

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended June 30, 2001

Commission file number 0-24000

ERIE INDEMNITY COMPANY

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

25-0466020

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

100 Erie Insurance Place, Erie, Pennsylvania

16530

(Address of principal executive offices)

(Zip Code)

(814) 870-2000

Registrant's telephone number, including area code

Not applicable Former name, former address and former fiscal year, if changed
since last report

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act
of 1934 during the preceding 12 months (or for such shorter periods that
the registrant was required to file such reports), and (2) has been subject
to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practical date.

Class A Common Stock, no par value, with a stated value of
\$.0292 per share-- 64,013,723 shares as of July 13,
2001.

Class B Common Stock, no par value, with a stated value of
\$70 per share-- 3,070 shares as July 13, 2001.

The common stock is the only class of stock the Registrant is presently
authorized to issue.

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ERIE INDEMNITY COMPANY

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PART I. FINANCIAL INFORMATION

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	(Dollars in thousands)	
	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
INVESTMENTS		
Fixed maturities at fair value (amortized cost of \$506,024 and \$524,172, respectively)	\$ 519,843	\$ 531,546
Equity securities at fair value (cost of \$216,040 and \$184,968, respectively)	234,541	204,446
Limited partnerships (cost of \$73,096 and \$60,661, respectively)	72,953	68,242
Real estate mortgage loans	5,762	6,581
	-----	-----
Total investments	\$ 833,099	\$ 810,815
Cash and cash equivalents	39,906	38,778
Accrued investment income	8,915	9,087
Premiums receivable from Policyholders	176,786	156,269
Prepaid federal income tax	0	3,604
Reinsurance recoverable from Erie Insurance Exchange	445,266	412,050
Note receivable from Erie Family Life Insurance Company	15,000	15,000
Other receivables from Erie Insurance Exchange and affiliates	158,906	119,959
Reinsurance recoverable non-affiliates	281	712
Deferred policy acquisition costs	15,412	13,202
Property and equipment	14,448	13,856
Equity in Erie Family Life Insurance Company	45,088	42,331
Other assets	56,470	44,936
	-----	-----
Total assets	\$1,809,577 =====	\$1,680,599 =====

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Dollars in thousands)	
	June 30, 2001	December 31, 2000
LIABILITIES AND SHAREHOLDERS' EQUITY	----- (Unaudited)	-----
LIABILITIES		
Unpaid losses and loss adjustment expenses	\$ 501,065	\$ 477,879
Unearned premiums	293,367	263,855
Commissions payable and accrued	101,903	96,823
Accounts payable and accrued expenses	36,271	30,476
Federal income tax payable	3,050	0
Deferred income taxes	8,800	7,161
Dividends payable	9,833	9,839
Employee benefit obligations	15,330	15,551
	-----	-----
Total liabilities	\$ 969,619	\$ 901,584
	-----	-----
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A common, stated value \$.0292 per share; authorized 74,996,930 shares; 67,032,000 shares issued; 64,013,723 and 64,056,323 shares outstanding in 2001 and 2000, respectively	\$ 1,955	\$ 1,955
Class B common, stated value \$70 per share; authorized 3,070 shares; 3,070 shares issued and outstanding	215	215
Additional paid-in capital	7,830	7,830
Accumulated other comprehensive income	23,089	23,182
Retained earnings	893,799	831,552
	-----	-----
Total contributed capital and retained earnings	\$ 926,888	\$ 864,734
Treasury stock, at cost 3,018,277 shares in 2001 and 2,975,677 shares in 2000	(86,930)	(85,719)
	-----	-----
Total shareholders' equity	\$ 839,958	\$ 779,015
	-----	-----
Total liabilities and shareholders' equity	\$1,809,577	\$1,680,599
	=====	=====

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
	(Amounts in thousands, except per share data)			
MANAGEMENT OPERATIONS:				
Management fee revenue	\$167,828	\$147,174	\$313,497	\$276,272
Service agreement revenue	6,838	4,936	13,250	10,170
	-----	-----	-----	-----
Total revenue from management operations	174,666	152,110	326,747	286,442
Cost of management operations	121,562	108,800	230,443	206,514
	-----	-----	-----	-----
Net revenue from management operations	\$ 53,104	\$ 43,310	\$ 96,304	\$ 79,928
	-----	-----	-----	-----
INSURANCE UNDERWRITING OPERATIONS:				
Premiums earned	\$ 33,917	\$ 30,677	\$ 66,091	\$ 60,568
Losses and loss adjustment expenses incurred	26,096	23,301	53,057	47,964
Policy acquisition and other underwriting expenses	9,607	8,966	18,358	17,397
	-----	-----	-----	-----
Total losses and expenses	35,703	32,267	71,415	65,361
	-----	-----	-----	-----
Underwriting loss	(\$ 1,786)	(\$ 1,590)	(\$ 5,324)	(\$ 4,793)
	-----	-----	-----	-----
INVESTMENT OPERATIONS:				
Net investment income	\$ 12,365	\$ 12,026	\$ 24,508	\$ 23,637
Net realized gain on investments	2,013	5,936	2,725	11,441
Equity in earnings of Erie Family Life Insurance Company	1,442	1,272	2,186	2,679
Equity in earnings of limited partnerships	2,911	1,424	1,508	2,416
	-----	-----	-----	-----
Net revenue from investment operations	\$ 18,731	\$ 20,658	\$ 30,927	\$ 40,173
	-----	-----	-----	-----
Income before income taxes	\$ 70,049	\$ 62,378	\$121,907	\$115,308
Provision for income taxes	22,920	19,860	39,992	36,605
	-----	-----	-----	-----
Net income	\$ 47,129	\$ 42,518	\$ 81,915	\$ 78,703
	=====	=====	=====	=====
Net income per share (b)	\$ 0.66	\$ 0.59	\$ 1.15	\$ 1.09
	=====	=====	=====	=====
Operating income (a)	\$ 45,821	\$ 38,660	\$ 80,144	\$ 71,267
	=====	=====	=====	=====
Operating income per share (b)	\$ 0.64	\$ 0.54	\$ 1.12	\$ 0.99
	=====	=====	=====	=====
Weighted average shares outstanding (Note B)	71,388	72,107	71,402	72,204

(a) Operating income excludes net realized gain on investments and related federal income taxes.

(b) Based on weighted average shares outstanding.

