UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008
OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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)

Securities registered pursuant to Section 12(b) of the Act:

Class A common stock, stated value $0.0292 per share, listed on the NASDAQ Stock Market, LLC
(Title of each class) (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __X__ No _____

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ____ No __X__

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 period 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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer __X__ Accelerated filer _____ Non-accelerated filer _____ Smaller reporting company _____
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _____ No __X__

Aggregate market value of voting and non-voting common stock held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter: $1.4 billion of Class A non-voting common stock as of June 30, 2008. There is no active market for the Class B voting common stock. The Class B common stock is closely held by few shareholders.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 51,282,893 shares of Class A common stock and 2,551 shares of Class B common stock outstanding on February 18, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III of this Form 10-K (Items 10, 11, 12, 13, and 14) are incorporated by reference to the information statement on Form 14(C) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2008.

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PART I

Item 1. Business

General
Erie Indemnity Company (Company), a Pennsylvania corporation, operates as the management services company that provides sales, underwriting and policy issuance services to the policyholders of Erie Insurance Exchange (Exchange). The Exchange is a reciprocal insurance exchange, which is an unincorporated association of individuals, partnerships and corporations that agree to insure one another. Each applicant for insurance to a reciprocal insurance exchange signs a subscriber's agreement that contains an appointment of an attorney-in-fact. We have served as the attorney-in-fact for the policyholders of the Exchange since 1925. We also operate as a property/casualty insurer through our three wholly-owned subsidiaries, Erie Insurance Company (EIC), Erie Insurance Property and Casualty Company (EIPC) and Erie Insurance Company of New York (EINY). The Exchange and its property/casualty insurance subsidiary, Flagship City Insurance Company (Flagship), and our three insurance subsidiaries (collectively, the Property and Casualty Group) write a broad line of personal and commercial lines property and casualty coverages and pool their underwriting results. Our financial position or results of operations are not consolidated with the Exchange's. We also own 21.6% of the common stock of Erie Family Life Insurance Company (EFL), an affiliated life insurance company of which the Exchange owns 78.4%. We, together with our subsidiaries, affiliates and the Exchange operate collectively as the Erie Insurance Group.

Business segments
We operate our business as three reportable segments – management operations, insurance underwriting operations and investment operations. Financial information about these segments is set forth in and referenced to Item 8. "Financial Statements and Supplementary Data - Note 22 of Notes to Consolidated Financial Statements" contained within this report. Further discussion of financial results by operating segment is provided in and referenced to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this report.

Description of business
For our services as attorney-in-fact, we charge the Exchange a management fee of up to 25% of the direct written premiums of the Property and Casualty Group. Management fees accounted for approximately 84% of our revenue in 2008, and 72% in both 2007 and 2006. This 2008 proportion was greater than the historical percentage as our investment operations generated significant losses as a result of the upheaval of the financial markets in the third and fourth quarters of 2008. (See also Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" contained within this report.) Excluding impairment charges, management fee revenues accounted for 79% of our 2008 total revenues.

We have an interest in the growth and financial condition of the Exchange as 1) the Exchange is our sole customer and 2) our earnings are largely generated from management fees based on the direct written premium of the Exchange and other members of the Property and Casualty Group. The Property and Casualty Group operates as a regional insurance carrier that underwrites a broad range of personal and commercial insurance using its non-exclusive independent agency force as its sole distribution channel. In addition to their principal role as salespersons, the independent agents play a significant role as underwriting and service providers and are fundamental to the Property and Casualty Group's success. The Property and Casualty Group is represented by over 2,000 independent agencies comprising over 8,800 licensed representatives. The Property and Casualty Group operates primarily in the Midwest, Mid-Atlantic and Southeast regions of the United States (Illinois, Indiana, Maryland, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and Wisconsin and the District of Columbia). Pennsylvania, Maryland and Virginia made up 65% of the Property and Casualty Group's 2008 direct written premium. Nearly 50% of premiums are derived from personal auto, 20% from homeowners and 30% from small commercial lines. While sales, underwriting and policy issuance services are centralized at our home office, the Property and Casualty Group maintains 23 field offices throughout its operating region to provide claims services to policyholders and marketing support for the independent agents who represent us.

Historically, due to policy renewal and sales patterns, the Property and Casualty Group's direct written premiums are greater in the second and third quarters than in the first and fourth quarters of the calendar year. Consequently, there is seasonality in our management fees and we have higher gross margins in our management operations in those quarters. While loss and loss adjustment expenses are not entirely predictable, historically such costs have been greater during the third and fourth quarters, influenced by the weather in the geographic regions, including the Midwest, Mid-Atlantic and Southeast regions in which the Property and Casualty Group operates.

The members of the Property and Casualty Group pool their underwriting results. Under the reinsurance pooling arrangement, the Exchange assumes 94.5% of the pool. Accordingly, the underwriting risk of the Property and Casualty Group's business is largely borne by the Exchange, which had $4.0 billion and $4.8 billion of statutory surplus at December 31, 2008 and 2007, respectively. Through the pool, our property/casualty insurance subsidiaries currently assume 5.5% of the Property and Casualty Group's underwriting results, and, therefore, we also have a direct incentive to manage the insurance underwriting operations of the Property and Casualty Group effectively.

Principal products

The Property and Casualty Group seeks to insure standard and preferred risks primarily in personal and commercial lines. In 2008, personal lines comprised 71% of direct written premium revenue of the Property and Casualty Group while commercial lines made up the remaining 29%.

The principal products in personal lines, based upon direct written premiums, are private passenger automobile (48%) and homeowners (20%) while the principal commercial lines consist of multi-peril (11%), commercial automobile (8%) and workers compensation (7%).

Competition

Property and casualty insurers generally compete on the basis of customer service, price, brand recognition, coverages offered, claim handling ability, financial stability and geographic coverage. Vigorous competition, particularly in the personal lines automobile and homeowners lines of business, is provided by large, well-capitalized national companies, some of which have broad distribution networks of employed or captive agents, by smaller regional insurers and by large companies who market and sell personal lines products directly to consumers. In addition, because the insurance products of the Property and Casualty Group are marketed exclusively through independent insurance agents, the Property and Casualty Group faces competition within its appointed agencies based on ease of doing business, product, price and service relationships. The market is competitive with some carriers filing rate decreases while others focus on acquiring business through other means, such as increases in advertising and effective utilization of technology. Some carriers have increased their spending on advertising in an effort to generate increased sales and market penetration. The Property and Casualty Group ranked as the 16th largest automobile insurer in the United States based on 2007 direct written premiums and as the 21st largest property/casualty insurer in the United States based on 2007 total lines net premium written according to AM Best.

Market competition bears directly on the price charged for insurance products and services subject to regulatory limitations. Growth is driven by a company's ability to provide insurance services and competitive prices while maintaining target profit margins and is influenced by capital adequacy. Industry capital levels can also significantly affect prices charged for coverage. Growth is a product of a company's ability to retain existing customers and to attract new customers, as well as movement in the average premium per policy.

The Erie Insurance Group has followed several strategies that we believe will result in long-term underwriting performance which exceeds those of the property/casualty industry in general. First, the Erie Insurance Group employs an underwriting philosophy and product mix targeted to produce a Property and Casualty Group underwriting profit on a long-term basis through careful risk selection and rational pricing. The careful selection of risks allows for lower claims frequency and loss severity, thereby enabling insurance to be offered at favorable prices. The Property and Casualty Group has continued to refine its risk measurement and price segmentation model used in the underwriting and pricing processes. Second, the Property and Casualty Group focuses on consistently providing superior service to policyholders and agents. Third, the Property and Casualty Group's business model is designed to provide the advantages of localized marketing and claims servicing with the economies of scale and low cost of operations from centralized accounting, administrative, underwriting, investment, information management and other support services.

Finally, we carefully select the independent agencies that represent the Property and Casualty Group. The Property and Casualty Group seeks to be the lead insurer with its agents in order to enhance the agency relationship and the likelihood of receiving the most desirable underwriting opportunities from its agents. We have ongoing, direct communications with the agency force. Agents have access to a number of venues we sponsor designed to promote sharing of ideas, concerns and suggestions with the senior management of the Property and Casualty Group with the goal of improving communications and service. We continue to evaluate new ways to support our agents' efforts, from marketing programs to identifying potential customer leads, to grow the business of the Property and Casualty Group. These efforts have resulted in outstanding agency penetration and the ability to sustain long-term agency partnerships. The higher agency penetration and long-term relationships allow for greater efficiency in providing agency support and training.

Employees

We employed just over 4,200 people at December 31, 2008, of which approximately 2,200, or 52%, provide claims specific services exclusively for the Property and Casualty Group and approximately 65, or 2%, perform services exclusively for EFL. Both the Exchange and EFL reimburse us at least quarterly for the cost of these services.

Reserves for losses and loss adjustment expenses

The table that follows illustrates the change over time of the loss and loss adjustment expense reserves established for our property/casualty insurance subsidiaries at the end of the last ten calendar years. The development of loss and loss adjustment expenses are presented on a gross basis (gross of ceding transactions in the intercompany pool) and a net basis (the amount remaining as our exposure after ceding and assuming amounts through the intercompany pool as well as transactions under the excess-of-loss reinsurance agreement with the Exchange). However, incurred but not reported reserves are developed for the Property and Casualty Group as a whole and then allocated to members of the Property and Casualty Group based on each member's proportionate share of earned premiums. We do not develop IBNR reserves for each of the property/casualty insurance subsidiaries based on their direct and assumed writings. Consequently, the gross liability data contained in this table does not accurately reflect the underlying reserve development of our property/casualty insurance subsidiaries.

Our 5.5% share of the loss and loss adjustment expense reserves of the Property and Casualty Group are shown in the net presentation and are more representative of the actual development of the property/casualty insurance losses accruing to our subsidiaries. The gross presentation is shown to be consistent with the balance sheet presentation of reinsurance transactions which requires direct and ceded amounts to be presented separate from one another, in accordance with FAS 113, "Accounting and Reporting for Reinsurance of Short Duration and Long Duration Contracts", thus the gross liability for unpaid losses and loss adjustment expenses of $965.1 million at December 31, 2008 agrees to the gross balance sheet amount. However, factoring in the reinsurance recoverables of $778.3 million at December 31, 2008 presented in the balance sheet the net obligation to us is $186.8 million at December 31, 2008. Additional discussion of our reserve methodology can be found in and is referenced to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" contained within this report.

The Property and Casualty Group discounts only workers compensation reserves. These reserves are discounted on a nontabular basis as prescribed by the Insurance Department of the Commonwealth of Pennsylvania. The interest rate of 2.5% used to discount these reserves is based upon the Property and Casualty Group's historical workers compensation payout pattern. Given the upheaval in the financial markets, the current yield to maturity on United States Treasury debt instruments matched to future cash flows of workers compensation liabilities implied a discount rate less than 2.5% at December 31, 2008. The Insurance Department of Pennsylvania uses the yield on these securities to determine a limit that the discount rate used by insurers should not exceed. The Property and Casualty Group received approval from the Pennsylvania Insurance Commissioner for an exception to the maximum interest rate permitted, given the abnormally low interest rate environment currently being experienced and the long-term period in which workers compensation claim payments will be paid. Our unpaid losses and loss adjustment expenses reserve was reduced by $5.4 million and $5.5 million at December 31, 2008 and 2007, respectively, as a result of this discounting.

A reconciliation of our property/casualty insurance subsidiaries' claims reserves can be found in Item 8. "Financial Statements and Supplementary Data - Note 14 of Notes to Consolidated Financial Statements" contained within this report. Additional discussion of reserve activity can be found in and is referenced to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition" section contained within this report.

Property and Casualty Subsidiaries of Erie Indemnity Company
Reserves for Unpaid Losses and Loss Adjustment Expenses

	At December 31,									
(in millions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	**2008**
Gross liability for unpaid losses and loss adjustment expenses (LAE)	$ 432.9	$ 477.9	$ 557.3	$ 717.0	$ 845.5	$ 943.0	$1,019.5	$1,073.6	$1,026.5	**$965.1**
Gross liability re-estimated as of:										
One year later	477.0	516.2	622.6	727.2	844.5	955.3	1,034.1	992.8	945.8	
Two years later	487.2	567.1	635.1	730.5	886.2	1,004.1	1,006.1	942.9		
Three years later	518.6	567.2	644.3	781.2	958.5	1,014.4	971.5			
Four years later	518.5	562.2	699.4	856.4	983.0	982.8				
Five years later	519.0	619.0	779.2	888.0	952.8					
Six years later	576.4	701.0	816.5	858.9						
Seven years later	658.0	721.5	788.2							
Eight years later	680.3	702.6								
Nine years later	659.7									
Cumulative (deficiency) redundancy	(226.8)	(224.7)	(230.9)	(141.9)	(107.3)	(39.8)	48.0	130.7	80.7	
Gross liability for unpaid losses and LAE	$ 432.9	$ 477.9	$ 557.3	$ 717.0	$ 845.5	$ 943.0	$1,019.5	$1,073.6	$1,026.5	**$965.1**
Reinsurance recoverable on unpaid losses	337.9	375.6	438.6	577.9	687.8	765.6	825.9	872.4	831.7	**778.3**
Net liability for unpaid losses and LAE	$ 95.0	$ 102.3	$ 118.7	$ 139.1	$ 157.7	$ 177.4	$ 193.6	$ 201.2	$ 194.8	**$186.8**
Net re-estimated liability as of:										
One year later	$ 104.7	$ 109.8	$ 126.6	$ 140.9	$ 162.6	$ 181.2	$ 183.0	$ 185.1	$ 181.7	
Two years later	106.2	116.0	127.0	144.6	171.9	179.3	175.5	180.6		
Three years later	110.6	116.2	131.9	155.7	173.8	173.7	173.9			
Four years later	110.8	120.9	143.6	157.6	170.3	172.1				
Five years later	115.3	132.5	146.2	155.1	169.4					
Six years later	124.8	135.0	144.7	153.2						
Seven years later	126.7	132.8	142.6							
Eight years later	125.8	131.2								
Nine years later	123.8									
Cumulative (deficiency) redundancy	$ (28.8)	$ (28.9)	$ (23.9)	$ (14.1)	$ (11.7)	$ 5.3	$ 19.7	$ 20.6	$ 13.1	

	At December 31,									
(in millions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	**2008**
Cumulative amount of gross liability paid through:										
One year later	$158.9	$174.4	$194.3	$217.0	$259.1	$271.4	$271.7	$257.4	$248.0	
Two years later	244.9	270.9	302.1	351.0	410.6	435.0	427.0	404.4		
Three years later	297.6	326.1	372.4	434.8	508.4	530.0	519.1			
Four years later	326.9	361.3	418.9	488.0	561.4	586.1				
Five years later	347.0	384.9	450.6	514.8	593.8					
Six years later	362.9	405.9	466.9	534.9						
Seven years later	379.2	415.8	481.0							
Eight years later	387.2	427.8								
Nine years later	395.2									
Cumulative amount of net liability paid through:										
One year later	$ 38.9	$ 41.2	$ 47.2	$ 51.3	$ 58.0	$ 53.9	$ 51.9	$ 56.0	$ 57.3	
Two years later	59.2	64.8	73.6	81.3	85.3	81.9	82.8	89.2		
Three years later	73.5	79.2	91.2	95.3	100.3	101.5	104.1			
Four years later	81.6	88.5	97.4	100.9	111.9	114.6				
Five years later	86.9	89.8	97.9	107.3	120.1					
Six years later	87.5	94.1	101.8	112.5						
Seven years later	90.8	96.4	105.6							
Eight years later	92.4	98.5								
Nine years later	93.9									

Government Regulation
The Property and Casualty Group is subject to supervision and regulation in the states in which it transacts business. The primary purpose of such supervision and regulation is the protection of policyholders. The extent of such regulation varies, but generally derives from state statutes that delegate regulatory, supervisory and administrative authority to state insurance departments. Accordingly, the authority of the state insurance departments includes the establishment of standards of solvency that must be met and maintained by insurers, the licensing to do business of insurers and agents, the nature of the limitations on investments, the approval of premium rates for property/casualty insurance, the provisions that insurers must make for current losses and future liabilities, the deposit of securities for the benefit of policyholders, the approval of policy forms, notice requirements for the cancellation of policies and the approval of certain changes in control. In addition, many states have enacted variations of competitive rate-making laws that allow insurers to set certain premium rates for certain classes of insurance without having to obtain the prior approval of the state insurance department. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of quarterly and annual reports relating to the financial condition of insurance companies.

The Property and Casualty Group is also required to participate in various involuntary insurance programs for automobile insurance, as well as other property/casualty lines, in states in which such companies operate. These involuntary programs provide various insurance coverages to individuals or other entities that otherwise are unable to purchase such coverage in the voluntary market. These programs include joint underwriting associations, assigned risk plans, fair access to insurance requirements ("FAIR") plans, reinsurance facilities and windstorm plans. Legislation establishing these programs generally provides for participation in proportion to voluntary writings of related lines of business in that state. The loss ratio on insurance written under involuntary programs has traditionally been greater than the loss ratio on insurance in the voluntary market. Involuntary programs generated calendar year underwriting gains of $25.3 million for the Property and Casualty Group in 2008, compared to gains of $15.0 million in 2007 and $1.9 million in 2006. The calendar year gains on the involuntary reinsurance programs result from positive development on prior year reserves for this line. Our share of these underwriting gains related to involuntary programs was $1.4 million in 2008, $0.8 million in 2007 and $0.1 million in 2006. The states that the Property and Casualty Group writes business in have experienced little, if any, impact from hurricane activity, resulting in the underwriting gains generated from the involuntary programs.

Most states have enacted legislation that regulates insurance holding company systems such as the Erie Insurance Group. Each insurance company in the holding company system is required to register with the insurance supervisory authority of its state of domicile and furnish information regarding the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system. Pursuant to these laws, the respective insurance departments may examine us and the Property and Casualty Group at any time, require disclosure of material transactions with the insurers and us as an insurance holding company and require prior approval of certain transactions between the Property and Casualty Group and us.

All transactions within the holding company system affecting the insurers we manage are filed with the applicable insurance departments and must be fair and reasonable. Approval of the applicable insurance commissioner is required prior to the consummation of transactions affecting the control of an insurer. In some states, the acquisition of 10% or more of the outstanding common stock of an insurer or its holding company is presumed to be a change in control. Approval of the applicable insurance commissioner is also required in order to declare extraordinary dividends. See Item 8, "Financial Statements and Supplementary Data – Note 19 of Notes to Consolidated Financial Statements" contained within this report.

Website access
Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website at www.erieinsurance.com as soon as reasonably practicable after such material is filed electronically with the SEC. Our Code of Conduct is available on our website and in printed form upon request. Our annual report on Form 10-K and the information statement on Form 14(C) are also available free of charge at www.erieinsurance.com. Copies of our annual report on Form 10-K will be made available, free of charge, upon written request as well.

Item 1A. Risk Factors

Our business involves various risks and uncertainties, including, but not limited to those discussed in this section. The events described in the risk factors below, or any additional risk outside of those discussed below, could have a material adverse effect on our business, financial condition, operating results or liquidity if they actually occur. This information should be considered carefully together with the other information contained in this report, including management's discussion and analysis of financial condition and results of operations, the consolidated financial statements and the related notes.

We began formal enterprise risk management (ERM) activities in 2005 under the leadership of our Chief Executive Officer and executive management. At the end of 2008 we formally appointed our property/casualty Chief Actuary as our enterprise-wide Chief Risk Officer (CRO). There is still no universally accepted ERM standard of practice and, as such, approaches take on different forms throughout the insurance industry. Our formal ERM effort is meant to create an atmosphere of risk-intelligent decision making and, in turn, add greater likelihood to the successful achievement of our corporate objectives. To achieve these goals, our ERM program focuses on the following priorities:

- identifying, assessing and prioritizing potential risk events (using both quantitative and qualitative techniques);
- cataloguing effective risk responses;
- monitoring actual losses and learning from historical risk events;
- educating and encouraging employees at all levels to consider the risks and rewards of the decisions they make;
- managing corporate risks from an enterprise portfolio viewpoint;
- defining risk tolerances, including aligning strategic and operational objectives within those tolerances, and enforcing subsequent decision standards and limits; and
- planning for extreme adverse risk events.

Our ERM policy statement establishes the framework, principles and guidelines for our ERM program so that aggregated risks are acceptable to us or any of our subsidiaries or affiliates, including the Erie Insurance Exchange. Leadership and direction of the program are the responsibility of the CRO, as are the reporting of risk information to executive management and the Board of Directors, advising decision makers from a risk perspective, and improving our overall risk-readiness. Our ERM committee consists of a cross-functional team of representatives from all major business functions as well as a technical team which is responsible for risk quantification and identification on an integrated basis. General day-to-day risk management responsibility lies within our functional divisions, ensuring execution by those most familiar with the related risks. In 2008 we also established a compliance department within our law division and appointed a Chief Compliance Officer specifically charged with monitoring regulatory, legal, and ethical requirements and ensuring that appropriate responses are initiated.

An essential part of our ERM infrastructure is a stochastic modeling capability for our property/casualty insurance operations as well as the investment operations for the Property and Casualty Group. The modeling capability has been in use since 2003 and is a significant component in our quantification of insurance and investment risk. Model output is used to assess the variability of risk inherent in our operations and the sufficiency of enterprise capital levels given our defined tolerance for risk. The model further provides additional insights into capital management, strategic asset allocation of our investment portfolios, capital required for product lines sold by the enterprise, catastrophe exposure management and reinsurance purchasing and risk management strategy.

As our ERM program continues to evolve, new techniques are being used at the enterprise and individual project levels to consider key risks not inherently quantifiable. ERM tools continue to be developed and modified to identify and assess risk on a consistent basis, providing management with more information to respond effectively and efficiently.

Risk factors related to our business and relationships with third parties

If the management fee rate paid by the Exchange is reduced, if there is a significant decrease in the amount of premiums written by the Exchange, or if the costs of providing services to the Exchange are not controlled, revenues and profitability could be materially adversely affected.

We are dependent upon management fees paid by the Exchange, which represent our principal source of revenue. Management fee revenue from the Exchange is calculated by multiplying the management fee rate by the direct premiums written by the Exchange and the other members of the Property and Casualty Group, which are assumed by the Exchange under an intercompany pooling arrangement. Accordingly, any reduction in direct premiums written by the Property and Casualty Group would have a proportional negative effect on our revenues and net income. See the "Risk Factors relating to the business of the Property and Casualty Group" section, herein, for a discussion of risks impacting direct written premium.

The management fee rate is determined by the Board of Directors and may not exceed 25% of the direct written premiums of the Property and Casualty Group. The Board of Directors sets the management fee rate each December for the following year. At their discretion, the rate can be changed at any time. The factors considered by the Board in setting the management fee rate include our financial position in relation to the Exchange and the long-term needs of the Exchange for capital and surplus to support its continued growth and competitiveness. If the Board of Directors determines that the management fee rate should be reduced, our revenues and profitability could be materially adversely affected. Also, if the Exchange's surplus were significantly reduced due to a severe decline in the value of the Exchange's investments, the management fee rate could be reduced and our revenues and profitability could be materially adversely affected.

Pursuant to the attorney-in-fact agreements with the policyholders of the Exchange, we are appointed to perform certain services, regardless of the cost to us of providing those services. These services relate to the sales, underwriting and issuance of policies on behalf of the Exchange. We would lose money or be less profitable if the cost of providing those services increases significantly.

We are subject to credit risk from the Exchange because the management fees from the Exchange are not paid immediately when earned. Our property/casualty insurance subsidiaries are subject to credit risk from the Exchange because the Exchange assumes a higher insurance risk under an intercompany reinsurance pooling arrangement than is proportional to its direct business contribution to the pool.

We recognize management fees due from the Exchange as income when the premiums are written because at that time we have performed substantially all of the services we are required to perform, including sales, underwriting and policy issuance activities. However, such fees are not paid to us by the Exchange until the Exchange collects the premiums from policyholders. As a result, we hold receivables for management fees earned and due to us.

Two of our wholly-owned property/casualty insurance subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, are parties to the intercompany pooling arrangement with the Exchange. Under this pooling arrangement, our insurance subsidiaries cede 100% of their property/casualty underwriting business to the Exchange, which retrocedes 5% of the pooled business to Erie Insurance Company and 0.5% to Erie Insurance Company of New York. In 2008, approximately 83% of the pooled direct property/casualty business was originally generated by the Exchange and its subsidiary, while 94.5% of the pooled business is retroceded to the Exchange under the intercompany pooling arrangement. Accordingly, the Exchange assumes a higher insurance risk than is proportional to the insurance business it contributes to the pool. This poses a credit risk to our property/casualty subsidiaries participating in the pool as they retain the responsibility to their direct policyholders if the Exchange is unable to meet its reinsurance obligations.

We hold receivables from the Exchange for costs we pay on the Exchange's behalf and for reinsurance under the intercompany pooling arrangement. Our total receivable from the Exchange, including the management fee, reimbursable costs we paid on behalf of the Exchange and total amounts recoverable from the intercompany reinsurance pool, totaled $1.1 billion or 42.3% of our total assets at December 31, 2008.

Our financial condition may suffer because of declines in the value of the securities held in our investment portfolio that constitute a significant portion of our assets. The continuing volatility in the financial markets and the ongoing economic downturn could have a material adverse effect on our results of operations or financial condition.

Markets in the United States and around the world have been experiencing extreme volatility and disruption since mid-2007. Financial stress has affected the liquidity of the banking system and the financial system as a whole. During the fourth quarter of 2008 the volatility and disruption reached unprecedented levels. Although the U.S. and foreign governments have taken various actions to try to stabilize the financial markets, it is unclear if these actions will be effective. The financial market volatility and the resulting economic impact could continue and it is possible it could be prolonged.

Although we continue to monitor market conditions, we cannot predict future market conditions or their impact on our investment portfolio. Depending on market conditions, we could incur additional realized and unrealized losses in future fiscal periods, which could have a material adverse effect on our results of operations, financial condition or liquidity. In addition, the continuing financial market volatility and economic downturn could have a material adverse affect on third parties with which we do business. We cannot predict the impact that this would have on our business or results of operations.

Credit markets are in a particularly fragile state. Worsening economic data in the fourth quarter of 2008 increased market volatility. Extreme aversion to risk led to the lowest Treasury yields in more than fifty years. While our fixed income portfolio is well diversified, continued volatility in the credit markets could adversely affect the values and liquidity of our corporate and municipal bonds and our asset-backed and mortgage-backed securities, which could have a material adverse affect on our financial condition. We do not hedge our exposure to interest rate risk as we have the ability to hold fixed income securities to maturity. Our investment strategy achieves a balanced maturity schedule in order to moderate investment income in the event of interest rate declines in a year in which a large amount of securities could be redeemed or mature. We do not hedge our exposure to credit risk as we control industry and issuer exposure in our diversified portfolio.

At December 31, 2008, we had investments in equity securities of $88.6 million and investments in limited partnerships of $299.2 million, or 3.4% and 11.4% of total assets, respectively. In addition, we are obligated to invest up to an additional $90.8 million in limited partnerships, including private equity, real estate and fixed income partnership investments. Limited partnerships are less liquid and involve higher degrees of price risk than publicly traded securities. Limited partnerships, like publicly traded securities, have exposure to market volatility; but unlike publicly traded securities, cash flows and return expectations are less predictable. The primary basis for the valuation of limited partnership interests are financial statements prepared by the general partner. Because of the timing of the preparation and delivery of these financial statements, the use of the most recently available financial statements provided by the general partners result in a quarter delay in the inclusion of the limited partnership results in our Consolidated Statements of Operations. Due to this delay, these financial statements do not reflect the volatility in market conditions experienced in the fourth quarter 2008. We expect additional deterioration to be reflected in the general partners' year end financial statements, which we will receive in 2009, and such declines could be significant.

All of our marketable securities are subject to market volatility. Our marketable securities have exposure to price risk and the volatility of the equity markets and general economic conditions. To the extent that future market volatility negatively impacts our investments, our financial condition will be negatively impacted. We review the investment portfolio on a continuous basis to evaluate positions that might have incurred other-than-temporary declines in value. The primary factors considered in our review of investment valuation include the extent and duration to which fair value is less than cost, historical operating performance and financial condition of the issuer, short- and long-term prospects of the issuer and its industry, specific events that occurred affecting the issuer and our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value. If our policy for determining the recognition of impaired positions were different, our Consolidated Statements of Financial Position and Statements of Operations could be significantly impacted. See also Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" and Item 8. "Financial Statements and Supplementary Data - Note 3 of Notes to Consolidated Financial Statements" contained within this report.

Ineffective business relationships, including partnering and outsourcing, could affect our ability to compete.

The inability to successfully build business relationships through partnering or outsourcing could have a material adverse effect on our business. As we purchase technologies or services from others, we are reliant upon our partners' employee skill, performance and ability to fulfill fundamental business functions. This places our business performance at risk. The severity of such risk would be commensurate with the level of aptitude of the external vendors' knowledge and/or technology. If the business partner does not act within the intended limits of their authority or does not perform in a manner consistent with our business objectives, this could lead to ineffective operational performance. The potential also exists for an agency or policyholder to experience dissatisfaction with a vendor which may have an adverse effect on our business and/or agency relationships.

Risk factors relating to the business of the Property and Casualty Group

The Property and Casualty Group faces significant competition from other regional and national insurance companies which may result in lower revenues. Additionally, we face the operational risk of potential loss resulting from inadequate or failed internal processes, people, and systems, or from external events.

The Property and Casualty Group competes with regional and national property/casualty insurers including direct writers of insurance coverage. Many of these competitors are larger and many have greater financial, technical and operating resources. In addition, there is competition within each insurance agency that represents other carriers as well as the Property and Casualty Group.

If we are unable to perform at industry leading levels with best practices in terms of quality, cost containment, and speed-to-market due to inferior operating resources and/or problems with external relationships, our business performance may suffer. As the business environment changes, if we are unable to adapt timely to emerging industry changes, or if our people do not conform to the changes, our business could be materially impacted.

The property/casualty insurance industry is highly competitive on the basis of product, price and service. If competitors offer property/casualty products with more coverage and/or better service or offer lower rates, and we are unable to implement product or service improvements quickly enough to keep pace, the Property and Casualty Group's ability to grow and renew its business may be adversely impacted.

The internet continues to grow as a method of product distribution, and as a preferred method of product and price comparison. We compete against established 'direct to consumer' insurers as well as insurers that use a combination of agent and online distribution. We expect the competitors in this channel to grow. Failure to position our distribution technology effectively in light of these trends and changing demographics could inhibit our ability to grow and maintain our customer base. Our growth could also be adversely impacted by an inability to accommodate prospective customers based on lack of geographic agency presence.

If the Erie Insurance Group is unable to keep pace with the rapidly developing technological advancements in the insurance industry or to replace its legacy policy administration systems, the ability of the Property and Casualty Group to compete effectively could be impaired.

Technological development is necessary to reduce our cost and the Property and Casualty Group's operating costs and to facilitate agents' and policyholders' ability to do business with the Property and Casualty Group. If the Erie Insurance Group is unable to keep pace with the advancements being made in technology, its ability to compete with other insurance companies who have advanced technological capabilities will be negatively affected. Further, if the Erie Insurance Group is unable to update or replace its legacy policy administration systems as they become obsolete or as emerging technology renders them competitively inefficient, the Property and Casualty Group's competitive position would be adversely affected.

We have an established business continuity plan in an effort to ensure the continuation of core business operations in the event that normal business operations could not be performed due to a catastrophic event. While we continue to test and assess our business continuity plan to ensure it meets the needs of our core business operations and addresses multiple business interruption events, there is no assurance that core business operations could be performed upon the occurrence of such an event.

Advancements in technology continue to make it easier to store, share and transport information. A security breach of our computer systems could interrupt or damage our operations or harm our reputation if confidential company or customer information were to be misappropriated from our systems. Cases where sensitive data is exposed or lost may lead to a loss in competitive advantage or lawsuits. We implement standard information security procedures, such as user authentication protocols and intrusion detection systems, to control data access and storage, including that which is available on the internet.

Premium rates and reserves must be established for members of the Property and Casualty Group from forecasts of the ultimate costs expected to arise from risks underwritten during the policy period. Our underwriting profitability could be adversely affected to the extent such premium rates or reserves are too low.

One of the distinguishing features of the property and casualty insurance industry in general is that its products are priced before its costs are known, as premium rates are generally determined before losses are reported. Accordingly, premium rates must be established from forecasts of the ultimate costs expected to arise from risks underwritten during the policy period and may not prove to be adequate. Further, property and casualty insurers establish reserves for losses and loss adjustment expenses based upon estimates, and it is possible that the ultimate liability will exceed these estimates because of the future development of known losses, the existence of losses that have occurred but are currently unreported and larger than historical settlements on pending and unreported claims. The process of estimating reserves is inherently judgmental and can be influenced by factors that are subject to variation. If pricing or reserves established by a member of the Property and Casualty Group are not sufficient, our underwriting profitability may be adversely impacted.

The financial performance of members of the Property and Casualty Group could be adversely affected by severe weather conditions or other catastrophic losses, including terrorism.

The Property and Casualty Group conducts business in only 11 states and the District of Columbia, primarily in the Mid-Atlantic, Midwestern and Southeastern portions of the United States. A substantial portion of this business is private passenger and commercial automobile, homeowners and workers compensation insurance in Ohio, Maryland, Virginia and particularly, Pennsylvania. As a result, a single catastrophe occurrence, destructive weather pattern, general economic trend, terrorist attack, regulatory development or other condition disproportionately affecting one or more of the states in which the Property and Casualty Group conducts substantial business could adversely affect the results of operations of members of the Property and Casualty Group. Common natural catastrophe events include hurricanes, earthquakes, tornadoes, hail storms and severe winter weather. The frequency and severity of these catastrophes is inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposures in the area affected by the event and the severity of the event.

Terrorist attacks could cause losses from insurance claims related to the property/casualty insurance operations, as well as a decrease in our shareholders' equity, net income or revenue. The federal Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007 requires that some coverage for terrorist loss be offered by primary commercial property insurers and provides federal assistance for recovery of claims through 2014. While the Property and Casualty Group is exposed to terrorism losses in commercial lines and workers compensation, these lines are afforded a limited backstop above insurer deductibles for acts of terrorism under this federal program. The Property and Casualty Group has no personal lines terrorist coverage in place. The Property and Casualty Group could incur large net losses if future terrorist attacks occur.

The Property and Casualty Group maintains a property catastrophe reinsurance treaty that was renewed effective January 1, 2009 that provides coverage of 95% of a loss up to $400 million in excess of the Property and Casualty Group's loss retention of $450 million per occurrence. This treaty excludes losses from acts of terrorism. Nevertheless, catastrophe reinsurance may prove inadequate if a major catastrophic loss exceeds the reinsurance limit which could adversely affect our underwriting profitability.

The Property and Casualty Group depends on independent insurance agents, which exposes the Property and Casualty Group to risks not applicable to companies with dedicated agents or other forms of distribution.

The Property and Casualty Group markets and sells its insurance products through independent, non-exclusive agencies. These agencies are not obligated to sell only the Property and Casualty Group's insurance products, and generally they also sell competitors' insurance products. As a result, the Property and Casualty Group's business depends in large part on the marketing and sales efforts of these agencies. To the extent these agencies' marketing efforts cannot be maintained at their current levels of volume or they bind the Property and Casualty Group to unacceptable insurance risks, fail to comply with established underwriting guidelines or otherwise improperly market the Property and Casualty Group's products, the results of operations and business of the Property and Casualty Group could be adversely affected. Also, to the extent these agencies place business with competing insurers due to compensation arrangements, product differences, price differences, ease of doing business or other reasons, the results of operations of the Property and Casualty Group could be adversely affected. If we are unsuccessful in maintaining and increasing the number of agencies in our independent agent distribution system, the results of operations of the Property and Casualty Group could be adversely affected.

To the extent that business migrates to a delivery system other than independent agencies because of changing consumer preferences, the business of the Property and Casualty Group could be adversely affected. Also, to the extent the agencies choose to place significant portions or all of their business with competing insurance companies, the results of operations and business of the Property and Casualty Group could be adversely affected.

If there were a failure to maintain a commercially acceptable financial strength rating, the Property and Casualty Group's competitive position in the insurance industry would be adversely affected.

Financial strength ratings are an important factor in establishing the competitive position of insurance companies and may be expected to have an effect on an insurance company's sales. Higher ratings generally indicate greater financial stability and a stronger ability to meet ongoing obligations to policyholders. Ratings are assigned by rating agencies to insurers based upon factors that they believe are relevant to policyholders. Currently the Property and Casualty Group's pooled AM Best rating is an A+ ("superior"). A significant future downgrade in this or other ratings would reduce the competitive position of the Property and Casualty Group making it more difficult to attract profitable business in the highly competitive property/casualty insurance market.

Changes in applicable insurance laws, regulations or changes in the way regulators administer those laws or regulations could adversely change the Property and Casualty Group's operating environment and increase its exposure to loss or put it at a competitive disadvantage.

Property and casualty insurers are subject to extensive supervision in the states in which they do business. This regulatory oversight includes, by way of example, matters relating to licensing and examination, rate setting, market conduct, policy forms, limitations on the nature and amount of certain investments, claims practices, mandated participation in involuntary markets and guaranty funds, reserve adequacy, insurer solvency, transactions between affiliates and restrictions on underwriting standards. Such regulation and supervision are primarily for the benefit and protection of policyholders and not for the benefit of shareholders. For instance, members of the Property and Casualty Group are subject to involuntary participation in specified markets in various states in which it operates, and the rate levels the Property and Casualty Group is permitted to charge do not always correspond with the underlying costs associated with the coverage issued. Although the federal government does not directly regulate the insurance industry, federal initiatives, such as federal terrorism backstop legislation, from time-to-time, also can impact the insurance industry. In addition to specific insurance regulation, we must also comply with other regulatory, legal and ethical requirements relating to the general operation of a business. In 2008, we appointed a Chief Compliance Officer to oversee insurance regulations as well as other compliance issues.

Our ability to attract, develop and retain talented executives, key managers and employees is critical to our success.

Our future performance is substantially dependent upon our ability to attract, motivate and retain executives and other key management. The loss of the services and leadership of certain key officers and the failure to attract, motivate and develop talented new executives and managers could prevent us from successfully communicating, implementing and executing business strategies, and therefore have a material adverse effect on our financial condition and results of operations.

Our success also depends on our ability to attract, develop and retain a talented employee base. The inability to staff all functions of our business with employees possessing the appropriate technical expertise could have an adverse effect on our business performance. Staffing appropriately skilled employees for the deployment and maintenance of information technology systems and the appropriate handling of claims and rendering of disciplined underwriting, is critical to the success of our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The member companies of the Erie Insurance Group share a corporate home office complex in Erie, Pennsylvania, which is comprised of approximately 500,000 square feet. The home office complex is owned by the Exchange. We are charged rent for the related square footage we occupy.

The Erie Insurance Group also operates 23 field offices in 11 states. Seventeen of these offices provide both agency support and claims services and are referred to as branch offices, while the remaining six provide only claims services and are considered claims offices. Three field offices are owned by the Exchange and leased to us. One field office operates out of the home office complex. We incurred net rent expense for both the home office complex and the field offices leased from the Exchange totaling $5.6 million in 2008.

We own three field offices. One field office is owned by EFL and leased to us. The net rent expense for the field office leased from EFL was $0.3 million in 2008.

The remaining 15 field offices are leased from various unaffiliated parties. In addition to these field offices, we lease certain other facilities from unaffiliated parties. Net lease payments to external parties amounted to $2.7 million in 2008. Lease commitments for these properties expire periodically through 2013.

The total operating expense, including rent expense, for all office space we occupied in 2008 was $22.6 million. This amount was reduced by reimbursements from affiliates of $14.4 million. This net amount after allocations is reflected in our cost of management operations.

