.43</u>	<u>\$ 3.13</u>

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(amounts in thousands, except per share data)

	December 31, 2007	December 31, 2006
ASSETS		
Investments		
Fixed maturities	\$ 703,406	\$ 836,738
Equity securities		
Preferred stock	110,180	133,401
Common stock	108,090	117,246
Other invested assets	297,059	235,672
Total investments	<u>1,218,735</u>	<u>1,323,057</u>

Cash and cash equivalents	31,070	60,241
Equity in Erie Family Life Insurance Company	59,046	57,162
Premiums receivable from policyholders	243,612	247,187
Receivables from affiliates	1,177,830	1,238,852
Other assets	148,330	112,862
Total assets	<u>\$2,878,623</u>	<u>\$3,039,361</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	\$1,026,531	\$1,073,570
Unearned premiums	421,263	424,282
Other liabilities	379,550	379,661
Total liabilities	<u>1,827,344</u>	<u>1,877,513</u>
Total shareholders' equity	<u>1,051,279</u>	<u>1,161,848</u>
Total liabilities and shareholders' equity	<u>\$2,878,623</u>	<u>\$3,039,361</u>
Book value per share	<u>\$ 17.68</u>	<u>\$ 18.17</u>
Shares outstanding	<u>59,461</u>	<u>63,952</u>

ERIE INDEMNITY COMPANY
RECONCILIATION OF PROPERTY AND CASUALTY GROUP TO INDEMNITY RESULTS

(dollars in thousands)	Three months ended December 31, 2007	Three months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
Property and Casualty Group Insurance Underwriting				
Operations (SAP Basis)				
Direct underwriting results				
Direct written premium	\$856,926	\$860,878	\$3,784,891	\$3,803,414
Premiums earned	926,876	937,324	3,786,603	3,883,694
Loss and loss adjustment expenses incurred	632,764	720,010	2,294,964	2,530,240
Policy acquisition and other underwriting expenses	236,998	252,601	1,048,510	1,110,923
Total losses and expenses	869,762	972,611	3,343,474	3,641,163
Direct underwriting income (loss)	57,114	(35,287)	443,129	242,531
Nonaffiliated reinsurance underwriting results				
Assumed voluntary-less ceded retrocessions	19,125	6,701	12,234	16,392
Assumed involuntary	(1,468)	(696)	15,009	1,905
Less: Ceded	(4,202)	(24,158)	16,281	(6,598)
Nonaffiliated reinsurance underwriting income	21,859	30,163	10,962	24,895
Net Underwriting income (loss) (SAP Basis)	<u>\$ 78,973</u>	<u>\$ (5,124)</u>	<u>\$ 454,091</u>	<u>\$ 267,426</u>
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 (loss) (SAP Basis)	\$ 4,344	\$ (282)	\$ 24,975	\$ 14,708
Excess-of-loss changes to recoveries under the agreement	0	(181)	0	(1,027)
SAP to GAAP adjustments	549	464	(312)	(311)
Indemnity Underwriting income before tax (GAAP Basis)	<u>\$ 4,893</u>	<u>\$ 1</u>	<u>\$ 24,663</u>	<u>\$ 13,370</u>
Property & Casualty Group (SAP Basis)				
Net basis:				
Loss and LAE ratio	66.0%	74.0%	60.5%	64.8%
Underwriting ratio	26.9	26.9	27.0	28.2
Policyholder dividends ratio	0.2	1.6	0.2	0.5
Statutory combined ratio	93.1	102.5	87.7	93.5
Adjusted combined ratio, excluding profit component	89.9	99.8	83.8	89.4
Direct business:				
Loss ratio points from prior accident year reserve development – deficiency (redundancy)	1.2	4.2	(5.3)	(1.9)
Loss ratio points from prior accident years from salvage and subrogation recoveries collected	(0.9)	(0.8)	(1.7)	(1.6)
Total loss ratio points from prior accident years	0.3	3.4	(7.0)	(3.5)
Loss ratio points from catastrophes	0.9	5.0	1.7	4.0
Erie Indemnity Company				
GAAP combined ratio	90.5	100.0	88.1	93.7
GAAP loss ratio points from catastrophes	0.9	4.9	1.7	4.0

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

The selected financial data below is derived from the Erie Insurance Exchange's financial statements prepared in accordance with Statutory Accounting Principles. In the opinion of management, 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.

	Three months ended December 31, 2007	Three months ended December 31, 2006	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006
(in thousands)				
Statutory Accounting Basis				
Premiums earned	\$869,867	\$890,510	\$3,572,189	\$3,675,705
Losses, LAE and underwriting expenses	795,191	895,146	3,142,990	3,421,997
Net underwriting income (loss)	74,676	(4,636)	429,199	253,708
Total investment income	103,573	202,017	563,087	480,771
Income before income taxes	178,249	197,381	992,286	734,479
Federal income tax expense	87,912	59,259	372,209	229,709
Net income	<u>\$ 90,337</u>	<u>\$138,122</u>	<u>\$ 620,077</u>	<u>\$ 504,770</u>
			As of December 31, 2007	As of December 31, 2006
(in thousands)				
Statutory Accounting Basis				
Cash and invested assets			\$8,927,997	\$8,494,655
Other assets			1,033,852	1,021,489
Total assets			<u>\$9,961,849</u>	<u>\$9,516,144</u>
Loss, loss adjustment expense and unearned premium reserves			\$4,848,549	\$4,993,365
Other liabilities			345,776	435,683
Total liabilities			<u>5,194,325</u>	<u>5,429,048</u>
Policyholders' surplus			4,767,524	4,087,096
Total liabilities and policyholders' surplus			<u>\$9,961,849</u>	<u>\$9,516,144</u>