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
	----- (In thousands)			
Net Income	\$ 47,129	\$ 42,518	\$ 81,915	\$ 78,703
Unrealized (losses) gains on securities:				
Unrealized holding (losses) gains arising during period	(625)	(5,488)	2,582	21,327
Less: reclassification adjustment for gains included in net income	2,013	5,936	2,725	11,441
Net unrealized holding (losses) gains arising during period	(\$ 2,638)	(\$ 11,424)	(\$ 143)	\$ 9,886
Income tax benefit (expense) related to unrealized gains or losses	923	3,999	50	(3,460)
Other comprehensive (loss) income, net of tax	(\$ 1,715)	(\$ 7,425)	(\$ 93)	\$ 6,426
Comprehensive income	\$ 45,414	\$ 35,093	\$ 81,822	\$ 85,129
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 2001	2000
	-----	-----
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 81,915	\$ 78,703
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,533	1,280
Deferred income tax expense (benefit)	2,425	(182)
Amortization of deferred policy acquisition costs	11,680	11,678
Realized gain on investments	(2,725)	(11,441)
Net amortization of bond (discount) premium	(109)	8
Undistributed earnings of Erie Family Life	(1,389)	(1,943)
Deferred compensation	261	328
Decrease (increase) in accrued investment income	172	(551)
Increase in receivables	(92,250)	(54,375)
Policy acquisition costs deferred	(13,890)	(12,344)
(Increase) decrease in prepaid expenses and other assets	(11,407)	1,221
Increase in accounts payable and accrued expenses	5,312	4,224
Increase (decrease) in commissions payable and accrued	5,080	(1,592)
Increase in income taxes payable	6,655	2,956
Increase in loss reserves	23,186	22,453
Increase in unearned premiums	29,512	20,354
	-----	-----
Net cash provided by operating activities	\$ 45,961	\$ 60,777
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments (Note C)	(\$ 21,698)	(\$ 14,057)
Purchase of property and equipment	(1,640)	(1)
Purchase of computer software	(484)	(496)
Loans to agents	(1,356)	(861)
Collections on agent loans	1,230	889
	-----	-----
Net cash used in investing activities	(\$ 23,948)	(\$ 14,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(\$ 19,675)	(\$ 17,660)
Treasury stock	(1,210)	(14,959)
	-----	-----
Net cash used in financing activities	(\$ 20,885)	(\$ 32,619)
	-----	-----
Net increase in cash and cash equivalents	1,128	13,632
Cash and cash equivalents at beginning of period	38,778	24,214
	-----	-----
Cash and cash equivalents at end of period	\$ 39,906	\$ 37,846
	=====	=====
Supplemental disclosures of cash flow information:		
Income tax payments	\$ 31,552	\$ 33,822
Dividends declared per share:		

Class A non-voting common	\$ 0.305	\$ 0.270
	-----	-----
Class B common	\$ 45.75	\$ 40.50
	-----	-----

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
All dollar amounts are in thousands except per share data

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements, which include the accounts of the Erie Indemnity Company and its' wholly owned subsidiaries Erie Insurance Company (EIC), Erie Insurance Company of New York (EINY) and Erie Insurance Property & Casualty Company, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2000.

NOTE B -- EARNINGS PER SHARE

Earnings per share is based on the weighted average number of Class A shares outstanding (64,034,046 and 64,835,690 at June 30, 2001 and 2000, respectively), giving effect to the conversion of the weighted average number of Class B shares outstanding (3,070 in 2001 and 2000) at a rate of 2,400 Class A shares for one Class B share. Weighted average equivalent shares outstanding totaled 71,388,014 for the quarter ended June 30, 2001 and 72,107,369 for the same period a year ago. For the six months ended June 30, 2001 weighted average equivalent shares outstanding were 71,402,046 compared to 72,203,690 for the six months ended June 30, 2000.

NOTE C -- INVESTMENTS

Management considers all fixed maturities and marketable equity securities available-for-sale. Marketable equity securities consist primarily of common and non redeemable preferred stocks while fixed maturities consist of bonds, notes and redeemable preferred stock. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of deferred tax, reported as a separate component of comprehensive income and shareholders' equity. Management determines the appropriate classification of fixed maturities at the time of purchase and reevaluates such designation as of each statement of financial position date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE C -- INVESTMENTS (Continued)

The following is a summary of available-for-sale securities:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	-----	-----	-----	-----
June 30, 2001				
Fixed maturities:				

U.S. treasuries & government agencies	\$ 11,213	\$ 433	\$ 0	\$ 11,646
States & political subdivisions	42,157	1,854	0	44,011
Special revenue	104,527	3,871	0	108,398
Public utilities	26,493	734	155	27,072
U.S. industrial & miscellaneous	276,150	7,392	1,851	281,691
Foreign	32,083	543	241	32,385
	-----	-----	-----	-----
Total bonds	\$492,623	\$ 14,827	\$ 2,247	\$505,203
Redeemable preferred stock	13,401	1,251	12	14,640
	-----	-----	-----	-----
Total fixed maturities	\$506,024	\$ 16,078	\$ 2,259	\$519,843
	-----	-----	-----	-----
Equity securities:				

Common stock:				
U.S. banks, trusts & insurance companies	\$ 3,651	\$ 751	\$ 0	\$ 4,402
U.S. industrial & miscellaneous	65,240	34,532	14,040	85,732
Foreign	6,855	447	2,862	4,440
Non redeemable preferred stock:				
U.S. banks, trusts & insurance companies	20,103	572	293	20,382
U.S. industrial & miscellaneous	92,948	2,387	3,830	91,505
Foreign	27,243	1,071	234	28,080
	-----	-----	-----	-----
Total equity securities	\$216,040	\$ 39,760	\$ 21,259	\$234,541
	-----	-----	-----	-----
Total available-for-sale securities	\$722,064	\$ 55,838	\$ 23,518	\$754,384
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE C -- INVESTMENTS (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	-----	-----	-----	-----
December 31, 2000				
Fixed maturities:				

U.S. treasuries & government agencies	\$ 11,216	\$ 420	\$ 24	\$ 11,612
States & political subdivisions	50,337	1,656	34	51,959
Special revenue	110,855	3,779	68	114,566
Public utilities	23,221	550	207	23,564
U.S. industrial & miscellaneous	267,231	4,770	5,940	266,061
Foreign	30,082	238	406	29,914
	-----	-----	-----	-----
Total bonds	\$492,942	\$ 11,413	\$ 6,679	\$497,676
Redeemable preferred stock	31,230	3,341	701	33,870
	-----	-----	-----	-----
Total fixed maturities	\$524,172	\$ 14,754	\$ 7,380	\$531,546
	-----	-----	-----	-----
Equity securities:				

Common stock:				
U.S. banks, trusts & insurance companies	\$ 3,651	\$ 422	\$ 275	\$ 3,798
U.S. industrial & miscellaneous	63,662	38,286	15,343	86,605
Foreign	7,100	581	2,719	4,962
Nonredeemable preferred stock:				
U.S. banks, trusts & insurance companies	22,094	97	66	22,125
U.S. industrial & miscellaneous	62,266	1,987	3,119	61,134
Foreign	26,195	217	590	25,822
	-----	-----	-----	-----
Total equity securities	\$184,968	\$ 41,590	\$ 22,112	\$204,446
	-----	-----	-----	-----
Total available-for-sale securities	\$709,140	\$ 56,344	\$ 29,492	\$735,992
	=====	=====	=====	=====

In the third quarter 2000, the Company began participating in a securities lending program whereby certain securities from its portfolio are loaned to other institutions for short periods of time through a lending agent. A fee is paid to the Company by the borrower. Collateral that exceeds the market value of the loaned securities is maintained by the lending agent. The Company has an indemnification agreement with the lending agents in the event a borrower becomes insolvent or fails to return securities. At June 30, 2001, the Company had loaned securities with a market value of \$44.9 million secured by collateral of \$45.9 million. The borrower of the securities is not permitted to sell or replace the security on loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE C -- INVESTMENTS (Continued)