Item 3. Legal Proceedings

In December 2008, the Company, Erie Insurance Company of New York and Erie Insurance Company (the “settling companies”) reached a settlement with the U.S. Department of Justice in connection with an administrative action filed in 2002 with the U.S. Department of Housing and Urban Development and a related civil complaint filed in December 2008 in the United States District Court for the Western District of New York. The complaint alleged that the settling companies operated their businesses in New York state in a manner that resulted in differences in market share for certain types of homeowners and renters insurance policies sold in neighborhoods with lower percentages of African American populations and those with higher percentages African Americans. This settlement is in the form of a Consent Decree in which the settling companies agreed to a number of provisions, including: appointment of a full-time Director of Diversity and Community Outreach whose primary responsibilities include overseeing training, outreach and monitoring of the settling companies’ marketing and sales activities in target Census blocks in New York State; payment of $50,000 to Syracuse Habitat for Humanity for the purpose of improving the quality and availability of housing in Onondaga County; payment of $225,000 to the Fair Housing Council of Central New York; training of the settling companies’ New York State agents regarding the sale and marketing of the settling companies’ products and services; expansion of the settling companies’ sales and marketing efforts in target census blocks in upstate New York; and amendment of homeowners and renters insurance marketing materials used in New York to include an Equal Housing Opportunity logo, slogan or statement. While the Consent Decree acknowledges that there were no “factual findings” with regard to the allegations against the settling companies, they decided to enter into the settlement to avoid costly and protracted litigation. There is also no finding or admission that either the settling companies or their independent insurance agents violated the Federal Fair Housing Act or otherwise engaged in any unlawful discrimination.

Reference is made to Item 8. “Financial Statements and Supplementary Data - Note 21 of Notes to Consolidated Financial Statements” contained within this report.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

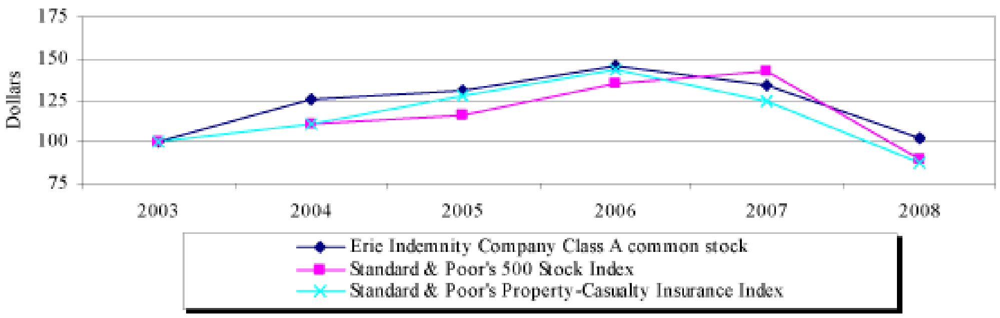
Common stock market prices and dividends
Our Class A, non-voting common stock trades on The NASDAQ Stock Market[SM] LLC under the symbol "ERIE." No established trading market exists for the Class B voting common stock. American Stock Transfer & Trust Company serves as our transfer agent and registrar. As of February 18, 2009, there were approximately 902 beneficial shareholders of record of our Class A non-voting common stock and 12 beneficial shareholders of record of our Class B voting common stock.

We historically have declared and paid cash dividends on a quarterly basis at the discretion of the Board of Directors. The payment and amount of future dividends on the common stock will be determined by the Board of Directors and will depend on, among other things, our operating results, financial condition, cash requirements and general business conditions at the time such payment is considered.

The common stock high and low sales prices and dividends for each full quarter of the last two years were as follows:

	2008				2007			
	Sales Price		**Cash Dividend Declared**		Sales Price		Cash Dividend Declared	
Quarter ended	**High**	**Low**	**Class A**	**Class B**	High	Low	Class A	Class B
March 31	**$52.39**	**$48.13**	**$0.440**	**$ 66.00**	$58.24	$51.75	$0.400	$ 60.00
June 30	**56.04**	**46.15**	**0.440**	**66.00**	56.62	52.01	0.400	60.00
September 30	**49.00**	**40.61**	**0.440**	**66.00**	62.29	50.70	0.400	60.00
December 31	**43.66**	**31.52**	**0.450**	**67.50**	61.41	50.52	0.440	66.00
Total			**$1.770**	**$265.50**			$1.640	$246.00

Stock performance
The following graph depicts the cumulative total shareholder return (assuming reinvestment of dividends) for the periods indicated for our Class A common stock compared to the Standard & Poor's 500 Stock Index and the Standard & Poor's Property-Casualty Insurance Index:



	2003	2004	2005	2006	2007	**2008**
Erie Indemnity Company Class A common stock	$100*	$126	$130	$146	$134	**$102**
Standard & Poor's 500 Stock Index	100*	111	116	135	142	**90**
Standard & Poor's Property-Casualty Insurance Index	100*	110	127	143	125	**88**

*Assumes $100 invested at the close of trading on the last trading day preceding the first day of the fifth preceding fiscal year in our Class A common stock, Standard & Poor's 500 Stock Index and Standard & Poor's Property-Casualty Insurance Index.

Issuer Purchases of Equity Securities

A stock repurchase plan was authorized January 1, 2004 allowing us to repurchase up to $250 million of our outstanding Class A common stock through December 31, 2006. Our Board of Directors approved continuations of this stock repurchase program for an additional $250 million in February 2006, an additional $100 million in September 2007, and an additional $100 million in April 2008 which authorizes repurchases through June 30, 2009. We may purchase the shares, from time-to-time, in the open market or through privately negotiated transactions, depending on prevailing market conditions and alternative uses of our capital. Shares repurchased during 2008 totaled 2.1 million at a total cost of $102.0 million. Cumulative shares repurchased under this plan since inception were 11.7 million at a total cost of $610.1 million. See Item 8. "Financial Statements and Supplementary Data – Note 13 of Notes to Consolidated Financial Statements" contained within this report for discussion of additional shares repurchased outside of this plan from the F. William Hirt Estate in 2007.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
October 1 – 31, 2008	**0**	**$ 0.00**	**0**	
November 1 – 30, 2008	**0**	**0.00**	**0**	
December 1 – 31, 2008	**93,620**	**35.88**	**93,620**	
Total	**93,620**		**93,620**	**$89,900,000**

Item 6. Selected Consolidated Financial Data

	ERIE INDEMNITY COMPANY Years Ended December 31,							
(in thousands, except per share data)	**2008**		2007		2006		2005	2004
Operating data:								
Total operating revenue	**$1,137,231**		$1,132,291		$1,133,982		$1,124,950	$1,123,144
Total operating expenses	**951,397**		930,454		934,204		900,731	884,916
Total investment (loss) income-unaffiliated	**(63,128)**		107,331		99,021		115,237	88,119
Provision for income taxes	**39,865**		99,137		99,055		111,733	105,140
Equity in (losses) earnings of Erie Family Life Insurance, net of tax	**(13,603)**		2,914		4,281		3,381	5,206
Net income	**$ 69,238**		$ 212,945		$ 204,025		$ 231,104	$ 226,413
Per share data:								
Net income per share-diluted	**$ 1.19**		$ 3.43		$ 3.13		$ 3.34	$ 3.21
Book value per share-Class A common and equivalent B shares	**13.79**		17.68		18.17	(4)	18.81	18.14
Dividends declared per Class A share	**1.770**		1.640		1.480		1.335	0.970
Dividends declared per Class B share	**265.50**		246.00		222.00		200.25	145.50
Financial position data:								
Investments(1)	**$ 981,675**		$1,277,781		$1,380,219		$1,452,431	$1,371,442
Receivables due from the Exchange and affiliates	**1,130,610**		1,177,830		1,238,852		1,193,503	1,157,384
Total assets	**2,613,386**		2,878,623		3,039,361		3,101,261	2,982,804
Shareholders' equity	**791,875**	(2)	1,051,279		1,161,848	(4)	1,278,602	1,266,881
Treasury stock	**810,961**		708,943		472,230		254,877	155,911
Cumulative number of shares repurchased at December 31,	**16,995**		14,939	(3)	10,448		6,438	4,548

(1) Includes investment in Erie Family Life Insurance.

(2) At January 1, 2008, we adopted the recognition provisions of Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," for our common stock portfolio. The net impact of the cumulative effect adjustment on January 1, 2008 increased retained earnings and reduced other comprehensive income by $11.2 million, net of tax, resulting in no effect on shareholders' equity.

(3) Includes 1.9 million shares of our Class A nonvoting common stock from the F. William Hirt Estate separate from our stock repurchase program.

(4) At December 31, 2006, shareholders' equity decreased by $21.1 million, net of taxes, as a result of initially applying the recognition provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of financial condition and results of operations highlights significant factors influencing our Company. This discussion should be read in conjunction with the audited financial statements and related notes and all other items contained within this Annual Report on Form 10-K, as they contain important information helpful in evaluating our financial condition and operating results.

Certain statements contained herein are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are not in the present or past tense and can generally be identified by the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "seek," "should," "target," "will," and other expressions that indicate future trends and events. Forward-looking statements include, without limitation, statements and assumptions on which such statements are based that are related to our plans, strategies, objectives, expectations, intentions and adequacy of resources. Examples of such statements are discussions relating to management fee revenue, cost of management operations, underwriting, premium and investment income volumes, and agency appointments. Such statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Among the risks and uncertainties that could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements are the following: factors affecting the property/casualty and life insurance industries generally, including price competition, legislative and regulatory developments, government regulation of the insurance industry including approval of rate increases, the size, frequency and severity of claims, natural disasters, exposure to environmental claims, fluctuations in interest rates, inflation and general business conditions; the geographic concentration of our business as a result of being a regional company; the accuracy of our pricing and loss reserving methodologies; changes in driving habits; our ability to maintain our business operations including our information technology system; our dependence on the independent agency system; the quality and liquidity of our investment portfolio; our dependence on our relationship with Erie Insurance Exchange; and the other risks and uncertainties discussed or indicated in all documents filed by the Company with the Securities and Exchange Commission, including those described in Part I, "Item 1A. Risk Factors" and elsewhere in this report. A forward-looking statement speaks only as of the date on which it is made and reflects the Company's analysis only as of that date. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions, or otherwise.

OVERVIEW

The discussions below focus heavily on our three segments: management operations, insurance underwriting operations and investment operations. The segment basis financial results presented throughout Management's Discussion and Analysis herein are those which management uses internally to monitor and evaluate results and are a supplemental presentation of our Consolidated Statements of Operations.

Economic and industry-wide factors

Because we are a management company, our earnings are driven largely by the management fee revenue we collect from the Exchange that is based on the direct written premiums of the Property and Casualty Group. The property/casualty insurance industry is highly cyclical, with periods of rising premium rates and shortages of underwriting capacity ("hard market") followed by periods of substantial price competition and excess capacity ("soft market"). The property/casualty insurance industry has been well capitalized in recent years, however, the turmoil in the securities markets, the volatile economic environment, and the return of severe tropical storm losses have all taken a toll on 2008 industry results. Conning Research & Consulting estimates the industry combined ratio to be 106.3 in 2008, which is a deterioration from the actual industry combined ratio of 95.6 in 2007. While favorable loss reserve development benefited industry underwriting results, continued price softening, high catastrophe losses and significant underwriting losses contributed to the 2008 deterioration. These market conditions for insurers may be a precursor to increases in pricing on property and casualty policies. Conning Research & Consulting is predicting that slower economic growth in 2009 will contribute to slow exposure growth. While premium rates appear to be hardening, the effect of the softening economy, in terms of auto and home sales, could lead to weakness in the growth of top line premium.

The cyclical nature of the insurance industry has a direct impact on our income from management operations, as our management fee revenues are based on the direct written premiums of the Property and Casualty Group and the management fee rate we charge. Periods of flattening premiums, generally result in lower margins from management operations. Our management fee revenue reflected minimal growth of 0.3% in 2008, as direct written premiums of the Property and Casualty Group increased only 0.4% compared to 2007. The Property and Casualty Group implemented price reductions of approximately $30 million in 2008, however we believe our pricing will stabilize in 2009 and anticipate approximately $36 million in direct written premium increases from rating actions taken in 2009. These increases could be offset by the effects on our business from the softening economy.

The upheaval in the financial markets in the third and fourth quarters of 2008 had a negative impact on our investment operations. What began in the second half of 2007 as a subprime mortgage crisis has grown to a global crisis in the financial markets. We record impairment writedowns on investments in instances where the fair value of the investment is substantially below cost, and we conclude that the decline in fair value is other-than-temporary. Impairment charges were also affected by our proactive tax strategies which precluded us from asserting our intent to hold these investments to recovery. During 2008, we impaired $69.5 million of securities primarily for investments in the banking and finance industries. Included in the total impairment charge were $36.0 million in charges on fixed maturities and $33.5 million in charges on preferred stock. The Exchange also recognized substantial impairment charges in 2008 of $663.1 million with $204.2 million in bonds, $213.9 million in preferred stock and $245.0 million in common stock. Many of these securities are performing in line with anticipated or contractual cash flows.

The valuation of our entire investment portfolio was significantly affected by the 2008 upheaval in the financial markets. Net unrealized losses on fixed maturities at December 31, 2008 were $34.2 million compared with $0.9 million in net unrealized gains at December 31, 2007, with unrealized losses in the financial sector being the primary driver. There were also $4.7 million in net unrealized losses in equity securities at December 31, 2008 compared with $3.0 million at December 31, 2007. Our trading securities portfolio was similarly affected, with a net unrealized loss of $4.5 million at December 31, 2008 compared to a $17.2 million gain at December 31, 2007.

Our alternative investments were also impacted by the 2008 market declines. Equity in earnings of limited partnerships decreased $54.0 million in 2008 over 2007. The valuation adjustments in the limited partnerships are based on information received from our general partners, which is generally received on a quarter lag. As a result, the 2008 partnership earnings do not reflect the valuation changes that were impacted by the upheaval in the financial markets in the fourth quarter of 2008.

Revenue generation

We have three primary sources of revenue. Our most significant source of revenue is generated by providing management services to the Exchange. The management fee is calculated as a percentage, not to exceed 25%, of the direct written premiums of the Property and Casualty Group. The Board of Directors establishes the rate at least annually and considers such factors as relative financial strength of the Exchange and Company and projected revenue streams. Our Board set the 2009 rate at 25%, its maximum level.

Second, we generate revenues from our property/casualty insurance subsidiaries, which consist of our share of the pooled underwriting results of the Property and Casualty Group. All members of the Property and Casualty Group pool their underwriting results. Under the pooling agreement, the Exchange assumes 94.5% of the Property and Casualty Group’s net written premium. Through the pool, our subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, currently assume 5.5% of the Property and Casualty Group’s net written premium, providing a direct incentive for us to manage the insurance underwriting discipline as effectively as possible.

Finally, we generate revenues from our fixed maturity, equity and alternative investment portfolios. The portfolios are managed with a view toward maximizing after-tax yields and limiting credit risk, and we actively evaluate our portfolios for impairments. Due to the global liquidity crises surrounding the credit markets and more broadly the financial services industry in 2008, we recognized $69.5 million of impairment charges as a result of continued declines in fair value and credit deterioration on certain of our bonds and preferred stocks predominately in the banking and finance industry sectors. The majority of the impairments relate to securities that are artificially depressed due to current market conditions, but continue to meet interest and dividend obligations. We also had net losses on common stocks of $38.6 million and reduced valuation adjustments recorded by our real estate limited partnerships as a result of the general slow-down and recent economic downturn in the real estate markets. We have consistently generated high levels of cash flows from operations, which amounted to $150.8 million in 2008. Our net cash flows from operations have been used to pay shareholder dividends and to repurchase shares of our stock under our repurchase program.

Opportunities, challenges and risks
In order to grow our management fee revenue, our key challenges in 2009 will be to continue to generate profitable property/casualty revenue growth while containing the growth of expenses in our management operations. Expense management is further challenged by our need to enhance technology and improve ease of doing business for our agents and policyholders.

We continued to pursue opportunities in our current territories through the appointment of 156 new agencies in 2008. During 2009, we plan to continue this momentum by appointing another 127 agencies. We continued to develop the personal lines pricing plan, by introducing additional variables that further segment risks and allow us to be price competitive for the best risks. The Property and Casualty Group continues to evaluate potential new product offerings and product extensions to meet consumer demands.

We plan to continue to control the growth in the cost of management operations by controlling salary and wage costs and other discretionary spending in 2009. However, we also intend to continue making targeted investments in technology to enhance customer service, ease of doing business with our agents and customers, and to improve our productivity. In 2009, we expect to incur additional expenses on our various technology initiatives aimed at improving our competitiveness. See “Future trends - costs of management operations” section for further details.

Financial overview

	Years ended December 31,				
(in thousands, except per share data)	**2008**	**% Change 2008 over 2007**	2007	% Change 2007 over 2006	2006
Income from management operations	**$172,525**	**(2.6)%**	$177,174	(5.0)%	$186,408
Underwriting income	**13,309**	**(46.0)**	24,663	84.5	13,370
Net (loss) revenue from investment operations	**(77,755)**	**NM**	110,464	6.6	103,625
Income before income taxes	**108,079**	**(65.4)**	312,301	2.9	303,403
Provision for income taxes	**38,841**	**(60.9)**	99,356	0.0	99,378
Net income	**$ 69,238**	**(67.5)**	$212,945	4.4	$204,025
Net income per share–diluted	**$ 1.19**	**(65.2)%**	$ 3.43	9.6%	$ 3.13

NM = not meaningful

Key points

- Decrease in net income per share-diluted in 2008 was driven by net realized losses on investments as a result of the upheaval in the financial markets, particularly in the third and fourth quarters of 2008. In the year, we recognized $69.5 million of impairment charges on fixed maturities and preferred stock, $38.6 million of net realized losses on common stock and a drop in our equity in earnings of limited partnerships of $54.0 million.
- Gross margins from management operations decreased slightly to 17.6% in 2008 from 18.1% in 2007.
- GAAP combined ratios of the insurance underwriting operations increased to 93.6 in 2008 from 88.1 in 2007 driven by slightly higher catastrophe losses and less favorable development of prior accident year loss reserves when compared to 2007 results.

Management operations

- Management fee revenue increased 0.3% and 0.4% in 2008 and 2007, respectively. The two determining factors of management fee revenue are: 1) the management fee rate we charge, and 2) the direct written premiums of the Property and Casualty Group. The management fee rate was 25% for both 2008 and 2007. Direct written premiums of the Property and Casualty Group were largely unchanged at $3.8 billion for 2008 and 2007.
- In 2008, the direct written premiums of the Property and Casualty Group increased 0.4% compared to a 0.5% decline in 2007. New policy direct written premiums of the Property and Casualty Group increased 2.9% in 2008 compared to 9.0% in 2007, while renewal premiums increased 0.1% in 2008 compared to a decline of 1.5% in 2007. New business policies in force increased 3.1% in 2008 compared to 6.4% in 2007, and renewal business policies in force increased 2.9% in 2008 compared to 1.9% in 2007. Despite the growth in policies in force, rate reductions of $30.3 million led to minimal growth in 2008, and rate reductions of $85.9 million contributed to the decline in 2007.

- The cost of management operations increased 1.2%, or $10.0 million, to $809.5 million in 2008, primarily due to the increase in non-commission expenses:
  - *Commissions*—Total commission costs decreased 0.6%, or $3.4 million, to $554.0 million in 2008 driven by a decrease in agent bonuses as a result of a reduction in the profitability component of the award. Offsetting this reduction were increases in normal scheduled rate commissions, a private passenger auto bonus and other promotional incentives classified as commissions.
  - *Total costs other than commissions*—All other non-commission expense increased 5.5%, to $255.6 million in 2008, driven by personnel, sales and policy issuance costs and other operating costs. Personnel costs increased primarily due to higher average pay rates and higher staffing levels coupled with increases in executive severance costs and management incentive plan expense. Sales and policy issuance costs rose due to increased agent advertising program expense. Other operating costs increased due to various corporate technology initiatives that resulted in additional contract labor fees and software costs.

Insurance underwriting operations

- Contributing to underwriting income of $13.3 million and a 93.6 GAAP combined ratio in 2008, compared to underwriting income of $24.7 million and an 88.1 GAAP combined ratio in 2007, were the following factors:
  - catastrophe losses totaling 3.4 points, or $7.0 million, in 2008 due to remnants of Hurricane Ike in Ohio, Pennsylvania and Indiana, compared to 1.7 points, or $3.6 million, in 2007; and
  - favorable development on prior accident year loss reserves of 3.2 points, or $6.7 million, in 2008, compared to 5.3 points, or $11.0 million, of favorable development in 2007; and
  - increase in the underlying non-catastrophe accident year combined ratio as a result of slightly declining average premiums and increased loss costs.

Investment operations

- Net investment income decreased 16.4% in 2008 compared to 2007, as invested assets declined in 2008 to fund stock repurchases of $102.0 million.
- Net realized losses on investments totaled $113.0 million in 2008 compared to 2007 realized losses of $5.2 million primarily due to impairment charges on fixed maturities and preferred stock of $69.5 million and net realized losses on common stock of $38.6 million.
- Equity in earnings of limited partnerships decreased to $5.7 million in 2008 from $59.7 million in 2007 as a result of fair value declines across all limited partnerships categories due to lingering anemic financial market conditions.
- Equity in EFL losses was $14.6 million in 2008 compared to earnings of $3.1 million in 2007. EFL recognized impairment charges of $83.5 million in 2008 primarily related to fixed maturities and preferred stock investments in the financial services industry sector, of which our share was $18.0 million.

The topics addressed in this overview are discussed in more detail in the sections that follow.

CRITICAL ACCOUNTING ESTIMATES

In order to prepare financial statements in accordance with GAAP, we make estimates and assumptions that have a significant effect on reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period and related disclosures. Management considers an accounting estimate to be critical if (1) it requires assumptions to be made that were uncertain at the time the estimate was made, and (2) different estimates that could have been used, or changes in the estimate that are likely to occur from period-to-period, could have a material impact on our consolidated statements of operations or financial position.

The following presents a discussion of those accounting policies surrounding estimates that we believe are the most critical to our reported amounts and require the most subjective and complex judgment. If actual events differ significantly from the underlying assumptions, there could be material adjustments to prior estimates that could potentially adversely affect our results of operations, financial condition and cash flows. The estimates and the estimating methods used are reviewed continually, and any adjustments considered necessary are reflected in current earnings.

Investment valuation
We make estimates concerning the valuation of all investments. Valuation techniques used to derive fair value of our available-for–sale and trading securities are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, such as prices obtained from nationally recognized pricing services for identical instruments in active markets. Observable inputs other than quoted prices would include prices obtained from third party pricing services that model prices based on observable inputs. Unobservable inputs reflect our own assumptions regarding exit market pricing for these securities. Fair value for these securities, that comprise only 4.0% of our total investment portfolio, are determined using comparable securities or valuations received from outside broker dealers.

Investments are evaluated monthly for other-than-temporary impairment loss. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include:

- the extent and duration for which fair value is less than cost;
- historical operating performance and financial condition of the issuer;
- short- and long-term prospects of the issuer and its industry based on analysts’ recommendations;
- specific events that occurred affecting the issuer, including rating downgrades; and
- our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value.

An investment deemed other than temporarily impaired is written down to its estimated fair value. Impairment charges are included as a realized loss in the Consolidated Statements of Operations.

The primary basis for the valuation of limited partnership interests is financial statements prepared by the general partner. Because of the timing of the preparation and delivery of these financial statements, the use of the most recently available financial statements provided by the general partners generally result in a quarter delay in the inclusion of the limited partnership results in our Consolidated Statements of Operations. Due to this delay, these financial statements do not reflect the volatility in market conditions experienced in the fourth quarter 2008. We expect additional deterioration to be reflected in the general partners’ year end financial statements, which we will receive in 2009, and such declines could be significant. Nearly all of the underlying investments in our limited partnerships are valued using a source other than quoted prices in active markets. Our limited partnership holdings are considered investment companies where the general partners record assets at fair value. Several factors are to be considered in determining whether an entity is an investment company. Among these factors are a large number of investors, low level of individual ownership and passive ownership that indicate the entity is an investment company.

We have three types of limited partnership investments: private equity, mezzanine debt and real estate. Our private equity and mezzanine debt partnerships are diversified among numerous industries and geographies to minimize potential loss exposure. The fair value amounts for our private equity and mezzanine debt partnerships are based on the financial statements of the general partners, who use various methods to estimate fair value including the market approach, income approach and the cost approach. The market approach uses prices and other pertinent information from market-generated transactions involving identical or comparable assets or liabilities. Such valuation techniques often use market multiples derived from a set of comparables. The income approach uses valuation techniques to convert future cash flows or earnings to a single discounted present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is derived from the amount that is currently required to replace the service capacity of an asset. If information becomes available that would impair the cost of investments owned by the partnerships, then the general partner would generally adjust to the net realizable value.

Real estate limited partnerships are recorded by the general partner at fair value based on independent appraisals and/or internal valuations. Real estate projects under development are generally valued at cost and impairment tested by the general partner. We minimize the risk of market decline by avoiding concentration in a particular geographic area and are diversified across residential, commercial, industrial and retail real estate investments.

We perform various procedures in review of the general partners' valuations, and while we rely on the general partners' financial statements as the best available information to record our share of the partnership unrealized gains and losses resulting from valuation changes, we adjust our financial statements for impairments of the partnership investment where appropriate. As there is no ready market for these investments, they have the greatest potential for variability. We survey each of the general partners quarterly about expected significant changes (plus or minus 10% compared to previous quarter) to valuations prior to the release of the fund's quarterly and annual financial statements. Based on that information from the general partner, we consider whether recording of a valuation adjustment or additional disclosure is warranted.

Property/casualty insurance liabilities
Reserves for property/casualty insurance unpaid losses and loss adjustment expenses reflect our best estimate of future amounts needed to pay losses and related expenses with respect to insured events. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported. They also include estimates of all future payments associated with processing and settling these claims. Reported losses represent cumulative loss and loss adjustment expenses paid plus case reserves for outstanding reported claims. Case reserves are established by a claims handler on each individual claim and are adjusted as new information becomes known during the course of handling the claims. Incurred but not reported reserves represent the difference between the actual reported loss and loss adjustment expenses and the estimated ultimate cost of all claims.

The process of estimating the liability for property/casualty unpaid loss and loss adjustment expense reserves is complex and involves a variety of actuarial techniques. This estimation process is based largely on the assumption that past development trends are an appropriate indicator of future events. Reserve estimates are based on our assessment of known facts and circumstances, review of historical settlement patterns, estimates of trends in claims frequency and severity, legal theories of liability and other factors. Variables in the reserve estimation process can be affected by 1) internal factors, including changes in claims handling procedures and changes in the quality of risk selection in the underwriting process, and 2) external events, such as economic inflation, regulatory and legislative changes. Due to the inherent complexity of the assumptions used, final loss settlements may vary significantly from the current estimates, particularly when those settlements may not occur until well into the future.

Our actuaries review reserve estimates for both current and prior accident years using the most current claim data, on a quarterly basis, for all direct reserves except the reserves for the pre-1986 automobile catastrophic injury claims and the workers compensation catastrophic injury claims that are reviewed semi-annually. These catastrophic injury reserves are reviewed semi-annually because of the relatively low number of cases and the long-term nature of these claims. For reserves that are reviewed semi-annually, our actuaries monitor the emergence of paid and reported losses in the intervening quarters to either confirm that the estimate of ultimate losses should not change, or if necessary, perform a reserve review to determine whether the reserve estimate should change. Significant changes to the factors discussed above, which are either known or reasonably projected through analysis of internal and external data, are quantified in the reserve estimates each quarter.

The quarterly reserve reviews incorporate a variety of actuarial methods and judgments and involve rigorous analysis. The various methods generate different estimates of ultimate losses by product line and product coverage combination. Thus, there are no reserve ranges, but rather point estimates of the ultimate losses developed from the various methods. The methods that are considered more credible vary by product coverage combination based primarily on the maturity of the accident quarter, the mix of business and the particular internal and external influences impacting the claims experience or the method.

Paid loss development patterns, generated from historical data, are generally less useful for the more recent accident quarters of long-tailed lines since a low percentage of ultimate losses are paid in early periods of development. Reported loss (including cumulative paid losses and case reserves) development patterns, generated from historical data, estimate only the unreported losses rather than the total unpaid losses as this technique is affected by changes in case reserving practices. Combinations of the paid and reported methods are used in developing estimated ultimate losses for short-tail coverages, such as private passenger auto property and homeowners claims, and more mature accident quarters of long-tail coverages, such as private passenger auto liability claims and commercial liability claims, including workers compensation. The Bornhuetter-Ferguson method combines a reported development technique with an expected loss ratio technique. An expected loss ratio is developed through a review of historical loss ratios by accident quarter, as well as expected changes to earned premium, mix of business and other factors that are expected to impact the loss ratio for the accident quarter being evaluated. This method is generally used on the first four to eight accident quarters on long-tail coverages because a low percentage of losses are paid in the early period of development.

The reserve review process involves a comprehensive review by our actuaries of the various estimation methods and reserve levels produced by each. These multiple reserve point estimates are reviewed by our reserving actuaries and reserve best estimates are selected. The selected reserve estimates are discussed with management. Numerous factors are considered in setting reserve levels, including, but not limited to, the assessed reliability of key loss trends and assumptions that may be significantly influencing the current actuarial indications, the maturity of the accident year, pertinent claims frequency and severity trends observed over recent years, the level of volatility within a particular line of business and the improvement or deterioration of actuarial indications in the current period as compared to prior periods.

We also perform analyses to evaluate the adequacy of past reserve levels. Using subsequent information, we perform retrospective reserve analyses to test whether previously established estimates for reserves were reasonable. Our 2008 retrospective reserve analysis indicated the Property and Casualty Group's December 31, 2007 direct reserves, excluding salvage and subrogation recoveries, had an estimated redundancy of approximately $122 million, which was 3.5% of reserves.

- The Property and Casualty Group reduced reserves related to automobile bodily injury (BI) and uninsured/underinsured motorist (UM/UIM) bodily injury by approximately $75 million in 2008. This change in estimate resulted from improvements in frequency trends, and to a lesser extent, severity trends, that developed primarily on 2006 and 2007 accident years. The Property and Casualty Group's reserves for auto BI and UM/UIM were $766 million at December 31, 2007 and $700 million at December 31, 2008.

- The pre-1986 automobile catastrophic injury reserves were reduced by approximately $30 million in 2008. This change in estimate resulted from lower than expected future attendant care costs and affected various accident years before 1986. These reserve estimates were reduced to reflect reduced attendant care costs on these claims. The additional data was incorporated in the reserve estimates as it became known in each quarter throughout 2008. The Property and Casualty Group had pre-1986 automobile catastrophic injury reserves of $299.0 million at December 31, 2007 and $265.1 million at December 31, 2008, which are net of $163.2 million and $153.9 million of anticipated reinsurance recoverables for 2007 and 2008, respectively.

In 2007 and 2006, the Property and Casualty Group's direct reserves had an estimated redundancy at December 31 of $200.6 million, or 5.6% of reserves, and $73.1 million, or 1.9% of reserves, respectively. The favorable frequency and severity trends in automobile BI and UM/UIM began in 2006 and these trends developed more fully in 2007. In 2008, the trends reflected in the 2007 activity were incorporated into our reserve estimates.

The Property and Casualty Group's coverage with the greatest potential for variation are the catastrophic injury liability reserves. The automobile no-fault law in Pennsylvania before 1986 and workers compensation policies provide for unlimited medical benefits. The estimate of ultimate liabilities for these claims is subject to significant judgment due to variations in claimant health, mortality over time and health care cost trends. Workers compensation catastrophic injury claims have been segregated from the total population of workers compensation claims. Because the coverage related to the automobile no-fault and workers compensation claims is unique and the number of claims is about 120, the previously discussed methods are not used; rather ultimate losses are estimated on a claim-by-claim basis. An annual payment assumption is made for each of these claimants who sustained catastrophic injuries and then projected into the future based upon a particular assumption of the future inflation rate, including medical inflation and life expectancy of the claimant. The most significant variable in estimating this liability is medical cost inflation. Our medical inflation rate assumption in setting this reserve for 2008 is for a 9% annual increase grading down 1% after the first year, then grading down 0.5% per year to an ultimate rate of 5%. Our medical inflation rate assumption in setting this reserve for 2007 was a 10% annual increase grading down 1% per year to an ultimate rate of 5%. The life expectancy assumption (mortality) underlying this reserve estimate reflects experience to date. Our mortality rate assumption gives 75% weight to our own mortality experience and 25% weight to a disabled pensioner mortality table. Our actual mortality experience for disabled lives of catastrophically injured people is based on a relatively small number of lives. We believe weighting the mortality assumption to incorporate the disabled pensioner mortality table, which has longer life expectancies than our experience, is reasonable in estimating our ultimate liability for these claims. Actual experience, different than that assumed, could have a significant impact on the reserve estimate.

At December 31, 2008, the reserve carried by the Property and Casualty Group for the pre-1986 automobile catastrophic injury liabilities, which is our best estimate of this liability at this time, was $265.1 million, which is net of $153.9 million of anticipated reinsurance recoverables. Our property/casualty subsidiaries' share of the net automobile catastrophic injury liability reserve is $14.6 million at December 31, 2008. Each 100-basis point change in the medical cost inflation assumption would result in a change in net liability for us of $2.2 million. At December 31, 2008, the reserve carried by the Property and Casualty Group for workers compensation catastrophic injury reserves, which is our best estimate of this liability at this time, was $249.4 million, which is net of $13.6 million of anticipated reinsurance recoverables. Our property/casualty insurance subsidiaries' share of the workers compensation catastrophic injury reserves is $13.7 million at December 31, 2008. Each 100-basis point change in the medical cost inflation assumption would result in a change in net liability for us of $1.6 million.

Retirement benefit plans

Our pension plan for employees is the largest and only funded benefit plan we offer. Our pension and other retirement benefit obligations are developed from actuarial estimates in accordance with Financial Accounting Standard (SFAS) 87, "Employers' Accounting for Pensions." Several statistical and other factors, which attempt to anticipate future events, are used in calculating the expense and liability related to the plans. Key factors include assumptions about the discount rates and expected rates of return on plan assets. We review these assumptions annually and modify them considering historical experience, current market conditions, including changes in investment returns and interest rates, and expected future trends.

Accumulated and projected benefit obligations are expressed as the present value of future cash payments. We discount those cash payments using the prevailing market rate of a portfolio of high-quality fixed-income debt instruments with maturities that correspond to the payment of benefits. Lower discount rates increase present values and subsequent year pension expense; higher discount rates decrease present values and subsequent year pension expense. In determining the discount rate, we performed a bond-matching study. The study developed a portfolio of non-callable bonds rated AA- or higher with at least $25 million outstanding at December 31, 2008. These bonds had maturities primarily between zero and thirty years. For years beyond year 30, there were no bonds maturing. In these instances, the study estimated the appropriate bond by assuming that there would be bonds available with the same characteristics as the available bond maturing in the immediately preceding year. Outlier bonds were excluded from the study. The cash flows from the bonds were matched against our projected benefit payments in the pension plan, which have a duration of about 18 years. This bond-matching study supported the selection of a 6.06% discount rate for the 2009 pension expense. The 2008 expense was based on a discount rate assumption of 6.62%. A change of 25 basis points in the discount rate assumption, with other assumptions held constant, would have an estimated $1.7 million impact on net pension and other retirement benefit costs in 2009, before consideration of expense allocation to affiliates.

Unrecognized actuarial gains and losses are being recognized over a 15-year period, which represents the expected remaining service period of the employee group. Unrecognized actuarial gains and losses arise from several factors, including experience and assumption changes in the obligations and from the difference between expected returns and actual returns on plan assets. These unrecognized losses are recorded in the pension plan obligation on the Statements of Financial Position and Accumulated Other Comprehensive Income in 2008 in accordance with FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." These amounts are systematically recognized as an increase to future net periodic pension expense in accordance with FAS 87 in future periods.

The expected long-term rate of return for the pension plan represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. The expected long-term rate of return is less susceptible to annual revisions, as there are typically not significant changes in the asset mix. The long-term rate of return is based on historical long-term returns for asset classes included in the pension plan's target allocation. A reasonably possible change of 25 basis points in the expected long-term rate of return assumption, with other assumptions held constant, would have an estimated $0.8 million impact on net pension benefit cost before consideration of reimbursement from affiliates.

We use a four year averaging method to determine the market-related value of plan assets, which is used to determine the expected return component of pension expense. Under this methodology, asset gains or losses that result from returns that differ from our long-term rate of return assumption are recognized in the market-related value of assets on a level basis over a four year period. The component of the actuarial loss generated during 2008 that related to the actual investment return being different from assumed during the prior year was $106.1 million. Recognition of this loss will be deferred over a four year period, consistent with the market-related asset value methodology. Once factored into the market-related asset value, these experience losses will be amortized over a period of 15 years, which is the remaining service period of the employee group.

The actuarial assumptions used by us in determining our pension and retirement benefits may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. While we believe that the assumptions used are appropriate, differences in actual experience or changes in assumptions may materially affect our financial position or results of operations. Further information on our retirement benefit plans is provided in Item 8. "Financial Statements and Supplementary Data – Note 10 of Notes to Consolidated Financial Statements" contained within this report.

NEW ACCOUNTING STANDARDS

See Item 8. "Financial Statements and Supplementary Data – Note 2 of Notes to Consolidated Financial Statements" contained within this report for a discussion of recently issued accounting pronouncements.

RESULTS OF OPERATIONS

MANAGEMENT OPERATIONS

	Years ended December 31,				
(in thousands)	**2008**	**% Change 2008 over 2007**	2007	% Change 2007 over 2006	2006
Management fee revenue	**$949,775**	**0.3 %**	$947,023	0.4 %	$942,845
Service agreement revenue	**32,298**	**8.6**	29,748	1.7	29,246
Total revenue from management operations	**982,073**	**0.5**	976,771	0.5	972,091
Cost of management operations	**809,548**	**1.2**	799,597	1.8	785,683
Income from management operations	**$172,525**	**(2.6)%**	$177,174	(5.0)%	$186,408
Gross margin	**17.6%**		18.1%		19.2%

Key points

- The management fee rate was 25% in 2008 and 2007.

- Direct written premiums of the Property and Casualty Group increased 0.4% in 2008.

  - Policies in force increased 2.9% to 4,002,209 in 2008 from 3,888,333 in 2007.
  - Year-over-year average premium per policy decreased 2.5% to $949 in 2008 from $973 in 2007.
  - Premium rate changes resulted in a $30.3 million decrease in 2008 written premiums.

- Costs other than commissions increased 5.5% while commission costs decreased 0.6% in 2008.

  - Estimates for agent bonuses decreased $14.6 million offset by a $6.8 million increase in normal and accelerated rate commissions and a $5.1 million increase in the private passenger auto bonus and other promotional incentives.

  - Personnel costs increased 3.8%, or $5.3 million, primarily due to:

    - $4.7 million as a result of higher average pay rates and staffing levels;
    - executive severance costs totaled $2.9 million in 2008 compared to $3.3 million in 2007; and
    - a reduction of $2.7 million in employee benefit costs.

  - Sales and policy issuance costs increased 27.1%, or $6.1 million due to increased spending on agent marketing and advertising programs.

  - All other operating costs increased 3.1%, or $1.8 million driven by a $5.2 million increase in consulting fees and $2.8 million increase in hardware and software costs primarily related to various information technology initiatives. In 2007, we recorded a $4.3 million charge for a judgment against us.

Management fee revenue

The following table presents the direct written premium of the Property and Casualty Group, shown by major line of business, and the calculation of our management fee revenue.

(in thousands)	Years ended December 31, 2008	% Change 2008 over 2007	2007	% Change 2007 over 2006	2006
Private passenger auto	**$1,826,143**	**1.3%**	$1,802,603	(0.5)%	$1,812,177
Homeowners	**743,325**	**1.4**	732,883	1.1	725,161
Commercial multi-peril	**435,767**	**0.0**	435,630	(1.1)	440,564
Commercial auto	**311,090**	**(1.5)**	315,851	(1.9)	321,992
Workers compensation	**280,743**	**(8.4)**	306,563	(5.0)	322,737
All other lines of business	**202,833**	**6.0**	191,361	5.9	180,783
Property and Casualty Group direct written premiums	**$3,799,901**	**0.4%**	$3,784,891	(0.5)%	$3,803,414
Management fee rate	**25.00%**		25.00%		24.75%
Management fee revenue, gross	**$ 949,975**	**0.4%**	$ 946,223	0.5 %	$ 941,345
Change in allowance for management fee returned on cancelled policies(1)	**(200)**	**NM**	800	NM	1,500
Management fee revenue, net of allowance	**$ 949,775**	**0.3%**	$ 947,023	0.4 %	$ 942,845

NM = not meaningful

(1) Management fees are returned to the Exchange when policies are cancelled mid-term and unearned premiums are refunded. We record an estimated allowance for management fees returned on mid-term policy cancellations.

