



Erie Indemnity Earnings Rise 12.6% in 4th Quarter and 12.4% for Year

Erie, Pa.-- Feb. 21, 1997 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, released positive financial results for the fourth quarter and the year of 1996. Net income increased by 12.6 percent for the quarter ended December 31, 1996 to \$25,981,152 or \$.35 per share, from the \$23,068,737 or \$.31 per share, earned during the fourth quarter of 1995. Net income for the year ended December 31, 1996 amounted to \$105,132,359 or \$1.41 per share. This was a 12.4 percent increase over the prior year's net income of \$93,550,797 or \$1.26 per share.

The growth in net income during the fourth quarter was driven by gains in the company's management and investment operations while underwriting operations lagged last year's fourth quarter. For the year, management operations and investment operations improved significantly over 1995 levels while insurance underwriting operations underperformed 1995 levels.

Commenting on The ERIE's fourth quarter and year-end operating results, Stephen A. Milne, President and Chief Executive officer noted: "We are very pleased with the improvement in our management operations and earnings generated from our investment operations, which contributed significantly to net income in 1996. The company's ability to overcome the significant natural catastrophes that occurred during the year is a sign of our underlying strength as a company."

Net revenues from the company's management operations rose 22.4 percent to \$27,578,312 for the three months ended December 31, 1996 compared to \$22,535,847 for the same period in 1995. Net revenues from management operations for the year ended December 31, 1996 amounted to \$127,428,577 and were 14.5 percent greater than the \$111,276,227 recorded during the same period in 1995. The gross margin for management operations improved to 28.4 percent in 1996 from 26.1 percent in 1995.

The company's insurance underwriting operations had premiums earned of \$26,209,355 for the three months ended December 31, 1996, a 9.2 percent increase over the \$23,990,841 of earned premiums booked in the fourth quarter of 1995. For the year ended December 31, 1996, premiums earned totalled \$101,509,759, up 9.3 percent from a year earlier. Underwriting losses continued in the fourth quarter amounting to \$1,787,294 compared to a gain of \$739,802 in the fourth quarter of 1995. For 1996, the underwriting loss stood at \$11,579,211 compared to an underwriting loss of \$3,737,618 recorded for 1995. Insurance operations were adversely affected by catastrophe losses from severe winter weather during the first quarter of 1996 and by Hurricane Fran in North Carolina in September, 1996. Catastrophe losses in 1996 amounted to \$8.1 million, compared to catastrophe losses of \$1.1 million in 1995.

Income from the investment operations for the fourth quarter increased by 20.9 percent to \$11,833,679 from the \$9,787,648 posted in the fourth quarter of 1995. A 24.5 percent increase in dividend and interest income, as well as \$3.2 million of non-recurring realized capital gains on investments, fueled the growth in income from investment operations in the fourth quarter of 1996. For all of 1996, income from the investment operations stood at \$36,198,425 compared to the \$30,472,840 reported a year earlier, an increase of 18.8 percent.

"Cost containment measures and a continued emphasis on service play a major role in our daily operations," Milne noted. "The ERIE's employees and independent agents understand that ERIE's hallmark of service enables the company to succeed in this highly competitive industry. We are very pleased with their dedicated efforts to provide service to our policyholders, which has translated into our outstanding financial performance."

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 Family Life Insurance Company, Erie Insurance Company, the Erie Insurance Property and Casualty Company and the Erie Insurance Company of New York.

Erie Insurance Exchange, based in Erie, Pennsylvania, is the 12th largest insurer of private passenger automobiles and the 23rd largest property and casualty insurer in the United States. Erie Insurance Group operates in nine states and the District of Columbia.