Limited partnerships include U.S. and foreign private equity, real estate and fixed income investments. The private equity limited partnerships invest in small-to medium-sized companies. The private equity limited partnerships are carried at estimated market value with unrealized gains and losses, net of deferred taxes, reflected in shareholders' equity in accumulated other comprehensive income. Investment income or loss is recognized on the sale of the equity investment. Real estate and fixed income limited partnerships are recorded using the equity method, which approximates the Company's share of the carrying value of the partnership. The components of equity in earnings of limited partnerships as reported on the Consolidated Statements of Operations are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Private equity	\$ 2,261	(\$ 151)	\$ 588	(\$ 68)
Real estate	601	1,346	862	1,555
Fixed income	49	229	58	929
	-----	-----	-----	-----
Total equity in earnings of limited partnerships	\$ 2,911	\$ 1,424	\$ 1,508	\$ 2,416
	=====	=====	=====	=====

The Company began using forward currency contracts to hedge the risks related to foreign limited partnership investments in 2001. These contracts are being recorded at fair value on the Consolidated Statements of Financial Position. The Company recognized a loss on these contracts of \$20 during the quarter ended June 30, 2001. For the year losses on these contracts totaled \$46 and are included in the Consolidated Statements of Operations.

Mortgage loans on commercial real estate are recorded at unpaid balances, adjusted for amortization of premium or discount. A valuation allowance would be provided for impairment in net realizable value based on periodic valuations as needed.

Net purchases of investments as presented in the Consolidated Statements of Cash Flows consist of the following:

	Six Months Ended June 30,	
	2001	2000
	-----	-----
Purchase of investments:		
Fixed maturities	(\$ 99,975)	(\$ 75,307)
Equity securities	(29,466)	(31,676)
Limited partnerships	(14,775)	(7,573)
	-----	-----
Total purchases	(\$ 144,216)	(\$ 114,556)
	-----	-----
Sales/maturities of investments:		
Sales of fixed maturities	\$ 51,170	\$ 38,175
Calls of fixed maturities	46,152	28,126
Equity securities	22,029	29,470
Mortgage loans	819	1,573
Limited partnerships	2,348	3,155
	-----	-----
Total sales/maturities	\$ 122,518	\$ 100,499
	-----	-----
Net purchase of investments	(\$ 21,698)	(\$ 14,057)
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE D -- SUMMARIZED FINANCIAL STATEMENT INFORMATION OF AFFILIATE

The Company has a 21.63% investment in Erie Family Life Insurance Company (EFL) and accounts for this investment using the equity method of accounting.

The following represents condensed financial statement information for EFL on a GAAP basis:

	Six Months Ended June 30, 2001	2000
	-----	-----
Revenues	\$55,680	\$58,582
Benefits and expenses	40,227	39,642
	-----	-----
Income before income taxes	15,453	18,940
Income taxes	5,347	6,553
	-----	-----
Net income	\$10,106	\$12,387
	=====	=====
Comprehensive income	\$16,431	\$19,745
	=====	=====
Dividends paid to shareholders	\$ 3,544	\$ 3,260
	=====	=====
Net unrealized appreciation on investment securities at June 30, net of deferred taxes	\$10,012	\$ 5,014
	=====	=====

NOTE E -- NOTE RECEIVABLE FROM ERIE FAMILY LIFE INSURANCE COMPANY

The Company is due \$15 million from EFL in the form of a surplus note. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to prior approval of the Pennsylvania Insurance Commissioner. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005. EFL paid \$484 in the second quarter of 2001 and 2000 to the Company.

NOTE F -- TREASURY STOCK

In December 1998 the Board of Directors of the Company approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as \$120 million of its outstanding Class A common stock through December 31, 2002. At June 30, 2001 the Company had repurchased almost \$87 million in stock. Treasury shares are recorded on the Consolidated Statements of Financial Position at cost.

NOTE G -- eCOMMERCE PROGRAM AND RELATED INFORMATION TECHNOLOGY INFRASTRUCTURE

During March 2001, the Company and the insurance Companies of the Erie Insurance Group entered into the Cost Sharing Agreement For Information Technology Development ("Agreement"). The Agreement describes how member companies of The Erie Insurance Group will share the costs to be incurred for the development of new property/casualty policy administration and customer relationship management systems. The Agreement further specifies how related enabling technology costs, such as technical development and architectural tools will be shared among the group. The Agreement provides that such costs will be shared among the property/casualty insurance companies in a manner consistent with the sharing of insurance transactions under an existing intercompany pooling agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE G --eCOMMERCE PROGRAM AND RELATED INFORMATION TECHNOLOGY INFRASTRUCTURE
(Continued)

The Company's share of these costs, incurred by the insurance subsidiaries of the Company, amounted to \$136,388 during the second quarter of 2001. These costs are included in the Policy Acquisition and Other Underwriting Costs in the Consolidated Statements of Operations.

Certain other costs of the eCommerce Program are related to Information Technology Infrastructure costs not included under the Agreement. The Company's share of the expenses amounted to \$131,630 during the second quarter 2001 and are included in the Cost of Management Operations in the Consolidated Statements of Operations.

NOTE H -- SEGMENT INFORMATION

The Company operates its business as two reportable segments - management operations and property/casualty insurance operations. The Company's principal operations consist of serving as attorney-in-fact for the Erie Insurance Exchange (Exchange), which constitutes its management operations. The Company's property/casualty insurance operations arise through direct business of its subsidiaries and by virtue of a pooling agreement between its subsidiaries and the Exchange. The performance of the personal lines and commercial lines is evaluated based upon the underwriting results as determined under statutory accounting practices (SAP) for the total pooled business of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

Summarized financial information for these operations is presented below:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Management Operations:				

Revenue:				
Management fee revenue	\$ 167,828	\$ 147,174	\$ 313,497	\$ 276,272
Service agreement revenue	6,838	4,936	13,250	10,170
	-----	-----	-----	-----
Total revenue from management operations	174,666	152,110	326,747	286,442
Net revenue from investment operations	13,498	15,771	21,201	30,988
	-----	-----	-----	-----
Total revenue	\$ 188,164	\$ 167,881	\$ 347,948	\$ 317,430
	=====	=====	=====	=====
Income before taxes	\$ 66,602	\$ 59,081	\$ 117,505	\$ 110,916
	=====	=====	=====	=====
Net income	\$ 44,459	\$ 40,066	\$ 78,523	\$ 75,094
	=====	=====	=====	=====
Property/Casualty Operations:				

Revenue:				
Premiums earned:				
Commercial lines	\$ 8,651	\$ 7,036	\$ 16,585	\$ 13,628
Personal lines	24,263	22,510	47,359	44,366
Reinsurance	1,980	1,716	4,266	3,989
	-----	-----	-----	-----
Total premiums earned (SAP)	34,894	31,262	68,210	61,983
GAAP adjustments	(977)	(585)	(2,119)	(1,415)
	-----	-----	-----	-----
Total premiums earned (GAAP)	33,917	30,677	66,091	60,568
Net revenue from investment operations	5,233	4,887	9,726	9,185
	-----	-----	-----	-----
Total revenue	\$ 39,150	\$ 35,564	\$ 75,817	\$ 69,753
	=====	=====	=====	=====
Losses and expenses:				
Commercial lines	\$ 9,199	\$ 7,855	\$ 18,465	\$ 15,865
Personal lines	25,940	22,950	51,302	44,345
Reinsurance	2,092	2,047	3,858	5,817
	-----	-----	-----	-----
Total losses and loss expenses (SAP)	37,231	32,852	73,625	66,027
GAAP adjustments	(1,528)	(585)	(2,210)	(666)
	-----	-----	-----	-----
Total losses and loss expenses (GAAP)	\$ 35,703	\$ 32,267	\$ 71,415	\$ 65,361
	=====	=====	=====	=====
Income before taxes	\$ 3,447	\$ 3,297	\$ 4,402	\$ 4,392
	=====	=====	=====	=====
Net income	\$ 2,670	\$ 2,452	\$ 3,392	\$ 3,609
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

The following information further describes the financial results of the Company by segment, as presented on the previous page.