Management fee rate

Management fee revenue is based upon the management fee rate, determined by our Board of Directors, and the direct written premiums of the Property and Casualty Group. Changes in the management fee rate can affect our revenue and net income significantly. The management fee rate was set at 25%, the maximum rate, for both 2008 and 2007. The management fee rate for 2009 has again been set at the maximum rate of 25% by our Board of Directors.

Estimated allowance

Management fees are returned to the Exchange when policyholders cancel their insurance coverage mid-term and unearned premiums are refunded to them. We maintain an allowance for management fees returned on mid-term policy cancellations that recognizes the management fee anticipated to be returned to the Exchange based on historical mid-term cancellation experience. In 2008, although the mid-term cancellations of policies for the Property and Casualty Group trended downward, the slight increase in the unearned premium reserve in 2008 resulted in an increase in the allowance for management fees returned on cancelled policies. The policy retention ratio improved to 90.6% at December 31, 2008, compared to 90.2% at December 31, 2007, and 89.5% at December 31, 2006. Our cash flows are unaffected by the recording of this allowance.

Direct written premiums of the Property and Casualty Group

Direct written premiums of the Property and Casualty Group increased 0.4% in 2008 due to an increase in policies in force of 2.9%, offset by rate reductions taken in 2008 and 2007. Total policies in force increased to 4,002,209 in 2008, from 3,888,333 in 2007 and 3,798,297 in 2006. Growth in policies in force is the result of continuing improvements in policyholder retention and increased new policies sold. The year-over-year average premium per policy for all lines of business decreased 2.5% to $949 in 2008, from $973 in 2007. The impact of rate reductions is seen primarily in renewal premiums.

Premiums generated from new business increased 2.9%, to $412.8 million in 2008 from $401.0 million in 2007, which was 9.0% greater than the $368.0 million produced in 2006. New business policies in force grew 3.1% in 2008 and 6.4% in 2007. The year-over-year average premium per policy on new business decreased 0.2% to $860 in 2008 from $862 in 2007, which was 2.5% more than the average $841 in 2006.

Premiums generated from renewal business remained relatively flat at $3.4 billion in 2008, 2007 and 2006, increasing 0.1% in 2008 compared to a decrease of 1.5% in 2007. Renewal policies in force increased 2.9% to 3,522,261 in 2008 from 3,422,936 in 2007. The year-over-year average premium per policy on renewal business decreased 2.7% to $962 in 2008 from $989 in 2007, which was 3.3% less than the $1,022 in 2006. The Property and Casualty Group's policy retention ratio has been steadily improving to a twelve-month moving average of 90.6% in 2008, up from 90.2% in 2007 and 89.5% in 2006.

The Property and Casualty Group implemented rate reductions in 2006, 2007 and 2008 to be more price-competitive for potential new policyholders and to improve retention of existing policyholders. The Property and Casualty Group writes only one-year policies. Consequently, rate actions take 12 months to be fully recognized in written premium and 24 months to be recognized fully in earned premiums. Since rate changes are realized at renewal, it takes 12 months to implement a rate change to all policyholders and another 12 months to earn the decreased or increased premiums in full. As a result, certain rate actions approved in 2007 were reflected in written premium in 2008, and some rate actions in 2008 will be reflected in 2009. The effect on 2008 premiums written of all rate actions resulted in a net decrease in written premiums of $30.3 million. The Property and Casualty Group's most significant rate reductions in 2008 were in workers compensation in Pennsylvania and homeowners in Maryland and Pennsylvania. As the industry appears to be moving toward market-firming, the 2009 rate actions sought by the Property and Casualty Group are expected to increase premiums in 2009. We continuously evaluate pricing actions and estimate that those approved, filed and contemplated for filing during 2009 could result in a net increase to direct written premiums of approximately $36 million in 2009, in the private passenger auto line of business in Pennsylvania and Maryland.

The Property and Casualty Group's 0.5% decrease in direct written premiums in 2007, compared to 2006, resulted from more significant rate reductions in lines of business under competitive pressure, such as private passenger auto. The effect on 2007 premiums written from rate actions resulted in a net decrease in written premiums of $85.9 million, while the effect on 2006 premiums written from rate actions resulted in a net decrease of $119.5 million in written premiums.

Personal lines – The Property and Casualty Group's personal lines new business premiums written increased 2.5% to $266.9 million in 2008 from $260.4 million in 2007 and $247.1 million in 2006. Personal lines new business policies in force rose 3.3% to 391,316 in 2008, from 378,994 in 2007, which was 4.9% higher than 361,147 in 2006. The year-over-year average premium per policy on personal lines new business decreased 0.7% to $682 from $687 in 2007, which was 0.4% more than the 2006 average of $684. Total personal lines policies in force increased 2.9% in 2008 to 3,485,276.

Private passenger auto new business premiums written increased 5.3% to $170.3 million in 2008 from $161.7 million in 2007, driven by an increase in new business policies in force of 7.3% to 168,709 in 2008 compared to 157,297 in 2007. A private passenger auto incentive program has been in place since July 2006 to stimulate policy growth and has contributed to the increase in new business policies in force. Under the program, eligible agents receive a bonus based on the number of new private passenger auto policies issued. This program was revised effective June 1, 2008. See "Private Passenger Auto Bonus" section for further details of the change. The year-over-year average premium per policy for private passenger auto decreased 1.8% to $1,009 in 2008 from $1,028 in 2007. Certain private passenger auto rate actions that became effective in 2008 reduced rates in Pennsylvania, New York and Ohio. In 2007, the private passenger auto new premiums increased 7.6% to $161.7 million, compared to $150.3 million in 2006, as new policies in force increased 7.3% and the average premium per policy rose 0.3%.

Renewal premiums written on personal lines increased 1.6% on total personal lines policies during 2008 compared to a decrease of 0.3% in 2007. The impact of rate reductions was offset by improving policy retention ratio trends. The personal lines renewal business year-over-year average premium per policy declined 1.3% in 2008, while the year-over-year policy retention ratio for personal lines improved to 91.4% in 2008 from 90.8% in 2007 and 90.1% in 2006. The year-over-year policy retention ratio for private passenger auto was 91.8% in 2008, 91.5% in 2007 and 90.8% in 2006. Homeowners policyholder retention increased to 91.1% in 2008, compared to 90.3% in 2007 and 89.4% in 2006, driving the 2.2% increase in homeowners renewal premiums written to $667.6 million in 2008 from $653.2 million in 2007 despite rate reductions effective in 2008.

Industry private passenger auto premiums for 2009 are expected to experience minimal growth as rates may begin to firm, but be offset by slower exposure growth given the current economic conditions. Industry homeowners premiums in 2009 are expected to experience rate firming but also be affected by low exposure growth as the difficult housing market conditions continue.

Commercial lines – Driving the premium decreases in our major commercial lines in 2008 compared to 2007 are lower renewal premiums, which decreased 3.4% to $961.4 million in 2008 from $995.5 million in 2007, reflecting the impact of rate reductions being implemented over the past three years. Despite the decreases in renewal premiums, commercial lines new business premiums written increased 3.9% to $145.5 million in 2008, from $140.1 million in 2007, which had increased 16.3% from $120.4 million in 2006. The year-over-year average premium per policy on commercial lines new business increased 1.3% to $1,641 in 2008, from $1,621 in 2007 which was 3.0% more than $1,575 in 2006. Commercial lines new business policies in force increased to 88,632 at December 31, 2008, up 2.6% from 86,403 at December 31, 2007, which was up 13.0% from 76,478 at December 31, 2006. Factors contributing to the increase in new commercial lines premiums written in 2008 include more proactive communications between us and our commercial agents, continued refinement and enhancements to our quote processing systems and our use of more refined pricing based on predictive modeling which were initiated in 2007. The 2007 increase in the average premium per policy on commercial lines new business resulted from certain workers compensation pricing actions that increased rates in Illinois, Maryland and Virginia. Total commercial lines policies in force increased 3.0% in 2008 to 516,933.

Renewal premiums written for commercial lines decreased 3.4% during 2008 and 4.3% during 2007. The overall decrease is reflective of the impact of rate reductions and changes in the mix of business. In 2007 we discontinued dividends on certain workers compensation policies and instead implemented a tiered pricing structure to better align rates and associated risks. The year-over-year policy retention ratio for commercial lines was 85.3%, 85.7% and 85.4% in 2008, 2007 and 2006, respectively.

Industry commercial rate levels have been weakening since 2005 as exposure growth that drives commercial premiums has slowed. These trends are expected to continue in 2009. Rate actions approved for 2009 are primarily for decreases in workers compensation in Pennsylvania offset by increases in commercial-multi peril in Pennsylvania and Ohio.

Future trends—premium revenue – We are continuing our efforts to grow Property and Casualty Group premiums and improve our competitive position in the marketplace. Expanding the size of the agency force will contribute to future growth as new agents build up their book of business with the Property and Casualty Group. In 2008, we appointed 156 new agencies and had a total of 2,042 agencies as of December 31, 2008. We will continue to appoint agencies in 2009 with a goal of appointing 127 new agencies. In the third quarter of 2008, we decided not to pursue our planned 2009 expansion effort into the state of Minnesota in order to refocus our business strategy to our current markets where we expect to realize a higher return more quickly than by expanding into another state. Our pricing actions described above could result in an increase in direct written premium of about $36 million in 2009. The current economic conditions could also impact the average premium written by the Property and Casualty Group as consumers reduce coverages and there are fewer automobiles and homes sold.

Service agreement revenue

Service agreement revenue includes service charges we collect from policyholders for providing extended payment terms on policies written by the Property and Casualty Group. The service charges are fixed dollar amounts per billed installment. Service agreement revenue amounted to $32.3 million in 2008, $29.7 million in 2007 and $29.2 million in 2006. Service agreement revenue increased in 2008 by $2.9 million due to late payment and policy reinstatement fees that became effective March 1, 2008. The 2007 service agreement revenue decreased from 2006 due to a shift to the no-fee, single payment plan driven by a discount in pricing offered for paid-in-full policies as well as consumers' desire to not incur service charges.

Cost of management operations

	Years ended December 31,				
(in thousands)	**2008**	**% Change 2008 over 2007**	2007	% Change 2007 over 2006	2006
Commissions	**$553,958**	**(0.6)%**	$557,359	0.6 %	$554,041
Personnel costs	**144,281**	**3.8**	138,948	1.7	136,560
Survey and underwriting costs	**23,841**	**0.6**	23,710	(5.3)	25,040
Sales and policy issuance costs	**28,665**	**27.1**	22,556	(1.7)	22,945
All other operating costs	**58,803**	**3.1**	57,024	21.1	47,097
Non-commission expense	**255,590**	**5.5**	242,238	4.6	231,642
Total cost of management operations	**$809,548**	**1.2%**	$799,597	1.8 %	$785,683

Key points

- Commissions in 2008 include:
  - a decrease in the estimate for agent bonuses of $14.6 million,
  - an increase in normal and accelerated rate commissions of $6.8 million driven by an increase in certain commercial commission rates and higher accelerated commissions due to agency appointments in recent years, and
  - an increase in promotional incentives and the private passenger auto bonus of $5.1 million.
- Executive severance costs totaled $2.9 million in 2008 compared to $3.3 million in 2007.
- A reduction of $2.7 million in employee benefit costs, primarily from investment losses on deferred compensation plan balances of participating executives.
- Sales and policy issuance costs increased $6.1 million due to increased spending on agent advertising programs.
- All other operating costs increased $1.8 million primarily due to $5.2 million of increased consulting fees, primarily contract labor costs related to various technology initiatives, and $2.8 million of additional hardware and software costs. Offsetting this increase was a 2007 charge of $4.3 million for a judgment against us.

Commissions

Commissions to independent agents, which are the largest component of the cost of management operations, include scheduled commissions earned by independent agents on premiums written, accelerated commissions and agent bonuses and are outlined in the following table:

	Years ended December 31,				
(in thousands)	**2008**	**% Change 2008 over 2007**	2007	% Change 2007 over 2006	2006
Scheduled rate commissions	**$456,911**	**1.2 %**	$451,587	0.0%	$451,531
Accelerated rate commissions	**4,326**	**50.2**	2,880	80.2	1,598
Agent bonuses	**81,227**	**(15.3)**	95,854	1.2	94,754
Promotional incentives	**2,300**	**NM**	813	(66.6)	2,434
Private passenger auto bonus	**9,394**	**NM**	5,825	NM	2,724
Change in commissions allowance for mid-term policy cancellations	**(200)**	**NM**	400	NM	1,000
Total commissions	**$553,958**	**(0.6)%**	$557,359	0.6%	$554,041

NM = not meaningful

Scheduled and accelerated rate commissions – Scheduled rate commissions were impacted by a 0.4% increase in the direct written premiums of the Property and Casualty Group in 2008. Also, effective July 1, 2008, commission rates were increased for certain commercial lines new business premiums which added $1.5 million to 2008 scheduled rate commissions. An increase in workers compensation commission rates, which became effective in the latter half of 2007 in certain states, added $2.8 million of commission expense in 2008. In 2007, scheduled rate commissions were flat compared to 2006, due to the 0.5% decrease in direct written premiums of the Property and Casualty Group offset by the increase in workers compensation commission rates that added $1.2 million of commission expense.

Accelerated rate commissions are offered under specific circumstances to certain newly-recruited agencies for their initial three years of operation. Accelerated rate commissions are increasing as expected given the additional new agency appointments in recent years. We appointed 156 new agencies in 2008, 214 in 2007 and 139 in 2006. There were 263 agencies receiving accelerated rate commissions in 2008 compared to 216 and 118 in 2007 and 2006, respectively. Accelerated commissions are expected to continue to increase in the future as a result of these recent new agency appointments and those expected in 2009.

Agent bonuses and promotional incentives – Agent bonuses are based on an individual agency's property/casualty underwriting profitability over a three-year period. There is also a growth component to the bonus, paid only if the agency is profitable. The estimate for the bonus is modeled on a monthly basis using the two prior years' actual underwriting data by agency combined with the current year-to-date actual data. Agent bonuses decreased $14.6 million in 2008 as our estimate of the profitability component of the bonus decreased when factoring in the most recent year's underwriting data. The agent bonus award was estimated at $80.1 million for 2008. Of this estimate, $77.0 million represents the profitability component and $3.1 million represents the growth component of the award. The 1.2% increase in 2007 compared to 2006 was due to the three-year period covered by the bonus including the years with our strongest underwriting profitability. Other promotional incentives increased in 2008 primarily due to a program that ran from October 2007 through September 2008 that contributed $2.0 million to 2008 expense compared to $0.7 million in 2007.

Private passenger auto bonus – In July 2006, an incentive program was implemented that paid a $50 bonus to agents for each qualifying new private passenger auto policy issued. Effective June 1, 2008, a tiered payout structure was introduced. The new structure pays out between $50 and $200 per new private passenger auto policy based on the number of qualifying new private passenger auto policies placed by an agency each year. Additional commission expense of $3.2 million was recorded as a result of the new tiered bonus structure for 2008. If the tiered structure were in place for all of 2008, the program would have paid out an additional $0.7 million in 2008.

Other costs of management operations

Personnel costs, the second largest component in the cost of management operations, increased 3.8%, or $5.3 million, in 2008. Salaries and wages increased $4.7 million in 2008 due to higher average pay rates. Executive severance costs and the recognition of certain compensation expense for our new chief executive officer contributed an additional $2.9 million in 2008. Expense for management incentive plans increased $2.7 million due to additional levels of management being included in the plans in 2008. Management performance under the plan improved relative to plan targets, resulting in higher bonuses under the plans. Employee benefit costs, which are included in personnel costs, decreased $2.7 million in 2008 primarily due to investment losses on compensation plan balances of participating executives. The 2007 personnel costs included $3.3 million of additional severance for our former president and chief executive officer.

Sales and policy issuance costs increased $6.1 million in 2008 due to increased spending on agent advertising programs. All other operating costs increased 3.1% in 2008. Consulting fees increased $5.2 million compared to 2007, which included $5.4 million of contract labor costs related to various technology initiatives. Hardware and software costs increased $2.8 million primarily related to these technology initiatives. In 2007, all other operating costs included a $4.3 million accrual for a judgment against us in a lawsuit arising from our termination of an agency.

During 2008, investments were made to support our efforts to increase sales and improve our operating performance. As noted previously, increased expenses related to commission and incentive changes as well as investments in new information technology are being incurred. In 2008, we incurred $9.7 million of additional costs including contract labor costs, capitalized software and software license and maintenance expense in conjunction with the planning and design for the development of a new policy administration platform. See also "Factors That May Affect Future Results."

Future trends—cost of management operations – The competitive position of the Property and Casualty Group is based on many factors including price considerations, service levels, ease of doing business, product features and billing arrangements, among others. Pricing of Property and Casualty Group policies is directly affected by the cost structure of the Property and Casualty Group and the underlying costs of sales, underwriting activities and policy issuance activities performed by us for the Property and Casualty Group. Since 2006, management has worked to better align our growth in costs to our growth in premium over the long-term. Our goal for 2008 was to hold growth in non-commission costs to 9% or less. Actual growth in non-commission costs for 2008 was 5.5%.

Our estimate for growth in non-commission operating expenses for the year 2009 is 16%. For 2009, our retirement plan GAAP benefit expenses are expected to increase approximately $10 million for all retirement plans as the assumed discount rate used to calculate the pension costs decreased from the 6.62% used in 2008 to 6.06% for 2009. Although we are the sponsor of these postretirement plans and record on our balance sheet the funded status of these plans, generally the Exchange and EFL reimburse the Company for about 50% of the annual benefit expense of these plans. Also in 2009, we will continue various information technology initiatives aimed at improving our operating performance, and as a result, expect to incur additional external expenses of approximately $30 million. See also "Factors That May Affect Future Results."

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INSURANCE UNDERWRITING OPERATIONS

(in thousands)	2008	% Change 2008 over 2007	2007	% Change 2007 over 2006	2006
	Years ended December 31,				
Premiums earned	**$207,407**	**(0.1)%**	$207,562	(2.9)%	$213,665
Losses and loss adjustment expenses incurred	**137,167**	**9.0**	125,903	(9.8)	139,630
Policy acquisition and other underwriting expenses	**56,931**	**(0.1)**	56,996	(6.0)	60,665
Total losses and expenses	**194,098**	**6.1**	182,899	(8.7)	200,295
Underwriting income	**$ 13,309**	**(46.0)%**	$ 24,663	84.5 %	$ 13,370

Key points

- Catastrophe losses, a majority of which related to Hurricane Ike in 2008, contributed 3.4 points to the GAAP combined ratio, compared to 1.7 points in 2007.
- Development of prior accident year loss reserves, excluding salvage and subrogation recoveries, improved the GAAP combined ratio by 3.2 points in 2008, compared to 5.3 points in 2007.
- The underlying non-catastrophe accident year combined ratio increased to 93.4 in 2008, compared to 91.7 in 2007, as a result of slightly decreasing average premiums and increased loss costs.

Profitability measures	Years ended December 31, 2008	2007	2006
Erie Indemnity Company GAAP loss and LAE ratio(1)	**66.1**	60.7	65.4
Erie Indemnity Company GAAP combined ratio(2)	**93.6**	88.1	93.7
P&C Group statutory combined ratio	**93.3**	87.7	93.5
P&C Group adjusted statutory combined ratio(3)	**89.6**	83.8	89.4
Direct business:			
Personal lines adjusted statutory combined ratio	**88.3**	83.9	90.6
Commercial lines adjusted statutory combined ratio	**94.2** (4)	84.7	88.5
Prior accident year reserve development—redundancy	**(3.2)**	(5.3)	(1.9)
Prior year salvage and subrogation recoveries collected	**(1.8)**	(1.7)	(1.6)
Total loss ratio points from prior accident years	**(5.0)**	(7.0)	(3.5)

(1) The GAAP loss and LAE ratio, expressed as a percentage, is the ratio of losses and loss adjustment expenses incurred to earned premiums for our property/casualty insurance subsidiaries.

(2) The GAAP combined ratio, expressed as a percentage, is the ratio of losses, loss adjustment, acquisition and other underwriting expenses incurred to earned premiums for our property/casualty insurance subsidiaries. Our GAAP combined ratios are different than the results of the Property and Casualty Group due to certain GAAP adjustments.

(3) The adjusted statutory combined ratio removes the profit margin on the management fee we earn from the Property and Casualty Group.

(4) The commercial lines adjusted statutory combined ratio increase in 2008 over 2007 is primarily due to one large fire claim in Pennsylvania and losses related to Hurricane Ike in Ohio, Pennsylvania and Indiana and less favorable prior year development in 2008 compared to 2007.

Development of direct loss reserves

Our 5.5% share of the Property and Casualty Group's favorable development of prior accident year losses, after removing the effects of salvage and subrogation recoveries, was $6.7 million in 2008 and improved the combined ratio by 3.2 points. Of the $6.7 million, $4.3 million related to the personal auto line of business. The Property and Casualty Group reduced reserves in 2008 on prior accident years as a result of improvements in frequency trends and slight improvements in severity trends on automobile bodily injury and on uninsured/underinsured motorist bodily injury. For private passenger auto comprehensive coverages in 2008, the severity trend outpaced improvements in frequency, causing an increase in the loss cost trend. For all other private passenger auto coverages, the Property and Casualty Group's frequency improvements either offset or outpaced increases in severity, causing flattening or improving loss cost trends. Overall, loss costs for private passenger auto continue to remain relatively flat.

In 2007, our share of the Property and Casualty Group's favorable development of prior accident year losses, after removing the effects of salvage and subrogation recoveries, was $11.0 million and improved the combined ratio by 5.3 points. Of the $11.0 million, $8.1 million related to the personal auto line of business. The Property and Casualty Group reduced reserves in 2007 on prior accident years as a result of sustained improved severity trends on automobile bodily injury and on uninsured/underinsured motorist bodily injury. In 2006, the positive development of 1.9 points, or $4.0 million, was the result of improved frequency trends for automobile bodily injury and uninsured/underinsured motorist bodily injury, from the 2004 and 2005 accident years. The total favorable development of 3.9 points was offset by 2.0 points, or $4.2 million, for reserve strengthening of the pre-1986 automobile catastrophic injury liability reserve.

Catastrophe losses
Catastrophes are an inherent risk of the property/casualty insurance business and can have a material impact on our insurance underwriting results. In addressing this risk, we employ what we believe are reasonable underwriting standards and monitor our exposure by geographic region. The Property and Casualty Group also maintains property catastrophe reinsurance coverage from unaffiliated insurers. The Property and Casualty Group maintains sufficient property catastrophe reinsurance coverage from unaffiliated reinsurers and no longer participates in the voluntary assumed reinsurance business, which lowers the variability of the underwriting results of the Property and Casualty Group.

During 2008, 2007 and 2006, our share of catastrophe losses, as defined by the Property and Casualty Group, amounted to $7.0 million, $3.6 million and $8.5 million, respectively, or 3.4 points, 1.7 points and 4.0 points, respectively, of the loss ratio. The Property and Casualty Group's actuarially projected mean catastrophe level is 6.6 loss ratio points per accident year. Catastrophe losses in 2008 were impacted by flooding, tornado and wind storms related to Hurricane Ike primarily in Ohio and Pennsylvania. In 2007, the catastrophe losses resulted from wind and rainstorms in Ohio and Pennsylvania. Storm-related losses were closer to expected levels in 2006, with wind and hailstorms concentrated primarily in Indiana and Ohio driving a majority of these catastrophe losses.

INVESTMENT OPERATIONS

	Years ended December 31,				
(in thousands)	**2008**	**% Change 2008 over 2007**	2007	% Change 2007 over 2006	2006
Net investment income	**$ 44,181**	**(16.4)%**	$ 52,833	(5.5)%	$ 55,920
Net realized (losses) gains on investments	**(113,019)**	**NM**	(5,192)	NM	1,335
Equity in earnings of limited partnerships	**5,710**	**(90.4)**	59,690	42.9	41,766
Equity in (losses) earnings of EFL	**(14,627)**	**NM**	3,133	(32.0)	4,604
Net revenue from investment operations	**$ (77,755)**	**NM**	$110,464	6.6 %	$103,625

NM = not meaningful

Key points

- Net investment income decreased $8.7 million in 2008 as yields were down and we continued to repurchase shares of our common stock. Funds used to repurchase treasury shares amounted to $102.0 million in 2008, compared to $236.7 million in 2007.
- Net realized losses on investments in 2008 primarily include impairment charges of $69.5 million on fixed maturities and preferred stock and net realized losses on common stock of $38.6 million. Beginning January 1, 2008, we reclassified our common stock portfolio to trading from available-for-sale. With this change, unrealized gains and losses are now reported in earnings as realized gains and losses.
- Equity in earnings of limited partnerships decreased $54.0 million in 2008 primarily as a result of fair value depreciation.
- Equity in losses of EFL was $14.6 million in 2008 primarily driven by EFL's recognition of impairment charges on investments as a result of the turmoil in the financial markets. A deferred tax asset valuation allowance was recorded for impairments where the related deferred tax asset is not expected to be realized.

Investment income includes primarily interest and dividends on our fixed maturity and equity security portfolios. The decline in net investment income in 2008 and 2007 is primarily due to continued repurchases of our common stock under our stock repurchase program. Investments were liquidated in the current year to help fund stock repurchases thus limiting the funds available for investment operations. The current stock repurchase program runs through June 30, 2009.

Impairment charges of $69.5 million included $36.0 million on fixed maturities and $33.5 million on preferred stock were recorded for the year ended December 31, 2008. Impairment charges during the year increased significantly due to the disruption in financial markets during the third and fourth quarters of 2008. Impairment charges were also influenced by our proactive tax planning strategy related to capital loss carrybacks. This strategy assists us in monetizing our deferred tax assets before they expire, but affects our impairment analysis as we do not have the intent to hold investments to recovery. Securities in an unrealized loss position are stratified below based on time in a loss position and magnitude of the loss as a percentage of book value of the security at December 31, 2008.

			Decline of Investment Value**				
(in thousands)	Fair Value	Total Gross Unrealized Losses	<15%	>15% and <25%	>25% and <35%	>35% and <45%	>45%
Fixed maturity securities with an unrealized loss greater than 10% for:							
Less than 1 quarter	$ 19,314	$ 5,253	$ 934	$ 1,522	$ 1,519	$ 681	$ 597
1 quarter	48,391	14,765	2,278	5,077	2,367	1,979	3,064
2 quarters	38,813	12,288	1,260	3,528	4,153	2,178	1,170
3 quarters	4,297	2,195	0	260	573	405	957
4 quarters	1,324	1,164	0	0	0	612	551
Total in unrealized loss position greater than 10%	112,139	35,665	$ 4,472	$ 10,387	$ 8,612	$ 5,855	$ 6,339
Total in unrealized loss position less than or equal to 10%	237,811	8,912					
Total in unrealized loss position	$ 349,950	$ 44,577					
Unrealized gain position	213,479						
Total fixed maturities	$ 563,429						
Preferred stock securities with an unrealized loss greater than 10% for:							
Less than 1 quarter	$ 5,516	$ 1,113	$ 452	$ 291	$ 370	$ 0	$ 0
1 quarter	7,156	4,129	304	441	0	871	2,514
2 quarters	10,397	2,467	260	1,953	254	0	0
3 quarters	1,756	243	243	0	0	0	0
4 quarters	0	0	0	0	0	0	0
Total in unrealized loss position greater than 10%	24,825	7,952	$ 1,259	$ 2,685	$ 624	$ 871	$ 2,514
Total in unrealized loss position less than or equal to 10%	13,239	405					
Total in unrealized loss position	$ 38,064	$ 8,357					
Unrealized gain position	17,217						
Total preferred stock	$ 55,281						

** The percentage columns in the table above represent the severity of the decline at December 31,2008 and are not indicative of the severity for the entire duration during which the securities were in an unrealized loss position of greater than 10%.

Some of the securities represented in the table above were previously impaired and written down to a new cost basis. The table reflects additional losses on those securities held at December 31, 2008. We completed a thorough review of the securities based upon our impairment and valuation review process. Our analysis included a review of current market risk factors as well as issuer specific factors including credit impairments and ability to pay current obligations. We determined that these securities are stressed due to the current unprecedented financial market conditions and we continue to have the intent and ability to hold these investments for the periods of time that we anticipate are needed to recover while continuing to collect their interest and dividend cash flows.

Year-to-date, valuation losses on common stock that were reported in earnings was $21.7 million. See Item 8. “Financial Statements and Supplementary Data — Note 5 of Notes to Consolidated Financial Statements” contained within this report for additional information on our adoption of SFAS 159.

The breakdown of our net realized (losses) gains on investments is as follows:

	Years ended December 31,		
	2008	2007	2006
Securities sold	**$ (23,413)**	$ 16,789	$ 7,777
Impairments:			
Fixed maturities	**(35,974)**	(5,101)	(2,051)
Equity securities	**(33,530)**	(17,356)	(4,391)
Common stock valuation adjustments	**(21,730)**	0	0
Limited partnerships	**1,628**	476	0
Total net realized (losses) gains (1)	**$(113,019)**	$ (5,192)	$ 1,335

(1) See Item 8. "Financial Statements and Supplementary Data — Note 6 of Notes to Consolidated Financial Statements" contained within this report for additional disclosures regarding net realized (losses) gains on investments.

The performance of our fixed maturities and equity securities, compared to selected market indices, is presented as follows:

Pre-tax annualized returns	Two years ended December 31, 2008
Fixed maturities—corporate(1)	**(2.51)%**
Fixed maturities—municipal(2)	**3.79**
Preferred stock(2)	**(20.70)**
Common stock(3)	**(19.55)**
Market indices:	
Barclays—U.S. Corporate Intermediate	**1.33**
S&P 500 Composite Index	**(18.41)**

(1) See Item 7A. "Quantitative and Qualitative Disclosure about Market Risk" for a discussion of structured investments.
(2) Interest and dividends of municipal bonds and certain preferred stocks are tax exempt. The percentages in the table are actual yields, but do not incorporate the additional benefit received resulting from the tax advantage.
(3) Return is net of fees to external managers.

Effective October 2008, we terminated our securities lending program and are in the process of unwinding the current securities on loan, which is expected to be complete during 2010. Loaned securities included as part of our invested assets had a fair value of $17.5 million at December 31, 2008 and $29.4 million at December 31, 2007.

The components of equity in earnings of limited partnerships are as follows:

	Years ended December 31,				
(in thousands)	**2008**	**% Change 2008 over 2007**	2007	% Change 2007 over 2006	2006
Private equity	**$ 3,813**	**(83.4)%**	$22,948	22.9%	$18,665
Real estate	**(3,710)**	**NM**	30,206	71.3	17,634
Mezzanine debt	**5,607**	**(14.2)**	6,536	19.6	5,467
Total equity in earnings of limited partnerships	**$ 5,710**	**(90.4)%**	$59,690	42.9%	$41,766

NM = not meaningful

Limited partnership earnings pertain to investments in U.S. and foreign private equity, real estate and mezzanine debt partnerships. Valuation adjustments are recorded to reflect the fair value of limited partnerships. These adjustments are recorded as a component of equity in earnings of limited partnerships in the Consolidated Statements of Operations. Private equity and mezzanine debt limited partnerships generated earnings, excluding valuation adjustments, of $13.6 million, $21.6 million and $15.3 million in 2008, 2007 and 2006, respectively. Real estate limited partnerships included earnings of $13.1 million, $15.6 million and $10.6 million in 2008, 2007 and 2006, respectively. We experienced a decline in earnings as a result of asset value reductions recognized in 2008 due to current adverse market conditions resulting in lower sales prices and therefore, smaller gains on sales of investments. Limited partnership earnings tend to be cyclical based on market conditions, the age of the partnership and the nature of the investments. Generally, limited partnership earnings are recorded by us on at least a quarter lag from financial statements we receive from our general partners. As a consequence, earnings from limited partnerships reported at December 31, 2008 do not reflect investment valuation changes that may have resulted from the upheaval in the financial markets and the economy in general in the fourth quarter of 2008.

Our equity in losses of EFL totaling $14.6 million in 2008 resulted from EFL recognizing pre-tax impairment charges of $83.5 million, of which our share was $18.0 million before tax. While EFL recognized a deferred tax asset related to these impairments, it was limited to the amount of assets that management believed to be recoverable under SFAS 109, "Accounting for Income Taxes." As such, a valuation allowance of $39.6 million related to these impairments was recorded on the books of EFL at December 31, 2008, further reducing its net income. Our share of this deferred tax asset valuation allowance was $8.6 million.

FINANCIAL CONDITION

Investments

Our 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. Our investment strategy also provides for liquidity to meet our short- and long-term commitments. At December 31, 2008 and 2007, our investment portfolio of investment-grade bonds, preferred stock, common stock and cash and cash equivalents represents 26% and 31.4%, respectively, of total assets. These investments, along with our operating cash flow, provide the liquidity we require to meet the demands on our funds.

Distribution of investments

	Carrying value at December 31,			
(in thousands)	**2008**	**% to total**	2007	% to total
Fixed maturities	**$563,429**	**59%**	$ 703,406	57%
Equity securities:				
Preferred stock	**55,281**	**6**	110,180	9
Common stock	**33,338**	**3**	108,090	9
Limited partnerships:				
Real estate	**149,499**	**16**	141,020	11
Private equity	**94,512**	**10**	106,616	9
Mezzanine debt	**55,165**	**5**	44,867	4
Real estate mortgage loans	**1,215**	**1**	4,556	1
Total investments	**$952,439**	**100%**	$1,218,735	100%

We continually review the investment portfolio to evaluate positions that might incur other-than-temporary declines in value. For all investment holdings, general economic conditions and/or conditions specifically affecting the underlying issuer or its industry, including downgrades by the major rating agencies, are considered in evaluating impairment in value. Other factors considered in our review of investment valuation are the length of time the fair value is below cost and the amount the fair value is below cost.

For fixed maturity and preferred stock investments, we individually analyze all positions with emphasis on those that have, in our opinion, declined significantly below cost. We consider market conditions, industry characteristics and the fundamental operating results of the issuer to determine if the decline is due to changes in interest rates, changes relating to a decline in credit quality, or other issues affecting the investment. In addition to specific factors, other factors considered in our review of investment valuation are the length of time and extent to which the fair value is below cost and whether we have the intent to hold the security, which is affected by our desire to generate capital loss carrybacks for federal income tax reasons. A charge is recorded in the Consolidated Statements of Operations for positions that have experienced other-than-temporary impairments due to credit quality or other factors, or for which it is not our intent to hold the position until recovery has occurred.

Fixed maturities

Under our investment strategy, we maintain a fixed maturities portfolio that is of high quality and well diversified within each market sector. This investment strategy also achieves a balanced maturity schedule. The fixed maturities portfolio is managed with the goal of achieving reasonable returns while limiting exposure to risk. The municipal bond portfolio accounts for $211.4 million, or 37.5%, of the total fixed maturity portfolio. The municipal portfolio is highly rated and includes all investment grade holdings (BBB or higher). The overall credit quality of the municipal portfolio with no insurance is rated AA- and totals $166.2 million. Because of the rating downgrades of municipal bond insurers, the insurance does not improve the overall credit ratings.

Fixed maturities classified as available-for-sale are carried at fair value with unrealized gains and losses, net of deferred taxes, included in shareholders' equity. At December 31, 2008, the net unrealized loss on fixed maturities, net of deferred taxes, amounted to $22.3 million, compared to a $0.6 million gain at December 31, 2007.

The following is a breakdown of the fair value of our fixed maturity portfolio by sector and rating as of December 31, 2008:

(in thousands)

Industry Sector	AAA	AA	A	BBB	Not Investment Grade	Fair value
Asset-backed securities	$ 4,104	$ 142	$ 3,030	$ 1,372	$ 380	$ 9,028
Basic materials	0	0	2,661	5,730	1,948	10,339
Communications	0	0	11,373	18,557	2,194	32,124
Consumer, cyclical	0	3,088	970	7,938	1,368	13,364
Consumer, non-cyclical	0	0	12,217	24,407	1,740	38,364
Diversified	0	0	981	0	0	981
Energy	0	0	764	28,573	0	29,337
Financial	8,130	7,161	64,345	55,123	7,311	142,070
Government	3,372	0	0	0	0	3,372
Government-municipal	23,501	122,046	60,009	5,864	0	211,420
Industrial	0	0	10,057	11,691	1,373	23,121
Mortgage securities	10,363	0	0	1,431	0	11,794
Technology	0	0	1,989	2,661	0	4,650
Utilities	0	0	4,433	27,353	1,679	33,465
Total	$49,470	$132,437	$172,829	$190,700	$17,993	$563,429

Equity securities

Our equity securities consist of common stock and nonredeemable preferred stock. Investment characteristics of common stock and nonredeemable preferred stock differ substantially from one another. Our nonredeemable preferred stock portfolio provides a source of current income that is competitive with investment-grade bonds.

The following tables present an analysis of our preferred and common stock securities by sector at December 31, 2008:

(in thousands)

Preferred Stock Equities		Common Stock Equities	
Industry Sector	Fair value	Industry Sector	Fair value
Communications	$ 1,620	Basic materials	$1,626
Consumer, cyclical	1,740	Communications	2,921
Energy	4,860	Consumer, cyclical	2,846
Financial	35,944	Consumer, non-cyclical	9,032
Government	179	Diversified	444
Industrial	1,292	Energy	1,398
Technology	2,383	Financial	7,862
Utilities	7,263	Funds	1,768
Total	$55,281	Industrial	3,300
		Technology	866
		Utilities	1,275
		Total	$33,338

Our equity securities are carried at fair value on the Consolidated Statements of Financial Position. At December 31, 2008, the unrealized loss on equity securities, net of deferred taxes, amounted to $3.0 million, compared to a $9.3 million gain at December 31, 2007.

Effective January 1, 2008, we adopted FAS 159 for our common stock portfolio. As a result of adopting this standard, all changes in unrealized gains and losses on our Consolidated Statements of Financial Position are reflected in our Consolidated Statements of Operations. A one-time cumulative-effect adjustment of approximately $11.2 million, net of tax, was recorded as an increase to retained earnings with an offsetting reduction to other comprehensive income on January 1, 2008.

Limited partnership investments

During 2008, investments in limited partnerships increased $6.7 million to $299.2 million due to capital additions to existing partnerships. Mezzanine debt and real estate limited partnerships, which comprise 68.4% of the total limited partnerships, produce a more predictable earnings stream while private equity limited partnerships, which comprise 31.6% of the total limited partnerships, tend to provide a less predictable earnings stream but the potential for greater long-term returns. See Note 6 to the Consolidated Financial Statements for additional information on the types and ownership percentages of limited partnerships.

Liabilities

Property/casualty loss reserves

Loss reserves are established to account for the estimated ultimate costs of loss and loss adjustment expenses for claims that have been reported but not yet settled and claims that have been incurred but not reported.

The factors which may potentially cause the greatest variation between current reserve estimates and the actual future paid amounts are: unforeseen changes in statutory or case law altering the amounts to be paid on existing claim obligations, new medical procedures and/or drugs with costs significantly different from those seen in the past, and claims patterns on current business that differ significantly from historical claims patterns.

Loss and loss adjustment expense reserves are presented on our Consolidated Statements of Financial Position on a gross basis for EIC, EINY and EIPC. Our property/casualty insurance subsidiaries wrote about 17% of the direct property/casualty premiums of the Property and Casualty Group in 2008. Under the terms of the Property and Casualty Group’s quota share and intercompany pooling arrangement, a significant portion of these reserve liabilities are recoverable. Recoverable amounts are reflected as an asset on our Statements of Financial Position. The direct and assumed loss and loss adjustment expense reserves by major line of business and the related amount recoverable under the intercompany pooling arrangement are presented as follows:

	As of December 31,	
(in thousands)	**2008**	2007
Gross reserve liability:		
Private passenger auto	**$295,174**	$ 321,320
Pre-1986 automobile catastrophic injury	**167,748**	192,764
Homeowners	**28,984**	28,506
Workers compensation	**162,898**	146,402
Workers compensation catastrophic injury	**92,019**	108,589
Commercial auto	**75,480**	79,848
Commercial multi-peril	**76,584**	75,169
All other lines of business	**66,194**	73,933
Gross reserves	**965,081**	1,026,531
Reinsurance recoverable(1)	**778,328**	834,453
Net reserve liability	**$186,753**	$ 192,078

(1) Includes $777.8 million in 2008 and $833.6 million in 2007 due from the Exchange.

