



## **Erie Indemnity Company's First Quarter Earnings up 20 Percent**

ERIE, Pa. -- April 18, 1997 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 20 percent increase in earnings for the first quarter of 1997. Net income increased by 20.1 percent for the quarter ended March 31, 1997 to \$28,210,795 or \$.38 per share, compared to \$23,498,077 or \$.32 per share earned during the first quarter of 1996 (adjusted for the 3-for-1 split of Class A shares in May, 1996). The growth in net income during the first quarter of 1997 was driven by gains in all three of the company's major business segments consisting of management operations, insurance underwriting operations and investment operations.

Net revenues from the company's management operations rose 3.2 percent to \$31,673,559 for the three months ended March 31, 1997 compared to \$30,687,956 for the same period in 1996. Total revenue from management operations rose to \$115,135,094 in the first quarter of 1997 from \$109,864,606 in the first quarter of 1996. The cost of management operations rose 5.4 percent to \$83,461,535 versus \$79,176,650 for the first quarter 1997 and 1996, respectively. However, the cost of management operations, excluding commissions costs which are primarily related to the premium volume, fell 0.3 percent to \$28,002,737 in the first quarter 1997 versus \$28,075,259 in the same quarter of 1996. Commission costs for the first quarter of 1997 increased 8.5 percent to \$55,458,798 from \$51,101,391 in the first quarter of 1996. Commission costs grew more than the rate of premium growth for the Erie Insurance Group due to increased provisions for agent bonuses resulting from improved underwriting profitability in the first quarter of 1997.

The company's insurance operations had premiums earned of \$25,850,574 for the three months ended March 31, 1997, a 5.3 percent increase over the \$24,552,197 of earned premiums booked in the first quarter of 1996. Underwriting results improved significantly in the first quarter of 1997. Erie Indemnity experienced a first quarter underwriting loss of \$47,913, partly due to mild weather conditions in the Company's operating territories, compared to the winter storm influenced underwriting loss of \$5,817,156 in the first quarter of 1996. Included in the first quarter 1997 underwriting results are \$1,262,112 in Company recoveries under its aggregate excess of loss reinsurance arrangement which went into effect on January 1, 1997.

Revenue from investment operations for the first quarter of 1997 increased by 37.5 percent to \$9,716,928 from the \$7,068,530 posted in the first quarter of 1996. A 27 percent increase in dividend and interest income, as well as \$1,137,325 of non-recurring realized capital gains on investments, and increased earnings from Erie Family Life, fueled the growth in income from investment operations in the first quarter of 1997.

Stephen A. Milne, President and Chief Executive Officer, noted, "We are pleased with our improved quarterly earnings, which are attributable to greatly improved underwriting and investment results, combined with continued efforts to closely control costs and improve employee productivity. The dedication of The ERIE's employees and independent agents continue to be reflected in our positive financial achievements."

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, 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.