Management fee revenue by line of business:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Private Passenger Auto	\$ 90,125	\$ 82,321	\$170,094	\$156,849
Commercial Auto	13,847	11,437	26,956	22,477
Homeowner	28,276	24,928	47,457	41,915
Commercial Multi-Peril	16,927	13,326	32,482	25,679
Worker's Compensation	13,448	10,656	27,151	21,305
All Other Lines of Business	5,205	4,506	9,357	8,047
	-----	-----	-----	-----
Total	\$167,828	\$147,174	\$313,497	\$276,272
	=====	=====	=====	=====

Policy counts for Erie Insurance Group property/casualty operations:

Date	Private Passenger Auto	CML* Auto	Homeowner	CML* Multi-Peril	Worker Comp.	All other Lines of Business	Total
12/31/99	1,274,869	82,760	917,902	174,085	43,508	196,725	2,689,849
03/31/00	1,287,868	83,534	931,971	178,191	44,235	199,580	2,725,379
06/30/00	1,305,888	85,089	952,325	184,913	45,408	204,412	2,778,035
09/30/00	1,324,104	86,592	971,213	190,120	46,529	208,832	2,827,390
12/31/00	1,337,280	87,567	986,654	195,137	47,156	211,759	2,865,553
03/31/01	1,356,651	89,388	1,003,517	200,671	48,104	215,747	2,914,078
06/30/01	1,382,419	91,794	1,029,339	208,388	49,711	221,993	2,983,644

Retention rates for Erie Insurance Group property/casualty operations:

Date	Private Passenger Auto	CML* Auto	Homeowner	CML* Multi-Peril	Worker's Comp.	All other Lines of Business	Total
12/31/99	91.58%	89.27%	90.47%	87.42%	87.59%	86.85%	90.45%
03/31/00	91.83	89.52	90.66	88.08	88.52	87.23	90.72
06/30/00	92.03	89.53	90.89	88.19	88.62	87.57	90.92
09/30/00	92.19	89.90	90.88	88.38	88.67	87.75	91.03
12/31/00	92.31	89.80	90.75	88.14	88.48	87.64	91.01
03/31/01	92.24	90.29	90.71	88.59	89.06	87.75	91.03
06/30/01	92.25	90.35	90.68	88.44	88.76	88.00	91.01

*CML = Commercial

NOTE I -- RECLASSIFICATIONS

Certain amounts previously reported in the 2000 financial statements have been reclassified to conform to the current period's presentation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the historical financial information and the notes thereto included in Item 1 of this Quarterly Report on Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission on March 23, 2001.

OPERATING RESULTS

Financial Overview

Consolidated net income for the second quarter of 2001 increased to \$47,129,396 or \$.66 per share, from \$42,518,485 or \$.59 per share, earned during the second quarter of 2000. Net income per share, which was positively impacted by the Company's share repurchase program, rose by 12.0% for the second quarter of 2001. Improved management operations resulting from a 14% increase in management fees were somewhat offset by increased losses experienced in the Company's insurance underwriting operations as well as decreased revenue from investment operations. For the six months ended June 30, 2001 consolidated net income was \$81,914,701, a 4.1% increase from the \$78,703,461 earned in 2000 for the same period. Net income per share increased 5.3% to \$1.15 per share in the first half of 2001 compared to \$1.09 per share recorded a year earlier.

Operating income (net income less realized gains and related federal income taxes) increased 18.5%, or \$7,161,138, to \$45,820,927 for the second quarter 2001 from \$38,659,789 for the same period in 2000. Operating income per share increased 19.7% to \$.64 per share in the second quarter of 2001 from \$.54 per share for the same period one year ago. For the six months ended June 30, 2001, operating income increased 12.5% to \$80,143,708 from \$71,266,832 reported for the same period in 2000. Operating income per share increased 13.1% to \$1.12 per share in the first half of 2001 from \$.99 per share for the same period in 2000.

RESULTS OF OPERATIONS

Analysis of Management Operations

Management fee revenue derived from the management operations of the Company serving as attorney-in-fact for the Exchange, increased to \$167,827,662 for the three months ended June 30, 2001 from \$147,173,682 for the three months ended June 30, 2000. Management fee revenue for the first six months of 2001 increased 13.5% to \$313,496,767. The management fee rate charged the Exchange was 25% for all periods presented. The Company's Board of Directors has the authority to change the management fee rate at its discretion, but cannot exceed a rate of 25%.

The property/casualty direct premium written by the Erie Insurance Group (Group), upon which management fee revenue is based, grew 14.0% to \$671,310,649 in the second quarter of 2001 from \$588,694,727 for the same period in 2000. For the year, premiums written increased 13.5% to \$1,253,987,067 compared to \$1,105,088,753 written for the first six months of 2000 (see also Note H, "Segment Information" which displays management fee revenue by line of business).

Continued new policy growth, improved commercial lines pricing and more stable personal lines pricing drove the gains experienced in the Group's direct written premium. Policies in force increased an annualized 7.4% to 2,983,644 at June 30, 2001 from 2,778,035 at June 30, 2000. Policy retention (the percentage of current Policyholders who have renewed their policies) was 91.01% and 90.92%

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

for the periods ended June 30, 2001 and 2000, respectively, for all lines of business (see also Note H, "Segment Information" which contains additional rates by line of business).

Service agreement revenue grew by 38.5% to \$6,838,265 in the second quarter of 2001 from \$4,936,576 for the same period in 2000. Included in service agreement revenue are service charges the Company collects from Policyholders for providing extended payment terms on policies written by the Group. Such service charges amounted to \$4,069,932 and \$2,918,407 for the quarters ended June 30, 2001 and 2000, respectively. Also included in service agreement revenue is service income received from the Exchange as compensation for the management and administration of voluntary assumed reinsurance from non-affiliated insurers. The Company receives a service fee of 7.0% of non-affiliated assumed reinsurance premiums. These fees totaled \$2,768,333 and \$2,018,169 for the three months ended June 30, 2001 and 2000 respectively, on net voluntary assumed reinsurance premiums of \$39,547,608 and \$28,830,982 for the second quarters of 2001 and 2000, respectively.