The reserves that have the greatest potential for variation are the catastrophic injury liability reserves. We are currently reserving for about 300 claimants requiring lifetime medical care, of which about 120 involve catastrophic injuries. The reserve carried by the Property and Casualty Group for the catastrophic injury claimants, which is our best estimate of this liability at this time, was $514.5 million at December 31, 2008, which is net of $167.5 million of anticipated reinsurance recoverables. Our property/casualty subsidiaries' share of the net catastrophic injury liability reserves is $28.3 million at December 31, 2008 compared to $29.7 million at December 31, 2007. The decrease in the pre-1986 automobile catastrophe injury reserve at December 31, 2008 compared to December 31, 2007 was primarily due to lower cost expectations of future attendant care services.

It is anticipated that these catastrophic injury claims will require payments over the next 30 to 40 years. In 2008, we changed our medical inflation rate assumption for these reserves to a 9% annual increase grading down 1% after the first year, then grading down 0.5% per year to an ultimate rate of 5%. In 2007, this assumption was a 10% annual increase grading down 1% per year to an ultimate rate of 5%. The impact on the catastrophic injury liability reserves due to the change in assumption in 2008 resulted in a reserve reduction of $2.5 million for the Property and Casualty Group, of which our property/casualty subsidiaries' share was $0.1 million. In 2007, we changed our mortality rate assumption to give 75% weight to our own mortality experience and 25% weight to the disabled pensioner mortality table. The impact on the pre-1986 automobile catastrophic injury liability reserves due to this change in methodology resulted in reserve strengthening of $35.7 million for the Property and Casualty Group, of which our property/casualty subsidiaries' share was $2.0 million. The workers compensation catastrophic liability injury reserves were strengthened by $12.6 million for the Property and Casualty Group in 2008, and our property/casualty subsidiaries' share was $0.7 million. Our share of the catastrophic injury claim payments made was $0.8 million, $1.0 million and $1.3 million during 2008, 2007 and 2006, respectively.

Shareholders' equity

Pension plan

Adjustments are made to shareholders' equity in accordance with SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." This statement requires that we recognize the funded status of our postretirement benefit plans in the statement of financial position, with a corresponding adjustment to accumulated other comprehensive income, net of tax. At December 31, 2008, shareholders' equity decreased by $90.6 million, net of tax, of which $0.1 million represents amortization of the prior service cost and net actuarial loss and $90.7 million represents the current period actuarial loss. The 2008 net actuarial loss was primarily due to the actual investment returns being significantly less than expected investment returns, driven by the upheaval in the financial markets experienced in 2008 and a change in the discount rate used to estimate the future benefit obligations to 6.06% in 2008 from 6.62% in 2007. Although we are the sponsor of these postretirement plans and record on our balance sheet the funded status of these plans, generally the Exchange and EFL reimburse the Company for approximately 50% of the annual benefit expense of these plans. At December 31, 2007, shareholders' equity increased by $16.1 million, net of tax, of which $1.1 million represented amortization of the prior service cost and net actuarial loss and $15.0 million represented the current period actuarial gain. Shareholders' equity decreased by $21.1 million, net of tax, at December 31, 2006, as a result of initially applying the recognition provisions of SFAS 158.

IMPACT OF INFLATION

Property/casualty insurance premiums are established before losses and loss adjustment expenses, and therefore, before the extent to which inflation may impact such costs are known. Consequently, in establishing premium rates, we attempt to anticipate the potential impact of inflation, including medical cost inflation, construction and auto repair cost inflation and tort issues. Medical costs are a broad element of inflation that impacts personal and commercial auto, general liability, workers compensation and commercial multi-peril lines of insurance written by the Property and Casualty Group.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

Liquidity is a measure of a company's ability to generate sufficient cash flows to meet the short- and long-term cash requirements of its business operations. Our liquidity requirements have been met primarily by funds generated from management operations, the net cash flows of our insurance subsidiaries 5.5% participation in the underwriting results of the reinsurance pool with the Exchange, and investment income from nonaffiliated investments. Property/casualty insurance companies are generally self-funding as they collect policy premiums up-front before claims are paid. While we recognize management fee revenue when premiums are written, we collect our management fees from the

Exchange as premiums are collected from policyholders. Cash provided from these sources is used primarily to fund the costs of management operations including salaries and wages and commissions, pension plans, share repurchases, dividends to shareholders and the purchase and development of information technology. We expect that our operating cash needs will be met by funds generated from operations. When cash provided by operating activities is in excess of our operating cash needs, we may use this excess to fund our investment portfolios. When funding requirements exceed operating cash flows, our investment portfolios may be used as a funding source. Continuing volatility in the financial markets presents challenges to us as we occasionally access our investment portfolio as a source of cash. Some of our fixed income investments, despite being publicly traded, are illiquid due to credit market conditions. Further volatility in these markets could impair our ability to sell certain of our fixed income securities or cause such securities to sell at deep discounts. Additionally, our limited partnership investments are illiquid. We believe we have sufficient liquidity to meet our needs from other sources even if credit market volatility persists throughout 2009. See Item 1A. Risk Factors for a discussion of certain matters that may affect our investment portfolio and capital position.

In anticipation of continued illiquidity in the financial markets, actions we have taken to enhance our liquidity include:

- accumulating higher cash and short-term investment positions: cash and cash equivalents, primarily money market fund investments, totaled $61.1 million at December 31, 2008 compared to $31.1 million at December 31, 2007;
- renewing our line of credit with a bank for $100 million through December 31, 2009, and
- reducing our cash outlays for share repurchase activity during the third and fourth quarters of 2008.

Management fees from the Exchange generate a majority of our operating cash flows. We do not expect the current economic downturn to have a significant impact on the premiums collected by the Exchange or the management fee we receive from the Exchange. We have a receivable from the Exchange and affiliates related to 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. We pay nearly all general and administrative expenses on behalf of the Exchange and other affiliated companies including EFL. The Exchange and EFL reimburse us for these expenses on a paid-basis quarterly.

We also generate cash from our property/casualty insurance subsidiaries, which consist of our share of the pooled underwriting results of the Property and Casualty Group. All members of the Property and Casualty Group pool their underwriting results. Through the pool, our subsidiaries assume 5.5% of the Property and Casualty Group’s direct written premiums. We also generate cash from the income earned on our fixed maturity and equity security investment portfolios and earnings on our limited partnership investments.

Management fee and other cash settlements due at December 31 from the Exchange were $214.3 million and $204.6 million in 2008 and 2007, respectively. A receivable from EFL for cash settlements totaled $3.9 million at December 31, 2008, compared to $4.2 million at December 31, 2007. The receivable due from the Exchange for reinsurance recoverable from unpaid loss and loss adjustment expenses and unearned premium balances ceded to the intercompany reinsurance pool decreased 6.0% to $887.4 million from $944.1 million at December 31, 2008 and 2007, respectively. This decrease is the result of corresponding decreases in direct loss and loss adjustment expense reserves of our property/casualty insurance subsidiaries that are ceded to the Exchange under the intercompany pooling agreement. The amounts due us from the Exchange represented 22% of the Exchange’s total liabilities at December 31, 2008 and 2007.

Capital outlook

Outside of our normal operating and investing cash activities, future funding requirements could be met through 1) a $100 million bank line of credit, from which we have no borrowings at December 31, 2008, 2) dividend payments from our wholly-owned property/casualty insurance subsidiaries, EIC, EIPC and EICNY, up to their statutory limits totaling $23.9 million under current regulatory restrictions as of December 31, 2008, (see Note 19 of the Notes to Consolidated Financial Statements), 3) our more liquid investments that can be sold, such as our common stock and cash and cash equivalents, which totaled approximately $94.4 million at December 31, 2008, and 4) the ability to curtail or modify discretionary outlays such as shareholder dividends and our share repurchase activities until the financial markets better support our financing activities. In the event an unanticipated liquidity demand were placed on us, the Exchange could be a source of liquidity. The Exchange has investments totaling $7.6 billion as of December 31, 2008 that could be used, through intercompany borrowing arrangements, for operating needs, dividends or share repurchases. We believe we have the funding sources available to us to support future cash flow requirements.

Cash flow activities
Given the recent illiquid market environment for certain of our bond and preferred stock holdings, we made short term borrowings of $75 million on our line of credit during the first quarter of 2008 to meet our operating cash obligations. We made payments on the line of credit of $45 million and $30 million in the third and fourth quarters of 2008, respectively, reducing the outstanding balance to zero at December 31, 2008. This line of credit was renewed for $100 million and expires on December 31, 2009. Also during the first quarter of 2008, we borrowed $30 million from EIC, our 100% owned property/casualty insurance subsidiary, to fund certain operating and financing activities. We repaid the entire balance during the second quarter of 2008. This intercompany borrowing was eliminated upon consolidation and therefore had no impact on our Consolidated Statements of Financial Position or Operations.

Cash flows provided by operating activities totaled $150.8 million in 2008, compared to $253.8 million in 2007 and $270.4 million in 2006. Lower operating cash flows in 2008 were primarily related to lower distributions from our limited partnerships and higher operating expenses.

Agent bonuses paid totaled $95.1 million during 2008 and $92.0 million in 2007. Agent bonuses expected to be paid in 2009, that relate to the period ended in 2008, total $80.1 million reflecting the impact of the decline in underwriting profitability of the Property and Casualty Group. We made pension contributions of $15.0 million and $14.8 million to our pension plan in 2008 and 2007, respectively. Our policy is to contribute at least the minimum required contribution that is in accordance with the Pension Protection Act of 2006 and to fund the annual “normal” costs of the pension. For 2009, the expected contribution amount is $15.0 million which does exceed the minimum required amount. Our affiliated entities generally reimburse us about 50% of the net periodic benefit cost of the pension plan. Pension expense is anticipated to be approximately $10 million higher in 2009 as a result of the change in discount rate to 6.06% from 6.62% in 2007. In 2008, we incurred $9.7 million in contract labor and software costs related to various technology initiatives in 2008. We also prepaid a software maintenance agreement for a three year period in 2008, whereas in 2007 we had only prepaid the agreement for one year, resulting in higher cash outlay in 2008 of $5.8 million. As discussed in “Factors That May Affect Future Results” section, future operating cash flows will be impacted by commitments made by us for our information technology initiatives.

At December 31, 2008, we recorded a deferred tax asset of $74.2 million, which included $5.4 million relating to unrealized and realized net capital losses that have not yet been recognized for tax purposes. Although realization is not assured, management believes it is more likely than not that the deferred tax asset will be realized based on our assessment that the losses ultimately recognized for tax purposes will be fully utilized. A deferred tax asset valuation allowance of $1.3 million was recorded for 2008 related to impairments on investments where the related deferred tax asset is not expected to be realized.

We have the ability to carry back capital losses of $98.3 million as a result of gains recognized in prior years. While the majority of our realized capital losses relate to securities that have not yet been sold, we have disposed of assets with tax losses of approximately $51.1 million to carry back against these gains. We also have $10.0 million of gross unrealized gains included in the net unrealized loss which are available to offset tax capital losses. Our capital gain and loss strategies take into consideration our ability to offset gains and losses in future periods, further capital loss carry-back opportunities to the three preceding years and capital loss carry-forward opportunities to apply against future capital gains over the next five years.

Cash flows provided by investing activities totaled $73.5 million in 2008, compared to $44.8 million in 2007 and $61.6 million in 2006, impacted by fewer reinvestments as a result of our continued share repurchase activity. Proceeds from the sales, calls and maturities of fixed maturity positions totaled $230.9 million, $266.0 million and $359.5 million in 2008, 2007 and 2006, respectively. Proceeds from the sales of equity securities totaled $155.5 million, $195.0 million and $146.1 million in 2008, 2007 and 2006, respectively. Sales and returns on limited partnerships totaled $21.1 million, $10.0 million and $12.9 million in 2008, 2007 and 2006, respectively. At December 31, 2008, we had contractual commitments to invest up to $90.8 million related to our limited partnership investments to be funded through 2014.

During 2008, we repurchased 2.1 million shares of our outstanding Class A common stock at a cost of $102.0 million in conjunction with our stock repurchase plan. In August 2007 we purchased 1.9 million shares of our Class A nonvoting common stock from the F. William Hirt Estate separate from our current stock repurchase program for a total cost of $99.0 million, or $52.04 per share. In conjunction with our stock repurchase plan, we repurchased 2.6 million shares at a total cost of $137.7 million in 2007. In April 2008, our Board of Directors approved a continuation of the stock repurchase program for an additional $100 million repurchases through June 30, 2009. Approximately $89.9 million of outstanding repurchase authority remains under the program at December 31, 2008. We plan to continue to repurchase shares through the program when cash is available for that purpose.

The decrease in cash used in financing activities was largely the result of the share repurchase activity discussed above. Dividends paid to shareholders totaled $92.3 million, $91.1 million and $86.1 million in 2008, 2007 and 2006, respectively. Our capital management activities resulted in us increasing both our Class A and Class B shareholder quarterly dividends for 2008. There are no regulatory restrictions on the payment of dividends to our shareholders, although there are state law restrictions on the payment of dividends from our subsidiaries to us. Dividends have been approved at a 2.3% increase for 2009.

Contractual obligations

Cash outflows are variable because the fluctuations in settlement dates for claims payments vary and cannot be predicted with absolute certainty. While volatility in claims payments could be significant for the Property and Casualty Group, the effect of this volatility on our performance is mitigated by the intercompany reinsurance pooling arrangement and our 5.5% participation. The cash flow requirements for claims have not historically had a significant effect on our liquidity. Based on a historical 15-year average, about 50% of losses and loss adjustment expenses included in the reserve are paid out in the subsequent 12-month period and approximately 89% are paid out within a five-year period. Losses that are paid out after that five-year period reflect such long-tail lines as workers compensation and auto bodily injury. Such payments are reduced by recoveries under the intercompany reinsurance pooling agreement.

We have certain obligations and commitments to make future payments under various contracts. As of December 31, 2008, the aggregate obligations were as follows:

		Payments due by period			
(in thousands)	Total	2009	2010-2011	2012-2013	2014 and thereafter
Fixed obligations:					
Limited partnership commitments(1)	**$ 90,803**	**$ 43,591**	**$ 41,324**	**$ 5,888**	**$ 0**
Pension contribution(2)	**15,000**	**15,000**	**0**	**0**	**0**
Other commitments(3)	**45,004**	**17,678**	**22,908**	**4,418**	**0**
Operating leases—vehicles	**13,380**	**4,006**	**7,238**	**2,136**	**0**
Operating leases—real estate(4)	**9,467**	**2,931**	**4,090**	**2,446**	**0**
Operating leases—computers	**7,137**	**3,246**	**3,891**	**0**	**0**
Financing arrangements	**1,544**	**1,257**	**287**	**0**	**0**
Fixed contractual obligations	**182,335**	**87,709**	**79,738**	**14,888**	**0**
Gross loss and loss adjustment expense reserves	**965,081**	**482,541**	**283,734**	**94,578**	**104,228**
Gross contractual obligations(5)	**$1,147,416**	**$570,250**	**$363,472**	**$109,466**	**$ 104,228**

Gross contractual obligations net of estimated reinsurance recoverables and reimbursements from affiliates are as follows:

		Payments due by period			
(in thousands)	Total	2009	2010-2011	2012-2013	2014 and thereafter
Gross contractual obligations(5)	**$1,147,416**	**$570,250**	**$363,472**	**$109,466**	**$ 104,228**
Estimated reinsurance recoverables	**778,328**	**389,164**	**228,828**	**76,276**	**84,060**
Estimated reimbursements from affiliates	**54,616**	**19,029**	**28,868**	**6,719**	**0**
Net contractual obligations	**$ 314,472**	**$162,057**	**$105,776**	**$ 26,471**	**$ 20,168**

(1) Limited partnership commitments will be funded as required for capital contributions at any time prior to the agreement expiration date. The commitment amounts are presented using the expiration date as the factor by which to age when the amounts are due. At December 31, 2008, the total commitment to fund limited partnerships that invest in private equity securities is $41.8 million, real estate activities $31.2 million and mezzanine debt of $17.8 million. We expect to have sufficient cash flows from operations and from positive cash flows generated from existing limited partnership investments to meet these partnership commitments.

(2) The pension contribution for 2009 was estimated in accordance with the Pension Protection Act of 2006. Contributions anticipated in future years are expected to be an amount at least equal to the IRS minimum required contribution in accordance with this Act.

(3) Other commitments include various agreements for service, including such things as computer software, telephones and maintenance.

(4) Operating leases—real estate are for 16 of our 23 field offices that are operated in the states in which the Property and Casualty Group does business and three operating leases are for warehousing facilities and remote office locations. One of the branch locations is leased from EFL.

(5) Gross contractual obligations do not include the obligations for our unfunded benefit plans, including the Supplemental Employee Retirement Plan (SERP) for our executive and senior management and the directors' retirement plan. The recorded accumulated benefit obligations for these plans at December 31, 2008, are $7.5 million. We expect to have sufficient cash flows from operations to meet the future benefit payments as they become due. See also Item 8. "Financial Statements and Supplementary Data – Note 10 of the Notes to Consolidated Financial Statements" contained within this report.

Off-balance sheet arrangements

Off-balance sheet arrangements include those with unconsolidated entities that may have a material current or future effect on our financial condition or results of operations, including material variable interests in unconsolidated entities that conduct certain activities. There are no off-balance sheet obligations related to our variable interest in the Exchange. Any liabilities between us and the Exchange are recorded in our Consolidated Statements of Financial Position. We have no material off-balance sheet obligations or guarantees, other than the limited partnership investment commitments discussed in Item 8. "Financial Statements and Supplementary Data - Note 21 of Notes to Consolidated Financial Statements" contained within this report.

Financial ratings

Our property/casualty insurers are rated by rating agencies that provide insurance consumers with meaningful information on the financial strength of insurance entities. Higher ratings generally indicate financial stability and a strong ability to pay claims. The ratings are generally based upon factors relevant to policyholders and are not directed toward return to investors. The insurers of the Erie Insurance Group are currently rated by AM Best Company as follows:

Erie Insurance Exchange	A+
Erie Insurance Company	A+
Erie Insurance Property and Casualty Company	A+
Erie Insurance Company of New York	A+
Flagship City Insurance	A+
Erie Family Life Insurance	A

The outlook for all ratings is stable. According to AM Best, a Superior rating (A+) is assigned to those companies that, in AM Best's opinion, have achieved superior overall performance when compared to the standards established by AM Best and have a superior ability to meet their obligations to policyholders over the long term. By virtue of its affiliation with the Property and Casualty Group, EFL is typically rated one notch lower than the property/casualty companies by AM Best Company. The insurers of the Property and Casualty Group are also rated by Standard & Poor's, but this rating is based solely on public information. Standard & Poor's rates these insurers AApi, "very strong." Financial strength ratings continue to be an important factor in evaluating the competitive position of insurance companies.

Regulatory risk-based capital

The standard set by the National Association of Insurance Commissioners (NAIC) for measuring the solvency of insurance companies, referred to as Risk-Based Capital (RBC), is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The RBC formula is used by state insurance regulators as an early warning tool to identify, for the purpose of initiating regulatory action, insurance companies that potentially are inadequately capitalized. In addition, the formula defines minimum capital standards that will supplement the current system of low fixed minimum capital and surplus requirements on a state-by-state basis. At December 31, 2008, the companies comprising the Property and Casualty Group all had RBC levels substantially in excess of levels that would require regulatory action.

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TRANSACTIONS AND AGREEMENTS WITH RELATED PARTIES

Board oversight
Our Board of Directors (Board) has broad oversight responsibility over intercompany relationships within Erie Insurance Group. As a consequence, the Board may be required to make decisions or take actions that may not be solely in the interest of our shareholders such as:

- setting the management fee rate paid by the Exchange to us;
- determining the continuation and participation percentages of the intercompany pooling agreement;
- approving the annual shareholders' dividend; and
- ratifying any other significant intercompany activity, such as new cost-sharing agreements.

If the Board determines that the Exchange's surplus requires strengthening, it could decide to reduce the management fee rate, change our property/casualty insurance subsidiaries' intercompany pooling participation percentages or reduce or eliminate the shareholder dividends level in any given year. The Board could also decide, under such circumstances, that we should provide capital to the Exchange, although there is no legal obligation to do so.

Subscriber's agreement
We serve as attorney-in-fact for the Exchange, a reciprocal insurance exchange. Each applicant for insurance to a reciprocal insurance exchange signs a subscriber's agreement that contains an appointment of an attorney-in-fact. Through the designation of attorney-in-fact we are required to provide sales, underwriting and policy issuance services to the policyholders of the Exchange, as discussed previously.

Intercompany agreements
Pooling
Members of the Property and Casualty Group participate in an intercompany reinsurance pooling agreement. Under the pooling agreement, all insurance business of the Property and Casualty Group is pooled in the Exchange. The Erie Insurance Company and Erie Insurance Company of New York share in the underwriting results of the reinsurance pool through retrocession. Since 1995, the Board of Directors has set the allocation of the pooled underwriting results at 5.0% participation for Erie Insurance Company, 0.5% participation for Erie Insurance Company of New York and 94.5% participation for the Exchange.

Leased property
The Exchange leases certain office facilities to us on a year-to-year basis. Rents are determined considering returns on invested capital and building operating and overhead costs. Rental costs of shared facilities are allocated based on square footage occupied.

Intercompany cost allocation
The allocation of costs affects the financial condition of the Erie Insurance Group companies. Management must determine that allocations are consistently made in accordance with intercompany management service agreements, the attorney-in-fact agreements with the policyholders of the Exchange and applicable insurance laws and regulations. While allocation of costs under these various agreements requires management judgment and interpretation, such allocations are performed using a consistent methodology, which in management's opinion, adheres to the terms and intentions of the underlying agreements.

Intercompany receivables

(in thousands)	**2008**	**Percent of total Company assets**	2007	Percent of total Company assets
Reinsurance recoverable from and ceded unearned premiums to the Exchange	**$ 887,367**	**34.0%**	$ 944,078	32.8%
Other receivables from the Exchange and affiliates (management fees, costs and reimbursements)	**218,243**	**8.3**	208,752	7.3
Note receivable from EFL	**25,000**	**1.0**	25,000	0.9
Total intercompany receivables	**$1,130,610**	**43.3%**	$1,177,830	41.0%

We have significant receivables from the Exchange that result in a concentration of credit risk. These receivables include unpaid losses and unearned premiums ceded to the Exchange under the intercompany pooling agreement and from management services performed by us for the Exchange. The policyholder surplus of the Exchange at December 31, 2008, on a statutory accounting basis totaled over $4.0 billion. Credit risks related to the receivables from the Exchange are evaluated periodically by our management. Reinsurance contracts do not relieve us from our primary obligations to policyholders if the Exchange were unable to satisfy its obligation. We collect our reinsurance recoverable amount generally within 30 days of actual settlement of losses.

We also have a receivable from the Exchange for management fees and costs we pay on behalf of the Exchange. We also pay certain costs for, and are reimbursed by, EFL. Since our inception, we have collected these amounts due from the Exchange and EFL in a timely manner (normally quarterly). There is interest charged on the outstanding balance due from the Exchange until its quarterly settlement that is based on an independent mutual fund rate.

We have a surplus note for $25 million with EFL that is payable on demand on or after December 31, 2018. EFL paid interest to us on the surplus note totaling $1.7 million in both 2008 and 2007. No other interest is charged or received on these intercompany balances due to the timely settlement terms and nature of the items.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Financial condition of the Exchange
We have a direct interest in the financial condition of the Exchange because management fee revenues are based on the direct written premiums of the Exchange and the other members of the Property and Casualty Group. Additionally, we participate in the underwriting results of the Exchange through the pooling arrangement in which our insurance subsidiaries have a 5.5% participation. A concentration of credit risk exists related to the unsecured receivables due from the Exchange for certain fees, costs and reimbursements.

To the extent that the Exchange incurs underwriting losses or investment losses resulting from declines in the value of its marketable securities or limited partnership investments, the Exchange’s policyholders’ surplus would be adversely affected. If the surplus of the Exchange were to decline significantly from its current level, the Property and Casualty Group could find it more difficult to retain its existing business and attract new business. A decline in the business of the Property and Casualty Group would have an adverse effect on the amount of the management fees we receive and the underwriting results of the Property and Casualty Group. In addition, a significant decline in the surplus of the Exchange from its current level would make it more likely that the management fee rate would be reduced. A decline in surplus could also result from variability in investment markets as realized and unrealized losses are recognized. Due to the recent downturn experienced in the securities markets, the Exchange recognized impairment charges of $744.2 million in 2008. To the extent the market downturn continues, the Exchange’s investment portfolio may continue to be impacted. The Exchange may also need to provide capital support to EFL. EFL’s capital has declined as a result of realized and unrealized investment losses due to the turmoil in the financial markets in the second half of 2008. Despite these recent market events, at December 31, 2008, the Exchange had $4.0 billion in statutory surplus and a premium to surplus ratio of less than 1 to 1.

The Exchange has strong underlying operating cash flows and sufficient liquidity to meet its needs, including the ability to pay the management fees owed to us. In 2008, the Exchange generated $434.6 million in cash flows from operating activities. At December 31, 2008 the Exchange had $203.2 million in cash and cash equivalents. The Exchange also has an unused $75 million bank line of credit at December 31, 2008. This line of credit was renewed through December 31, 2009.

Additional information, including condensed statutory financial statements of the Exchange, is presented in Item 8. “Financial Statements and Supplementary Data - Note 17 of Notes to Consolidated Financial Statements” contained within this report.

Insurance premium rate actions
The changes in premiums written attributable to rate changes of the Property and Casualty Group directly affect the direct written premium levels and underwriting profitability of the Property and Casualty Group, the Exchange and us, and have a direct bearing on our management fees. Pricing actions contemplated or taken by the Property and Casualty Group are also subject to various regulatory requirements of the states in which these insurers operate. The pricing

actions already implemented, or to be implemented through 2009, will also have an effect on the market competitiveness of the Property and Casualty Group's insurance products. Such pricing actions, and those of competitors, could affect the ability of our agents to sell and/or renew business. Management estimates that pricing actions approved, contemplated for filing and awaiting approval through 2008, could result in a net increase to premiums for the Property and Casualty Group of approximately $36 million in 2009.

The Property and Casualty Group continues to refine its pricing segmentation model for private passenger auto and homeowners lines of business. The new rating plan includes significantly more pricing segments than the former plan, providing us greater flexibility in pricing for policyholders with varying degrees of risk. Refining pricing segmentation should enable us to provide more competitive rates to policyholders with varying risk characteristics, as risks can be more accurately priced over time. The continued introduction of new pricing variables could impact retention of existing policyholders and could affect the Property and Casualty Group's ability to attract new policyholders.

The current economic conditions could reduce the average premium written by the Property and Casualty Group for personal lines as consumers reduce coverages and/or raise deductibles and there are fewer automobiles and homes sold. Commercial lines average premium could be affected as companies reduce their coverage and as payrolls shrink.

Policy growth
Premium levels attributable to growth in policies in force of the Property and Casualty Group directly affect the profitability of our management operations. Our continued focus on underwriting discipline and the maturing of our pricing segmentation model has contributed to our growth in new policies in force and improved retention ratios. The continued growth of the policy base of the Property and Casualty Group is dependent upon the Property and Casualty Group's ability to retain existing and attract new policyholders. A lack of new policy growth or the inability to retain existing customers could have an adverse effect on the growth of premium levels for the Property and Casualty Group, and, consequently, our management fees.

Catastrophe losses
The Property and Casualty Group conducts business in 11 states and the District of Columbia, primarily in the Mid-Atlantic, Mid-western and Southeastern portions of the United States. A substantial portion of the business is private passenger and commercial automobile, homeowners and workers compensation insurance in Ohio, Maryland, Virginia and, particularly, Pennsylvania. As a result, a single catastrophic occurrence or destructive weather pattern could materially adversely affect the results of operations and surplus position of the members of the Property and Casualty Group. Common catastrophe events include severe winter storms, hurricanes, earthquakes, tornadoes, wind and hail storms. In its homeowners line of insurance, the Property and Casualty Group is particularly exposed to an Atlantic hurricane, which might strike the states of North Carolina, Maryland, Virginia and Pennsylvania. The Property and Casualty Group maintains a property catastrophe reinsurance treaty with nonaffiliated reinsurers to mitigate the future potential catastrophe loss exposure. The property catastrophe reinsurance coverage in 2008 provided coverage of up to 95% of a loss of $400 million in excess of the Property and Casualty Group's loss retention of $450 million per occurrence. This agreement was renewed for 2009 under the same terms of coverage.

While the Property and Casualty Group is exposed to terrorism losses in commercial lines, including workers compensation, these lines are afforded a limited backstop above insurer deductibles for foreign acts of terrorism under the federal Terrorism Risk Insurance Program Reauthorization and Extension Act of 2007 that continues through December 31, 2014. The Property and Casualty Group has no personal lines terrorism coverage in place. Although current models suggest the most likely occurrences would not have a material impact on the Property and Casualty Group, there is a chance that if future terrorism attacks occur, the Property and Casualty Group could incur large losses.

Incurred but not reported (IBNR) losses
The Property and Casualty Group is exposed to new claims on previously closed files and to larger than historical settlements on pending and unreported claims. We are exposed to increased losses by virtue of our 5.5% participation in the intercompany reinsurance pooling agreement with the Exchange. We exercise professional diligence to establish reserves at the end of each period that are fully reflective of the ultimate value of all claims incurred. However, these reserves are, by their nature, only estimates and cannot be established with absolute certainty.

The reserve that has the greatest potential for variation is the catastrophic injury liability reserve. The workers compensation product and the automobile no-fault law in Pennsylvania from 1975 until 1985 provided for unlimited medical benefits. The estimation of ultimate liabilities for these claims is subject to significant judgment due to variations in claimant health and mortality over time. Actual experience has the potential to be impacted by changes in laws as well as costs, such as attendant care, inflation rates and mortality. Actual experience, different than that assumed, could have a significant impact on the reserve estimates.

Market volatility
Our portfolio of fixed income, preferred and common stocks are subject to significant market value changes especially in the current market environment of instability in the worldwide financial markets. Uncertainty remains surrounding the general market conditions. The current volatility in the financial markets could have an adverse impact on our financial condition, operations and cash flows.

With the adoption of FAS 159 as of January 1, 2008, all changes to unrealized gains and losses on the common stock portfolio are recognized in investment income as net realized gains or losses in the Consolidated Statements of Operations. The fair value of the common stock portfolio is subject to fluctuation from period-to-period resulting from changes in prices. Depending upon market conditions, this could cause considerable fluctuation in reported total investment income. See Item 8. "Financial Statements and Supplementary Data - Note 5 of Notes to Consolidated Financial Statements" contained within this report for a discussion of the adoption of SFAS 159 and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk, Equity Price Risk," herein, for further information on the risk of market volatility.

Economic conditions
Financial markets have been experiencing extreme disruption in recent months. Unfavorable changes in economic conditions, including declining consumer confidence, inflation, recession or other changes, may lead the Property and Casualty Group's customers to cancel insurance policies, modify coverage or not renew policies, and the Group's premium revenue, and consequently our management fee, could be adversely affected. Challenging economic conditions also may impair the ability of the Group's customers to pay premiums as they fall due, and as a result, the Group's reserves and write-offs could increase. The Group is unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the United States and other countries.

Information technology development
During 2008, we continued to carry out a broad program of initiatives to enhance the functionality of our legacy processing and agency interface systems aimed at improving the ease of doing business, enhancing agent and employee productivity and access to information. We are also continuing a program in 2009 to evaluate and design our policy administration platform replacement. In 2008, we incurred $9.7 million of external consulting and contract labor fees, hardware costs and software costs in connection with this program. We expect to incur $15 million of external consulting and contract labor fees, hardware costs and software costs through June 2009. We expect to incur an additional $15 million in the second half of 2009. The costs to be incurred under the policy administration system development programs are significant and depending on the development timeframe, could have a material impact on our reported earnings in 2009 and future years.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, as well as other relevant market rate or price changes. The volatility and liquidity in the markets in which the underlying assets are traded directly influence market risk. The following is a discussion of our primary risk exposures, including interest rate risk, equity price risk and credit risk, and how those exposures are currently managed as of December 31, 2008.

Interest rate risk

We invest primarily in fixed maturity investments, which comprised 59.2% of invested assets at December 31, 2008. The value of the fixed maturity portfolio is subject to interest rate risk. As market interest rates decrease, the value of the portfolio goes up with the opposite holding true in rising interest rate environments. We do not hedge our exposure to interest rate risk since we have the capacity and intention to hold the fixed maturity positions until maturity. A common measure of the interest sensitivity of fixed maturity assets is modified duration, a calculation that utilizes maturity, coupon rate, yield and call terms to calculate an average age of the expected cash flows. The longer the duration, the more sensitive the asset is to market interest rate fluctuations. Convexity measures the rate of change of duration with respect to changes in interest rates. These factors are analyzed monthly to ensure that both the duration and convexity remain in the targeted ranges we established.

A sensitivity analysis is used to measure the potential loss in future earnings, fair values or cash flows of market-sensitive instruments resulting from one or more selected hypothetical changes in interest rates and other market rates or prices over a selected period. In our sensitivity analysis model, a hypothetical change in market rates is selected that is expected to reflect reasonably possible changes in those rates. The following pro forma information is presented assuming a 100-basis point increase in interest rates at December 31 of each year and reflects the estimated effect on the fair value of our fixed maturity investment portfolio. We used the modified duration of our fixed maturity investment portfolio to model the pro forma effect of a change in interest rates at December 31, 2008 and 2007.

Fixed maturities interest-rate sensitivity analysis

(in thousands)	As of December 31,	
	2008	2007
Fair value of fixed income portfolio	**$563,429**	$703,406
Fair value assuming 100-basis point rise in interest rates	**552,260**	676,733
Modified duration	**3.45**	3.80

While the fixed income portfolio is sensitive to interest rates, the future principal cash flows that will be received are presented as follows by contractual maturity date. Actual cash flows may differ from those stated as a result of calls, prepayments or defaults. The $25 million surplus note due from EFL is included in the principal cash flows and is due in 2018.

(in thousands)	December 31, 2008
Fixed maturities, including note from EFL:	
2009	**$ 52,212**
2010	**48,775**
2011	**45,837**
2012	**67,232**
2013	**82,105**
Thereafter	**351,974**
Total	**$648,135**
Fair value	**$588,429**

(in thousands)	December 31, 2007
Fixed maturities, including note from EFL:	
2008	$ 58,599
2009	66,157
2010	56,298
2011	55,426
2012	65,459
Thereafter	424,656
Total	$726,595
Fair value	$728,406

Equity price risk
Our portfolio of marketable equity securities, which is carried on the Consolidated Statements of Financial Position at estimated fair value, has exposure to price risk, the risk of potential loss in estimated fair value resulting from an adverse change in prices. We do not hedge our exposure to equity price risk inherent in our equity investments. Our objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio holdings are diversified across industries and among exchange-traded small- to large-cap stocks. We measure risk by comparing the performance of the marketable equity portfolio to benchmark returns such as the Standard & Poors (S&P) 500 Composite Index. Beta is a measure of a security's systematic (non-diversifiable) risk, which is the percentage change in an individual security's return for a 1% change in the return of the market. The average Beta for our common stock holdings was .92. Based on a hypothetical 20% reduction in the overall value of the stock market, the fair value of the common stock portfolio would decrease by approximately $6.1 million.

Credit risk
Our objective is to earn competitive returns by investing in a diversified portfolio of securities. Our portfolios of fixed maturity securities, nonredeemable preferred stock, mortgage loans and, to a lesser extent, short-term investments are subject to credit risk. This risk is defined as the potential loss in fair value resulting from adverse changes in the borrower's ability to repay the debt. We manage this risk by performing upfront underwriting analysis and ongoing reviews of credit quality by position and for the fixed maturity portfolio in total. We do not hedge the credit risk inherent in our fixed maturity investments.

Generally, the fixed maturities in our portfolio are rated by external rating agencies. If not externally rated, we rate them internally on a basis consistent with that used by the rating agencies. We classify all fixed maturities as available-for-sale securities, allowing us to meet our liquidity needs and provide greater flexibility to appropriately respond to changes in market conditions. The following table shows our fixed maturity investments by S&P rating as of December 31, 2008:

(in thousands) Comparable S&P Rating	Amortized cost	Fair value	Percent of total
AAA, AA, A	**$360,934**	**$354,736**	**63.0%**
BBB	**215,858**	**190,700**	**33.8**
Total investment grade	**576,792**	**545,436**	**96.8**
BB	**12,699**	**10,146**	**1.8**
B	**3,750**	**3,429**	**0.6**
CCC, CC, C	**4,431**	**4,418**	**0.8**
Total non-investment grade	**20,880**	**17,993**	**3.2**
Total	**$597,672**	**$563,429**	**100%**

Approximately 4.0%, or $22.6 million, of our fixed income portfolio is invested in structured products which include mortgage-backed securities (MBS), collateralized debt and loan obligations (CDO and CLO), collateralized mortgage obligations (CMO), asset-backed (ABS) and credit-linked notes. Our structured product portfolio has an average rating of A or higher. We believe we have no direct exposure to the subprime residential mortgage market through investments in structured products. However, we have indirect exposure through bond and preferred stock investments in the financial service industry. We continually monitor these investments for material declines in quality and value.

Our municipal bond portfolio accounts for $211.4 million, or 37.5 %, of the total fixed maturity portfolio. 78.6% of the total municipal bond portfolio is insured. This insurance guarantees the payment of principal and interest on a bond if the issuer defaults. Our municipal bond portfolio is highly rated and includes all investment grade holdings (BBB or higher). The overall credit quality rating of our municipal bond portfolio is AA. The overall credit quality rating of our municipal bond portfolio giving no effect to insurance is AA-. The following table presents an analysis of our municipal bond ratings at December 31, 2008.

