



Erie Indemnity Earnings Climb 12.8 Percent For Year

Erie, Pa.-- Feb. 19, 1998 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced an increase in earnings for the fourth quarter and the full year 1997. Net income increased by 7.0 percent for the quarter ended December 31, 1997 to \$27,798,351 or \$.37 per share, from \$25,981,152 or \$.35 per share, earned during the fourth quarter of 1996. Net income for the year ended December 31, 1997 amounted to \$118,581,190 or \$1.59 per share. This was a 12.8 percent increase over the prior year's net income of \$105,132,359 or \$1.41 per share.

The growth in net income during the fourth quarter was driven by gains in the company's management and underwriting operations while revenue from investment operations was less than last year's fourth quarter due to a decrease in realized gains on investments. For the year, management, underwriting and investment operations improved significantly over 1996 levels.

Commenting on The ERIE's fourth quarter and year-end operating results, Stephen A. Milne, President and Chief Executive officer, noted, "Our solid underwriting results were affected positively by a lack of major catastrophes in our marketing territory. We also are pleased with the continued growth in our management operations as well as our investment operations."

Net revenues from the company's management operations rose 11.4 percent to \$30,709,513 for the three months ended December 31, 1997 compared to \$27,578,312 for the same period in 1996. Net revenues from management operations for the year ended December 31, 1997 amounted to \$134,224,096 and were 5.3 percent greater than the \$127,428,577 recorded during the year ended December 31, 1996. The gross margin from management operations fell to 28.2 percent in 1997 from 28.4 percent in 1996.

The company's insurance underwriting operations had premiums earned of \$27,511,640 for the three months ended December 31, 1997, a 5.0 percent increase over the \$26,209,355 of earned premiums recorded in the fourth quarter of 1996. For the year ended December 31, 1997, premiums earned totaled \$107,349,668, an increase of 5.8 percent from a year earlier. Underwriting losses in the fourth quarter amounted to \$1,129,639 compared to a loss of \$1,787,294 in the fourth quarter of 1996. For 1997, the underwriting loss stood at \$2,259,425 compared to an underwriting loss of \$11,579,211 recorded for 1996. Insurance underwriting operations in 1997 were affected positively by mild weather conditions in the company's operating territories and a lack of catastrophe losses for the year. Insurance operations in 1996 were affected adversely by catastrophe losses from severe winter weather during the first quarter of 1996 and by Hurricane Fran in North Carolina in September 1996.

Revenue from the investment operations for the fourth quarter decreased to \$11,287,709 from the \$11,833,679 posted in the fourth quarter of 1996 due to a reduction in realized gains on investments during the period. Dividend and interest income increased 24.3 percent to \$9,089,863 in the fourth quarter of 1997 from \$7,310,756 in the fourth quarter of 1996. For all of 1997, revenue from investment operations stood at \$42,954,953 compared to the \$36,198,425 reported a year earlier, an increase of 18.7 percent.

"ERIE's daily operations continue to emphasize our service philosophy, as well as our commitment to using policyholders' premium dollars wisely," noted Milne. "Excellent results are especially noteworthy in our highly competitive industry. I'm proud of our dedicated employees and independent agents, who contribute so much to this success."

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 Group, based in Erie, Pennsylvania, is the 12th largest insurer of private passenger automobiles and the 24th largest property and casualty insurer in the United States. The Group operates in nine states and the District of Columbia. Erie Indemnity Company's class A non-voting common stock is listed on the Nasdaq National Market under the symbol "ERIE."