For the six months ended June 30, 2001 service agreement revenue increased 30.3% to \$13,250,614 from \$10,169,495. Service charges increased 48.1% to \$7,732,177 from \$5,221,462. In June of 2000, these service charges increased from \$2 to \$3 per installment for policies renewing in most states. Service agreement income rose by 11.5% to \$5,518,437. Net voluntary assumed reinsurance premiums, upon which the service agreement revenue is based, also increased 11.5% to \$78,834,810 from \$70,686,179 for the first six months of 2001 and 2000, respectively.

The cost of management operations increased 11.7% for the second quarter of 2001 to \$121,562,179 from \$108,800,520 during the second quarter of 2000. For the six months ended June 30, 2001 the cost of management operations grew by 11.6% to \$230,443,375 compared to \$206,514,065 for the same period in 2000.

Commissions to independent Agents are the largest component of the cost of management operations. Included in commission expenses are the cost of scheduled commissions earned by independent Agents on premiums written as well as promotional incentives for Agents and Agent contingency awards. Agent contingency awards are based upon a three-year average of the underwriting profitability of the direct business written and serviced by the independent Agent within the Erie Insurance Group of companies. Commission costs totaled \$85,644,046 for the second quarter of 2001, a 13.2% increase over the \$75,667,663 reported in the second quarter of 2000. The provision for Agent contingency awards totaled \$4,126,067 and \$5,056,617 for the quarters ended June 30, 2001 and 2000, respectively. Commission costs grew more slowly than the growth in direct premium written in 2001 due to lower accruals for agent contingency awards relative to 2000. Commissions grew by 12.5% to \$159,237,033 from \$141,483,733 recorded for the first six months of 2000.

The cost of management operations excluding commission costs increased 8.4% for the three months ended June 30, 2001 to \$35,918,133 from \$33,132,857 recorded in the second quarter of 2000. For the first six months of 2001, the cost of operations excluding commission costs increased 9.5% to \$71,206,342 from \$65,030,332 recorded for the same period in 2000. Personnel costs, including salaries, employee benefits, and payroll taxes, are the second largest component in cost of operations. The Company's personnel costs totaled \$21,629,068 for the three month period ended June 30, 2001, compared to \$19,721,821 for the same period in 2000, an increase of 9.7%. Personnel costs were impacted by increases in salaries and employee benefit costs. Salaries and wages increased in the second quarter 2001 due to staffing increases and employee pay rate increases while employee benefits increased due to rising medical expenses from growth in plan enrollment and claims costs. The Company's share of information

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

technology infrastructure expenditures related to the Company's recently announced eCommerce initiative were \$131,630 for the second quarter 2001 as the program is in its initial phase. These expenditures will continue to grow over the next five years (see "Factors That May Effect Future Results").

Net revenue from the Company's management operations increased 22.6% to \$53,103,748 for the three months ended June 30, 2001 from \$43,309,738 for the same period in 2000. For the six months ended June 30, 2001 net revenue from management operations totaled \$96,304,006, an increase of 20.5% when compared to the first six months of 2000. The gross margin from management operations (net revenue divided by total revenue) improved to 30.4% in the second quarter of 2001, compared to the gross margin of 28.5% reported in the second quarter of 2000.

Analysis of Insurance Underwriting Operations

The underwriting loss from the insurance operations of the Company's property/casualty insurance subsidiaries, EIC and EINY, which together assume a 5.5% share of the underwriting results of the Erie Insurance Group under an intercompany pooling agreement, increased slightly during the second quarter of 2001 when compared to the same period in 2000.

The Company's insurance underwriting operations recorded underwriting losses of \$1,786,331 and \$1,590,083 in the second quarters of 2001 and 2000, respectively. The Company recognized premiums earned of \$33,916,874 for the quarter ended June 30, 2001 a 10.6% increase over the \$30,676,646 reported in the second quarter of 2000. The 2001 underwriting loss resulted from increased losses in the direct business of the Company's property/casualty subsidiaries, primarily in private passenger automobile and homeowners insurance. Commercial insurance loss ratios have improved in 2001 versus 2000 due to firmer pricing in those lines of insurance. The Company had an underwriting loss of \$5,324,238 for the first six months of 2001 compared to an underwriting loss of \$4,792,997 for the same period in 2000. Included in the Company's underwriting expenses are the Company's share of eCommerce initiative expenses totaling \$136,388 as explained in the "Factors That May Effect Future Results" section, herein. These shared costs will continue to increase as the program develops.

EIC and EINY have in effect an all-lines aggregate excess of loss reinsurance agreement with the Exchange to limit their net retained share of ultimate net losses in any applicable accident year. This reinsurance treaty is excluded from the intercompany pooling agreement. The premium paid to the Exchange for the agreement totaled \$909,617 and \$748,523 for the six months ended June 30, 2001 and 2000, respectively. For the quarter ended June 30, 2001, the Company's property/casualty insurance subsidiaries recorded loss recoveries through this agreement with the Exchange amounting to \$201,301 and loss recoveries amounting to \$553,580 for the six months ended 2001. Loss recoveries in 2001 related to the development of accident year 1999 losses under the agreement. No recoveries were recorded under this agreement in 2000. Catastrophe losses were \$49,953 and \$953,758 for the quarters ended June 30, 2001 and 2000, respectively.

The GAAP combined ratio for the Company's property/casualty insurance operations was 105.3% and 105.2% for the three months ended June 30, 2001 and 2000, respectively. The GAAP combined ratio increased slightly to 108.1% for the six months ended June 30, 2001 compared to a ratio of 107.9% for the same period in 2000. The GAAP combined ratio represents the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Analysis of Investment Operations

Net revenue from investment operations for the second quarter of 2001 decreased 9.3% to \$18,731,053 from \$20,658,313 in the second quarter of 2000. During the second quarter of 2000 the Company took advantage of strong equity markets producing realized gains of \$5,936,455. In the second quarter of 2001, with equity markets much weaker, the Company's realized gains on the sale of available for sale securities was \$2,013,029. Equity in earnings of limited partnerships increased \$1,487,052 in the second quarter of 2001 when compared with the same period in 2000 as a result of partnership gains in private equity limited partnerships.

Net revenue from investment operations for the six months ended June 30, 2001 declined 23.0% to \$30,927,137 from \$40,173,108 for the same period in 2000. This decrease resulted from a \$8,716,362 decrease in realized gains on investments combined with a \$907,967 decrease in equity in earnings of limited partnerships.

FINANCIAL CONDITION

Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment strategy also provides for liquidity to meet the short- and long-term commitments of the Company. At June 30, 2001, the Company's investment portfolio of investment-grade bonds, common stock, preferred stock and cash and cash equivalents totaled \$774 million, or 42.8%, of total assets. These investments provide the liquidity the Company requires to meet the demands on its funds.

At June 30, 2001, 90.6% of total investments consist of fixed maturities and equity securities. Mortgage loans and limited partnerships, represented 9.4% of total investments at that date. Mortgage loans on real estate and limited partnerships have the potential for higher returns, but also carry more risk, including less liquidity and greater uncertainty in the rate of return. Fixed income and real estate limited partnerships at June 30, 2001, which comprise 30.6% of the total limited partnerships, produce a predictable earnings stream while private equity limited partnerships, which comprise 69.4% of the total limited partnerships at June 30, 2001, tend to provide a less predictable earnings stream.