(in thousands)

(1) Uninsured bonds			(2) Insured bonds			(3) Underlying rating of insured bonds		
Rating	Fair value	Fair value %	Rating	Fair value	Fair value %	Rating	Fair value	Fair value %
AAA	**$ 23,340**	**51.7%**	AAA	**$ 8,839**	**5.3%**	AAA	**$ 0**	**0.0%**
AA	**15,796**	**35.0**	AA	**103,623**	**62.3**	AA	**73,564**	**44.3**
A	**5,262**	**11.6**	A	**53,221**	**32.0**	A	**88,677**	**53.3**
BBB	**780**	**1.7**	BBB	**559**	**0.4**	BBB	**1,965**	**1.2**
Not rated	**0**	**0.0**	Not rated	**0**	**0.0**	Not rated	**2,036**	**1.2**
AA	**$ 45,178**	**100.0%**	AA-	**$166,242**	**100.0%**	AA-	**$166,242**	**100.0%**

(1) + (2) Total bonds (with insured rating)			(1) + (3) Total bonds (with underlying rating)		
Rating	Fair value	Fair value %	Rating	Fair value	Fair value %
AAA	**$ 32,179**	**15.2%**	AAA	**$ 23,340**	**11.0%**
AA	**119,419**	**56.5**	AA	**89,360**	**42.3**
A	**58,483**	**27.7**	A	**93,939**	**44.4**
BBB	**1,339**	**0.6**	BBB	**2,745**	**1.3**
Not rated	**0**	**0.0**	Not rated	**2,036**	**1.0**
AA	**$211,420**	**100.0%**	AA-	**$211,420**	**100.0%**

We are also exposed to a concentration of credit risk with the Exchange. See the section, “Transactions and Agreements with Related Parties,” for further discussion of this risk.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Erie Indemnity Company
Erie, Pennsylvania

We have audited Erie Indemnity Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Erie Indemnity Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Erie Indemnity Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Erie Indemnity Company as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Erie Indemnity Company and our report dated February 20, 2009, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 20, 2009

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Erie Indemnity Company
Erie, Pennsylvania

We have audited the accompanying consolidated statements of financial position of Erie Indemnity Company as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Erie Indemnity Company at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 5 to the consolidated financial statements, in 2008 the Company changed its method of accounting for its common stock portfolio in connection with the adoption of Statement of Financial Accounting Standards No. 159. As discussed in Note 10 to the consolidated financial statements, in 2006 the Company changed its method of accounting for post retirement benefit plans in connection with the adoption of Statement of Financial Accounting Standards No. 158.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Erie Indemnity Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2009, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 20, 2009

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2008, 2007 and 2006
(dollars in thousands, except per share data)

	2008	2007	2006
Operating revenue			
Management fee revenue, net	**$ 897,526**	$ 894,981	$ 891,071
Premiums earned	**207,407**	207,562	213,665
Service agreement revenue	**32,298**	29,748	29,246
Total operating revenue	**1,137,231**	1,132,291	1,133,982
Operating expenses			
Cost of management operations	**765,012**	755,642	742,526
Losses and loss adjustment expenses incurred	**137,167**	125,903	139,630
Policy acquisition and other underwriting expenses	**49,218**	48,909	52,048
Total operating expenses	**951,397**	930,454	934,204
Investment (loss) income – unaffiliated			
Investment income, net of expenses	**44,181**	52,833	55,920
Net realized (losses) gains on investments	**(113,019)**	(5,192)	1,335
Equity in earnings of limited partnerships	**5,710**	59,690	41,766
Total investment (loss) income – unaffiliated	**(63,128)**	107,331	99,021
Income before income taxes and equity in (losses) earnings of Erie Family Life Insurance	**122,706**	309,168	298,799
Provision for income taxes	**(39,865)**	(99,137)	(99,055)
Equity in (losses) earnings of Erie Family Life Insurance, net of tax	**(13,603)**	2,914	4,281
Net income	**$ 69,238**	**$ 212,945**	**$ 204,025**
Net income per share			
Class A common stock – basic	**$ 1.34**	$ 3.80	$ 3.45
Class A common stock – diluted	**$ 1.19**	**$ 3.43**	**$ 3.13**
Class B common stock – basic and diluted	**$ 204.20**	$ 572.98	$ 524.87
Weighted average shares outstanding - basic			
Class A common stock	**51,824,649**	55,928,177	58,827,987
Class B common stock	**2,551**	2,563	2,661
Weighted average shares outstanding - diluted			
Class A common stock	**57,967,144**	62,096,816	65,256,608
Class B common stock	**2,551**	2,563	2,661

See accompanying notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2008 and 2007
(dollars in thousands)

	2008	2007
Assets		
Investments		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost of $597,672 and $702,488, respectively)	**$ 563,429**	$ 703,406
Equity securities (cost of $59,958 and $204,005, respectively)	**55,281**	218,270
Trading securities, at fair value (cost of $37,835)	**33,338**	–
Limited partnerships (cost of $272,144 and $235,886, respectively)	**299,176**	292,503
Real estate mortgage loans	**1,215**	4,556
Total investments	**952,439**	1,218,735
Cash and cash equivalents	**61,073**	31,070
Accrued investment income	**8,420**	9,713
Premiums receivable from policyholders	**244,760**	243,612
Federal income taxes recoverable	**7,498**	1,451
Deferred income taxes	**72,875**	0
Reinsurance recoverable from Erie Insurance Exchange on unpaid losses and loss adjustment expenses	**777,754**	833,554
Ceded unearned premiums to Erie Insurance Exchange	**109,613**	110,524
Note receivable from Erie Family Life Insurance	**25,000**	25,000
Other receivables due from Erie Insurance Exchange and affiliates	**218,243**	208,752
Reinsurance recoverable from non-affiliates	**1,944**	2,323
Deferred policy acquisition costs	**16,531**	16,129
Equity in Erie Family Life Insurance	**29,236**	59,046
Securities lending collateral	**18,155**	30,370
Pension plan asset	**0**	32,460
Other assets	**69,845**	55,884
Total assets	**$2,613,386**	$ 2,878,623

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2008 and 2007
(dollars in thousands, except per share data)

	2008	2007
Liabilities and shareholders' equity		
Liabilities		
Unpaid losses and loss adjustment expenses	**$ 965,081**	$1,026,531
Unearned premiums	**424,370**	421,263
Commissions payable	**126,208**	122,473
Agent bonuses	**81,269**	94,458
Securities lending collateral	**18,155**	30,370
Accounts payable and accrued expenses	**51,333**	41,057
Deferred executive compensation	**15,152**	23,499
Deferred income taxes	**0**	14,598
Dividends payable	**23,249**	23,637
Pension plan liability	**97,682**	0
Employee benefit obligations	**19,012**	29,458
Total liabilities	**1,821,511**	1,827,344
Shareholders' equity		
Capital stock:		
Class A common, stated value $0.0292 per share; authorized 74,996,930 shares; 68,277,600 shares issued; 51,282,893 and 53,338,937 shares outstanding, respectively	**1,991**	1,991
Class B common, convertible at a rate of 2,400 Class A shares for one Class B share, stated value $70 per share; 2,551 shares authorized, issued and outstanding, respectively	**179**	179
Additional paid-in capital	**7,830**	7,830
Accumulated other comprehensive (loss) income	**(135,854)**	10,048
Retained earnings, before cumulative effect adjustment	**1,717,499**	1,740,174
Cumulative effect adjustment from adoption of Statement of Financial Accounting Standards No. 159, net of tax	**11,191**	–
Retained earnings, after cumulative effect adjustment	**1,728,690**	1,740,174
Total contributed capital and retained earnings	**1,602,836**	1,760,222
Treasury stock, at cost, 16,994,707 and 14,938,663 shares, respectively	**(810,961)**	(708,943)
Total shareholders' equity	**791,875**	1,051,279
Total liabilities and shareholders' equity	**$2,613,386**	$2,878,623

See accompanying notes to Consolidated Financial Statements.

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ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007 and 2006
(dollars in thousands)

	2008	2007	2006
Cash flows from operating activities			
Management fee received	**$ 891,101**	$ 906,691	$ 883,072
Service agreement fee received	**32,097**	29,648	28,246
Premiums collected	**208,097**	207,491	211,976
Settlement of commutation received from Exchange	**0**	6,782	1,710
Net investment income received	**51,941**	55,031	62,616
Limited partnership distributions	**29,111**	78,960	62,240
Dividends received from Erie Family Life Insurance	**0**	0	899
Salaries and wages paid	**(110,813)**	(111,794)	(100,000)
Pension contribution and employee benefits paid	**(48,146)**	(31,989)	(24,923)
Commissions paid to agents	**(439,162)**	(435,163)	(435,342)
Agents bonuses paid	**(95,127)**	(91,955)	(74,753)
General operating expenses paid	**(104,298)**	(73,458)	(79,846)
Interest paid on bank line of credit	**(1,000)**	–	–
Losses paid	**(121,064)**	(114,624)	(117,124)
Loss adjustment expenses paid	**(21,428)**	(19,817)	(13,432)
Other underwriting and acquisition costs paid	**(52,464)**	(48,132)	(50,631)
Income taxes paid	**(68,000)**	(103,905)	(84,267)
Net cash provided by operating activities	**150,845**	253,766	270,441
Cash flows from investing activities			
Purchase of investments:			
Fixed maturities	**(162,186)**	(149,826)	(225,867)
Preferred stock	**(36,874)**	(87,351)	(47,119)
Common stock	**(67,578)**	(92,783)	(69,753)
Limited partnerships	**(55,974)**	(87,503)	(107,879)
Sales/maturities of investments:			
Fixed maturity sales	**128,733**	180,433	243,711
Fixed maturity calls/maturities	**102,201**	85,590	115,782
Preferred stock	**48,939**	95,112	83,220
Common stock	**106,581**	99,869	62,909
Sale of and returns on limited partnerships	**21,135**	9,995	12,874
(Purchase) disposal of property and equipment	**(8,279)**	100	(4,938)
Net distributions on agent loans	**(3,220)**	(8,805)	(1,364)
Net cash provided by investing activities	**73,478**	44,831	61,576
Cash flows from financing activities			
Proceeds from bank line of credit	**75,000**	–	–
Payments on bank line of credit	**(75,000)**	–	–
Purchase of treasury stock	**(102,018)**	(236,713)	(217,353)
Dividends paid to shareholders	**(92,302)**	(91,055)	(86,089)
(Decrease) increase in collateral from securities lending	**(12,216)**	7,585	(8,046)
Redemption (acquisition) of securities lending collateral	**12,216**	(7,585)	8,046
Net cash used in financing activities	**(194,320)**	(327,768)	(303,442)
Net increase (decrease) in cash and cash equivalents	**30,003**	(29,171)	28,575
Cash and cash equivalents at beginning of year	**31,070**	60,241	31,666
Cash and cash equivalents at end of year	**$ 61,073**	$ 31,070	$ 60,241

See accompanying notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars in thousands, except per share data)

	Total shareholders' equity	Comprehensive Income (loss)	Retained earnings	Accumulated other comprehensive income (loss)	Class A common stock	Class B common stock	Additional paid-in capital	Treasury stock
Balance, January 1, 2006	$ 1,278,602		$ 1,501,798	$21,681	$ 1,972	$ 198	$ 7,830	($254,877)
Comprehensive income:								
Net income	204,025	$204,025	204,025					
Unrealized gain on securities, net of tax (Note 8)	4,804	4,804		4,804				
Comprehensive income		$208,829						
Adjustment to initially recognize funded status of employee benefit obligations, net of tax under FAS 158	(21,063)			(21,063)				
Purchase of treasury stock	(217,353)							(217,353)
Conversion of Class B shares to Class A shares	–				18	(18)		
Dividends declared:								
Class A $1.48 per share	(86,581)		(86,581)					
Class B $222.00 per share	(586)		(586)					
Balance, December 31, 2006	$ 1,161,848		$ 1,618,656	$ 5,422	$ 1,990	$ 180	$ 7,830	($472,230)
Comprehensive income:								
Net income	212,945	$212,945	212,945					
Other comprehensive income (loss):								
Unrealized loss on securities, net of tax (Note 8)	(11,427)	(11,427)		(11,427)				
Postretirement plans:								
Prior service cost, net of tax	222	222		222				
Net actuarial gain, net of tax (Note 8)	12,901	12,901		12,901				
Loss due to amendments, net of tax	(867)	(867)		(867)				
Curtailment/settlement gain, net of tax	3,797	3,797		3,797				
Postretirement plans, net of tax	16,053	16,053		16,053				
Comprehensive income		$217,571						
Purchase of treasury stock	(236,713)							(236,713)
Conversion of Class B shares to Class A shares	–				1	(1)		
Dividends declared:								
Class A $1.64 per share	(90,797)		(90,797)					
Class B $246.00 per share	(630)		(630)					
Balance, December 31, 2007	$ 1,051,279		$ 1,740,174	$ 10,048	$ 1,991	$ 179	$ 7,830	($708,943)
Comprehensive loss:								
Net income	**69,238**	**$ 69,238**	**69,238**					
Other comprehensive income (loss):								
Unrealized loss on securities, net of tax (Note 8)	**(44,135)**	**(44,135)**		**(44,135)**				
Cumulative effect of adopting FAS 159, net of tax (Note 5)			**11,191**	**(11,191)**				
Postretirement plans:								
Prior service cost, net of tax	**121**	**121**		**121**				
Net actuarial loss, net of tax (Note 8)	**(90,571)**	**(90,571)**		**(90,571)**				
Gain due to amendments, net of tax	**33**	**33**		**33**				
Curtailment/settlement loss, net of tax	**(159)**	**(159)**		**(159)**				
Postretirement plans, net of tax	**(90,576)**	**(90,576)**		**(90,576)**				
Comprehensive loss		**$(65,473)**						
Purchase of treasury stock	**(102,018)**							**(102,018)**
Dividends declared:								
Class A $1.77 per share	**(91,236)**		**(91,236)**					
Class B $265.50 per share	**(677)**		**(677)**					
Balance, December 31, 2008	**$ 791,875**		**$ 1,728,690**	**($135,854)**	**$ 1,991**	**$ 179**	**$ 7,830**	**($810,961)**

See accompanying notes to Consolidated Financial Statements.

Note 1. Nature of business

We are the attorney-in-fact for the subscribers of Erie Insurance Exchange (Exchange), a reciprocal insurance exchange. We perform certain services for the Exchange relating to the sales, underwriting and issuance of policies on behalf of the Exchange and earn a management fee for these services. The Exchange is a Pennsylvania-domiciled property/casualty insurer rated A+ (Superior) by AM Best. The Exchange is the 22nd largest property/casualty insurer in the United States based on 2007 net premiums written for all lines of business. The Exchange and its wholly-owned subsidiary, Flagship City Insurance Company (Flagship) and our wholly-owned subsidiaries, Erie Insurance Company (EIC), Erie Insurance Company of New York (EINY) and the Erie Insurance Property and Casualty Company (EIPC), comprise the Property and Casualty Group. The Property and Casualty Group is a regional insurance group operating in 11 Midwestern, Mid-Atlantic, and Southeastern states and the District of Columbia. The Property and Casualty Group primarily writes personal auto insurance, which comprises 48% of its direct premiums. Members of the Property and Casualty Group are subject to statutory regulations and are required to file reports in accordance with statutory accounting principles with the regulatory authorities. We also own 21.6% of the common stock of the Erie Family Life Insurance Company (EFL), an affiliated life insurance company; the Exchange owns the remaining 78.4%. We, together with the Property and Casualty Group and EFL, operate collectively as the Erie Insurance Group (Group).

Note 2. Recent accounting pronouncements

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS140-4 and FIN 46(R)-8, “Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.” This FSP requires public entities that have a variable interest in a variable interest entity to provide additional disclosures about their involvement with variable interest entities. This FSP is effective for the first reporting period ending after December 15, 2008. We have provided the required disclosures concerning variable interest entities in Note 17.

In 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (SFAS 159) which we adopted on January 1, 2008. SFAS 159 gave us the irrevocable option to report selected financial assets and liabilities at fair value. SFAS 159 also established presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement bases for similar types of assets and liabilities. We adopted the fair value option for our common stock portfolio as of January 1, 2008 because it better reflects the way we manage our common stock portfolio under a total return approach. These assets were formerly accounted for as available-for-sale under SFAS 115, “Accounting for Certain Investments in Debt and Equity Securities,” with changes in fair value recorded in other comprehensive income. Beginning January 1, 2008 all changes in fair value of our common stock are recognized in earnings as they occur. The adoption of SFAS 159 required the unrealized gains and losses on these securities at January 1, 2008 to be included in a cumulative effect adjustment to beginning retained earnings. The net impact of the cumulative effect adjustment for our common stock portfolio on January 1, 2008 increased retained earnings and reduced other comprehensive income by $11.2 million, net of tax. See also Note 5.

In 2006, SFAS 157, “Fair Value Measurements,” was issued and provides guidance for using fair value to measure assets and liabilities as well as enhances disclosures about fair value measurements which became effective for us on January 1, 2008. The standard applies whenever other standards require, or permit, assets or liabilities to be measured at fair value. The standard did not expand the use of fair value in any new circumstances and thus, did not have an impact on our financial position, results of operations or cash flows. The statement established a fair value hierarchy that prioritizes the observable and unobservable inputs to valuation techniques used to measure fair value into three levels. Quantitative and qualitative disclosures focus on the inputs used to measure fair value for these measurements and the effects of these measurements in the financial statements. We implemented this standard during the first quarter of 2008 and have provided the required disclosures concerning inputs used to measure fair value in Note 5.

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Note 2. Recent accounting pronouncements (continued)

Pending accounting pronouncements
In September 2008, the FASB issued an Exposure Draft (ED), "Amendments to FIN 46(R) – *Consolidation of Variable Interest Entities*." This proposed statement would amend the guidance for determining whether an enterprise is the primary beneficiary of a variable interest entity (VIE) by requiring a qualitative analysis to determine if an enterprise's variable interest gives it a controlling financial interest. A primary beneficiary would be expected to be identified through the qualitative analysis, which looks at the power to direct activities of the VIE, including its economic performance and the right to receive benefits from the VIE that are significant. Under the current quantitative analysis required by FIN 46(R), although we hold a variable interest in it, we are not deemed to be the primary beneficiary of the Exchange (see Note 17), and the Exchange's results are not consolidated with ours. If the ED to amend FIN 46(R) is adopted in its current form, we believe we would be deemed to have a controlling financial interest in the Exchange, by virtue of our attorney-in-fact relationship with the Exchange, and consolidation would be required. This would require that the Exchange's financial statements, which are currently only prepared in accordance with statutory accounting principles, be prepared in accordance with generally accepted accounting principles. The Exchange would then also be subject to the Sarbanes-Oxley section 404 internal control reporting requirements. Given the materiality of the Exchange's operations, consolidating the Exchange's financial statements with the Company's would significantly change our current reporting entity, related footnote disclosures and the overall presentation of management's discussion and analysis. The Exchange's equity, which is owned by its subscriber policyholders, would be shown as a noncontrolling interest in such consolidated statements and the net earnings and equity of the Company would be unchanged by this presentation. FIN 46(R) is to be effective for fiscal years that begin after November 15, 2009.

Note 3. Significant accounting policies

Basis of presentation
The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) that differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities. See also Note 19.

Principles of consolidation
The consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications
Certain amounts previously reported in the 2007 financial statements have been reclassified to conform to the current period's presentation. Such reclassifications only affected the Consolidated Statements of Cash Flows.

Use of estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments
Available-for-sale securities – Fixed maturity and preferred stock securities are classified as available-for-sale and are reported at fair value. Unrealized holding gains and losses, net of related tax effects, on fixed maturities and preferred stock are charged or credited directly to shareholders' equity as accumulated other comprehensive (loss) income.

Realized gains and losses on sales of fixed maturity and preferred stock securities are recognized in income based upon the specific identification method. Interest and dividend income are recognized as earned.

Note 3. Significant accounting policies (continued)

Fixed income and preferred stock securities are evaluated monthly for other-than-temporary impairment loss. Some factors considered in evaluating whether a decline in fair value is other-than-temporary include:

- the extent and duration to which fair value is less than cost;
- historical operating performance and financial condition of the issuer;
- short and long-term prospects of the issuer and its industry based on analysts' recommendations;
- specific events that occurred affecting the issuer, including a ratings downgrade; and
- our ability and intent to hold the investment for a period of time sufficient to allow for a recovery in value.

Perpetual preferred securities and hybrid preferred securities are evaluated without considering any debt-like characteristics. We believe this approach to be more conservative since the lack of a final maturity and unlikelihood of a call means recovery is uncertain and would occur over a multi-year period. We also consider whether we have the intent and ability to hold these types of securities until recovery.

An investment that is deemed other than temporarily impaired is written down to its estimated fair value. Impairment charges are included in net realized (losses) gains in the Consolidated Statements of Operations.

Trading securities – Common stock securities were reclassified from available-for-sale at December 31, 2007 to trading in the first quarter of 2008 with our adoption of SFAS 159. Common stock securities are reported at fair value. As of January 1, 2008, unrealized gains and losses on these securities are included in net realized (losses) gains in the Consolidated Statements of Operations. Realized gains and losses on sales of common stock are recognized in income based upon the specific identification method. Dividend income is recognized as earned.

Limited partnerships – Limited partnerships include U.S. and foreign private equity, real estate and mezzanine debt investments. The private equity limited partnerships invest primarily in small- to medium-sized companies. Limited partnerships are recorded using the equity method. The general partners for our limited partnerships determine the market value of investments in the partnerships including any other-than-temporary impairments of these individual investments. We evaluate monthly other-than-temporary impairments of limited partnerships at the fund level when the market value of fund assets is less than our cost basis.

Cash equivalents are principally comprised of investments in bank money market funds and approximate fair value.

Insurance liabilities

The liability for losses and loss adjustment expenses includes estimates for claims that have been reported and those that have been incurred but not reported, and estimates of all expenses associated with processing and settling these claims. Estimating the ultimate cost of future losses and loss adjustment expenses is an uncertain and complex process. This estimation process is based significantly on the assumption that past developments are an appropriate indicator of future events, and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The uncertainties involved with the reserving process include internal factors, such as changes in claims handling procedures, as well as external factors, such as economic trends and changes in the concepts of legal liability and damage awards. Accordingly, final loss settlements may vary from the present estimates, particularly when those payments may not occur until well into the future.

We regularly review the adequacy of our estimated loss and loss adjustment expense reserves by line of business. Adjustments to previously established reserves are reflected in the operating results of the period in which the adjustment is determined to be necessary. Such adjustments could possibly be significant, reflecting any variety of new and adverse or favorable trends.

Loss reserves are set at full expected cost, except for workers compensation loss reserves, which have been discounted using an interest rate of 2.5%. Unpaid losses and loss adjustment expenses in the Consolidated Statements of Financial Position were reduced by $5.4 million and $5.5 million at December 31, 2008 and 2007, respectively, due to discounting.

Note 3. Significant accounting policies (continued)

The reserves for losses and loss adjustment expenses are reported net of receivables for salvage and subrogation of $6.7 million and $6.8 million at December 31, 2008 and 2007, respectively.

Recognition of management fee revenue
We earn management fees from the Exchange for providing sales, underwriting and policy issuance services. The management fee revenue is calculated as a percentage of the direct written premium of the Property and Casualty Group. The Exchange issues policies with annual terms only. Management fees are recorded as revenue upon policy issuance or renewal, as substantially all of the services required to be performed by us have been satisfied at that time. Certain activities are performed and related costs are incurred by us subsequent to policy issuance in connection with the services provided to the Exchange; however, these activities are inconsequential and perfunctory.

Although we are not required to do so under the subscriber's agreement with the Exchange, we return the management fee charged the Exchange when mid-term policy cancellations occur for the unearned premium on the policy. We estimate mid-term policy cancellations and record a related allowance which is adjusted quarterly. The effect of recording changes in this estimated allowance decreased our management fee revenue by $0.2 million for the year ended December 31, 2008 while increasing management fee revenue by $0.8 million and $1.5 million for the years ended December 31, 2007 and 2006, respectively.

Recognition of premium revenues and losses
Insurance premiums written are earned over the terms of the policies on a pro-rata basis. Unearned premiums represent that portion of premiums written which is applicable to the unexpired terms of policies in force. Losses and loss adjustment expenses are recorded as incurred. Premiums earned and losses and loss adjustment expenses incurred are reflected net of amounts ceded to the Exchange on the Consolidated Statements of Operations. See also Note 18.

Recognition of service agreement revenue
Included in service agreement revenue are service charges we collect from policyholders for providing multiple payment plans on policies written by the Property and Casualty Group. Service charges, which are flat dollar charges for each installment billed beyond the first installment, are recognized as revenue when bills are rendered to the policyholder.

Agent bonus estimates
Agent bonuses are based on an individual agency's property/casualty underwriting profitability and also include a component for growth in agency property/casualty premiums if the agency's underwriting profitability targets for our book of business are met. The estimate for agent bonuses, which are based on the performance over 36 months, is modeled on a monthly basis using actual underwriting data by agency for the two prior years combined with the current year-to-date actual data and projected underwriting data for the remainder of the current year. At December 31 of each year, we use actual data available and record an accrual based on the expected payment amount. These costs are included in the cost of management operations in the Consolidated Statements of Operations.

Income taxes
Provisions for income taxes include deferred taxes resulting from changes in cumulative temporary differences between the tax basis and financial statement basis of assets and liabilities. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

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Note 4. Earnings per share

Basic earnings per share are calculated under the two-class method, which allocates earnings to each class of stock based on its dividend rights. See Note 13. Class B shares are convertible into Class A shares at a conversion ratio of 2,400 to 1. The computation of Class A diluted earnings per share reflects the potentially dilutive effect of outstanding employee stock-based awards under the long-term incentive plan and awards not yet vested related to the outside directors' stock compensation plan. See Note 11.

A reconciliation of the numerators and denominators used in the basic and diluted per-share computations is presented below for each class of common stock.

(dollars in thousands, except per share data)	For the years ended December 31, 2008			2007			2006		
	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount
Class A - - Basic EPS:									
Income available to Class A stockholders	**$68,718**	**51,824,649**	**$1.34**	$211,477	55,928,177	$3.80	$202,635	58,827,987	$3.45
Dilutive effect of stock awards	**0**	**20,095**	--	0	17,439	--	0	42,221	--
Assumed conversion of Class B shares	**521**	**6,122,400**	--	1,468	6,151,200	--	1,390	6,386,400	--
Class A - - Diluted EPS									
Income available to Class A stockholders on Class A equivalent shares	**$69,239**	**57,967,144**	**$1.19**	$212,945	62,096,816	$3.43	$204,025	65,256,608	$3.13
Class B - - Basic and diluted EPS:									
Income available to Class B stockholders	**$521**	**2,551**	**$204.20**	$1,468	2,563	$572.98	$1,390	2,661	$524.87

Note 5. Fair Value

Fair Value Measurement (SFAS 157)
SFAS 157 provides guidance for using fair value to measure assets and liabilities and enhances disclosures about fair value measurement (see Note 2). The standard describes three levels of inputs that may be used to measure fair value, which are provided below.

On October 10, 2008, the FASB issued Financial Staff Position (FSP) SFAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for that Asset Is Not Active." This FSP provides clarification regarding the application of SFAS 157 in a market that is not active and provides illustrations to consider in determining prices in such an environment. This FSP was effective upon issuance. We have considered the guidance provided in this FSP for securities held at December 31, 2008 that were not actively traded. The adoption of FSP SFAS 157-3 during the third quarter did not have a material effect on our results of operations, financial position or liquidity.

Note 5. Fair Value (continued)

Valuation techniques used to derive fair value of our available-for-sale and trading securities are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect our own assumptions regarding exit market pricing for these securities. Although the majority of our prices are obtained from third party sources, we also perform an internal pricing review for securities with low trading volumes in the current market conditions. Certain securities were downgraded to Level 3 as a result. These techniques provide the inputs for the following fair value hierarchy:

Level 1 — Quoted prices for identical instruments in active markets. Such prices are obtained from third party nationally recognized pricing services. Level 1 securities primarily include publicly traded common stock, nonredeemable preferred stocks and treasury securities.

Level 2 — Observable inputs other than quoted prices in Level 1. These would include prices obtained from third party pricing services that model prices based on observable inputs. Included in this category are primarily municipal securities, asset backed securities, collateralized-mortgage obligations, foreign and domestic corporate bonds and redeemable preferred stocks. Nonredeemable preferred stocks for which a quote in an active market is unavailable and a value is obtained from a third party pricing service are also included in this level.

Level 3 — One or more of the inputs used to determine the value of the security are unobservable. Fair values for these securities are determined using comparable securities or valuations received from outside brokers or dealers. Examples of Level 3 fixed maturities may include certain private preferred stock and bond securities, collateralized debt and loan obligations, and credit linked notes.

The following table represents the fair value measurements on a recurring basis for our invested assets by major category and level of input as required by SFAS 157:

	December 31, 2008			
		Fair value measurements using:		
(dollars in thousands)	Total	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
Available-for-sale securities:				
Fixed maturities	**$563,429**	**$6,272**	**$542,940**	**$14,217**
Preferred stock	**55,281**	**35,207**	**8,256**	**11,818**
Trading securities:				
Common stock	**33,338**	**33,316**	**0**	**22**
Total	**$652,048**	**$74,795**	**$551,196**	**$26,057**

The following tables provide a reconciliation of assets measured at fair value on a recurring basis for securities using Level 3 inputs for the three months ended December 31, 2008:

		Net Realized/Unrealized Gains and Losses				
		Quarter-to-date change:				
(dollars in thousands)	Beginning balance at September 30, 2008	Included in earnings (1)	Included in other comprehensive income	Purchases and sales, net	Transfers in and (out) of Level 3 (2)	Ending balance at December 31, 2008
Available-for-sale securities:						
Fixed maturities	**$28,063**	**($2,083)**	**($3,071)**	**($6,517)**	**($2,175)**	**$14,217**
Preferred stock	**13,178**	**(357)**	**(1,003)**	**0**	**0**	**11,818**
Trading securities:						
Common stock	**22**	**0**	**0**	**0**	**0**	**22**
Total Level 3 assets	**$41,263**	**($2,440)**	**($4,074)**	**($6,517)**	**($2,175)**	**$26,057**

Note 5. Fair Value (continued)

The following tables provide a reconciliation of assets measured at fair value on a recurring basis for securities using Level 3 inputs for the twelve months ended December 31, 2008:

(dollars in thousands)	Beginning balance at December 31, 2007	Net Realized/Unrealized Gains and Losses Year-to-date change: Included in earnings (1)	Included in other comprehensive income	Purchases and sales, net	Transfers in and (out) of Level 3 (2)	Ending balance at December 31, 2008
Available-for-sale securities:						
Fixed maturities	**$10,941**	**($3,334)**	**($3,324)**	**($5,071)**	**$15,005**	**$14,217**
Preferred stock	**5,858**	**(2,193)**	**(2,204)**	**2,000**	**8,357**	**11,818**
Trading securities:						
Common stock	**21**	**0**	**1**	**0**	**0**	**22**
Total Level 3 assets	**$16,820**	**($5,527)**	**($5,527)**	**($3,071)**	**$23,362**	**$26,057**

(1) These losses are a result of other-than-temporary impairments and are reported in the Consolidated Statements of Operations. There were no unrealized gains or losses included in earnings at December 31, 2008 on Level 3 securities.
(2) Transfers in to Level 3 would be attributable to changes in the availability of market observable information for individual securities within the respective categories.

The fixed maturities in Level 3 are primarily made up of securities in the financial services industry affected by the recent turmoil in the credit markets. The fair value of these securities is detailed as follows:

(dollars in thousands)	Fair Value
Corporate Debt	
Financial Services Industry	**$7,437**
Asset Backed Securities	**5,349**
Collateralized Mortgage Obligations	**1,431**
Total	**$14,217**

We have no assets that were measured at fair value on a nonrecurring basis during the year ended December 31, 2008.

Fair Value Option (SFAS 159)
Effective January 1, 2008, the Company adopted SFAS 159 for our common stock portfolio. See Note 2. The following table represents the December 31, 2007 carrying value of these assets, the transition adjustment booked to retained earnings and the carrying value as of January 1, 2008.

(dollars in thousands)	December 31, 2007 (carrying value prior to adoption)	Cumulative effect adjustment to January 1, 2008 retained earnings	January 1, 2008 fair value (carrying value after adoption)
Common stock	**$108,090**	**$17,216**	**$108,090**
Deferred tax adjustment		**(6,025)**	
Carrying value, net of deferred tax adjustment		**$11,191**	

Note 6. Investments

The following tables summarize the cost and fair value of available-for-sale securities at December 31, 2008 and 2007:

	December 31, 2008			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities:				
Fixed maturities				
U.S. treasuries and government agencies	**$ 3,078**	**$ 345**	**$ 51**	**$ 3,372**
Foreign government	**1,998**	**0**	**180**	**1,818**
Municipal securities	**212,224**	**3,041**	**3,846**	**211,419**
U.S. corporate debt	**291,666**	**3,873**	**30,155**	**265,384**
Foreign corporate debt	**59,743**	**186**	**6,755**	**53,174**
Mortgage-backed securities	**13,437**	**845**	**1,274**	**13,008**
Asset-backed securities	**8,943**	**80**	**1,470**	**7,553**
Total bonds	**591,089**	**8,370**	**43,731**	**555,728**
Redeemable preferred stock	**6,583**	**1,964**	**846**	**7,701**
Total fixed maturities	**$597,672**	**$10,334**	**$44,577**	**$563,429**
Equity securities				
U.S. nonredeemable preferred stock	**$ 53,892**	**$ 3,494**	**$ 7,920**	**$ 49,466**
Foreign nonredeemable preferred stock	**6,066**	**187**	**438**	**5,815**
Total equity securities	**$ 59,958**	**$ 3,681**	**$ 8,358**	**$ 55,281**
Total available-for-sale securities	**$657,630**	**$14,015**	**$52,935**	**$618,710**

	December 31, 2007			
(in thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Available-for-sale securities:				
Fixed maturities				
U.S. treasuries and government agencies	$ 4,406	$ 272	$ 0	$ 4,678
Municipal securities	247,412	2,314	358	249,368
U.S. corporate debt	324,218	5,231	5,921	323,528
Foreign corporate debt	83,335	2,175	1,106	84,404
Mortgage-backed securities	11,565	602	38	12,129
Asset-backed securities	16,329	0	2,189	14,140
Total bonds	687,265	10,594	9,612	688,247
Redeemable preferred stock	15,223	614	678	15,159
Total fixed maturities	$702,488	$11,208	$10,290	$703,406
Equity securities				
U.S. common stock	$ 66,449	$12,754	$ 0	$ 79,203
Foreign common stock	24,408	4,549	70	28,887
U.S. nonredeemable preferred stock	108,018	1,978	4,960	105,036
Foreign nonredeemable preferred stock	5,130	250	236	5,144
Total equity securities	$204,005	$19,531	$ 5,266	$218,270
Total available-for-sale securities	$906,493	$30,739	$15,556	$921,676

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Note 6. Investments (continued)

The amortized cost and estimated fair value of fixed maturities at December 31, 2008, are shown below by remaining contractual term to maturity. Mortgage-backed securities are allocated based on their stated maturity dates. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)	Amortized cost	Estimated fair value
Due in one year or less	$ 51,920	$ 51,736
Due after one year through five years	235,177	227,401
Due after five years through ten years	233,438	217,241
Due after ten years	77,137	67,051
Total fixed maturities	$597,672	$563,429

Fixed maturities and equity securities in a gross unrealized loss position are as follows. Data is provided by length of time securities were in a gross unrealized loss position.

December 31, 2008 *(dollars in thousands)*	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Fixed maturities							
U.S. treasuries and government agencies	$ 948	$ 51	$ 0	$ 0	$ 948	$ 51	1
Municipal securities	82,222	2,960	4,291	886	86,513	3,846	53
U.S. corporate debt	166,514	19,822	37,434	10,333	203,948	30,155	175
Foreign corporate debt	38,065	5,134	3,196	1,801	41,261	6,935	35
Mortgage-backed securities	4,767	945	1,927	329	6,694	1,274	9
Asset-backed securities	5,670	1,470	0	0	5,670	1,470	9
Total bonds	298,186	30,382	46,848	13,349	345,034	43,731	282
Redeemable preferred stock	4,916	846	0	0	4,916	846	3
Total fixed maturities	$303,102	$31,228	$46,848	$13,349	$349,950	$44,577	285
Equity securities							
Common stock	$17,954	$5,778	$546	$824	$18,500	$6,602	53
Nonredeemable preferred stock	31,616	7,120	6,449	1,238	38,065	8,358	29
Total equity securities	$49,570	$12,898	$6,995	$2,062	$56,565	$14,960	82

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Note 6. Investments (continued)

Quality breakdown of fixed maturities at December 31, 2008

(dollars in thousands)	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Investment grade	**$296,457**	**$29,068**	**$42,002**	**$12.216**	**$338,459**	**$41,284**	**271**
Non-investment grade	**6,645**	**2,160**	**4,846**	**1,133**	**11,491**	**3,293**	**14**
Total fixed maturities	**$303,102**	**$31,228**	**$46,848**	**$13,349**	**$349,950**	**$44,577**	**285**

December 31, 2007

(dollars in thousands)	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Fixed maturities							
U.S. treasuries and government agencies	$ 353	$ 1	$ 0	$ 0	$ 353	$ 1	1
Municipal securities	25,268	114	32,905	244	58,173	358	29
U.S. corporate debt	81,945	3,509	72,926	2,412	154,871	5,921	101
Foreign corporate debt	20,826	769	12,051	336	32,877	1,105	22
Mortgage-backed securities	1,001	6	1,204	32	2,205	38	4
Asset-backed securities	9,770	1,559	4,370	630	14,140	2,189	10
Total bonds	139,163	5,958	123,456	3,654	262,619	9,612	167
Redeemable preferred stock	2,460	540	4,997	138	7,457	678	2
Total fixed maturities	$141,623	$6,498	$128,453	$3,792	$270,076	$10,290	169
Equity securities							
Common stock	$ 1,584	$ 70	$ 0	$ 0	$ 1,584	$ 70	4
Nonredeemable preferred stock	52,801	5,103	1,956	93	54,757	5,196	28
Total equity securities	$ 54,385	$5,173	$ 1,956	$ 93	$ 56,341	$ 5,266	32

Quality breakdown of fixed maturities at December 31, 2007

(dollars in thousands)	Less than 12 months		12 months or longer		Total		
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Investment grade	$136,565	$6,111	$118,779	$2,925	$255,344	$9,036	158
Non-investment grade	5,058	387	9,674	867	14,732	1,254	11
Total fixed maturities	$141,623	$6,498	$128,453	$3,792	$270,076	$10,290	169

Investment income, net of expenses, was generated from the following portfolios for the years ended December 31 as follows:

(in thousands)	**2008**	2007	2006
Fixed maturities	**$35,806**	$42,547	$44,438
Equity securities	**9,203**	10,619	11,222
Cash equivalents and other	**1,687**	2,002	2,389
Total investment income	**46,696**	55,168	58,049
Less: investment expenses	**2,515**	2,335	2,129
Investment income, net of expenses	**$44,181**	$52,833	$55,920

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Note 6. Investments (continued)

Following are the components of net realized gains (losses) on investments as reported in the Consolidated Statements of Operations. The 2008 fixed maturity and preferred stock impairment charges primarily related to securities in the finance industry.

In December of 2008 we sold our interest in ten limited partnership investments generating a net realized gain. There were two sales of limited partnership interests in 2007 and no sales in 2006.

(in thousands)	Years ended December 31,		
	2008	2007	2006
Available-for-sale securities:			
Fixed maturities			
Gross realized gains	**$ 2,507**	$2,301	$4,320
Gross realized losses	**(4,466)**	(746)	(3,289)
Impairment charges	**(35,974)**	(5,101)	(2,051)
Net realized (losses) gains	**(37,933)**	(3,546)	(1,020)
Equity securities			
Gross realized gains	**8,299**	23,146	13,634
Gross realized losses	**(12,870)**	(7,912)	(6,888)
Impairment charges	**(33,530)**	(17,356)	(4,391)
Net realized (losses) gains	**(38,101)**	(2,122)	2,355
Trading securities:			
Common stock			
Gross realized gains	**11,921**	0	0
Gross realized losses	**(28,804)**	0	0
Valuation adjustments	**(21,730)**	0	0
Net realized losses	**(38,613)**	0	0
Limited partnerships			
Gross realized gains	**3,541**	538	0
Gross realized losses	**(1,913)**	(62)	0
Net realized gains	**1,628**	476	0
Net realized (losses) gains on investments	**$(113,019)**	$(5,192)	$1,335

Change in difference between fair value and cost of investments:

(in thousands)	Years ended December 31,		
	2008	2007	2006
Available-for-sale securities:			
Fixed maturities	**$(35,161)**	$ (5,759)	$ (3,213)
Equity securities	**(1,710)**	(13,172)	10,551
	(36,871)	(18,931)	7,338
Trading securities:			
Common stock	**(21,730)**	0	0
Deferred taxes on unrealized (losses) gains of fixed maturities and equity securities	**20,511**	6,626	(2,568)
Change in net unrealized (losses) gains	**$(38,090)**	$(12,305)	$ 4,770

Note 6. Investments (continued)

Our limited partnerships are classified into three primary categories based upon the unique investment characteristic of each: private equity, mezzanine debt and real estate. Nearly all of the underlying investments in our limited partnerships are valued using a source other than quoted prices in active markets. The fair value amounts for our private equity and mezzanine debt partnerships are based on the financial statements of the general partners, who use various methods to estimate fair value including the market approach, income approach and/or the cost approach. The market approach uses prices and other pertinent information from market-generated transactions involving identical or comparable assets or liabilities. Such valuation techniques often use market multiples derived from a set of comparables. The income approach uses valuation techniques to convert future cash flows or earnings to a single discounted present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is derived from the amount that is currently required to replace the service capacity of an asset. If information becomes available that would impair the cost of these partnerships, then the general partner would generally adjust to the net realizable value.

For real estate limited partnerships, the general partners record these at fair value based on an independent appraisal or internal valuations of fair value.

