Erie Indemnity Reports Increased 4th Quarter Earnings And Plans to Enter Another State

Erie, Pa. -- February 15, 2000 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announces earnings of $0.44 per share for the fourth quarter 1999. Consistent with the company's long-term goals for quality growth, ERIE also has committed to expand into an additional state. The new state will be selected in the first quarter of 2000 from several states currently under review.

For the year ended December 31, 1999, net income increased 6.4 percent to $143,105,956 from $134,551,494 recorded in 1998. Earnings per share were $1.95 for the year ended December 31, 1999, compared to $1.81 for the same period in 1998, an increase of 7.7 percent. Net income was $32,048,827 for the fourth quarter of 1999, compared to $31,685,417 for the same period of 1998, an increase of 1.1 percent. Earnings per share for the quarter ended December 31, 1999 increased 2.3 percent to 44 cents per share from 43 cents per share for the same period in 1998.

"In a period of extreme rate cutting and enhanced competition, we are pleased that our earnings continued to grow in 1999, a year in which many insurance companies saw their earnings decline," said Stephen A. Milne, president and chief executive officer of the Erie Insurance Group. The year 1999 marks the eleventh consecutive year of growth in the Company's earnings.

Total revenue from management operations increased $5,749,361, or 4.9 percent, to $122,756,870 for the fourth quarter of 1999 from $117,007,509 in the fourth quarter of 1998. Direct written premiums of the Group, upon which management fee revenue is based, grew 1.9 percent to $472,967,164 in the fourth quarter of 1999 from $464,297,134 for the same period in 1998. For the year, direct written premium of the Group grew 1.8 percent to $2,053,501,124 in 1999 from $2,017,102,661 in 1998. Although premium growth has been moderated by rate cuts necessitated by intense competition, the Group continues to increase market share. Policy growth was strong with policies in-force growing 5.1 percent to 2,689,849 for the year ended December 31, 1999.

"There are positive signs that personal lines pricing is firming and, with our strong policy growth, we expect improved premium growth in 2000," said Milne. "The addition of a new state will also improve our long-term growth prospects."

The cost of management operations increased $6,500,600 or 7.7 percent to $91,137,627 in the fourth quarter of 1999 from $84,637,027 for the same period in 1998 due to increased agent bonuses. The favorable direct underwriting results for the past three years has resulted in increased agent contingency bonuses, which are based on average agency direct underwriting profitability for the prior three years. The bonuses increased $4,858,923 to $7,633,884 in the fourth quarter of 1999 compared to $2,774,961 in the fourth quarter of 1998. For the year, agent contingency bonuses totaled $19.9 million compared to $10.6 million in 1998. Net revenue from management operations for the year ended December 31, 1999 increased 2.3 percent to $148,517,964. The gross margin from management operations for the year decreased to 28.0 percent in 1999 from 28.8 percent in 1998.

In the insurance underwriting operating segment, the Company recognized premiums earned of $29,650,804 for the quarter ended December 31, 1999, a 2.4 percent increase over the $28,944,373 reported in the fourth quarter of 1998. For the year ended December 31, 1999, earned premium revenue totaled $117,223,873, up 3.8 percent from 1998.

The favorable insurance underwriting results in the Company’s domestic property and casualty business were negatively impacted in the fourth quarter by reinsurance losses from the catastrophic storms that devastated Europe late in December.

The insurance underwriting operations recorded a loss of $2,465,034 during the fourth quarter of 1999 compared to a loss of $456,774 in the fourth quarter of 1998 partially as a result of these reinsurance losses. The Company’s insurance underwriting loss totaled $3,538,884 for the year compared to an underwriting profit of $567,275 recorded in 1998.

Total revenue from investment operations for the fourth quarter of 1999 increased 18.4 percent, to $16,378,535 from $13,829,121 recorded for the fourth quarter of 1998. For all of 1999, revenues from investment operations rose to $63,775,746, an increase of 26.2 percent from the $50,546,973 earned in 1998. The growth in revenue from investment operations for 1999 resulted from a 13.9 percent increase in net investment income, a 5.6 percent increase in earnings from investment in Erie Family Life Insurance Company and an increase in realized capital gains of $7,581,628.

Net income per share was influenced favorably by the Company’s share repurchase program, which began January 1, 1999.

Approximately 463,600 shares were repurchased at a cost of $14,620,053 (average cost of $31.54 per share) during the fourth quarter of 1999. For the year, total shares repurchased were approximately 1,900,500 at a total cost of $54,330,131 (average cost of $28.59 per share).

Known for competitive rates and superior service since 1925, Erie Insurance Group is the 16th largest property/casualty insurer in the United States based on surplus and has over 2.6 million policies in force. Group member Erie Insurance Exchange is the 13th largest auto insurer in the country.

Erie Indemnity Company is the Management Company for Erie Insurance Group, which includes seven companies operating in 10 states and the District of Columbia. The ERIE provides a complete line of auto, home, business and life insurance through more than 6,100 independent insurance agents.

This is a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Certain forward-looking statements contained herein involve risks and uncertainties. Many factors could cause future results to differ materially from those discussed. Examples of such factors include variations in catastrophe losses due to changes in weather patterns or other natural causes; changes in insurance regulations or legislation that disadvantage the members of the Group in the marketplace and recession, economic conditions or stock market changes affecting pricing or demand for insurance products or ability to generate investment income. Growth and profitability have been and will be potentially materially affected by these and other factors.