The Company's investments are subject to certain risks, including interest rate and price risk. The Company monitors exposure to interest rate risk through periodic reviews of asset and liability positions. Estimates of cash flows and the impact of interest rate fluctuations relating to the investment portfolio are monitored regularly.

The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analyzed regularly and market risk is actively managed through a variety of techniques. Portfolio holdings are diversified across industries and concentrations in any one company or industry are limited by parameters established by management and the Company's Board of Directors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure an entity's ability to secure enough cash to meet its contractual obligations and operating needs. Operating cash flows are generated from management operations as the attorney-in-fact for the Exchange, the net cash flow from the EIC's 5% and the EINY's .5% participation in the underwriting results of the reinsurance pool with the Exchange, and the Company's investment income from affiliated and non-affiliated investments. With respect to the management fee, funds are generally received from the Exchange on a premiums collected basis. The other receivable from Erie Insurance Exchange and affiliates represents the management fee receivable from premiums written but not yet collected as well as the management fee receivable on premiums collected in the current month, net of operating expenses paid by the Exchange. The amount of this receivable due from the Exchange to the Company at June 30, 2001 was \$2.4 million. The Company pays commissions on premiums collected rather than written premiums. Cash outflows are variable because of the fluctuations in settlement dates for liabilities for unpaid losses and because of the potential for large losses, either individually or in aggregate.

The Company generates sufficient net positive cash flow from its operations to fund its commitments, repurchase its common stock, and build its investment portfolio, thereby increasing future investment returns. The Company also maintains a high degree of liquidity in its investment portfolio in the form of readily marketable fixed maturities, equity securities and short-term investments. Net cash flows provided by operating activities for the six months ended June 30, 2001 and 2000, were \$45,961,028 and \$60,776,981, respectively.

Dividends declared and paid to shareholders for the quarter ended June 30, 2001 and 2000, totaled \$9,835,752 and \$8,807,299, respectively. Dividends declared and paid for the six months ended June 30, 2001 were \$19,674,569 compared to \$17,660,249 for the same period ended in 2000. There are no regulatory restrictions on the payment of dividends to the Company's shareholders, although there are state law restrictions on the payment of dividends from the Company's insurance subsidiaries to the Company. Dividends from subsidiaries are not material to the Company's cash flows.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at June 30, 2001 of \$8,800,346 and at December 31, 2000 of \$7,161,544. The primary reason for the increase in the deferred tax liability is an increase of \$786,532 in unrealized gains from available-for-sale securities resulting in an increased deferred tax liability in 2001.

At June 30, 2001 and December 31, 2000, the Company's receivables from its affiliates totaled \$604,171,635 and \$532,008,287, respectively. These receivables, primarily due from the Exchange, as a result of the management fee, expense reimbursements and the intercompany reinsurance pool, represent a concentration of credit risk.

STOCK REPURCHASE PLAN

Beginning in 1999, the Company established a stock repurchase program. The Company may repurchase as much as \$120 million of its outstanding Class A common stock through December 31, 2002. During the second quarter of 2001, 25,500 shares were repurchased at a total cost of \$734,295 or an average price of \$28.80. The Company repurchased 149,957 shares at a total cost of \$4,300,216 during the second quarter of 2000. The Company may purchase the shares from time

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

to time in the open market or through privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital.

FACTORS THAT MAY EFFECT FUTURE RESULTS

Rate Increases

- - - - -

The Erie Insurance Group has filed for rate increases in the following lines of business in the following states:

- Private passenger auto - Pennsylvania, Maryland, Indiana, North Carolina and Virginia
- Commercial auto - Pennsylvania
- Workers compensation - Pennsylvania and Maryland
- Home protector - Pennsylvania, Indiana and North Carolina

These increases were sought to offset growing loss costs in these lines of business. The subsequent approval by state regulators will result in an estimated \$14.9 million increase in direct written premiums of the Group for the last six months of 2001 as well as an estimated \$8.3 million increase in written premium for 2002.

eCommerce Program and Related Information Technology Infrastructure Expenditures

- - - - -

In 2001, the Company began the development of several eCommerce initiatives in support of the Erie Insurance Group's business model of distributing insurance products exclusively through independent agents. The eCommerce program includes initiatives to replace property/casualty policy administration systems as well as customer interaction systems. The eCommerce program also includes significant information technology infrastructure expenditures. The program is intended to improve service and efficiency, as well as result in increased sales. Total five-year expenditures for the program are estimated at \$150 to \$175 million. The cost of these initiatives will be shared among several companies of the Erie Insurance Group, including the Company. Based on preliminary estimates, which will be further refined in the second half of 2001, the after-tax effect on net income of the Company is estimated to reduce earnings per share between \$0.08 and \$0.12 for 2001 and between \$0.05 and \$0.07 per share for each of the next four years of the program.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk is primarily related to fluctuations in prices and interest rates. Quantitative and qualitative disclosures about market risk resulting from changes in prices and interest rates are included in Item 7A. in the Company's 2000 Annual Report on Form 10-K. There have been no material changes in such risks or the Company's periodic reviews of asset and liability positions during the six months ended June 30, 2001. The information contained in the Investments section of Management's Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

"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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information concerning the legal proceedings of the Company is incorporated by reference to pages 20 through 22 in the section "Legal Proceedings" in the Company's definitive Proxy Statement with respect to the Company's Annual Meeting of Shareholders to be held on April 24, 2001 filed with the Securities and Exchange Commission on March 28, 2001.

On April 5, 2001, a Stipulation among Mrs. Hagen, Bankers Trust, and the Company was filed with the Court whereby these three parties agreed to accept the April 24th Ruling as a final adjudication of this matter. As a consequence of this Stipulation agreement, Mrs. Hagen withdrew her Motion for Judgment on the Pleadings. The Company's execution of the Stipulation did not bind any other parties other than the signatories to the Stipulation. As a result of the Stipulation, the hearing scheduled for April 10, 2001 was ordered cancelled by the Court.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Shareholders was held April 24, 2001.

- a. The following directors were elected at the Annual Meeting of Shareholders for a one-year term and until a successor is elected and qualified:

Samuel P. Black, III	Claude C. Lilly, III
J. Ralph Borneman, Jr.	Stephen A. Milne
Patricia Garrison-Corbin	Henry N. Nassau
Susan Hirt Hagen	John M. Petersen
F. William Hirt	Jan R. Van Gorder
Samuel P. Katz	Robert C. Wilburn

- b. The following other matter was voted upon at the meeting and the following number of affirmative votes were cast with respect to such matter:

The proposal to ratify the selection of Brown, Schwab, Bergquist & Company as independent public accountants to perform the annual audit of the Company financial statements for the year ending December 31, 2001. This proposal received 3,008 affirmative votes with no negative votes or abstentions.

Item 6. Exhibits and Reports on Form 8-K

Exhibit 10.41 - Cost Sharing Agreement for Information Technology Development dated March 14, 2001 between Registrant and member companies of the Erie Insurance Group.

The Company did not file any exhibits or reports on Form 8-K during the three month period ended June 30, 2001.