We perform various procedures in review of the general partners' valuations. While we generally rely on the general partners' financial statements as the best available information to record our share of the partnership unrealized gains and losses resulting from valuation changes, we adjust our financial statements for impairments at the fund level where appropriate. As there is no active market for these investments, they have the greatest potential for market price variability. Unrealized gains and losses for these investments are reflected in the equity in earnings on limited partnerships in our Consolidated Statements of Operations under equity method accounting. For the years ended December 31, 2008, 2007 and 2006, equity in earnings from our limited partnerships as reported in the Consolidated Statements of Operations accounted for 4.7%, 19.3% and 14.0%, respectively, of our pre-tax income. We do not exert significant influence over any of these partnerships, consequently, they are accounted for under the equity method of accounting. We have provided summarized financial information in the following table for the years ended December 31, 2008 and 2007. Amounts provided in the table are presented using the latest available financial statements received from the partnerships.

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Note 6. Investments (continued)

	Recorded by Erie Indemnity Company as of December 31, 2008			
Investment percentage in partnership for Erie Insurance Group	Number of partnerships	Asset recorded	(Loss) income recognized due to valuation adjustments by the partnerships	Net income (loss) recorded
			(dollars in thousands)	
Private equity:				
Less than 10%	**27**	**$ 84,810**	**$ (3,582)**	**$ 7,388**
Greater than or equal to 10% but less than 50%	**4**	**6,412**	**(1,086)**	**1,527**
Greater than or equal to 50%	**1**	**3,290**	**0**	**(434)**
Total private equity	**32**	**94,512**	**(4,668)**	**8,481**
Mezzanine debt:				
Less than 10%	**12**	**36,453**	**626**	**3,569**
Greater than or equal to 10% but less than 50%	**3**	**15,489**	**538**	**1,095**
Greater than or equal to 50%	**1**	**3,223**	**(717)**	**496**
Total mezzanine debt	**16**	**55,165**	**447**	**5,160**
Real estate:				
Less than 10%	**19**	**98,660**	**(13,592)**	**9,234**
Greater than or equal to 10% but less than 50%	**5**	**28,689**	**(2,053)**	**934**
Greater than or equal to 50%	**5**	**22,150**	**(1,206)**	**2,973**
Total real estate	**29**	**149,499**	**(16,851)**	**13,141**
Total limited partnerships	**77**	**$299,176**	**$(21,072)**	**$26,782**

The number of limited partnerships was reduced to 77 at December 31, 2008 from 95 at December 31, 2007 as a result of sales and dissolutions.

ERIE INDEMNITY COMPANY
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Note 6. Investments (continued)

	Recorded by Partnerships as of December 31, 2008			
Investment percentage of partnership for Erie Insurance Group	Total assets	Total liabilities	(Loss) income recognized due to valuation adjustments by the partnerships	Net income (loss) recorded
	(dollars in thousands)			
Private equity:				
Less than 10%	$21,842,015	$ 469,694	$ (650,802)	$ 970,332
Greater than or equal to 10% but less than 50%	531,522	8,732	27,839	18,626
Greater than or equal to 50%	10,019	29	0	(147)
Total private equity	22,383,556	478,455	(622,963)	988,811
Mezzanine debt:				
Less than 10%	5,307,441	395,288	(151,584)	348,470
Greater than or equal to 10% but less than 50%	575,547	180,009	(8,014)	35,818
Greater than or equal to 50%	21,617	6,548	(2,713)	1,223
Total mezzanine debt	5,904,605	581,845	(162,311)	385,511
Real estate:				
Less than 10%	16,771,527	7,437,855	(1,789,682)	424,603
Greater than or equal to 10% but less than 50%	1,346,478	765,871	(116,111)	50,914
Greater than or equal to 50%	231,267	123,702	(885)	25,558
Total real estate	18,349,272	8,327,428	(1,906,678)	501,075
Total limited partnerships	$46,637,433	$9,387,728	$(2,691,952)	$1,875,397

Our investments in the limited partnerships held at December 31, 2008 and 2007 have aggregate assets, liabilities, valuation adjustments and net income (loss) from the most recently available financial statements received from the partnerships, which in almost all cases are unaudited financial statements as of September 30, 2008.

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Note 6. Investments (continued)

	Recorded by Erie Indemnity Company as of December 31, 2007			
Investment percentage in partnership for Erie Insurance Group	Number of partnerships	Asset recorded	Income (loss) recognized due to valuation adjustments by the partnerships	Net income (loss) recorded
			(dollars in thousands)	
Private equity:				
Less than 10%	35	$ 92,077	$ 7,468	$12,541
Greater than or equal to 10% but less than 50%	7	10,708	1,449	1,566
Greater than or equal to 50%	1	3,831	0	(76)
Total private equity	43	106,616	8,917	14,031
Mezzanine debt:				
Less than 10%	13	30,841	109	3,446
Greater than or equal to 10% but less than 50%	3	10,493	(1,396)	3,243
Greater than or equal to 50%	1	3,533	207	926
Total mezzanine debt	17	44,867	(1,080)	7,615
Real estate:				
Less than 10%	19	88,426	8,841	14,246
Greater than or equal to 10% but less than 50%	9	29,707	3,357	1,293
Greater than or equal to 50%	7	22,887	2,387	83
Total real estate	35	141,020	14,585	15,622
Total limited partnerships	95	$292,503	$22,422	$37,268

Note 6. Investments (continued)

Investment percentage of partnership for Erie Insurance Group	Recorded by Partnerships as of December 31, 2007			
	Total assets	Total liabilities	Income (loss) recognized due to valuation adjustments by the partnerships	Net income (loss) recorded
	(dollars in thousands)			
Private equity:				
Less than 10%	$24,802,587	$ 558,874	$ 303,611	$2,836,059
Greater than or equal to 10% but less than 50%	416,487	2,232	65,969	3,836
Greater than or equal to 50%	10,349	25	0	(229)
Total private equity	25,229,423	561,131	369,580	2,839,666
Mezzanine debt:				
Less than 10%	4,284,587	366,896	(95,681)	470,929
Greater than or equal to 10% but less than 50%	434,269	159,209	(34,872)	84,384
Greater than or equal to 50%	204,909	233	3,855	32,947
Total mezzanine debt	4,923,765	526,338	(126,698)	588,260
Real estate:				
Less than 10%	23,626,981	14,153,607	766,150	629,172
Greater than or equal to 10% but less than 50%	1,106,697	401,752	15,824	49,592
Greater than or equal to 50%	260,058	140,389	9,234	2,108
Total real estate	24,993,736	14,695,748	791,208	680,872
Total limited partnerships	$55,146,924	$15,783,217	$ 1,034,090	$4,108,798

See also Note 21 for investment commitments related to limited partnerships.

We participate in a program whereby marketable securities from our investment portfolio are lent to independent brokers or dealers based on, among other things, their creditworthiness, in exchange for collateral initially equal to 102% of the value of the securities on loan and are thereafter maintained at a minimum of 100% of the fair value of the securities loaned. The fair value of the securities on loan to each borrower is monitored daily by the third-party custodian and the borrower is required to deliver additional collateral if the fair value of the collateral falls below 100% of the fair value of the securities on loan. The collateral is invested primarily in short-term, investment grade asset-backed securities and floating rate notes. The program is in the process of being terminated and we anticipate it to be completed during 2010.

We had loaned securities included as part of our invested assets with a fair value of $17.5 million and $29.4 million at December 31, 2008 and 2007, respectively. We have incurred no losses on the securities lending program since the program’s inception.

Cash equivalents are principally comprised of investments in bank money market funds and approximate fair value.

Note 7. Bank Line of Credit

We had a $75 million line of credit with a bank that was increased to $100 million at June 30, 2008. This line of credit was set to expire on December 31, 2008, but was extended to December 31, 2009. There were no borrowings outstanding on the line of credit at December 31, 2008. In 2008, interest was charged on the line at the Federal Funds Rate plus 50 basis points and totaled $1.0 million for the twelve months ended December 31, 2008. Bonds

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Note 7. Bank Line of Credit (continued)

with a fair value of $132.0 million are pledged as collateral on the loan at December 31, 2008. These securities have no restrictions and are reported as available-for-sale fixed maturities in the Consolidated Statement of Financial Position as of December 31, 2008. The bank requires compliance with certain covenants which include minimum net worth and leverage ratios. We are in compliance with all bank covenants at December 31, 2008.

Note 8. Comprehensive income

The components of changes to comprehensive (loss) income follow for the years ended December 31:

(in thousands)	**2008**	2007	2006
Unrealized (loss) gain on securities:			
Gross unrealized holding (losses) gains on investments arising during year	**$(159,189)**	$(22,772)	$8,723
Reclassification adjustment for gross losses (gains) included in net income	**91,289**	5,192	(1,335)
Unrealized holding (losses) gains excluding realized losses (gains), gross	**(67,900)**	(17,580)	7,388
Income tax benefit (expense) related to unrealized (losses) gains	**23,765**	6,153	(2,584)
Net unrealized holding (losses) gains on investments arising during year	**(44,135)**	(11,427)	4,804
Postretirement plans:			
Amortization of prior service cost	**187**	342	0
Amortization of actuarial (gain) loss	**(4)**	1,409	0
Net actuarial (loss) gain during year (Note 10)	**(139,336)**	18,440	0
Gains (losses) due to plan changes during year	**50**	(1,334)	0
Curtailment/settlement (loss) gain arising during year	**(244)**	5,839	0
Postretirement benefits, gross	**(139,347)**	24,696	0
Income tax benefit (expense) related to postretirement benefits	**48,771**	(8,643)	0
Postretirement plans, net	**(90,576)**	16,053	0
Change in other comprehensive (loss) income, net of tax	**$(134,711)**	$ 4,626	$4,804

We adopted FAS 159, “The Fair Value Option for Financial Assets and Liabilities” on January 1, 2008 for our common stock portfolio. Changes in fair value of these securities, which were previously recorded in other comprehensive income, are now recognized in earnings as they occur. The cumulative effect adjustment for our common stock portfolio increased retained earnings and reduced other comprehensive income by $11.2 million, net of tax. See also Note 5.

The components of accumulated other comprehensive (loss) income, net of tax, as of December 31 are as follows:

(in thousands)	**2008**	2007
Accumulated net (depreciation) appreciation of investments	**$ (40,268)**	$15,058
Accumulated net losses associated with post-retirement benefits	**(95,586)**	(5,010)
Accumulated other comprehensive (loss) income	**$(135,854)**	$10,048

Note 9. Equity in Erie Family Life Insurance

EFL is a Pennsylvania-domiciled life insurance company operating in 10 states and the District of Columbia. We own 21.6% of EFL’s common shares outstanding accounted for using the equity method of accounting. Our share of EFL’s undistributed earnings included in retained earnings as of December 31, 2008 and 2007, totaled $44.4 million and $59.1 million, respectively.

Note 9. Equity in Erie Family Life Insurance (continued)

The following presents condensed financial information for EFL on a U.S. GAAP basis:

(in thousands)	**2008**	2007	2006
Policy and other revenues	**$ 65,826**	$ 60,285	$ 60,123
Net investment income	**(2,995)**	87,586	95,866
Benefits and expenses	**116,725**	125,091	121,531
(Loss) income before income taxes	**(53,894)**	22,780	34,458
Income taxes	**14,119**	7,904	12,903
Net (loss) income	**(68,013)**	14,876	21,555
Comprehensive (loss) income	**(138,213)**	9,128	10,367
Dividends paid to shareholders	**0**	0	4,158

EFL recognized pre-tax investment impairment charges of $83.5 million and $11.1 million in 2008 and 2007, respectively. The 2008 impairments were primarily related to its bonds and preferred stock in the financial services industry sector. A deferred tax asset valuation allowance of $32.8 million was recorded in the Statements of Operations for 2008 related to these impairments where the related deferred tax asset is not expected to be realized. A deferred tax valuation allowance of $6.8 million was recorded in accumulated other comprehensive income for remaining unrealized losses on securities where the related deferred tax asset is not expected to be realized. The comprehensive loss for 2008 includes $70.2 million, net of deferred taxes, in unrealized depreciation on investments. For 2007, the unrealized depreciation, net of tax, was $5.7 million.

	As of December 31,	
(in thousands)	**2008**	2007
Investments	**$1,327,553**	$1,511,319
Total assets	**1,645,249**	1,744,704
Liabilities	**1,510,076**	1,471,317
Accumulated other comprehensive loss	**(71,666)**	(1,465)
Total shareholders' equity	**135,173**	273,387
Book value per share	**$ 14.30**	$ 28.93

Our share of EFL's unrealized depreciation of investments, net of tax, reflected in EFL's shareholders' equity, is $15.5 million and $0.3 million at December 31, 2008 and 2007, respectively. EFL's Board of Directors voted to discontinue the payment of dividends effective with the second quarter of 2006 as all shares are now owned by affiliated entities. However, the Board of Directors could decide to declare shareholder dividends in the future. Dividends paid to us totaled $0.9 million for the year ended December 31, 2006. See Note 17 regarding the tender offer transaction made by the Erie Insurance Exchange for EFL's shares during the second quarter of 2006.

Note 10. Postretirement benefits

Pension and retiree health benefit plans

The liabilities for the plans described in this note are presented in total for all employees of the Group. The gross liability for the pension and retiree health benefit plans is presented in the Consolidated Statements of Financial Position as employee benefit obligations. A portion of annual expenses related to the pension and retiree health benefit plans are allocated to related entities within the Group as incurred. We are reimbursed approximately 50% of the net periodic benefit cost for the pension plans and postretirement health plans by the Exchange and EFL.

Note 10. Postretirement benefits (continued)

Our pension plans consist of a noncontributory defined benefit pension plan covering substantially all employees and an unfunded supplemental employee retirement plan (SERP) for certain members of executive and senior management of the Erie Insurance Group. The pension plans provide benefits to covered individuals satisfying certain age and service requirements. The defined benefit pension plan and SERP provide benefits through a final average earnings formula and a percent of average monthly compensation formula, respectively.

We previously provided retiree health benefits in the form of medical and pharmacy health plans for eligible retired employees and eligible dependents. In May 2006, the retiree health benefit plan was curtailed by an amendment that restricted eligibility to those who attained age 60 and 15 years of service on or before July 1, 2010. As a result, a one-time curtailment benefit was recognized during 2006.

Our affiliated entities are charged an allocated portion of net periodic benefit costs under the benefit plans as incurred. We pay the obligations when due for those benefit plans that are unfunded. Cash settlements of amounts due from affiliated entities are not made until there is a payout under one of these plans. For our funded pension plan, amounts are settled in cash throughout the year for related entities' share of net periodic benefit costs. Amounts due from affiliates for obligations under unfunded plans are included in reinsurance recoverable from Erie Insurance Exchange on unpaid losses and loss adjustment expenses until such time as payments are made to participants in the plan.

On December 31, 2006, we adopted the recognition and disclosure provisions of FAS 158, "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." FAS 158 required us to recognize the funded status of our postretirement plans in the December 31, 2006 Consolidated Statements of Financial Position, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represented the net unrecognized actuarial losses and unrecognized prior service costs, which were previously netted against the plans' funded status in our Consolidated Statements of Financial Position. Future actuarial gains and losses that are not recognized as net periodic pension cost in the same periods are recognized as a component of other comprehensive income. These amounts are subsequently adjusted as they are recognized pursuant to the recognition and amortization provisions of FAS 87, "Employers' Accounting for Pensions."

Assumptions used to determine net periodic benefit cost

	2008	2007	2006
Employee pension plan:			
Discount rate	**6.62%**	6.25%	5.75%
Expected return on plan assets	**8.25**	8.25	8.25
Rate of compensation increase	**4.25**	4.25	4.25
SERP:			
Discount rate	**6.62**	6.25	5.75
Rate of compensation increase	**6.00**	6.00 – 7.25	6.00-7.25

The two economic assumptions that have the most impact on the pension and other retiree benefit expense are the discount rate and the long-term rate of return on plan assets. In determining the discount rate assumption, we utilized a bond-matching study that compared projected pension plan benefit flows to the cash flows from a comparable portfolio of fixed maturity instruments rated AA- or better with duration similar to plan liabilities. Based on all available information, it was determined that 6.06% was the appropriate discount rate as of December 31, 2008 to calculate our benefit liability. Accordingly, 6.06% will be used to determine our 2009 pension and other retiree benefit cost. The employee pension plan's expected long-term rate of return on assets is based on historical long-term returns for the asset classes included in the employee pension plan's target asset allocation.

Note 10. Postretirement benefits (continued)

We use a four year averaging method to determine the market-related value of plan assets, which is used to determine the expected return component of pension benefit cost. Under this methodology, asset gains or losses that result from returns that differ from our long-term rate of return assumption are recognized in the market-related value of assets on a level basis over a four year period.

Pension benefit plans
The following tables set forth change in benefit obligation, plan assets and funded status of the pension plans as well as the net periodic benefit cost.

Pension benefits for the years ended December 31, *(in thousands)*	**2008**	2007	2006
Change in benefit obligation			
Benefit obligation at beginning of period	**$ 275,770**	$274,044	$ 284,977
Service cost	**12,544**	14,122	16,359
Interest cost	**17,789**	16,765	16,388
Amendments	**80**	1,334	0
Actuarial loss (gain)	**33,855**	(16,631)	(39,775)
Benefits paid	**(3,701)**	(3,019)	(3,905)
Impact due to curtailment	**0**	(3,688)	0
Impact due to settlement	**(10,697)**	(7,156)	0
Impact due to termination benefits	**431**	0	0
Benefit obligation at end of period	**$ 326,071**	$275,771	$ 274,044
Change in plan assets			
Fair value of plan assets at beginning of period	**$ 288,324**	$254,249	$ 220,509
Actual (loss) return on plan assets	**(81,947)**	22,157	27,871
Employer contributions	**15,035**	14,849	8,105
Benefits paid	**(3,641)**	(2,931)	(2,236)
Fair value of plan assets at end of period	**$ 217,771**	$288,324	$ 254,249
Funded status at end of period	**$(108,301)**	$ 12,553	$ 7,108
Accumulated benefit obligation, December 31	**$ 237,948**	$199,604	$ 185,284
Amounts recognized in accumulated other comprehensive income, before tax			
Net actuarial loss	**$ 144,562**	$ 4,355	$ 28,830
Prior service cost	**2,962**	3,316	3,007
Net amount recognized	**$ 147,524**	$ 7,671	$ 31,837
Assumptions used to determine benefit obligations at period end			
Employee pension plan:			
Discount rate	**6.06%**	6.62%	6.25%
Expected return on plan assets	**8.25**	8.25	8.25
Rate of compensation increase (1)	**4.25**	4.25	4.25
SERP:			
Discount rate	**6.06**	6.62	6.25
Rate of compensation increase	**6.00**	6.00	6.00-7.25
Amounts recognized in Consolidated Statements of Financial Position			
Pension plan asset (defined benefit plan)	**$ 0**	$ 32,460	$ 7,108
Accrued benefit liability	**(108,301)**	(19,906)	(26,903)
Accumulated other comprehensive income, net of tax	**95,891**	4,986	20,696
Net amount recognized	**$ (12,410)**	$ 17,540	$ 901
Components of net periodic benefit cost			
Service cost	**$ 12,544**	$ 14,122	$ 16,359
Interest cost	**17,789**	16,765	16,388
Expected return on plan assets	**(24,170)**	(21,028)	(18,514)
Amortization of prior service cost	**434**	493	455
Recognized net actuarial loss	**9**	1,408	4,737
Curtailment cost	**0**	532	0
Settlement (gain) cost	**(244)**	1,619	0
Termination charge	**431**	0	0
Net periodic benefit expense before allocation to affiliates	**$ 6,793**	$ 13,911	$ 19,425

(1) Rate of compensation increase is age-graded. An equivalent single compensation increase rate of 4.25% in 2008, 2007 and 2006 would produce similar results.

Note 10. Postretirement benefits (continued)

Net actuarial loss/gain
The 2008 actuarial loss was primarily due to a significant difference in the plan's actual investment returns in 2008 from the expected returns assumed and the decrease in the discount rate assumption used to estimate the future benefit obligations to 6.06% in 2008 from 6.62% in 2007. The loss on plan assets in 2008 was $82 million compared to a gain of $22 million in 2007. The component of the $144.6 million actuarial loss produced in 2008 that related to the difference between actual and expected investment returns was $106.1 million. Recognition of this loss will be deferred over a four year period consistent with the market-related asset value methodology. Once factored into the market-related asset value, these experience losses will be amortized over a period of 15 years, which is the average remaining service period of the employee group in the plan.

The 2007 actuarial gain was primarily due to an increase in the discount rate assumption used to estimate the future benefit obligation from 6.25% in 2006 to 6.62% in 2007. The 2006 actuarial gain was primarily due to an increase in the discount rate assumption used to estimate the future benefit obligation from 5.75% in 2005 to 6.25% in 2006, and actual return on plan assets significantly exceeding estimates.

Impacts due to curtailment/settlement/termination
In December 2007, employment agreements for certain members of executive management were signed which incorporated a payment in full of accrued SERP benefits at December 2008 in a lump sum payment, after which time no additional SERP benefits would accrue for them. This resulted in a $3.7 million curtailment in 2007 in the benefit obligations calculation and a $0.5 million curtailment in the 2007 net periodic benefit cost. The payment of certain of these benefits resulted in the $10.7 million settlement in the 2008 benefit obligation and $0.2 million settlement gain in the 2008 periodic benefit cost. The 2008 termination charge of $0.4 million relates to two of these members of executive management whose SERP payouts will occur in 2009.

The 2007 impact was due to settlements related to the annuity purchases and lump sum payouts made to three participants who retired in 2006.

Amounts recognized in other comprehensive income for the years ended December 31 for pension plans were as follows:

	Pension plans	
(in thousands)	**2008**	2007
Amortization of net actuarial loss	**$ (9)**	$ (1,409)
Amortization of prior service cost	**(434)**	(493)
Net actuarial loss (gain) arising during the year	**139,972** (1)	(17,759)
Amendments	**80**	1,334 (3)
Impact due to curtailment/settlement	**244** (2)	(5,839) (4)
Total recognized in other comprehensive loss (income)	**$139,853**	$(24,166)

(1) Actuarial loss was due to the difference in the actual return on plan assets versus the expected return on plan assets, driven by the volatile market conditions experienced in 2008 and the decrease in the discount rate to 6.06% in 2008 from 6.62% in 2007.
(2) Settlement charges related to SERP contractual termination benefits to be paid in 2009 for two executives.
(3) 2007 amendment charges related to five new participants in the SERP January 1, 2007.
(4) 2007 curtailment and settlement gains resulted primarily from three retirees being paid in 2008.

The estimated net actuarial loss and prior service cost for the pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2009 are $3.6 million and $0.3 million, respectively.

Note 10. Postretirement benefits (continued)

Pension benefits for the years ended December 31, *(in thousands)*	**2008**	2007	2006
Expected future cash flows			
1st Year following the disclosure date	**$7,588**	$16,740*	$7,951
2nd Year following the disclosure date	**5,915**	4,791	3,973
3rd Year following the disclosure date	**7,026**	5,835	4,893
4th Year following the disclosure date	**8,433**	6,919	6,035
5th Year following the disclosure date	**9,956**	8,315	7,161
Years 6 through 10 following disclosure date	**77,245**	66,867	59,942
Pension plan asset allocations (employee pension plan)			
Equity securities	**64.7%**	63.3%	64.1%
Debt securities	**35.3**	36.2	35.9
Due in one year	**0.8**	0.0	34.6
Due beyond one year	**34.5**	36.2	1.3
Other	**0.0**	0.5	0.0
Total	**100.0**	100.0	100.0
Information for pension plans with an accumulated benefit obligation in excess of plan assets			
Projected benefit obligation	**$108,301**	$19,906	$26,903
Accumulated benefit obligation	**237,948**	16,119	12,181

* Certain members of executive management were paid their full SERP benefits in a lump sum payment in December 2008, after which time no additional SERP benefits will accrue for them.

The employee pension plan utilizes a return enhancing asset and liability allocation strategy. This investment strategy is based on an understanding that 1) equity investments are expected to outperform debt investments over the long-term, 2) the potential volatility of short-term returns from equities is acceptable in exchange for the larger expected long-term returns and 3) a portfolio structured across investment disciplines and markets (both domestic and foreign) reduces volatility. As a result, the employee pension plan's asset allocation will include a broadly diversified allocation among equity, debt and other investments. The policy asset allocation targets allow for assets to be invested between 40% to 65% in equity securities, 35% to 60% in debt securities and 0% to 5% in other investments. The portfolio is composed of mutual funds that are used exclusively as investment vehicles for employee benefit plans. The target asset allocation for the portfolio is:

	Target Allocation
Equity securities (return enhancing):	
Large capitalization core equity	**20.00%**
US equity index	**17.50**
International risk-controlled equity	**16.00**
Small capitalization core equity	**7.50**
International small capitalization risk-controlled equity	**1.75**
Emerging markets	**1.75**
	64.50
Debt securities (asset liability allocation):	
Broad market investment grade fixed income	**17.25**
Long duration fixed income	**17.25**
Money market	**1.00**
	35.50
	100.00%

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Note 10. Postretirement benefits (continued)

Our policy, beginning in 2007, is to fund the employee pension plan for an amount equal to the normal cost for the plan but at least equal to the IRS minimum required contribution in accordance with the Pension Protection Act of 2006. For 2009, the expected contribution amount is $15.0 million.

Retiree health benefit plan

Retiree health benefits for the years ended December 31, *(in thousands)*	**2008**	2007	2006
Change in benefit obligation:			
Benefit obligation at beginning of period	**$ 9,552**	$10,297	$ 20,035
Service cost	**21**	38	516
Interest cost	**477**	539	753
Amendments	**(131)**	0	(369)
Actuarial gain	**(636)**	(680)	(690)
Benefits paid	**(780)**	(642)	(965)
Impact due to curtailment	**0**	0	(8,983)
Benefit obligation at end of period	**$ 8,503**	$ 9,552	$ 10,297
Funded status at end of period	**$(8,503)**	$ (9,552)	$ (10,297)
Amounts recognized in accumulated other comprehensive income, before tax			
Net actuarial (gain) loss	**$ (347)**	$ 276	$ 956
Prior service credit	**(120)**	(237)	(389)
Net amount recognized	**$ (467)**	$ 39	$ 567
Assumptions used to determine benefit obligations at period end			
Discount rate	**5.49%**	5.83%	5.75-6.00%*
Health care cost trend rate assumed for next year	**8.00**	9.00	10.00
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	**5.00**	5.00	5.00
Year that rate reaches the ultimate trend rate	**2015**	2012	2012
Amounts recognized in Consolidated Statements of Financial Position			
Accrued benefit liability	**$ 8,503**	$ 9,552	$ 10,297
Accumulated other comprehensive loss, net of tax	**$ (304)**	$ 24	$ 368
Components of net periodic benefit cost			
Service cost	**$ 21**	$ 38	$ 516
Interest cost	**478**	539	753
Amortization of prior service cost	**(248)**	(152)	(45)
Recognized net actuarial (gain) loss	**(13)**	0	129
Net periodic benefit expense	**$ 238**	$ 425	$ 1,353
Assumptions used to determine net periodic benefit cost for periods			
Discount rate	**5.83%**	5.75%	5.75%

***** In the second quarter of 2006, we terminated our retiree health benefit plan resulting in the re-measurement of the current year net periodic benefit cost using a July 1 service date. Qualifying employees will be gradually phased out of the plan through 2010. Employees who have not met the qualifying criteria by July 1, 2010, will not be eligible for any benefit. As required when a significant plan change occurs, the discount rate assumption was re-evaluated which resulted in an increase from 5.75% to 6.00% at the re-measurement date to reflect current market rates. As a result of the curtailment, a one-time benefit of $2.9 million was realized in 2006, the net benefit of which was $1.4 million to us, after allocation to affiliates. This one-time curtailment benefit is not reflected in the net periodic benefit cost above.

Until eligibility for the benefit fully terminates in 2010, the annual reduction to our expense as a result of our 2006 plan curtailment is expected to be approximately $1.3 million net of allocation to affiliates.

The retiree health benefit plan's actuarial gains in 2008, 2007 and 2006 resulted from changes in the discount rate assumption.

Note 10. Postretirement benefits (continued)

The December 31, 2008, accumulated retiree health benefit obligation was based on an 8.0% increase for 2009 over the cost of covered health care benefits during 2008. A 100-basis point change in assumed health care cost trend rates would have the following effects:

	2008	2007	2006
Effect of 100-basis point increase on:			
Period end retiree health benefit obligation	**$ 18**	$ 24	$ 167
Total of service and interest cost components	**320**	410	525
Effect of 100-basis point decrease on:			
Period end retiree health benefit obligation	**$ (17)**	$ (23)	$ (142)
Total of service and interest cost components	**(308)**	(393)	(500)

Amounts recognized in other comprehensive income for the years ended December 31 for the retiree health benefit plan were as follows:

	Retiree health benefit plan	
(in thousands)	**2008**	2007
Amortization of net actuarial gain	**$ 13**	$ 0
Amortization of prior service credit	**248**	152
Net actuarial gain arising during the year	**(636)**	(680)
Amendments	**(131)**	0
Total recognized in other comprehensive income	**$(506)**	$(528)

The estimated amortization of prior service credit for the retiree health benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2009 is $0.1 million.

Retiree Health Benefits for the years ended December 31,

(in thousands)	**2008**	2007	2006
Expected future cash flows:			
Expected benefit payments:			
1st year following the disclosure date	**$1,313**	$1,023	$760
2nd year following the disclosure date	**1,692**	1,484	1,096
3rd year following the disclosure date	**1,862**	1,837	1,561
4th year following the disclosure date	**1,734**	2,001	1,825
5th year following the disclosure date	**1,333**	1,885	2,024
Years 6 through 10 following disclosure date	**2,146**	3,458	5,595*

* The expected benefit payments as of December 31, 2006, reflect the change in coverage to include five years of benefits regardless of a participant's age on the date of retirement. The 2005 benefit payments were based on fewer years of coverage per participant, as the benefit was calculated from the age of retirement to 65, which could have been less than five years.

Note 10. Postretirement benefits (continued)

Employee savings plan
We have a qualified 401(k) savings plan for our employees. Eligible participants are permitted to make contributions to the plan up to the Internal Revenue Service limit. We match 100% of the participant contributions up to 3% of compensation and 50% of participant contributions over 3% and up to 5% of compensation. All full-time and regular part-time employees are eligible to participate in the plan. Matching contributions paid to the plan were $8.2 million, $8.0 million and $7.9 million in 2008, 2007 and 2006, respectively, before reimbursements from affiliates. Matching contributions after reimbursements from affiliates were $3.5 million in 2008 and $3.4 million in each of the years 2007 and 2006. Employees are permitted to invest the employer-matching contributions in our Class A common stock and may sell the shares at any time without restriction. The plan acquires shares in the open market necessary to meet the obligations of the plan. Plan participants held 0.1 million of our Class A shares at December 31, 2008, 2007 and 2006. Effective January 1, 2007, all full-time and regular part-time employees are eligible to participate in a Roth 401(k) in lieu of the traditional 401(k). The employer-matching provisions are the same as our current 401(k) plan described above. Liabilities for the 401(k) plan are presented in the Consolidated Statements of Financial Position as accounts payable and accrued expenses.

Note 11. Incentive plans and deferred compensation

We have separate annual and long-term incentive plans for our executive and senior management and regional vice presidents. We also make available deferred compensation plans for executive and senior management and certain outside directors.

Annual incentive plan
The annual incentive plan is a bonus plan that annually pays cash bonuses to our executive, senior and regional vice presidents.

The incentives under the annual incentive plan are based on the achievement of certain predetermined performance targets. These targets are established by the Executive Compensation and Development Committee of the Board and can include various financial measures. Incentives for the 2008 plan were based on measures specific to each member of executive and senior management, primarily on statutory reported combined ratio and policies in force of the Property and Casualty Group, as defined in the plan. Incentives for the 2007 plan were based on measures specific to each member of executive and senior management, primarily on adjusted operating ratio and growth in submitted applications of the Property and Casualty Group, as defined in the plan. Incentives for the 2006 plan were based primarily on adjusted operating ratio and growth in direct written premiums of the Property and Casualty Group, as defined in the plan.

The cost of the plan is charged to operations as the compensation is earned over the performance period of one year. Earned amounts are allocated to related entities as incurred and settled in cash once the payout is made. The amount charged to expense for the annual incentive plan bonus before allocation to affiliates was $3.8 million, $2.2 million and $2.7 million for 2008, 2007 and 2006, respectively. After allocation to affiliates, our expense was $2.6 million, $1.7 million and $1.8 million for 2008, 2007 and 2006, respectively.

Long-term incentive plan
The long-term incentive plan (LTIP) is a restricted stock award plan designed to reward executive, senior and regional vice presidents who can have a significant impact on our performance with long-term compensation that is settled in Class A Company stock.

Pre-2004 LTIP – Prior to 2004, awards were determined based on the achievement of predetermined financial performance goals for actual growth in our retained earnings. The 2003-2005 performance period was the final open award period under the pre-2004 LTIP.

Note 11. Incentive plans and deferred compensation (continued)

At December 31, 2008, all shares awarded for the 2003-2005 performance period vested. The average grant price for the 2003-2005 performance period was $52.65. The plan award of $0.5 million was paid in January 2009. Our share of this payment was $0.3 million.

2004 LTIP – Beginning in 2004, the LTIP award is based on the level of achievement of objective measures of performance over a three-year period as compared to a peer group of property/casualty companies that write predominately personal lines insurance. The 2008 awards are based on the reported combined ratio, growth in direct written premiums and total return on invested assets as defined by the Erie Insurance Group. The 2007 and 2006 awards were based on the adjusted combined ratio, growth in direct written premiums and total return on invested assets as defined by the Erie Insurance Group. These internal measures are compared to the same performance measures of a peer group of companies. Because the award is based on a comparison to results of a peer group over a three-year period, the award accrual is based on estimates of results for the remaining performance period. This estimate is subject to variability if our results or the results of the peer group are substantially different than the results we project.

The restricted stock awards are granted at the beginning of a three-year performance period. The maximum number of shares which may be earned under the plan by any single participant during any one calendar year is limited to 250,000 shares. The aggregate number of Class A common stock that may be issued pursuant to awards granted under the LTIP is 1.0 million shares. A liability is recorded and compensation expense is recognized ratably over the performance period. Stock awards are considered vested at the end of the performance period.

At December 31, 2008, the awards for the 2006–2008 performance period were fully vested in accordance with the 2004 LTIP plan. The awards for this performance period will be calculated upon receipt of final financial information for the peer group. The estimated award based on the peer group information as of September 30, 2008, is 58,880 shares. The grant price will be the average of the high and low stock price on the date the award is paid. Our stock price as of January 30, 2009, was $35.45.

Earned amounts are allocated to related entities and settled in cash once the payout is made. The after-tax compensation cost charged to operations for these restricted stock awards was $1.7 million, $1.3 million and $2.4 million for the years ending December 31, 2008, 2007 and 2006, respectively, after allocation to affiliates.

Deferred compensation plans

The deferred compensation plans are arrangements for our executive, senior and regional vice presidents whereby the participants can elect to defer receipt of a portion of their compensation until a later date. Those participating in the plans select hypothetical investment funds for their deferrals and are credited with the hypothetical returns generated. Supplemental employee contributions to the deferred compensation plan are deferrals that cannot be credited to our tax-qualified 401(k) plan because they exceed the annual contribution or compensation limits of that plan. Supplemental employee contributions in the deferred compensation plan are credited with a company-matching contribution using the same formula as in our 401(k) plan. The deferred compensation plan for directors allows them to defer receipt of a portion of their director and meeting fees until a later date. Directors participating in the plan select hypothetical investment funds for their deferrals and are credited with the hypothetical returns generated.

The awards, payments, deferrals and liabilities under the deferred compensation, annual and long-term incentive plans for officers and directors were as follows for the years ended December 31. The gross liabilities are presented separately in the Consolidated Statements of Financial Position, while allocations to affiliates are included in

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Note 11. Incentive plans and deferred compensation (continued)

reinsurance recoverable from Erie Insurance Exchange on unpaid losses and loss adjustment expenses until such time as payments are made to participants under the plan.

(in thousands)	**2008**	2007	2006
Plan awards, employer match and hypothetical earnings			
Long-term incentive plan awards	**$ 3,764**	$ 6,672	$ 7,220
Annual incentive plan awards	**3,803**	2,263	2,747
Deferred compensation plan, employer match and hypothetical (losses) earnings	**(3,668)**	1,896	1,872
Total plan awards and earnings	**$ 3,899**	$10,831	$11,839
Total plan awards paid	**$10,918**	$14,949	$ 6,263
Compensation deferred under the plans	**$ 265**	$ 397	$ 445
Distributions from the deferred compensation plans	**(1,593)**	(2,493)	(755)
Gross incentive plan and deferred compensation liabilities	**15,152**	23,499	29,713
Allocation to affiliates	**2,707**	4,462	5,408
Net incentive plan and deferred compensation liabilities	**$12,445**	$19,037	$24,305

Our former president and chief executive officer resigned in August 2007. A Post-Employment Agreement (Agreement) was entered into in December 2007 which provided separation pay of $4.5 million that was paid on December 31, 2007. Our share of this payment was $2.9 million. Other deferred compensation and employee benefit obligations amounted to $0.6 million, of which our share was $0.4 million, and was paid in 2008. Long-term incentive plan awards of $2.8 million, of which our share was $1.7 million, were paid in 2008. The final LTIP performance period was paid in January 2009, of which our share was less than $0.1 million.

Stock compensation plan for outside directors
We have a stock compensation plan for our outside directors to further align the interests of directors with shareholders by providing for a portion of annual compensation for the directors' services in shares of our Class A common stock. Each director vests in the grant 25% every three months over the course of a year. Dividends paid by us are reinvested into each director's account with additional shares of our Class A common stock. In 2008, compensation expense for this plan was offset by market value adjustments to the director's accounts resulting in a net credit of $0.2 million. In 2007 and 2006, the annual charge related to this plan totaled $0.4 million and $0.3 million, respectively.

Note 12. Income taxes

The provision for income taxes consists of the following for the years ended December 31:

(in thousands)	**2008**	2007	2006
Current income taxes	**$62,976**	$96,045	$90,021
Deferred income taxes	**(23,111)**	3,092	9,034
Total income taxes	**$39,865**	$99,137	$99,055

The 2008 deferred income tax benefit was primarily driven by impairments and unrealized losses on common stock and limited partnerships. The decrease in 2007 deferred income taxes compared to 2006 resulted primarily from adjustments to the basis of certain limited partnership investments.

Note 12. Income taxes (continued)

A reconciliation of the provision for income taxes with amounts determined by applying the statutory federal income tax rates to pre-tax income is as follows for the years ended December 31:

(in thousands)	**2008**	2007	2006
Income tax at statutory rates	**$42,947**	$108,209	$104,580
Tax-exempt interest	**(3,147)**	(4,391)	(4,739)
Dividends received deduction	**(2,230)**	(2,640)	(2,614)
Deferred tax valuation allowance	**1,262**	0	0
Other, net	**1,033**	(2,041)	1,828
Provision for income taxes	**$39,865**	$99,137	$99,055

A deferred tax asset valuation allowance of $1.3 million was recorded for 2008 related to impairments on investments where the related deferred tax asset is not expected to be realized.

Temporary differences and carryforwards, which give rise to deferred tax assets and liabilities, are as follows for the years ended December 31:

(in thousands)	**2008**	2007
Deferred tax assets		
Loss reserve discount	**$ 5,272**	$ 5,495
Unearned premiums	**7,257**	7,193
Net allowance for service fees and premium cancellations	**2,565**	2,563
Other employee benefits	**5,894**	8,475
Pension and other postretirement benefits	**33,767**	0
Write-downs of impaired securities	**22,259**	9,109
Capital loss carryover	**2,281**	0
Unrealized loss on investments	**15,017**	0
Other	**3,611**	2,349
Total deferred tax assets	**$97,923**	$35,184
Deferred tax liabilities		
Deferred policy acquisition costs	**$ 5,786**	$ 5,645
Unrealized gains on investments	**0**	8,164
Pension and other postretirement benefits	**0**	9,835
Equity interest in EFL	**3,105**	4,129
Limited partnerships	**5,907**	14,863
Depreciation	**1,285**	1,236
Prepaid expenses	**5,532**	3,606
Other	**2,171**	2,304
Total deferred tax liabilities	**$23,786**	$49,782
Valuation allowance	**(1,262)**	0
Net deferred income tax asset (liability)	**$72,875**	$(14,598)

We have one income tax position that would be considered uncertain under FIN 48, “Accounting for Uncertainty in Income Taxes,” for which a liability for current income taxes payable and a temporary tax difference were recognized, that when considered net, had no impact on our financial position. We recognize interest related to our remaining uncertain tax position in income tax expense. We have $0.4 million accrued for the estimated interest on

Note 12. Income taxes (continued)

our unrecognized tax benefit at December 31, 2008 and 2007. The IRS has examined tax filings through 2004 and is currently examining our federal income tax returns for 2005. We do not currently estimate that our unrecognized tax benefits will change significantly in the next 12 months.

