



## Erie Indemnity Net Income Per Share Increases 12 Percent

ERIE, Pa. – July 19, 2001 – Erie Indemnity Company (Nasdaq: ERIE ), the management company for the Erie Insurance Group, announced a 12.0 percent increase in net income per share for the second quarter of 2001.

Net income for the quarter ended June 30, 2001 increased to \$47,129,396 or \$.66 per share, from \$42,518,485 or \$.59 per share earned during the second quarter of 2000. For the six months ended June 30, 2001 , net income increased to \$81,914,701 or \$1.15 per share, from \$78,703,461 or \$1.09 per share recorded in the same period in 2000. The increase in net income for the quarter was due to improved results in the Company's management operations, which grew as a result of a strong 14.0 percent increase in management fee revenue, driven by the growth in direct written premiums of the Erie Insurance Group.

Operating income (net income less net realized gain on investments and related federal income taxes) increased 18.5 percent to \$45,820,927 in the second quarter of 2001 from \$38,659,789 for the same period in 2000. Operating earnings per share for the second quarter of 2001 increased 19.7 percent to \$.64 per share from \$.54 per share for the same period one year ago. For the six months ended June 30, 2001 , operating income increased 12.5 percent to \$80,143,708 from \$71,266,832 reported for the same period in 2000.

Direct written premiums grew 14.0 percent for the quarter on strong new policy growth, improved commercial lines pricing and more stable personal lines pricing. Policies in force grew at an annualized rate of 7.4 percent at June 30, 2001 while the policy retention rate improved to 91.0 percent from 90.9 percent for the same period from one year earlier. Commercial lines premium written grew 24.5 percent during the second quarter 2001 while personal lines premium written grew 10.5 percent during the same period.

"The value of our products combined with the outstanding personal service that our agents provide continues to set the ERIE apart from the competition," said Stephen A. Milne, president and CEO of the Erie Insurance Group. "As we remain consistent in our underwriting strategy and true to our business model of selling insurance only through independent agents, the company continues to grow at an impressive pace."

Management fee revenue grew 14.0 percent to \$167,827,662 in the second quarter of 2001 from \$147,173,682 for the same period in 2000. The growth in the management fee revenue was a direct result of the growth in written premiums of the Group, up from \$588,694,727 for the quarter ended June 30, 2000 to \$671,310,649 for the same period in 2001. Total revenues from management operations increased 14.8 percent to \$174,665,927 for the second quarter of 2001.

The cost of management operations increased 11.7 percent from \$108,800,520 in the second quarter of 2000 to \$121,562,179 for the same period in 2001. Commission costs totaled \$85,644,046 for the second quarter of 2001, a 13.2 percent increase over the \$75,667,663 reported in the second quarter of 2000. Commission costs grew more slowly than the rate of growth in direct premium written in the second quarter 2001 due to reduced agent contingency incentive expenses.

The cost of management operations excluding commission costs increased 8.4 percent for the three months ended June 30, 2001 to \$35,918,133 from \$33,132,857 recorded in the second quarter of 2000. Other operating costs, excluding commissions, were affected by increased salaries, employee benefits and underwriting expenses in 2001.

Net revenue from the Company's management operations rose 22.6 percent to \$53,103,748 for the three months ended June 30, 2001 compared to \$43,309,738 for the same period in 2000. For the six months ended June 30, 2001 net revenue from management operations totaled \$96,304,006, an increase of 20.5 percent when compared to the first six months of 2000. The gross margin from management operations (net revenue divided by total revenue) improved to 30.4 percent in the second quarter of 2001, compared to the gross margin of 28.5 percent reported in the second quarter of 2000.

The Company's insurance underwriting operations recorded underwriting losses of \$1,786,331 and \$1,590,083 in the second quarters of 2001 and 2000, respectively. The Company recognized premiums earned of \$33,916,874 for the quarter ended June 30, 2001 , a 10.6 percent increase over the \$30,676,646 reported in the second 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. Commercial insurance loss ratios have improved in 2001 versus 2000 due to firmer pricing in those lines of insurance. Catastrophe losses were \$43,953 and \$953,758 for the quarters ended June 30, 2001 and 2000, respectively. The Company had an underwriting loss of \$5,324,238 for the first six months of 2001 compared

to an underwriting loss of \$4,792,997 for the same period in 2000.

Net revenue from investment operations for the second quarter of 2001 decreased to \$18,731,053 from \$20,658,313 in 2000. Net realized gains on investments for the quarter ended June 30, 2001 decreased to \$2,013,029 from \$5,936,455 for the same period one year ago. Net revenue from investment operations for the six months ended June 30, 2001 decreased 23.0 percent to \$30,927,137 from \$40,173,108 for the same period in 2000. During the first half of 2000 the Company took advantage of strong equity markets, producing realized gains of \$11,440,967. During the first half of 2001, with equity markets much weaker, the Company realized gains of \$2,724,605 on the sale of available-for-sale securities in its investment portfolio. For the six months ended June 30, 2001 equity in earnings of limited partnerships decreased \$907,967 to \$1,508,051 from \$2,416,018 for the same period in 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 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.

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

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