



Erie Indemnity Increases Dividend and Management Fee and Announces Stock Repurchase Plan

ERIE, Pa. -- Dec. 17, 1998 -- At the December 16, 1998 regular meeting of the board of directors of the Erie Indemnity Company (NASDAQ: ERIE), the board approved an increase in shareholders' dividends. In separate actions, the board also increased the management fee charged the Erie Insurance Exchange and announced a stock repurchase plan.

The board of directors increased the regular quarterly dividend from \$0.1075 to \$0.12 on each Class A share and from \$16.125 to \$18.00 on each Class B share, which is payable January 20, 1999 to shareholders of record as of January 6, 1999 with a dividend ex-date of January 4, 1999. The dividend increases were a result of the Company's strong 1998 financial performance. The rise in the dividend represents an 11.6 percent increase over the current dividend amounts.

Also, after a review of the relative financial position of the Erie Insurance Exchange and the Erie Indemnity Company, the board voted to increase the management fee charged the Erie Insurance Exchange from 24.25 percent to 25 percent for the period beginning January 1, 1999 through December 31, 1999. The Company's board of directors has the authority to change the management fee at its discretion, however the maximum management fee permissible under the subscribers agreement with the Erie Insurance Exchange is 25 percent.

The board of directors also approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as \$70 million of its outstanding Class A common stock through December 31, 2001. The Company may purchase the shares from time to time in the open market or by privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital.

With nearly 2.5 million policyholders, Erie Insurance Group is the 17th largest property/casualty insurance group in the United States. Erie Insurance Exchange, a member of the Group, was established in Erie, Pa., in 1925 and today is the 12th largest insurer of private passenger automobiles in the country. Erie Insurance Group includes seven companies operating in nine states and the District of Columbia. Erie Indemnity Company (NASDAQ - ERIE) is the management company for Erie Insurance Group.