We are the attorney-in-fact for Erie Insurance Exchange, a reciprocal insurance company. In that capacity we provide the Exchange with all services and facilities necessary for it to conduct its insurance business. Consequently, we are not subject to state corporate income or franchise taxes in most jurisdictions in which we do business because the one insurance business that we conduct with the Exchange pays taxes based on gross premiums in lieu of taxes based on income or capital.

Note 13. Capital stock

Class A and B shares
Holders of Class B shares may, at their option, convert their shares into Class A shares at the rate of 2,400 Class A shares for each Class B share. There were no conversions of Class B shares to Class A shares in 2008. In 2007, 22 Class B shares were converted to 52,800 Class A shares, of which 20 of the Class B shares converted were part of a $99.0 million repurchase of 1.9 million shares from the F. William Hirt Estate. F. William Hirt, former Chairman of the Board of the Company, passed away in July 2007. The Hirt repurchase was authorized by the Board of Directors separate from the current repurchase plan.

There is no provision for conversion of Class A shares to Class B shares and Class B shares surrendered for conversion cannot be reissued. Each share of Class A common stock outstanding at the time of the declaration of any dividend upon shares of Class B common stock shall be entitled to a dividend payable at the same time, at the same record date, and in an amount at least equal to 2/3 of 1.0% of any dividend declared on each share of Class B common stock. We may declare and pay a dividend in respect to Class A common stock without any requirement that any dividend be declared and paid in respect to Class B common stock. Sole shareholder voting power is vested in Class B common stock except insofar as any applicable law shall permit Class A common shareholders to vote as a class in regards to any changes in the rights, preferences and privileges attaching to Class A common stock.

Stock repurchase plan
A stock repurchase program was authorized for our outstanding Class A common stock beginning January 1, 2004. In April 2008, our Board of Directors approved a continuation of the stock repurchase program for an additional $100 million authorizing repurchases through June 30, 2009. Treasury shares are recorded in the Consolidated Statements of Financial Position at cost. Shares repurchased under this plan totaled 2.1 million at a total cost of $102.0 million during 2008. Cumulative shares repurchased under this plan through 2008 totaled 11.7 million at a total cost of $610.1 million.

Note 14. Unpaid losses and loss adjustment expenses

The following table provides a reconciliation of beginning and ending loss and loss adjustment expense liability balances for our wholly-owned property/casualty insurance subsidiaries for the years ended December 31:

(in thousands)	**2008**	2007	2006
Total unpaid losses and loss adjustment expenses at January 1, gross	**$1,026,531**	$1,073,570	$1,019,459
Less reinsurance recoverables	**834,453**	872,954	827,917
Net balance at January 1	**192,078**	200,616	191,542
Incurred related to:			
Current accident year	**152,206**	146,116	151,979
Prior accident years	**(15,039)**	(20,213)	(12,349)
Total incurred	**137,167**	125,903	139,630
Paid related to:			
Current accident year	**85,029**	78,276	78,509
Prior accident years	**57,463**	56,165	52,047
Total paid	**142,492**	134,441	130,556
Net balance at December 31	**186,753**	192,078	200,616
Plus reinsurance recoverables	**778,328**	834,453	872,954
Total unpaid losses and loss adjustment expenses at December 31, gross	**$ 965,081**	$1,026,531	$1,073,570

Driving the favorable development in 2008, 2007 and 2006 on prior year accident reserves were improved frequency and severity trends for automobile bodily injury and uninsured/underinsured motorist bodily injury claims.

Note 15. Related party transactions

Management fee

A management fee is charged to the Exchange for services we provide under subscriber's agreements with policyholders of the Exchange. The fee is a percentage of direct written premium of the Property and Casualty Group. This percentage rate is adjusted periodically by our Board of Directors but cannot exceed 25%. The effective management fee rate charged the Exchange was 25% in 2008 and 2007 and 24.75% in 2006. The Board of Directors elected to maintain the fee at 25% beginning January 1, 2009.

There is no provision in the subscribers agreement for termination of our appointment as attorney-in-fact by the subscribers of the Exchange and the appointment is not affected by a policyholder's disability or incapacity.

Intercompany reinsurance pooling agreement

EIC, EIPC, Flagship and EINY each have an intercompany reinsurance pooling agreement with the Exchange, whereby these companies cede all of their direct property/casualty insurance to the Exchange. EIC and EINY then assume 5% and 0.5%, respectively, of the total business pooled in the Exchange (including the business assumed from EIC and EINY) under this pooling agreement. This arrangement is approved by the Board of Directors. The pooling percentages were last modified in 1995. Intercompany accounts are settled by payment within 30 days after the end of each quarterly accounting period. The purpose of the pooling agreement is to spread the risks of the members of the Property and Casualty Group collectively across the different lines of business they underwrite and

Note 15. Related party transactions (continued)

geographic regions in which each operates. This agreement may be terminated by any party as of the end of any calendar year by providing not less than 90 days advance written notice.

Aggregate excess-of-loss reinsurance agreement

Through 2005, EIC and EINY had in effect an all-lines aggregate excess-of-loss reinsurance agreement with the Exchange that limited EIC's and EINY's retained share of ultimate net losses in any applicable accident year. The excess-of-loss reinsurance agreement was not renewed for the 2008, 2007 or 2006 accident years. Included in 2006 are net charges under the agreement of $1.0 million related to the commutation of the 2001 accident year. The unpaid loss recoverable related to the 2001 accident year of $7.8 million was settled in 2006. The present value of the estimated losses from the 2001 accident year, or $6.8 million, resulted in a charge of $1.0 million to our property/casualty insurance subsidiaries. The cash was paid for the settlement of the 2001 accident year in January 2007. There are two years remaining under the agreement, 2004 and 2005, neither of which have triggered recognition of recoverable amounts through December 31, 2008.

Expense allocations

The claims handling services of the Exchange are performed by personnel who are entirely dedicated to and paid for by the Exchange from its own policyholder revenues. The Exchange's claims function and its management and administration are exclusively the responsibility of the Exchange and not a part of the service we provide under the subscriber's agreement. Likewise, personnel who perform activities within the life insurance operations of EFL are paid for by EFL from its revenues. However, we are the legal entity that employs personnel on behalf of the Exchange and EFL and we function as a common paymaster for all employees. Common overhead expenses included in the expenses paid by us are allocated based on appropriate utilization statistics (employee count, square footage, vehicle count, project hours, etc.) specifically measured to accomplish proportional allocations. Executive compensation is allocated based on each executive's primary responsibilities (management services, property/casualty claims operations, EFL operations and investment operations). We believe the methods used to allocate common overhead expenses among the affiliated entities are reasonable.

See also Note 10 for a discussion of intercompany expense allocations under the postretirement benefit plans.

Payments on behalf of related entities

We make certain payments for the account of the Group's related entities. Cash transfers are settled quarterly. The amounts of these cash settlements made for the account of related entities were as follows for the years ended December 31:

(in thousands)	**2008**	2007	2006
Erie Insurance Exchange	**$266,841**	$250,695	$254,528
Erie Family Life Insurance	**36,414**	39,320	34,941
Total cash settlements	**$303,255**	$290,015	$289,469

Office leases

We lease office space on a year-to-year basis from the Exchange including 3 field office facilities. Rent expenses under these leases totaled $5.6 million, $5.8 million and $5.7 million in 2008, 2007 and 2006, respectively. We have a lease commitment until 2018 with EFL for a branch office. Annual rentals paid to EFL under this lease totaled $0.3 million in 2008, 2007 and 2006.

Notes receivable from EFL

We are due $25 million from EFL in the form of a surplus note that was issued in 2003. The note may be repaid only out of unassigned surplus of EFL. Both principal and interest payments are subject to prior approval by the Pennsylvania Insurance Commissioner. The note bears an annual interest rate of 6.70% and will be payable on demand on or after December 31, 2018, with interest scheduled to be paid semi-annually. EFL paid interest to us of $1.7 million in 2008, 2007 and 2006.

Note 16. Receivables from Erie Insurance Exchange and concentrations of credit risk

Financial instruments could potentially expose us to concentrations of credit risk, including unsecured receivables from the Exchange. A large majority of our revenue and receivables are from the Exchange and affiliates. See also Note 17.

We have a receivable due from the Exchange for reinsurance recoverable from unpaid losses and loss adjustment expenses and unearned premium balances ceded under the intercompany pooling arrangement totaling $887.4 million and $944.1 million at December 31, 2008 and 2007, respectively. Management fee and expense allocation amounts due from the Exchange were $214.3 million and $204.6 million at December 31, 2008 and 2007, respectively. The receivable from EFL for expense allocations totaled $3.9 million at December 31, 2008, compared to $4.2 million at December 31, 2007.

Premiums due from policyholders of our wholly-owned property/casualty insurance subsidiaries equaled $244.8 million and $243.6 million at December 31, 2008 and 2007 respectively. A significant amount of these receivables are ceded to the Exchange as part of the intercompany pooling agreement. See also Note 18.

Note 17. Variable interest entity

We hold a variable interest in the Exchange because of the absence of decision-making capabilities by the equity owners (subscribers) of the Exchange; however, we do not qualify as the primary beneficiary under Financial Accounting Standards Interpretation 46(R), “Consolidation of Variable Interest Entities.” Our consolidation conclusion has not changed from December 31, 2007.

The Exchange is a reciprocal insurer domiciled in the Commonwealth of Pennsylvania that underwrites a broad line of personal and commercial business, including private passenger auto, homeowners and commercial multi-peril insurance. Annual direct written premiums of the Exchange totaled $3.1 billion in 2008, 2007 and 2006. These premiums, along with investment income are the major sources of cash that support the operations of the Exchange. Policyholders’ surplus was $4.0 billion, $4.8 billion and $4.1 billion at December 31, 2008, 2007 and 2006, respectively.

In the determination as to whether we are the primary beneficiary we consider the variability in the management fee as well as the variability in underwriting results which would accrue to us under the pooling arrangement in determining the residual returns from the Exchange. The variability is modeled using our stochastic modeling software assigning probabilities to the possible outcomes and determining a probability in the weighted result. The outcomes are calculated using discounted cash flows assuming a discount rate of 5%. Gross cash flows modeled assume a run-off of existing insurance policies and investments. To evaluate circumstances as of the determination date, no new insurance policies are assumed to be written after the evaluation date. We do not include new investments from cash inflows from underwriting profits or investment income, which is conservative, as inclusion of these would only lessen our beneficial interest.

We calculate the amount of variability absorbed by us and compare it to the total variability absorbed by all variable interest holders of the Exchange. In the modeled result we absorb approximately 2% of the total variability of the Exchange at December 31, 2008 which is well below the majority and supports the conclusion that the Company is not the primary beneficiary of the Exchange.

We have not provided financial or other support to the Exchange for the reporting periods presented, that we were not previously contractually required to provide. At December 31, 2008, there are no explicit arrangements that would require us to provide future support to the Exchange.

Note 17. Variable interest entity (continued)

We have a significant interest in the financial condition of the Exchange:

- Our management fee revenues made up 84% of our 2008 total revenues. This proportion was greater than the historical percentage which has approximated 72% as our investment operations generated significant losses as a result of the volatile market conditions experienced in the third and fourth quarters of 2008. Excluding impairment charges, management fee revenues accounted for 79% of our 2008 total revenues. These management fee revenues are based on the direct written premiums of the Exchange and the other members of the Property and Casualty Group.

- We participate in the underwriting results of the Exchange through the pooling arrangement in which our insurance subsidiaries have a 5.5% participation. If the Exchange were to default, our insurance subsidiaries would be liable for the policies that they wrote directly. Our property/casualty insurance subsidiaries wrote approximately 17% of the direct written premiums of the Property and Casualty Group in 2008.

- A concentration of credit risk exists, and our exposure is limited to, the unsecured receivables due from the Exchange for our management fee, costs and reimbursements that are reflected on our Consolidated Statements of Financial Position. See Note 16.

  We have no obligation related to any underwriting and/or investment losses experienced by the Exchange. We would however be adversely impacted if the Exchange incurred significant underwriting and/or investment losses. If the surplus of the Exchange were to decline significantly from its current level, its financial strength ratings could be reduced and as a consequence the Exchange could find it more difficult to retain its existing business and attract new business. A decline in the business of the Exchange would have an adverse effect on the amount of the management fees we receive and the underwriting results of the Property and Casualty Group in which we have a 5.5% participation. In addition, a decline in the surplus of the Exchange from its current level would make it more likely that the management fee rate received by us would be reduced. See also the risk factors relating to the business of the Property and Casualty Group in Item 1A. “Risk Factors”.

The Exchange has available a $75 million line of credit with a bank that expires on December 31, 2009. There were no borrowings under the line at December 31, 2008. Bonds with a fair value of $113.5 million were pledged as collateral on the line at December 31, 2008. These securities have no restrictions. The bank requires compliance with certain covenants, which include minimum statutory surplus and risk based capital ratios. The Exchange was in compliance with all bank covenants at December 31, 2008.

The Exchange has contractual commitments to invest up to $655.8 million related to its limited partnership investments at December 31, 2008. These commitments will be funded as required by the partnerships’ agreements which principally expire in 2014. At December 31, 2008, the total remaining commitment to fund limited partnerships that invest in private equity securities was $312.4 million, real estate activities was $235.5 million and mezzanine debt securities was $107.9 million.

The financial statements of the Exchange are prepared in accordance with statutory accounting principles (SAP) prescribed by the Commonwealth of Pennsylvania. The Exchange is not required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Financial statements prepared under statutory accounting principles focus on the solvency of the insurer and generally provide a more conservative approach than under GAAP. Differences between SAP and GAAP include the valuation of investments, deferred policy acquisition cost assets, deferred tax assets, assets for estimated salvage and subrogation recoveries and unearned subscriber fees. Fixed maturities investments are carried at amortized cost and subject to impairment accounting. At December 31, 2008, the market value of fixed maturities was $216.9 million less than the carrying cost. Equity securities are carried at market value.

Note 17. Variable interest entity (continued)

The condensed financial data set forth below represents the Exchange's share of underwriting results after accounting for intercompany pool transactions.

Erie Insurance Exchange
Condensed statutory statements of operations

(in thousands)	Years ended December 31		
	2008	2007	2006
Premiums earned	**$3,566,450**	$3,572,189	$3,675,705
Losses, LAE and underwriting expenses*	**3,339,743**	3,142,990	3,421,997
Net underwriting income	**226,707**	429,199	253,708
Total investment (loss) income	**(640,348)**	563,087	480,771
Federal income tax (benefit) expense	**(50,248)**	372,209	229,709
Net (loss) income	**$ (363,393)**	$ 620,077	$ 504,770

**Includes management fees paid or accrued to the Company*

As with our investments, the Exchange's investment portfolio was impacted by declines in the value of securities that resulted from the recent significant disruption in the securities markets. Driving the Exchange's 2008 investment losses were impairment charges of $197.9 million on fixed maturities, $245.0 million on common stock and $220.2 million on preferred securities. Impairment charges for 2007 were $103.7 million. Under statutory accounting, deferred tax assets on realized capital losses from impairments of investments are reflected as a change in surplus rather than in deferred income taxes on the statement of operations. Deferred taxes on impairment charges incurred in 2008 totaled $232.1 million.

Erie Insurance Exchange
Condensed statutory statements of financial position

(in thousands)	As of December 31	
	2008	2007
Fixed maturities	**$4,119,753**	$4,353,977
Equity securities	**1,900,320**	3,016,607
Alternative investments	**1,340,047**	1,389,224
Other invested assets	**235,607**	168,189
Total invested assets	**7,595,727**	8,927,997
Other assets	**1,552,902**	1,033,852
Total assets	**$9,148,629**	$9,961,849
Loss and LAE reserves	**$3,323,704**	$3,418,221
Unearned premium reserves	**1,444,536**	1,430,328
Accrued liabilities	**334,399**	345,776
Total liabilities	**5,102,639**	5,194,325
Total policyholders' surplus	**4,045,990**	4,767,524
Total liabilities and policyholders' surplus	**$9,148,629**	$9,961,849

Note 17. Variable interest entity (continued)

Erie Insurance Exchange
Condensed statutory statements of cash flows

(in thousands)	Years ended December 31 **2008**	2007	2006
Cash flows from operating activities:			
Premiums collected net of reinsurance	**$3,573,464**	$3,567,477	$3,632,146
Losses and LAE paid	**(2,085,899)**	(1,967,475)	(2,024,404)
Management fee and expenses paid	**(1,324,322)**	(1,309,955)	(1,326,212)
Net investment income received	**468,526**	493,252	370,242
Federal income taxes and expenses paid	**(197,135)**	(404,249)	(186,411)
Net cash provided by operating activities	**434,634**	379,050	465,361
Net cash used in investing activities	**(323,082)**	(345,988)	(430,126)
Net cash used in financing activities	**(7,071)**	(20,134)	(248,611)
Net increase (decrease) in cash and cash equivalents	**104,481**	12,928	(213,376)
Cash and cash equivalents at beginning of year	**98,712**	85,784	299,160
Cash and cash equivalents-end of year	**$203,193**	$98,712	$85,784

During the second quarter of 2006, the Exchange completed its tender offer and following short-form merger for all of the publicly held outstanding common stock of EFL excluding the shares owned by us. The Exchange acquired all publicly held EFL common stock at $32.00 per share, increasing its ownership percentage from 53.5% to 78.4% of the outstanding common stock of EFL. The aggregate consideration paid by the Exchange for the outstanding EFL shares was $80.6 million and is included as part of the net cash used in investing activities above. Our 21.6% stake in EFL was unaffected by this transaction.

Note 18. Reinsurance

Reinsurance contracts do not relieve the Property and Casualty Group from its primary obligations to policyholders. A contingent liability exists with respect to reinsurance recoverables in the event reinsurers are unable to meet their obligations under the reinsurance agreements.

The Property and Casualty Group maintained an umbrella excess-of-loss reinsurance treaty with nonaffiliated reinsurers covering commercial and personal catastrophe liability risks. In 2008, this treaty provided coverage of 85% of a specified loss amount in excess of the loss retention of $1 million per occurrence. The specified maximum loss amount for the commercial and personal catastrophe liability was $9 million and $4 million, respectively. The Property and Casualty Group entered into an additional umbrella excess-of-loss reinsurance treaty, effective January 1, 2008, with nonaffiliated reinsurers covering commercial catastrophe liability risks in excess of the loss retention of $10 million per occurrence. The specified maximum loss amount for the commercial catastrophe liability was $10 million. Neither of these treaties were renewed for 2009 due to the proposed pricing for the coverage as well as the loss profile of the Property and Casualty Group.

The Property and Casualty Group maintains a property catastrophe treaty with nonaffiliated reinsurers to mitigate future potential catastrophe loss exposure. During 2008, this reinsurance treaty provided coverage of up to 95% of a loss of $400 million in excess of the Property and Casualty Group’s loss retention of $450 million per occurrence. This treaty was renewed for 2009 under the same terms. There have been no losses subject to this treaty.

Note 18. Reinsurance (continued)

The following tables summarize insurance and reinsurance activities of our property/casualty insurance subsidiaries. See also Note 15 for a discussion of the intercompany reinsurance pooling agreement with the Exchange.

	Years ended December 31		
(in thousands)	**2008**	2007	2006
Premiums earned			
Direct	**$626,244**	$626,853	$661,215
Assumed from nonaffiliates and intercompany pool	**218,027**	218,405	227,110
Ceded to Erie Insurance Exchange	**(636,864)**	(637,696)	(674,660)
Assumed from Erie Insurance Exchange	**$207,407**	$207,562	$213,665
Losses and loss adjustment expenses incurred			
Direct	**$374,897**	$381,320	$495,739
Assumed from nonaffiliates and intercompany pool	**142,004**	138,341	147,203
Ceded to Erie Insurance Exchange	**(379,734)**	(393,758)	(503,312)
Assumed from Erie Insurance Exchange	**$137,167**	$125,903	$139,630

Note 19. Statutory information

Accounting principles used to prepare statutory financial statements differ from those used to prepare financial statements under U.S. GAAP. The statutory financial statements of EIPC and EIC are prepared in accordance with accounting practices prescribed by the Pennsylvania Insurance Department. EINY prepares its statutory financial statements in accordance with accounting practices prescribed by the New York Insurance Department. Prescribed SAP include state laws, regulations, and general administration rules, as well as a variety of publications from the NAIC.

Combined shareholders' equity including amounts reported by our property/casualty insurance subsidiaries on the statutory basis was $798.3 million and $1.0 billion at December 31, 2008 and 2007, respectively. Combined net income, including amounts reported by our property/casualty insurance subsidiaries on a statutory basis, was $58.4 million, $210.6 million and $205.8 million for 2008, 2007 and 2006, respectively.

The minimum statutory capital and surplus requirements under Pennsylvania and New York law for our stock property/casualty subsidiaries amounts to $10.0 million. Our subsidiaries' total statutory capital and surplus significantly exceed these minimum requirements, totaling $239.3 million at December 31, 2008. Our subsidiaries' risk-based capital levels significantly exceed the minimum requirements.

Cash and securities with carrying values of $6.6 million and $6.3 million were deposited by our property/casualty insurance subsidiaries with regulatory authorities under statutory requirements as of December 31, 2008 and 2007, respectively.

The amount of dividends our Pennsylvania-domiciled property/casualty subsidiaries, EIC and EIPC, can pay without the prior approval of the Pennsylvania Insurance Commissioner is limited by Pennsylvania regulation to not more than the greater of: (a) 10% of its statutory surplus as reported on its last annual statement, or (b) the net income as reported on its last annual statement. The amount of dividends that the Erie Insurance Company's New York-domiciled property/casualty subsidiary, EINY, can pay without the prior approval of the New York Superintendent of Insurance is limited to the lesser of: (a) 10% of its statutory surplus as reported on its last annual statement, or (b) 100% of its adjusted net investment income during such period. In 2009, the maximum dividend we could receive from our property/casualty insurance subsidiaries would be $23.0 million. No dividends were paid to us by our property/casualty insurance subsidiaries in 2008, 2007 or 2006.

Note 19. Statutory information (continued)

The amount of dividends EFL, a Pennsylvania-domiciled life insurer, can pay to its shareholders without the prior approval of the Pennsylvania Insurance Commissioner is limited by statute to the greater of: (a) 10% of its statutory surplus as shown on its last annual statement on file with the commissioner, or (b) the net income as reported on its last annual statement, but shall not include pro-rata distribution of any class of the insurer's own securities. Accordingly, our share of the maximum dividend payout which may be made in 2009 without prior Pennsylvania Commissioner approval is $2.2 million. There were no dividends paid to us in 2008.

Note 20. Supplementary data on cash flows

A reconciliation of net income to net cash provided by operating activities as presented in the Consolidated Statements of Cash Flows is as follows:

Cash flows from operating activities: *(in thousands)*	Years ended December 31		
	2008	2007	2006
Net income	**$69,238**	$212,945	$204,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**36,933**	31,363	36,051
Deferred income tax (benefit) expense	**(23,111)**	3,092	9,033
Realized loss (gain) on investments	**113,019**	5,192	(1,335)
Equity in earnings of limited partnerships	**(5,710)**	(59,690)	(41,766)
Net amortization of bond premium	**1,480**	1,930	2,645
Undistributed losses (earnings) of Erie Family Life Insurance	**14,629**	(3,133)	(4,154)
(Decrease) increase in deferred compensation	**(8,348)**	(6,213)	5,252
Limited partnership distributions	**29,111**	78,960	62,240
Decrease (increase) in receivables and reinsurance recoverable from the Exchange and affiliates	**41,696**	73,673	(16,577)
Increase in prepaid expenses and other assets	**(50,129)**	(40,556)	(30,978)
Increase in accounts payable and accrued expenses	**3,568**	2,360	1,664
(Decrease) increase in accrued agent bonuses	**(13,189)**	3,902	20,356
(Decrease) increase in loss reserves	**(61,450)**	(47,040)	54,112
Increase (decrease) in unearned premiums	**3,108**	(3,019)	(30,127)
Net cash provided by operating activities	**$150,845**	$253,766	$270,441

Note 21. Commitments

We have contractual commitments to invest up to $90.8 million related to our limited partnership investments at December 31, 2008. These commitments will be funded as required by the partnerships' agreements which principally expire in 2014. At December 31, 2008, the total remaining commitment to fund limited partnerships that invest in private equity securities is $41.8 million, real estate activities is $31.2 million and mezzanine debt securities is $17.8 million.

We are involved in litigation arising in the ordinary course of business. In our opinion, the effects, if any, of such litigation are not expected to be material to our consolidated financial condition, cash flows or operations.

Note 22. Segment information

We operate our business as three reportable segments-management operations, insurance underwriting operations and investment operations. Accounting policies for segments are the same as those described in the summary of significant accounting policies, with the exception of the management fee revenues received from the property/casualty insurance subsidiaries. These revenues are not eliminated in the segment detail below, as we base our decisions on the segment presentation. See also Note 3. Assets are not allocated to the segments but rather are reviewed in total for purposes of decision-making. No single customer or agent provides 10% or more of revenues for the Property and Casualty Group.

Our principal operations consist of serving as attorney-in-fact for the Exchange, which constitutes our management operations. We operate in this capacity solely for the Exchange. Our insurance underwriting operations arise through direct business of our property/casualty insurance subsidiaries and by virtue of the pooling agreement between our subsidiaries and the Exchange, which includes assumed reinsurance from nonaffiliated domestic and foreign sources. The Exchange exited the assumed reinsurance business effective December 31, 2003, and therefore unaffiliated reinsurance includes only run-off activity of the assumed reinsurance business. Insurance provided in the insurance underwriting operations consists of personal and commercial lines and is sold by independent agents. Personal lines consist primarily of private passenger auto and are marketed to individuals, and commercial lines are marketed to small- and medium-sized businesses. The performance of the personal lines and commercial lines is evaluated by our management based upon the underwriting results as determined under SAP for the total pooled business of the Property and Casualty Group.

We evaluate profitability of our management operations segment principally on the gross margin from management operations, while profitability of the insurance underwriting operations segment is evaluated principally based on the combined ratio. Investment operations performance is evaluated based on appreciation of assets, rate of return and overall return.

Note 22. Segment information (continued)

Summarized financial information for these operations is presented below.

(in thousands)	Years ended December 31		
	2008	2007	2006
Management operations			
Operating revenue			
Management fee revenue	**$949,775**	$947,023	$942,845
Service agreement revenue	**32,298**	29,748	29,246
Total operating revenue	**982,073**	976,771	972,091
Cost of management operations	**809,548**	799,597	785,683
Income before income taxes	**$172,525**	$177,174	$186,408
Net income from management operations	**$116,475**	$120,362	$124,612
Insurance underwriting operations			
Operating revenue			
Premiums earned:			
Personal lines	**$146,826**	$145,007	$148,480
Commercial lines	**61,274**	62,913	64,858
Reinsurance - - nonaffiliates	**(693)**	(358)	327
Total premiums earned	**207,407**	207,562	213,665
Operating expenses			
Losses and expenses:			
Personal lines	**137,221**	129,788	141,965
Commercial lines	**58,133**	53,930	58,258
Reinsurance - - nonaffiliates	**(1,256)**	(819)	(955)
Reinsurance – affiliates	**0**	0	1,027
Total losses and expenses	**194,098**	182,899	200,295
Income before income taxes	**$ 13,309**	$24,663	$13,370
Net income from insurance underwriting operations	**$ 8,985**	$16,754	$8,938
Investment operations			
Investment income, net of expenses	**$ 44,181**	$52,833	$55,920
Net realized (losses) gains on investments	**(113,019)**	(5,192)	1,335
Equity in earnings of limited partnerships	**5,710**	59,690	41,766
Total investment (loss) income – unaffiliated	**$(63,128)**	$107,331	$99,021
Net (loss) income from investment operations	**$(42,619)**	$72,915	$66,194
Equity in (losses) earnings of EFL, net of tax	**$(13,603)**	$2,914	$4,281

Note 22. Segment information (continued)

Reconciliation of reportable segment revenues and operating expenses to the Consolidated Statements of Operations

	Years ended December 31		
(in thousands)	**2008**	2007	2006
Segment revenues	**$1,189,480**	$1,184,333	$1,185,756
Elimination of intersegment management fee revenues	**(52,249)**	(52,042)	(51,774)
Total operating revenue	**$1,137,231**	$1,132,291	$1,133,982
Segment operating expenses	**$1,003,646**	$982,496	$985,978
Elimination of intersegment management fee expenses	**(52,249)**	(52,042)	(51,774)
Total operating expenses	**$951,397**	$930,454	$934,204

The intersegment revenues and expenses that are eliminated in the Consolidated Statements of Operations relate to our property/casualty insurance subsidiaries 5.5% share of the management fees paid to us.

ERIE INDEMNITY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 23. Quarterly results of operations (unaudited)

(in thousands, except per share data)	First quarter	Second Quarter	Third quarter	Fourth quarter	Year ended
2008					
Operating revenue	**$276,288**	**$301,130**	**$294,517**	**$265,295**	**$1,137,231**
Operating expenses	**(226,878)**	**(247,442)**	**(244,793)**	**(232,283)**	**(951,397)**
Investment (loss) income - unaffiliated	**(4,929)**	**8,475**	**(30,081)**	**(36,593)**	**(63,128)**
Income (loss) before income taxes and equity in earnings of EFL	**$44,481**	**$62,163**	**$19,643**	**$(3,581)**	**$122,706**
Net income (loss)	**$29,977**	**$41,315**	**$4,248**	**$(6,302)**	**$69,238**
Net income (loss) per share:*					
Class A – basic	**$.57**	**$.80**	**$.08**	**$(0.12)**	**$1.34**
Class B – basic and diluted	**84.57**	**116.10**	**15.92**	**(12.39)**	**204.20**
Class A – diluted	**.51**	**.71**	**.07**	**(0.12)**	**1.19**
Comprehensive income (loss)	**$28,666**	**$35,225**	**($14,065)**	**$(115,299)**	**$(65,473)**
2007					
Operating revenue	$275,412	$301,745	$291,451	$263,685	$1,132,291
Operating expenses	(224,115)	(237,453)	(244,769)	(224,118)	(930,454)
Investment income - unaffiliated	28,386	36,540	29,840	12,564	107,331
Income before income taxes and equity in earnings of EFL	$79,683	$100,832	$76,522	$52,131	$309,168
Net income	$56,361	$70,486	$53,496	$32,602	$212,945
Net income per share:*					
Class A – basic	$0.97	$1.22	$0.97	$0.61	$3.80
Class B – basic and diluted	149.01	187.31	145.92	90.23	572.98
Class A – diluted	0.88	1.11	0.87	0.55	3.43
Comprehensive income	$57,599	$62,467	$51,943	$45,562	$217,571

*The cumulative sum of quarterly basic and diluted net income per share amounts may not equal total basic and diluted net income per share for the year due to differences in weighted average shares and equivalent shares outstanding for each of the periods presented.

2008

The third and fourth quarter investment (loss) income – unaffiliated was impacted by the significant disruption in the financial markets. We recorded impairment charges of $37.4 million and $7.7 million in the third and fourth quarters of 2008, respectively. Included in the total impairments in the third quarter were $21.7 million related to our preferred stock portfolio and $15.7 million related to our fixed maturities. Included in the total impairments in the fourth quarter were $1.4 million and $6.3 million related to our preferred stock and fixed maturities, respectively. Fourth quarter was also impacted by $18.4 million of realized losses on common stock and $17.4 million related to market value adjustments on limited partnerships.

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Note 23. Quarterly results of operations (unaudited)(continued)

2007
During December 2007 a correction was made to allocate additional information technology costs to affiliates as they were not allocated appropriately throughout the year. The total amount of 2007 costs allocated to the Exchange and EFL in December of 2007 related to the prior three quarters was $4.3 million, or $0.05 per share. If these costs would have been appropriately allocated in the first three quarters of 2007, earnings per share in each quarter would have increased between $0.01 and $0.02 per share.

Investment income – unaffiliated was negatively impacted by $16.8 million of impairments to our investment securities. Included in the total impairments in the fourth quarter of 2007, $7.0 million related to our common stock portfolio while $3.5 million related to our fixed maturities, and $6.3 million to our preferred stock portfolio.

Fourth quarter income tax provision was impacted by adjustments to the tax basis of certain limited partnership investments that increased income taxes.

Note 24. Limited partnerships (unaudited)

The primary basis for the valuation of limited partnership interests are financial statements prepared by the general partner. Because of the timing of the preparation and delivery of these financial statements, the use of the most recently available financial statements provided by the general partners generally result in a quarter delay in the inclusion of the limited partnership results in our Consolidated Statements of Operations. Due to this delay, these financial statements do not reflect the volatility in market conditions experienced in the fourth quarter 2008. We expect additional deterioration to be reflected in the general partners' year end financial statements, which we will receive in 2009, and such declines could be significant.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures
We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures.

As required by the Securities and Exchange Commission Rule 13a-15(e), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2008. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting
There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect our internal controls over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures.

Management's Report on Internal Control over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting of Erie Indemnity Company, as such term is defined in the Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Erie Indemnity Company's internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control-Integrated Framework*, management has concluded that Erie Indemnity Company's internal control over financial reporting was effective as of December 31, 2008.

/s/ Terrence W. Cavanaugh	/s/ Philip A. Garcia	/s/ Timothy G. NeCastro
Terrence W. Cavanaugh	Philip A. Garcia	Timothy G. NeCastro
President and	Executive Vice President and	Senior Vice President and
Chief Executive Officer	Chief Financial Officer	Controller
February 20, 2009	February 20, 2009	February 20, 2009

Our independent auditors have issued an attestation report on management's assessment of our internal control over financial reporting. This report appears on page 51.

Item 9B. Other Information

There was no additional information in the fourth quarter of 2008 that has not already been filed in a Form 8-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information with respect to our directors, audit committee, and audit committee financial experts and Section 16(a) beneficial ownership reporting compliance, is incorporated by reference to the information statement on Form 14(C) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2008.

We have adopted a code of conduct that applies to all of our directors, officers (including our chief executive officer, chief financial officer, chief accounting officer and any person performing similar functions) and employees. We previously filed a copy of this Code of Conduct as Exhibit 14 to the Registrant's 2003 Form 10–K Annual Report as filed with the SEC on March 8, 2004. We have also made the Code of Conduct available on our website at http://www.erieinsurance.com.

Executive Officers of the Registrant

Name	Age as of 12/31/08	Principal Occupation for Past Five Years and Positions with Erie Insurance Group
President & Chief Executive Officer		
Terrence W. Cavanaugh	55	President and Chief Executive Officer of Erie Indemnity Company since July 29, 2008; Senior Vice President, Chubb & Son/Federal Insurance, for more than five years prior thereto; Chief Operating Officer, Chubb Surety, for more than five years prior thereto; Director, Erie Indemnity Company, EFL, EIC, Flagship, EINY and EIPC.
Executive Vice Presidents		
James J. Tanous	61	Executive Vice President, Secretary and General Counsel since April 30, 2007; Partner and Chairman of Jaeckle Fleischmann & Mugel, LLP (law firm headquartered in Buffalo, NY) for more than five years prior thereto; Director, EFL, EIC, Flagship, EINY and EIPC.
Philip A. Garcia	52	Executive Vice President and Chief Financial Officer since 1997; Director, EFL, EIC, Flagship, EINY and EIPC.
Michael Zavasky	56	Executive Vice President–Insurance Operations since March 7, 2008; Senior Vice President–Strategy Management, January 2006 through March 2008; Senior Vice President–Commercial Lines Underwriting, June 2001 through January 2006; Director, EFL, EIC, Flagship, EINY and EIPC.
George Lucore	58	Executive Vice President–Field Operations since March 3, 2008; Retired, April 13, 2006 through March 2, 2008; Senior Vice President–Agency Division, March 1995 through April 12, 2006; Director, EFL, EIC, Flagship, EINY and EIPC.
Senior Vice President		
Douglas F. Ziegler	58	Senior Vice President, Treasurer and Chief Investment Officer since 1993; Director, EFL, EIC, Flagship, EINY, and EIPC.

Item 11. Executive Compensation

The information required by this item with respect to executive compensation is incorporated by reference to the information statement on Form 14(C) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2008.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information with respect to security ownership of certain beneficial owners and management and securities authorized for issuance under equity compensation plans, is incorporated by reference to the information statement on Form 14(C) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2008.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Our earnings are largely generated from fees based on the direct written premium of the Exchange in addition to the direct written premium of the other members of the Property and Casualty Group. Also, our property and casualty insurance subsidiaries participate in the underwriting results of the Exchange via the pooling arrangement. As our operations are interrelated with the operations of the Exchange, our results of operations are largely dependent on the success of the Exchange. Reference is made to Item 8. “Financial Statements and Supplementary Data - Note 17 of Notes to Consolidated Financial Statements” contained within this report, for a further discussion of the financial results of the Exchange.

Reference is also made to Item 8. “Financial Statements and Supplementary Data – Note 15 of Notes to Consolidated Financial Statements” contained within this report for a complete discussion of related party transactions.

Information with respect to certain relationships with our directors is incorporated by reference to the information statement on Form 14(C) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2008.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information statement on Form 14(C) to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2008.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements
Included in Item 8 "Financial Statements and Supplementary Data" contained in this report.