Item 11. Statement Regarding Computation of Per Share Earnings:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Class A weighted average common shares outstanding (stated value \$.0292)	64,020,014	64,739,369	64,034,046	64,835,690
Class B common shares outstanding (stated value \$70)				
Conversion of Class B shares to Class A shares (one share of Class B for 2,400 shares of Class A)	7,368,000	7,368,000	7,368,000	7,368,000
	-----	-----	-----	-----
Total weighted average shares outstanding	71,388,014	72,107,369	71,402,046	72,203,690
	=====	=====	=====	=====
Net income	\$47,129,396	\$42,518,485	\$81,914,701	\$78,703,461
	=====	=====	=====	=====
Net income per share	\$.66	\$.59	\$ 1.15	\$ 1.09
	=====	=====	=====	=====

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Erie Indemnity Company

(Registrant)

Date: July 19, 2001

\s\ Stephen A. Milne
Stephen A. Milne, President & CEO

\s\ Philip A. Garcia
Philip A. Garcia,
Executive Vice President & CFO

EXHIBIT 10.41 - COST SHARING AGREEMENT
FOR INFORMATION TECHNOLOGY DEVELOPMENT

This Cost Sharing Agreement ("Agreement") is made this 14th day of March, 2001 (the "Effective Date") by and among Erie Insurance Exchange by and through its Attorney-in-Fact Erie Indemnity Company, Flagship City Insurance Company, Erie Insurance Company, Erie Insurance Property & Casualty Insurance Company and Erie Insurance Company of New York, which entities are the property and casualty insurers of the Erie Insurance Group.

WHEREAS, these insurers have undertaken to review in comprehensive detail the information technology requirements projected over the next several years which will be necessary to improve their respective business and customer interaction systems; and

WHEREAS, these insurers recognize that electronic commerce plays a critical role in remaining competitive in this industry, and it is essential that these companies move to a technological platform that is principally based on the use of Internet technology to conduct electronic commerce; and

WHEREAS, it is critical and a commercial necessity for these insurers to develop informational technology for the storage and access of essential customer and insurance information on their respective policyholders since such information will be vitally important for the ability to compete effectively in the financial services marketplace of the future, particularly with the enhanced levels of service required to meet customer expectations; and

WHEREAS, the fundamental technological infrastructure, applications, processes and methodologies necessary to develop and support a wholesale migration to a new, electronic commerce environment will be required to sustain and enhance services and products delivered to subscribers and policyholders of the insurers; and

WHEREAS, the necessary information technology to meet these customer expectations envisions policyholders having the capability of Internet access to their individual accounts and information; and

WHEREAS, because of their inter-related business relationships, it will be necessary for these companies to develop and utilize these systems on a shared basis; and

WHEREAS, it is the intent to distribute the costs of this necessary information technology among these companies on a fair and reasonable basis.

NOW, THEREFORE, intending to be legally bound, and for and in consideration of the mutual promises and consideration contained herein, the parties agree as follows:

1

1. Erie Insurance Exchange, by and through its Attorney-in-Fact, Erie Indemnity Company, will undertake to develop, cause to be developed, or purchase software programs of outside vendors ("Third Party Software") to be deployed and integrated into the following information technology application systems and infrastructure elements for the use and benefit of all of the members of the Erie Insurance Group:

- A. On-line Policy Processing System as more fully described in Exhibit A which is attached hereto.
- B. Customer Relationship Management System as more fully described in Exhibit B which is attached hereto.
- C. Required Information Technology Infrastructure as more fully described in Exhibit C which is attached hereto.

(hereinafter collectively referred to as the "OLPP/CRM Systems")

2. The parties hereto recognize and acknowledge that the ownership of the intellectual property comprising these OLPP/CRM Systems will reside permanently with the Erie Insurance Exchange. All aspects of the OLPP/CRM Systems, including without limitation, programs and processing methodologies shall remain the sole and exclusive property of the Erie Insurance Exchange and shall not be sold, revealed, disclosed or otherwise communicated, directly or indirectly, by any company or entity entitled to use such OLPP/CRM Systems. It is expressly understood that no title to or ownership of the OLPP/CRM Systems, or any part thereof, is hereby transferred from the Exchange to any other company of the Erie Insurance Group. Such property rights as delineated herein do not extend to Third Party Software that may be integrated into the OLPP/CRM Systems, but appropriate licensing agreements will be obtained to include usage by all parties hereto.

3. The Erie Insurance Exchange will undertake to assure that all companies that are parties to this Agreement will have equal access to the OLPP/CRM Systems for the benefit of their respective policyholders, and the Erie Insurance Exchange, subject to the terms and conditions of this Agreement, specifically grants to Flagship City Insurance Company, Erie Insurance Company, Erie Insurance Property & Casualty Company and Erie Insurance Company of New York a non-transferable perpetual license to use the OLPP/CRM Systems.

4. All costs to develop, purchase, deploy, implement, integrate, and maintain the OLPP/CRM Systems (the "Costs of the OLPP/CRM Systems") will be incurred by and accrue to the Erie Insurance Exchange on and after the Effective Date hereof and no such costs have been incurred prior to the Effective Date hereto. The Costs of the OLPP/CRM Systems will be incurred as underwriting expenses established on the books and records of the Erie Insurance Exchange in accordance with statutory accounting practices and procedures. The Costs of the OLPP/CRM Systems will be ceded to the inter-company Reinsurance Pooling Agreement effective January 1, 1995 ("Reinsurance Pooling Agreement") among the parties hereto. In accordance with the terms of the Reinsurance Pooling Agreement, the Costs of the OLPP/CRM Systems will be borne by the parties hereto in accordance with

their "Respective Percentage Share" as established in the Reinsurance Pooling Agreement as follows:

Erie Insurance Exchange	- 94.5%
Erie Insurance Company	- 5.0%
Erie Insurance Company of New York	- 0.5%
Flagship City Insurance Company	- 0%
Erie Insurance Property & Casualty Co.	- 0%

5. Erie Insurance Exchange will keep accurate and current records on the Costs of the OLPP/CRM Systems, including the cost of Third Party Software, as it is the intent of this Agreement to share such Costs of the OLPP/CRM Systems on a fair and reasonable basis among the user companies.

6. This Section 6 of the Agreement is intended to establish the procedure for adjusting the sharing of the Costs of the OLPP/CRM Systems in the event that any of the Respective Percentage Shares as described in Section 4 of this Agreement are changed after the date of this Agreement.

Solely for purposes of this section, the following terms have the meanings set out below:

"Inception to Date Investment in OLPP/CRM Systems" shall mean the Costs of the OLPP/CRM Systems incurred from inception to the date of any change in the Respective Percentage Shares.

"Economic Life End Date" shall mean a date exactly seven years from the occurrence of the first of the following: (i) the date the OLPP/CRM Systems are ready to be "placed in service" as that term is generally understood in Generally Accepted Accounting Principles, or (ii) the date either one or both of the OLPP/CRM Systems are considered abandoned.

"Remaining Economic Life" shall mean the period of time, expressed in nearest whole months, between the date of any change in the Respective Percentage Share in the Reinsurance Pooling Agreement to the Economic Life End Date.