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

	Three months ended December 31, 2007	Three months ended December 31, 2006	%	Twelve months ended December 31, 2007	Twelve months ended December 31, 2006	%
			Change			Change
(in thousands)						
Private passenger auto	\$103,040	\$101,723	1.3%	\$450,651	\$448,514	0.5%
Homeowners	42,973	41,986	2.4	183,221	179,477	2.1
Commercial multi-peril	24,537	24,454	0.3	108,907	109,040	-0.1
Commercial auto	17,500	17,757	-1.4	78,963	79,693	-0.9
Workers' compensation	14,882	16,603	-10.4	76,641	79,877	-4.1
All other lines of business	11,300	10,544	7.2	47,840	44,744	6.9
	<u>214,232</u>	<u>213,067</u>	0.5	<u>946,223</u>	<u>941,345</u>	0.5
Change in allowance for management fee returned on cancelled policies	2,100	1,000		800	1,500	
Management fee revenue, net of allowance	<u>\$216,332</u>	<u>\$214,067</u>	1.1%	<u>\$947,023</u>	<u>\$942,845</u>	0.4%
Management fee rate	<u>25.00%</u>	<u>24.75%</u>		<u>25.00%</u>	<u>24.75%</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
12/31/2005	1,640,563	(1.8)%	1,353,912	0.5%	286,604	2.7%	3,281,079	(0.5)%
03/31/2006	1,636,048	(1.6)	1,356,885	1.0	289,964	3.6	3,282,897	(0.1)
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

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
12/31/2005	118,728	1.2%	213,347	1.8%	56,218	(4.6)%	90,227	2.7%	478,520	1.0%
03/31/2006	118,587	1.0	214,461	2.3	55,254	(4.7)	90,301	2.8	478,603	1.2
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

Date	Total All Lines	12-mth. growth rate
12/31/2005	3,759,599	(0.3)%
03/31/2006	3,761,500	0.1
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

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
12/31/2005	90.0%	87.9%	88.2%	85.4%	86.2%	86.0%	88.6%
03/31/2006	90.1	88.0	88.6	85.9	86.0	86.2	88.8
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

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	Homeowners	12-mth. percent change	All Other Personal Lines	12-mth. percent change	Total Personal Lines	12-mth. percent change
12/31/2005	\$1,174	(1.3)%	\$543	(0.5)%	\$348	0.3%	\$841	(1.6)%
03/31/2006	1,161	(2.7)	539	(2.4)	349	0.6	832	(3.0)
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)

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
12/31/2005	\$2,781	(0.3)%	\$6,212	6.7%	\$1,705	(0.1)%	\$2,501	0.6%
03/31/2006	2,778	(0.8)	6,270	4.4	1,710	(0.6)	2,501	(0.5)
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)

Date	Total All Lines	12-mth. percent change
12/31/2005	\$1,052	(0.8)%
03/31/2006	1,044	(2.1)
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)

**PROPERTY & CASUALTY GROUP ADJUSTED COMBINED RATIO BY
MAJOR LINES OF BUSINESS (SAP BASIS) – DIRECT BUSINESS**

	Three Months ended December 31, 2007				Three Months ended December 31, 2006			
	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	101.1%	1.4%	0.1%	99.6%	101.8%	0.2%	0.4%	101.2%
Homeowners	71.9%	0.2%	0.6%	71.1%	82.4%	0.7%	3.0%	78.7%
Other Personal Lines	64.4%	-11.2%	0.0%	75.6%	118.8%	36.3%	0.2%	82.3%
Total Personal	91.5%	0.5%	0.7%	90.3%	97.2%	1.7%	3.6%	91.9%
Commercial Multi-Peril	83.9%	0.6%	0.2%	83.1%	104.6%	13.5%	1.3%	89.8%
Commercial Auto	74.7%	-9.7%	0.0%	84.4%	88.9%	-6.6%	0.0%	95.5%
Workers' Compensation	137.1%	33.2%	0.0%	103.9%	137.3%	20.8%	0.0%	116.5%
Other Commercial Lines	14.2%	-50.2%	0.0%	64.4%	143.7%	9.9%	0.0%	133.8%
Total Commercial	90.7%	2.8%	0.2%	87.7%	112.0%	9.8%	1.3%	100.9%
Grand Total – Direct Business Only	91.2%	1.2%	0.9%	89.1%	101.7%	4.2%	5.0%	92.5%
	Twelve Months ended December 31, 2007				Twelve Months ended December 31, 2006			
	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	85.0%	-8.2%	0.3%	92.9%	92.2%	-2.2%	0.4%	94.0%
Homeowners	81.6%	-1.8%	1.2%	82.2%	85.7%	-3.4%	2.6%	86.5%
Other Personal Lines	80.1%	0.2%	0.1%	79.8%	97.5%	18.0%	0.2%	79.3%
Total Personal	83.9%	-6.1%	1.6%	88.4%	90.6%	-1.7%	3.2%	89.1%
Commercial Multi-Peril	88.7%	-3.3%	0.1%	91.9%	89.2%	0.0%	0.7%	88.5%
Commercial Auto	73.7%	-12.6%	0.0%	86.3%	81.7%	-5.0%	0.1%	86.6%
Workers' Compensation	99.9%	8.8%	0.0%	91.1%	93.8%	-2.0%	0.0%	95.8%
Other Commercial Lines	45.2%	-16.3%	0.0%	61.5%	89.5%	-3.9%	0.0%	93.4%
Total Commercial	84.7%	-3.5%	0.2%	88.0%	88.5%	-2.2%	0.8%	89.9%
Grand Total – Direct Business Only	84.1%	-5.3%	1.7%	87.7%	90.0%	-1.9%	4.0%	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.