"Recapture Percentage" shall mean, for each entity which is a party to this Agreement, the change (positive or negative) derived by subtracting the revised Respective Percentage Share under any new or amended Reinsurance Pooling Agreement from the current Respective Percentage Share in the Reinsurance Pooling Agreement under the terms in existence as of the date of this Agreement.

"Remaining Economic Value" shall mean an amount computed by (i) dividing the Inception to Date investment in OLPP/CRM Systems by 84 (months), and (ii) multiplying that result by the Remaining Economic Life in months.

In the event the Reinsurance Pooling Agreement Respective Percentage Shares are modified at any time prior to the Economic Life End Date, it is the intent of the parties that the cost sharing terms as provided for under this Agreement will be adjusted equitably, to share the costs considering the economic impact of any revised Respective Percentage Shares. The amount of the adjustment with respect to and among the parties to this Agreement shall be computed by multiplying the Recapture Percentage for the respect entity by the Remaining Economic Value. The parties hereby agree to settle such obligation in immediately available funds not more than 30 days from the date the Reinsurance Pooling Agreement Respective Percentage Shares are changed, positive amounts representing amounts due the party, negative amounts reflecting amounts owed by the party.

7. This Agreement shall be submitted in a timely and appropriate manner to the Pennsylvania Insurance Department in accordance with the Pennsylvania Insurance Holding Companies Act (40 P.S.ss.991.1405).

8. It is the express intent of the parties to this Agreement to establish a fair and reasonable basis for the sharing of the Costs of the OLPP/CRM Systems. It is understood among the parties that this undertaking for the development of the OLPP/CRM Systems will proceed over a duration of more than one year and that unforeseen contingencies could occur that could disrupt the development process. Nevertheless, it is the intent of the parties to have equal access to the OLPP/CRM Systems and share fairly in the Costs of the OLPP/CRM Systems, and should circumstances arise that would require adjustments among the parties in the allocation of costs, then the parties will proceed to equitably adjust the costs in a manner that would be fair and reasonable taking into consideration all of the facts and circumstances and the interrelated business relationships of the parties.

ERIE INSURANCE EXCHANGE
BY AND THROUGH ITS ATTORNEY-IN-
FACT ERIE INDEMNITY COMPANY

By: /s/ Stephen A. Milne
 Stephen A. Milne
 President & CEO

FLAGSHIP CITY INSURANCE COMPANY

By: /s/ Jeffrey A. Ludrof
 Jeffrey A. Ludrof
 Executive Vice President

ERIE INSURANCE COMPANY

By: /s/ Jan R. Van Gorder
 Jan R. Van Gorder
 Sr. Executive Vice President

ERIE INSURANCE PROPERTY &
CASUALTY COMPANY

By: /s/ Philip A. Garcia
 Philip A. Garcia
 Executive Vice President & CFO

ERIE INSURANCE COMPANY OF NEW YORK

By: /s/ Timothy G. NeCastro
 Timothy G. NeCastro
 Senior Vice President & Controller

EHHIBIT A

ONLINE POLICY PROCESSING SYSTEM ("OLPP")

OLPP System is an integrated system of function, capabilities and features for electronic data entry automated underwriting rating, and automated policy processing built around a central customer file that enables servicing of all of the customer's policies. This integrated system captures detailed information on a customer and underwrites the policy as accurately and efficiently as possible for both commercial and personal lines. This digital system would eliminate paper as much as possible, creating a single, digital file for each policy and customer.

In addition to automated underwriting, features of OLPP include: on-line intelligence for agents to guide them through submissions, storage of quotes in client file organization, on-line viewing of stored quotes, automated policy issuance and document management, historical archiving of policy information, on-line change processing and management, automated renewal processing and workflow automated the initiation and processing of premium audits, management of certificates of insurance and proof of insurance and support reinsurance for commercial lines.

EXHIBIT B

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM ("CRM")

CRM is an information platform that provides a single view of the customer across the enterprise in support of all customer processes and touchpoints. CRM usually includes tools that enable sales force automation, customer interaction management and marketing automation tools.

Sales force automation capabilities aid the agents with lead tracking, appointment tracking, marketing materials shipping, and marketing effectiveness tracking. Its focus is on converting leads into sales.

Customer interaction management tracks all customer-enterprise communication across all communication channels - including call centers, agents, e-mail, and websites.

Marketing automation tools help the enterprise to manage its campaigns and promotions and to cross sell and up sell its products and services. Marketing assistance may occur in two ways: system initiated and user initiated. System initiated assistance is done using rule based alerts that prompt the sales person with potential cross selling and up selling opportunities. User initiated assistance is triggered by sales targets identified by querying the customer database.

This initiative will deliver a customer relationship management system that will enable a policyholder-centric focus at the agent and customer service level of interaction. This system will allow for the tracing of customer service inquiries, cross selling, up selling, and it will increase the productivity of the home office customer service representatives, agent customer service representatives and the agent. This initiative will focus on the customer interaction management and sales force automation portions of CRM. In addition, this initiative will enable ERIE to analyze the customer data captured by CRM.

EXHIBIT C

REQUIRED INFORMATION TECHNOLOGY INFRASTRUCTURE

Design and Implement Web Infrastructure

The majority of new applications deployed at ERIE will utilize a browser based user interface. Each of these applications should be built on a common web infrastructure, allowing new application deployment to be completed in a more timely fashion, minimizing custom development, reducing subsequent deployment and maintenance costs and providing the users of ERIE applications with a more homogeneous user experience.

The web infrastructure will centralize functions such as web content management and application and web server monitoring and management. The building of this infrastructure will primarily consist of choosing the appropriate software and hardware platforms for these key components and then deploying and integrating them with the ERIE environment.

Deployment of new ERIE applications will require the appropriate degree of integration with the web infrastructure. There will need to be one common registration process, a central repository of user access information and a single set of screens for user sign-on. Each application deployed must be able to recognize when a user has already signed onto ERIE and must be able to share key information with the centralized services such as registration data and event logging.

Data Transformation Architecture & Tools

The focus of this initiative is to purchase and integrate the tools required to support data extraction, cleansing and transformation for the creation of operational data stores and to support operational and analytical processing. This infrastructure will be essential for supporting a range of initiatives, including but not limited to:

- o Creation of databases to support new operational systems, such as a CRM or a web enabled front end
- o Creation of an environment where online analytical processing can be used to derive a greater understanding of ERIE's customers
- o Creation of a data mart to support agent performance reporting and analysis
- o Any holistic customer-oriented reporting

EXHIBIT C

REQUIRED INFORMATION TECHNOLOGY INFRASTRUCTURE(Continued)

Integration Architecture

Integration architecture will be developed to enable a unified view of information to multiple back-end systems. This unified view is required to provide a common web front-end to back-end systems. The integration architecture is also required to ensure that multiple systems contain consistent information, improving the accuracy of reporting. Commitment to the architecture will ensure that applications are integrated to maximize flexibility and minimize cost.

The integration architecture will provide technology adapters, application adapters, tools for building custom adapters, metadata repository, transformation, content based routing, deployment tools, and management tools to monitor and adjust for quality and performance. The building of this infrastructure will primarily consist of choosing the appropriate software and hardware platforms for these key components and then deploying and integrating them with the ERIE environment.