Erie Indemnity Company and Subsidiaries:
§ Report of Independent Registered Public Accounting Firm on the Effectiveness of Internal Control over Financial Reporting
§ Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements
§ Consolidated Statements of Operations for the three years ended December 31, 2008, 2007 and 2006
§ Consolidated Statements of Financial Position as of December 31, 2008 and 2007
§ Consolidated Statements of Cash Flows for the three years ended December 31, 2008, 2007 and 2006
§ Consolidated Statements of Shareholders' Equity for the three years ended December 31, 2008, 2007 and 2006
§ Notes to Consolidated Financial Statements

2. Financial Statement Schedules

All other schedules have been omitted since they are not required, not applicable or the information is included in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

February 26, 2009

ERIE INDEMNITY COMPANY
(Registrant)

/s/ Terrence W. Cavanaugh
Terrence W. Cavanaugh, President and CEO
(Principal Executive Officer)

/s/ Philip A. Garcia
Philip A. Garcia, Executive Vice President & CFO
(Principal Financial Officer)

/s/ Timothy G. NeCastro
Timothy G. NeCastro, Senior Vice President & Controller
(Principal Accounting Officer)

Board of Directors

/s/ J. Ralph Borneman, Jr. J. Ralph Borneman, Jr.	/s/ C. Scott Hartz C. Scott Hartz
/s/ Terrence W. Cavanaugh Terrence W. Cavanaugh	/s/ Claude C. Lilly, III Claude C. Lilly, III
Patricia Garrison-Corbin	/s/ Lucian L. Morrison Lucian L. Morrison
/s/ Jonathan Hagen Jonathan Hagen	Thomas W. Palmer
/s/ Susan Hirt Hagen Susan Hirt Hagen	/s/ Elizabeth A. Vorsheck Elizabeth A. Vorsheck
/s/ Thomas B. Hagen Thomas B. Hagen	/s/ Robert C. Wilburn Robert C. Wilburn

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SCHEDULE I

SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES

December 31, 2008

Type of Investment	Cost or Amortized Cost	Fair Value	Amount at which Shown in the Consolidated Statements of Financial Position
(in thousands)			
Available-for-sale securities:			
Fixed maturities			
U.S. treasuries and government agencies	**$ 3,078**	**$ 3,372**	**$ 3,372**
Foreign government	**1,998**	**1,818**	**1,818**
Municipal securities	**212,224**	**211,419**	**211,419**
U.S. corporate debt	**291,666**	**265,384**	**265,384**
Foreign corporate debt	**59,743**	**53,174**	**53,174**
Mortgage-backed securities	**13,437**	**13,008**	**13,008**
Asset-backed securities	**8,943**	**7,553**	**7,553**
Redeemable preferred stock	**6,583**	**7,701**	**7,701**
Equity securities			
U.S. nonredeemable preferred stock	**53,892**	**49,466**	**49,466**
Foreign nonredeemable preferred stock	**6,066**	**5,815**	**5,815**
Total available-for-sale securities	**$ 657,630**	**618,710**	**618,710**
Trading securities	**37,835**	**33,338**	**33,338**
Limited partnerships	**272,144**	**299,176**	**299,176**
Real estate mortgage loans	**1,215**	**1,215**	**1,215**
Total investments	**$ 968,824**	**$ 952,439**	**$ 952,439**

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SCHEDULE IV
REINSURANCE

(in thousands)	Direct	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
December 31, 2008:					
Premiums for the year					
Property and Liability Insurance	**$626,244**	**$636,864**	**$218,027**	**$207,407**	**105.1%**
December 31, 2007:					
Premiums for the year					
Property and Liability Insurance	$626,853	$637,696	$218,405	$207,562	105.2%
December 31, 2006:					
Premiums for the year					
Property and Liability Insurance	$661,215	$674,660	$227,110	$213,665	106.3%

SCHEDULE VI
SUPPLEMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS

(in thousands)	Deferred Policy Acquisition Costs	Reserve for Unpaid Loss & LAE	Discount, if any deducted from reserves*	Unearned Premiums	Earned Premiums	Net Investment (Loss) Income
December 31, 2008:						
Consolidated P&C Entities	**$ 16,531**	**$ 965,081**	**$ 5,409**	**$424,370**	**$207,407**	**$ (9,088)**
Unconsolidated P&C Entities	**0**	**0**	**0**	**0**	**0**	**0**
Proportionate share of registrant & subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**
Total	**$ 16,531**	**$ 965,081**	**$ 5,409**	**$424,370**	**$207,407**	**$ (9,088)**
December 31, 2007:						
Consolidated P&C Entities	$ 16,129	$1,026,531	$ 5,526	$421,263	$207,562	$22,998
Unconsolidated P&C Entities	0	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0	0
Total	$ 16,129	$1,026,531	$ 5,526	$421,263	$207,562	$22,998
December 31, 2006:						
Consolidated P&C Entities	$ 16,197	$1,073,570	$ 4,980	$424,282	$213,665	$23,199
Unconsolidated P&C Entities	0	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0	0
Total	$ 16,197	$1,073,570	$ 4,980	$424,282	$213,665	$23,199

* Workers compensation case and incurred but not reported (IBNR) loss and loss adjustment reserves were discounted at 2.5% for all years presented.

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SCHEDULE VI
SUPPLEMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
(CONTINUED)

(in thousands)	Loss and Loss Adjustment Expenses Incurred Related to (1) Current Year	(2) Prior Years	Amortization of Deferred Policy Acquisition Costs	Net Loss & LAE Paid	Premiums Written
December 31, 2008:					
Consolidated P&C Entities	**$152,206**	**$(15,039)**	**$32,945**	**$142,492**	**$208,323**
Unconsolidated P&C Entities	**0**	**0**	**0**	**0**	**0**
Proportionate share of registrant & subsidiaries	**0**	**0**	**0**	**0**	**0**
Total	**$152,206**	**$(15,039)**	**$32,945**	**$142,492**	**$ 208,323**
December 31, 2007:					
Consolidated P&C Entities	$146,116	$(20,213)	$32,758	$134,441	$207,688
Unconsolidated P&C Entities	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0
Total	$146,116	$(20,213)	$32,758	$134,441	$207,688
December 31, 2006:					
Consolidated P&C Entities	$151,979	$(12,349)	$33,306	$130,556	$209,304
Unconsolidated P&C Entities	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0
Total	$151,979	$(12,349)	$33,306	$130,556	$209,304

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EXHIBIT INDEX

(Pursuant to Item 601 of Regulation S-K)

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
3.6	Amended and Restated By-laws of Registrant effective December 18, 2006. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on December 20, 2006.	
10.85	Termination of Aggregate Excess of Loss Reinsurance Contract effective December 31, 2005 between Erie Insurance Exchange, by and through its Attorney-In-Fact, Erie Indemnity Company and Erie Insurance Company and its wholly-owned subsidiary Erie Insurance Company of New York. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2005 that was filed with the Commission on February 2, 2006.	
10.86	Retirement Plan for Employees of Erie Insurance Group, effective as of December 31, 2005. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2006 that was filed with the Commission on February 26, 2007.	
10.87	Employee Savings Plan of Erie Insurance Group, effective as of January 1, 2006. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2006 that was filed with the Commission on February 26, 2007.	
10.88	Amended and Restated Quota Share Reinsurance Agreement dated December 29, 2006 between Erie Insurance Exchange and Flagship City Insurance Company. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2006 that was filed with the Commission on February 26, 2007.	
10.89	Amended and Restated Quota Share Reinsurance Agreement dated December 29, 2006 between Erie Insurance Exchange and Erie Insurance Property & Casualty Company. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2006 that was filed with the Commission on February 26, 2007.	
10.90	Amended and Restated Reinsurance Pooling Agreement between Erie Insurance Exchange, Erie Insurance Company and Erie Insurance Company of New York, effective January 1, 2007. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2006 that was filed with the Commission on February 26, 2007.	

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.91	Employment Agreement effective April 30, 2007 by and between Erie Indemnity Company and James J. Tanous. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on May 1, 2007.	
10.92	Post-Employment Agreement dated December 27, 2007, by and between Erie Indemnity Company and Jeffrey A. Ludrof. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on January 3, 2008.	
10.93	Amendment and Payment Designation Agreement dated December 31, 2007, by and between Erie Indemnity Company and Philip A. Garcia. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on January 3, 2008.	
10.94	Amendment and Payment Designation Agreement dated December 31, 2007, by and between Erie Indemnity Company and Thomas B. Morgan. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on January 3, 2008.	
10.95	Amendment and Payment Designation Agreement dated December 31, 2007, by and between Erie Indemnity Company and Michael J. Krahe. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on January 3, 2008.	
10.96	Amendment and Payment Designation Agreement dated December 31, 2007, by and between Erie Indemnity Company and Douglas F. Ziegler. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on January 3, 2008.	
10.97	Severance Agreement dated February 28, 2008, by and between Erie Indemnity Company and Thomas B. Morgan. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on March 3, 2008.	
10.98	Separation Agreement between Erie Indemnity Company and Michael J. Krahe dated June 25, 2008. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on June 26, 2008.	
10.99	Executive Retention Agreement between Erie Indemnity Company and Philip A. Garcia dated June 25, 2008. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on June 26, 2008.	
10.100	Employment Agreement dated July 14, 2008, between Erie Indemnity Company and Terrence W. Cavanaugh. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 8-K that was filed with the Commission on July 18, 2008.	

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Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.101*	Amendment of Erie Insurance Group Retirement Plan for Employees (As Amended and Restated Effective December 31, 2005)	112
10.102*	Amendment of Erie Insurance Group Employee Savings Plan (As Amended and Restated Effective January 1, 2006)	118
10.103*	Supplemental Retirement Plan for Certain Members of the Erie Insurance Group Retirement Plan for Employees (Amended and Restated as of January 1, 2009)	124
10.104*	Deferred Compensation Plan of Erie Indemnity Company (As Amended and Restated as of January 1, 2009)	137
10.105*	Erie Indemnity Company Deferred Compensation Plan for Outside Directors (As Amended and Restated as of January 1, 2009)	165
10.106*	Erie Indemnity Company Long-Term Incentive Plan (Restated Effective January 1, 2009)	193
10.107*	Erie Indemnity Company Annual Incentive Plan (As Amended and Restated Effective January 1, 2009)	200
10.108*	Form of Indemnification Agreement that Registrant has entered into on November 14, 2008 with Terrence W. Cavanaugh (Director and Officer); J. Ralph Borneman, Jr., Patricia Garrison-Corbin, Jonathan Hirt Hagen, Susan Hirt Hagen, Thomas B. Hagen, C. Scott Hartz, Claude C. Lilly, III, Lucian L. Morrison, Thomas W. Palmer, Elizabeth A. Vorsheck, Robert C. Wilburn (Directors); James J. Tanous, Michael S. Zavasky and George R. Lucore (Officers); (filed herewith)	207
14	Code of Conduct. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K annual report for the year ended December 31, 2003 that was filed with the Commission on March 8, 2004.	
21*	Subsidiaries of Registrant	213
23*	Consent of Independent Registered Public Accounting Firm	214
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002	215
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes–Oxley Act of 2002	216
32*	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002	217

* filed herewith

Exhibit 10.101

ERIE INDEMNITY COMPANY

EMPLOYEE BENEFITS ADMINISTRATION COMMITTEE

UNANIMOUS WRITTEN CONSENT OF COMMITTEE MEMBERS

All of the Members in office of the Erie Indemnity Company Employee Benefits Administration Committee (“EBAC”) hereby consent in writing to the adoption of the following resolution, with the same effect as if that resolution had been duly proposed and adopted at a meeting of the EBAC duly called and held in accordance with its charter.

This Unanimous Written Consent of Committee Members shall become binding when executed by all of the Committee Members.

The undersigned Members have executed this Unanimous Written Consent of Committee Members and have filed same with the Chairman of the Committee.

ERIE INDEMNITY COMPANY EMPLOYEE BENEFITS ADMINISTRATION COMMITTEE

Amendment of Erie Insurance Group Retirement Plan for Employees (As Amended and Restated Effective December 31, 2005)

WHEREAS, Erie Indemnity Company (the “Company”) maintains the Erie Insurance Group Retirement Plan for Employees under an amendment and restatement effective as of December 31, 2005 (the “Plan”);

WHEREAS, the Plan provides that the Company may amend the Plan; and

WHEREAS, the Company has given authority to make certain amendments to its ERISA plans to the Erie Indemnity Company Employee Benefits Administration Committee (“EBAC”); and

WHEREAS, the EBAC wishes to amend the Plan as hereinafter set forth. The purpose of this Amendment is to reflect recent changes in Plan governance procedures and to make changes in connection with recent regulatory changes affecting tax-qualified plans. The provisions of this Amendment shall be effective as of the dates stated herein. Words and phrases used herein with initial capital letters which are defined in the Plan are used herein as defined.

NOW, THEREFORE, the EBAC hereby amends the Plan as set forth below:

December 29, 2008	/s/ William D. Gheres Member
December 29, 2008	/s/ Christina Marsh Member
December 29, 2008	/s/ Barbara Stapf Member

FIRST AMENDMENT TO

ERIE INSURANCE GROUP

RETIREMENT PLAN FOR EMPLOYEES

(As Amended and Restated Effective December 31, 2005)

1. Effective January 1, 2008, Section 2.3 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“2.3 ‘Administrator’ shall mean the administrative committee described in Article III of the Plan.”

2. Effective January 1, 2008, Section 3.1 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“3.1 Pension Administrator

The Plan shall be administered by a committee that shall act as Plan Administrator. The initial members of the administrative committee have been appointed by the Board, effective January 1, 2008; provided, however, that such initial members, and any subsequent members of the administrative committee, shall serve at the pleasure of the Executive Council of the Company. Any individual who is a member of the administrative committee may resign by delivering his written resignation to the Executive Council of the Company. In the event of the death, resignation or removal of a member of the administrative committee, such Executive Council shall fill the vacancy. In making the appointment, the Executive Council shall not be limited to any particular person or group, and nothing herein contained shall be construed to prevent any Participant, director, officer, employee or shareholder of the Employers from serving as a member of the administrative committee. Members of the administrative committee will not be compensated from the Trust Fund for services performed in such capacity, but the Company will reimburse such individuals for expenses reasonably and necessarily incurred by them in such capacity.

Initial appointment by the Board is evidenced by a resolution of the Board. Appointment by the Executive Council of the Company shall be evidenced in a writing executed on behalf of the Executive Council. Copies of such writings shall be delivered to the Trustee and to such other persons as may require such notice.”

3. Effective January 1, 2008, Section 3.2(o) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“(o) To exercise such other authority and responsibility as is specifically assigned to it under the terms of the Plan or the provisions of the Administrator’s charter and to perform any other acts necessary to the performance of its powers and duties.”

4. Effective January 1, 2008, Section 9.1(b) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“(b) The Company may modify the Trust Agreement as provided therein to accomplish the purpose of the Plan. The Administrator may remove any Trustee and may select any successor trustee. Pensions under the Plan may alternatively be provided through the purchase of annuity contracts issued by an insurance company. In lieu of a Trust Agreement and Trust Fund, the Company may utilize a contract or contracts of insurance for the purpose of receiving and holding contributions made by the Company and for the purpose of paying pensions and other benefits provided by the Plan, and in such event the references hereunder to “Trust Agreement”, “Trustee” and “Trust Fund” shall be deemed to be references to “Insurance Contract”, “Insurance Carrier” and “Insured Fund” respectively.”

5. Effective January 1, 2008, Section 9.1(d) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“(d) The Administrator shall perform such duties relating to the operation of the Trust Fund as it deems appropriate and shall perform the duties specified in this Section 9.1.

The Administrator shall have the following responsibilities:

(i) to appoint and remove Trustees;

(ii) to appoint investment managers;

(iii) to select investment funds or other investments under the Plan;

(iv) to allocate the duties and procedures for the Trustee and investment managers;

(v) to establish an investment philosophy and goals for each of the investment managers;

(vi) to monitor the Trustee with respect to servicing the Trust Fund in a fiduciary capacity; and

(vii) to monitor the investment managers including, without limitation, their investment philosophies, goals, and rates of return.

The Administrator may, from time-to-time, designate another person to carry out any of the Administrator’s responsibilities under this Section 9.1. The person so designated will have full authority, or such limited authority as the Administrator may specify, to take such actions as are necessary or appropriate to carry out the duties delegated by the Administrator.”

6. Effective January 1, 2008, Section 10.1 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“10.1 Maximum Limitation Under Section 415(b) of the Code

This Section 10.1 is intended to comply with Code Section 415(b), the terms of which are incorporated herein by reference and this Section shall be so construed. Any provisions of the Plan to the contrary notwithstanding, benefits accrued and benefits payable under the Plan shall be subject to the following limitations, effective for limitation years on or after July 1, 2007:

(a) In no event shall the annual benefit accrued, distributed or otherwise payable to any Participant exceed the Code Section 415 limit described in subsection (b). To the extent necessary to comply with Code Section 411(b), if the benefit the Participant would otherwise accrue in a limitation year would produce an annual benefit in excess of the Code Section 415 limit described in subsection (b), the benefit will be limited (or the rate of accrual reduced) to a benefit that does not exceed such limit.

(b) The Code Section 415 limit is the lesser of (i) and (ii) below:

(i) The dollar limitation set forth in Code Section 415(b)(1)(A), or

(ii) 100% of the Participant’s average annual Test Compensation for the three consecutive calendar years (or, if his period of employment is less than three years, for his entire period of employment) as a Participant during which he received the greatest aggregate Test Compensation.

(c) In no event shall the limitations in subsection (b) be less than $10,000 if the Participant has not at any time participated in a defined contribution plan maintained by the Employer.

(d) For purposes of the maximum limitation of this Article, all qualified defined benefit plans (whether or not terminated) maintained by an Employer or any Affiliate shall be treated as a single plan. For purposes of applying the limitations of Code Section 415, the terms 'Employer' and 'Affiliate' shall be construed in light of Code Sections 414(b) and 414(c), as modified by Code Section 415(h).

(e) The dollar limitation described in paragraph (b)(i) above shall be increased by the cost of living adjustment factor prescribed by the Secretary of the Treasury under Code Section 415(d). Such adjustment factor shall be applied to Participants and to such items as the Secretary of the Treasury shall prescribe.

(f) If the benefit payable to a Participant commences prior to age 62, the dollar limitation specified under paragraph (b)(i) above as adjusted by subsection (e) shall be the lesser of: (A) the dollar limitation specified under paragraph (b)(i) above as adjusted by subsection (e) multiplied by the ratio of the annual amount of the straight life annuity commencing at his Annuity Starting Date, over the annual amount of the straight life annuity commencing at age 62 (both determined without regard to the Code Section 415 limits), or (B) such limit, after the application of an actuarially equivalent reduction from age 62 to his age as of his Annuity Starting Date, using a 5% interest rate assumption and the applicable mortality table under Code Section 417(e)(3)(B). No adjustment shall be made to reflect the probability of a Participant's death after the Annuity Starting Date and before age 62.

(g) If the benefit payable to a Participant commences after age 65, the dollar limitation specified under paragraph (b)(i) above as adjusted by subsection (e) shall be the lesser of : (A) the dollar limitation specified under paragraph (b)(i) above as adjusted by subsection (e) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity payable to the Participant (ignoring accruals after age 65) using the actuarial adjustments in Section 11.6 over the annual amount of the straight life annuity that would have been payable at age 65, or (B) the dollar limitation specified under paragraph (b)(i) above as adjusted by subsection (e) actuarially increased using a 5% interest rate assumption and the applicable mortality table under Code Section 417(e)(3)(B). The probability of the Participant dying after age 65 and before the age at which the payment of benefits would commence shall not be taken into account in increasing the dollar limitation under this subsection (g).

(h) The annual benefit is a retirement benefit under the Plan which is payable annually in the form of a single life annuity.

  (i) If the benefit payable to a Participant is not in the normal form of payment nor in the form of a qualified joint and survivor annuity, and it is not payable in a form to which Code Section 417(e)(3) applies, then the maximum annual amount determined under subsection (b) above shall be adjusted such that it is the greater of:

    (A) the actuarially equivalent straight life annuity commencing at the same Annuity Starting Date as the form of benefit payable to the Participant using the Plan's factors for determining actuarial equivalence, and

    (B) the actuarially equivalent straight life annuity commencing at the same Annuity Starting Date as the form of benefit payable to the Participant using an interest rate of 5% and the applicable mortality table under Code Section 417(e)(3)(B).

(ii) If the benefit is payable in a form to which Code Section 417(e)(3) applies, the actuarially equivalent straight life annuity benefit shall be the greatest of:

(A) the annual amount of the straight life annuity commencing at the Annuity Starting Date that has the same actuarial present value as the particular form of benefit payable, computed using the Plan's factors for determining actuarial equivalence;

(B) the annual amount of the straight life annuity commencing at the Annuity Starting Date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5% interest assumption and the applicable mortality table under Code Section 417(e)(3)(B); or

(C) the annual amount of the straight life annuity commencing at the Annuity Starting Date that has the same actuarial present value as the particular form of benefit payable, computed using the applicable interest rate under Code Section 417(e)(3)(C) and the applicable mortality table specified in Revenue Ruling 2001-62, divided by 1.05.

(iii) Notwithstanding the foregoing, for a benefit that has an Annuity Starting Date in 2004 or 2005, the actuarially equivalent straight life annuity benefit shall be the greater of:

(A) the annual amount of the straight life annuity commencing at the Annuity Starting Date that has the same actuarial present value as the particular form of benefit payable, computed using the Plan's actuarial equivalence factors; or

(B) the annual amount of the straight life annuity commencing at the Annuity Starting Date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5% interest assumption and the applicable mortality table for the distribution under Treasury Regulation Section 1.417(e)-1(d)(2).

Benefits with an Annuity Starting Date in 2004 shall be calculated in accordance with the requirements of Notice 2004-78, the terms of which are hereby incorporated by reference.

(i) If the Participant has completed less than 10 years of Plan participation, the dollar limitation determined under paragraph (b)(i) above shall be adjusted by multiplying such amount by a fraction, the numerator of which is the Participant's number of years of Plan participation (or parts thereof) and the denominator of which is 10.

(j) If the Participant has completed less than 10 years of Credited Service, the maximum amount determined under paragraph (b)(ii) and subsection (c) (without regard to paragraph (b)(i) above) shall be adjusted by multiplying such amount by a fraction, the numerator of which is the Participant's number of years of Credited Service (or parts thereof) and the denominator is 10.

(k) In no event shall the provisions of subsection (i) or subsection (j) above reduce the limitations in subsection (b) to an amount less than one tenth of such limitations, determined without regard to the provisions of subsection (i) and (j).

(l) For purposes of applying the benefit limitations set forth herein, the 'limitation year' shall be the calendar year."

7. Effective December 31, 2007, Section 11.6 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"11.6 Actuarial Equivalence
Any determination of actuarial equivalence required by the provisions of this Plan, when not otherwise specified in the Plan, shall be made on the basis of the mortality table referenced in IRS Revenue Ruling 2001-62 (GAR `94) with an annual interest rate of 6%."

8. Effective January 1, 2008, Sections 12.1 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"12.1 Amendment and Termination of the Plan
The Company hopes and expects to continue the Plan, but expressly reserves the right at any time and from time to time, without the consent of Participants;

(a) to reduce or discontinue payments to the Plan;

(b) to terminate the Plan;

(c) to amend the Plan, retroactively or otherwise, in such manner as it may deem necessary or advisable in order to qualify the Plan and any trust established in conjunction therewith under the provisions of Sections 401(a) and 501(a) of the Code, or any similar Code provisions from time to time in effect;

(d) to amend the Plan in any other respect, provided, however, that no such amendment shall forfeit or diminish the interest of any Participant in the Trust Fund to the extent that such interest has become vested in such Participant, except as may be permitted under the Code or ERISA.

Any such amendment to or termination of the Plan shall be evidenced by a written instrument adopted by the Board; provided, however, that the Administrator may adopt such amendments as shall fall within the limited amendment authority contained in the Administrator's charter. Any such written instrument shall recite at which time the amendments contained therein shall become effective.

Promptly after an amendment of this Plan shall have become effective, the Company, or Administrator, as the case may be, shall cause a copy of such amendment to be filed with the Administrator and with the Trustee. The Administrator shall take such steps as it may deem appropriate and reasonable to communicate the amendment to Participants."

Executed at Erie, Pennsylvania, this 29th day of December, 2008.

ERIE INDEMNITY COMPANY

By: /s/ James J. Tanous

Title: Executive Vice President, Secretary and General Counsel

Exhibit 10.102

ERIE INDEMNITY COMPANY

EMPLOYEE BENEFITS ADMINISTRATION COMMITTEE

UNANIMOUS WRITTEN CONSENT OF COMMITTEE MEMBERS

All of the Members in office of the Erie Indemnity Company Employee Benefits Administration Committee ("EBAC") hereby consent in writing to the adoption of the following resolution, with the same effect as if that resolution had been duly proposed and adopted at a meeting of the EBAC duly called and held in accordance with its charter.

This Unanimous Written Consent of Committee Members shall become binding when executed by all of the Committee Members.

The undersigned Members have executed this Unanimous Written Consent of Committee Members and have filed same with the Chairman of the Committee.

ERIE INDEMNITY COMPANY EMPLOYEE BENEFITS ADMINISTRATION COMMITTEE

Amendment of Erie Insurance Group Employee Savings Plan (As Amended and Restated Effective January 1, 2006)

WHEREAS, Erie Indemnity Company (the "Company") maintains the Erie Insurance Group Employee Savings Plan under an amendment and restatement effective as of January 1, 2006 (the "Plan");

WHEREAS, the Plan provides that the Company may amend the Plan; and

WHEREAS, the Company has given authority to make certain amendments to its ERISA plans to the Erie Indemnity Company Employee Benefits Administration Committee ("EBAC"); and

WHEREAS, the EBAC wishes to amend the Plan as hereinafter set forth. The purpose of this Amendment is to reflect recent changes in Plan governance procedures and to make changes in connection with recent regulatory changes affecting tax-qualified plans. The provisions of this Amendment shall be effective as of the dates stated herein. Words and phrases used herein with initial capital letters which are defined in the Plan are used herein as defined.

NOW, THEREFORE, the EBAC hereby amends the Plan as set forth below:

December 29, 2008	/s/ William D. Gheres Member
December 29, 2008	/s/ Christina Marsh Member
December 29, 2008	/s/ Barbara Stapf Member

FIRST AMENDMENT TO

ERIE INSURANCE GROUP EMPLOYEE SAVINGS PLAN

(As Amended and Restated Effective January 1, 2006)

1. Effective January 1, 2008, Section 1.1 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“1.1 ‘Administrator’ or ‘Plan Administrator’ means the administrative committee described in Article Nine.”

2. Effective January 1, 2009, the final sentence of Section 1.38 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“For periods prior to June 1, 2009 or such later date as the Administrator, in its discretion, shall provide, and except as otherwise indicated, the Trust Fund shall be deemed to include that portion of a Total Account which a Participant or beneficiary elects to invest in a group annuity contract provided by the Erie Family Life Insurance Company.”

3. Effective January 1, 2009, Section 5.3(b) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“(b) Each Participant and beneficiary shall have the opportunity to change the manner in which the Total Account maintained on his behalf under the Plan is invested. Such opportunity shall be exercised by giving Notice to the Administrator or its designee within such time and in accordance with such means as are designated by the Administrator and communicated to Participants, Covered Employees and affected beneficiaries. Subject to such procedural rules as may be established by the Administrator from time-to-time, such Notice shall specify, in a whole dollar amount or in 1% increments from 0% to 100%, the dollar amount, or percentage, of the Total Account maintained on behalf of the Participant or beneficiary which is to be invested in each investment option then made available. Except as may otherwise be set forth in the Trust Agreement, such Notice shall be effective as of the Valuation Date on which the Notice is received by the Trustee or as of the next following Valuation Date, in accordance with procedures established by the Administrator and communicated to Participants, Covered Employees and affected beneficiaries. Notwithstanding any provision of this paragraph (b) to the contrary, (i) the election under this Section 5.3(b) shall be subject to any contractual limitations imposed on the direct transfer of assets between given investment funds or such other reasonable limitation on exchanges as may be agreed to between the Administrator and the person or entity designated by the Administrator to perform administrative services on behalf of the Plan (ii) the election under this Section 5.3(b) shall be subject to any regulatory restrictions on transfers, as determined by the Administrator, in its discretion, (iii) prior to March 1, 2009 or such later date as the Administrator, in its discretion, shall provide, in no event shall any portion of the Total Account maintained on behalf of a Participant or beneficiary in the Erie Family Life Group Annuity Fund be transferred to any other investment fund and (iv) in no event shall any portion of the Total Account maintained on behalf of a Participant be transferred to the Erie Indemnity Stock Fund.”

4. Effective January 1, 2008, Section 5.3(e) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“(e) Any investment election or deemed investment election under the Plan shall remain in effect until changed by an election under this Section. Notwithstanding any provision of this Article Five to the contrary, the Administrator, in its discretion, may offer such investment options to Participants and beneficiaries as it deems appropriate and may cease to offer any such options as it deems appropriate. In the event the Administrator decides to discontinue offering an investment option under the Plan, those Participants on whose behalf Total Accounts are being maintained that are invested in the discontinued investment option may be required, at the discretion of the Administrator, to have affected amounts consolidated with (or “mapped” to) a replacement investment option selected by the Administrator or may be provided an opportunity to designate, from such selection of investment options as may be offered by the Administrator, an investment option or options as a replacement for the investment option being discontinued. Any such designation by a Participant shall be made in accordance with paragraph (b) above. If a Participant who is affected by the discontinuation of an investment option fails to make any replacement designation offered in this paragraph (e), the Participant’s interest in such discontinued fund, shall be consolidated with (or “mapped” to) such replacement investment option selected by the Administrator, in its discretion. Any changes under this paragraph (e) shall take effect as of such times and under such rules as shall be established by the Administrator.”

5. Effective January 1, 2008, Section 8.1 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“8.1 Trust Agreement

The Company has entered into a Trust Agreement for the purpose of holding assets of the Trust Fund other than assets attributable to amounts invested in a group annuity contract provided by the Erie Family Life Insurance Company. The Trust Agreement provides, among other things, that all funds received by the Trustee thereunder shall be held, administered, invested and distributed by the Trustee, and that no part of the corpus or income of the Trust Fund held by the Trustee shall be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their beneficiaries. The Administrator may remove such Trustee or any successor Trustee, and any Trustee or any successor Trustee may resign. Upon removal or resignation of a Trustee, the Administrator shall appoint a successor Trustee.

The Administrator shall have authority to direct that there shall be more than one Trustee under the Trust Agreement and to determine the portion of the assets under the Trust Agreement to be held by each such Trustee. If such action is taken, the Administrator shall designate the additional Trustee or Trustees, and each Trustee shall hold and invest and keep records with respect to the portion of such assets held by it.”

6. Effective January 1, 2008, Section 8.4 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

“8.4 Role of Administrator in Operation of the Trust Fund

The Administrator shall perform such duties relating to the operation of the Trust Fund as it deems appropriate and shall perform the duties specified in this Section 8.4.

The Administrator shall have the following responsibilities:

(a) to appoint and remove Trustees;

(b) to appoint investment and fund managers;

(c) to allocate the duties and procedures for the Trustee and investment fund managers;

(d) to select investment funds or other investments to offer under the Plan;

(e) to establish an investment philosophy and goals for each of the investment and fund managers;

(f) to monitor the Trustee with respect to servicing the Trust Fund in a fiduciary capacity; and

(g) to monitor the investment and fund managers including, without limitation, their investment philosophies, goals, and rates of return.

The Administrator may, from time-to-time, designate another person to carry out any of the Administrator's responsibilities under this Section 8.4. The person so designated will have full authority, or such limited authority as the Administrator may specify, to take such actions as are necessary or appropriate to carry out the duties delegated by the Administrator."

7. Effective January 1, 2008, Section 9.1 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"9.1 The Administrator

The Plan shall be administered by a committee that shall act as Plan Administrator. The initial members of the administrative committee have been appointed by the Board, effective January 1, 2008; provided, however, that such initial members, and any subsequent members of the administrative committee shall serve at the pleasure of the Executive Council of the Company. Any individual who is a member of the administrative committee may resign by delivering his written resignation to the Executive Council of the Company. In the event of the death, resignation or removal of a member of the administrative committee, such Executive Council shall fill the vacancy. In making the appointment, the Executive Council shall not be limited to any particular person or group, and nothing herein contained shall be construed to prevent any Participant, director, officer, employee or shareholder of the Employers from serving as a member of the administrative committee. Members of the administrative committee will not be compensated from the Trust Fund for services performed in such capacity, but the Company will reimburse such individuals for expenses reasonably and necessarily incurred by them in such capacity. The Administrator shall be the "named fiduciary" for purposes of ERISA; provided, however, that Participants and beneficiaries with Employer Accounts under the Plan shall be considered "named fiduciaries" solely to the extent of those fiduciary duties and responsibilities which are directly related to the exercise of voting rights with respect to Plan interests invested in the Erie Indemnity Stock Fund (and not to other aspects of Plan operation and/or administration).

Initial appointment by the Board is evidenced by a resolution of the Board. Appointment by the Executive Council of the Company shall be evidenced in a writing executed on behalf of the Executive Council. Copies of such writings shall be delivered to the Trustee and to such other persons as may require such notice."

8. Effective January 1, 2008, Section 9.2(o) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"(o) To exercise such other authority and responsibility as is specifically assigned to it under the terms of the Plan or the provisions of the Administrator's charter and to perform any other acts necessary to the performance of its powers and duties."

9. Effective January 1, 2008, Sections 11.11(b) and (c) of the Plan shall be deleted in their entirety and the following shall be inserted in lieu thereof:

"(b) In the event that a Participant's total Annual Additions for any limitation year exceeds the limitations of Section 11.11(a) because of a reasonable error in estimating a Participant's Compensation, a reasonable error in determining the amount of Elective Deferrals that a Participant may make within the limitations of paragraph (a) above or due to other facts and circumstances as the Commissioner of Internal Revenue finds justifiable, the excess amount shall be eliminated and/or the error corrected in a manner prescribed under the IRS Employee Plans Compliance Resolution System.

(c) Notwithstanding anything herein to the contrary, in no event shall Test Compensation, for purposes of this Section 11.11, include severance pay. However, the following types of remuneration, if includible for purposes of Test Compensation as described in paragraph (a) above, shall be taken into account only if paid by the later of the date that is 2-1/2 months after the date of severance from employment with an Employer or the end of the limitation year that includes the date of severance from employment with the Employer, if the amounts would have been included in compensation had they been paid before the severance from employment date:

(i) Regular Pay After Severance from Employment. The payment for services rendered during the Participant's regular working hours, or for services outside of the Participant's regular working hours such as overtime or shift differential, commissions, bonuses or other similar payments that would have been paid had the Participant not incurred a severance from employment.

(ii) Leave Cash Outs and Deferred Compensation. Payments of unused accrued bona fide sick, vacation or other leave provided the Participant would have been able to use the leave if employment had continued, or payments from a nonqualified unfunded deferred compensation plan, provided the payment would have been paid had the Participant not incurred a severance from employment and such payment would have been includible in gross income had such payment been made.

(iii) Post-Severance from Employment Salary Continuation Payments. If the Employer continues to provide remuneration to a Participant due to the Participant's disability or to a Participant who is not performing services because of qualified military service, as defined in Code Section 414(u), in an amount that is not in excess of that which would have been payable to the Participant as compensation had the Participant not entered qualified military service, such amounts will be included in Test Compensation for purposes of this Section.

(d) The sole purpose of this Section is to comply with the formal requirements of Section 415(c) of the Code and the terms of this Section shall be interpreted, applied, and if and to the extent necessary, shall be deemed modified so as to satisfy solely the minimum requirements of Section 415(c) of the Code and the regulations promulgated with respect thereto."

10. Effective July 1, 2008, Section 14.2(c) of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"(c) Length of Loan. The Eligible Applicant and the Administrator shall arrange for the repayment of a Plan loan. The period of repayment shall not exceed five years from the date the loan is made. All repayment schedules (whether by payroll withholding or otherwise) shall commence as of the next administratively feasible pay period following the disbursement of the loan and shall provide for substantially level amortization of principal and interest. An Eligible Applicant who is on a military leave of absence may elect to extend the term of a loan by the length of such absence. In all other cases, an Eligible Applicant who is on a leave of absence or who terminates employment with the Company and Affiliates must make principal and interest payments in the amount and on such dates as otherwise due. In the event such payments are not made the maturity of the loan shall be accelerated and the outstanding principal amount of the loan, together with all accrued interest, shall be deemed immediately due and distributable at such date or dates as the Administrator deems reasonable and as may be specified by applicable law and regulation. Except as otherwise permitted in Income Tax Regulations, in no event shall the date of deemed distribution extend beyond the end of the calendar quarter next following the calendar quarter in which the payment was not made."

11. Effective July 1, 2008, Section 14.3 of the Plan shall be deleted in its entirety and the following shall be inserted in lieu thereof:

"14.3 Loan Accounts

A loan made by the Plan to a Eligible Applicant in accordance with Sections 14.1 and 14.2 shall be from the Total Account maintained on behalf of such Eligible Applicant and from the investment funds in which such Total Account is invested in such order of priority as the Administrator, pursuant to a uniform and nondiscriminatory policy, shall direct. Payments of principal and interest on loans shall be paid over to the Trustee as soon as possible after each payroll deduction or other repayment and shall be credited to the Total Account of the Eligible Applicant as of the date the repayments are received by the Trustee. An Eligible Applicant's loan repayments will be credited to such individual's Total Account in such manner as determined by the Administrator and communicated to Eligible Applicants. The Administrator shall have the authority to establish other reasonable rules, not inconsistent with the provisions of the Plan, governing the establishment and maintenance of loan accounts."

Executed at Erie, Pennsylvania, this 29th day of December, 2008.

ERIE INDEMNITY COMPANY

By: /s/ James J. Tanous

Title: Executive Vice President, Secretary and General Counsel

Exhibit 10.103

SUPPLEMENTAL RETIREMENT PLAN FOR CERTAIN MEMBERS OF THE ERIE INSURANCE GROUP RETIREMENT PLAN FOR EMPLOYEES

(Amended and Restated as of January 1, 2009)

This Supplemental Retirement Plan for Certain Members of the Erie Insurance Group Retirement Plan for Employees (the "Plan") is an unfunded, non-qualified, deferred compensation arrangement created for a select group of management and highly compensated employees of Erie Indemnity Company (the "Company") and its affiliates. It is intended that the Plan will aid in retaining and attracting qualified executives by providing retirement benefits in addition to the retirement benefits that may be provided under the tax-qualified Erie Insurance Group Retirement Plan for Employees (the "Qualified Plan").

The Plan was established effective as of December 31, 1986, has been amended from time to time and was last amended and restated effective December 31, 2002. This amendment and restatement of the Plan shall constitute an amendment, restatement and continuation of the Plan and is generally effective as of January 1, 2009. However, certain provisions of this amendment and restatement are effective as of some other date. Events occurring before the applicable effective date of any provision of this amendment and restatement shall be governed by the applicable provision of the Plan as in effect on the date of the event.

SECTION 1 - INCORPORATION OF THE QUALIFIED PLAN AND DEFINITIONS

1.1 The Qualified Plan, with any amendments thereto in effect as of January 1, 2009, shall be attached hereto as Exhibit I and is hereby incorporated by reference into and shall be a part of this Plan as fully as if set forth herein verbatim. Any amendment made to the Qualified Plan shall also be incorporated by reference into, and form a part of, the Plan effective as of the effective date of such amendment; provided, however, that such incorporation of a Qualified Plan amendment shall not apply with respect to any term or provision that is expressly addressed in this Plan document. The Qualified Plan, whenever referred to in the Plan, shall mean the Qualified Plan existing as of the date the relevant determination is being made under the Plan. To the extent the provisions of the Qualified Plan, as applicable to the Supplemental Plan Benefits of Participants hereunder and all persons claiming by or through such Participants, are inconsistent with the provisions of the Plan, the provisions of the Plan shall govern. Notwithstanding any provision of the Plan to the contrary, in no event shall the Supplemental Plan Benefits accrued and payable hereunder be paid from the trust fund under the Qualified Plan or have any effect whatsoever upon the Qualified Plan or the payment of benefits from the trust fund under the Qualified Plan. Words and phrases with initial capital letters which are used in the Qualified Plan and in the Plan shall have the meanings assigned to them under the provisions of the Qualified Plan unless otherwise specified herein or as otherwise qualified by the context in which the term is used in the Plan.

1.2 Without limiting the generality of Section 1.1, the following terms shall be given the meanings described in this Section 1.2:

(a) "Actuarial Equivalent" shall mean a benefit of equivalent value to the benefit otherwise described as determined on the basis of the actuarial assumptions specified under the Qualified Plan as of the date of determination; provided, however, that for purposes of determining the lump sum equivalent to any Supplemental Plan Benefit, equivalent value shall be determined on the basis of the applicable mortality table under Section 417(e)(3)(B) of the Code in effect as of the date of determination (the 1994 Group Annuity Reserving table, as defined in IRS Revenue Ruling 2001-62, with respect to determinations before December 31, 2008) and an interest rate equal to the average of the Moody's Aa corporate bond rates for the second calendar month immediately preceding the calendar month as of which the lump sum distribution is made.

(b) "Administrator" shall mean the person or committee, appointed by the Chief Executive Officer of the Company, who shall be responsible for the administrative functions assigned to it under the Plan.

(c) "Affiliate" shall mean a corporation or partnership in which more than 50% of the equity is owned directly or indirectly by the Company including, without limitation, the following: Erie Family Life Insurance Company, Erie Insurance Company, EI Holding Corp., EI Service Corp., Erie Insurance Company of New York, Erie Insurance Property & Casualty Company and Flagship City Insurance Company.

(d) "Beneficiary" shall mean a person who is eligible to receive a Supplemental Plan Benefit as a result of the death of a Participant. A Beneficiary shall be designated by a Participant, in accordance with such procedures as the Administrator may provide or, in the absence of such a designation, a Beneficiary shall be such person as the Administrator, in its discretion, shall determine.

(e) "Board" shall mean the Board of Directors of the Erie Indemnity Company.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Company" shall mean the Erie Indemnity Company, a Pennsylvania business corporation.

(h) "Committee" shall mean the Executive Compensation and Development Committee of the Board, or its successor, as designated by the Board.

(i) "Controlled Group Member" shall mean any organization which, together with the Company, is a member of a controlled group of corporations under Sections 414(b), 414(c) and 1563(a) of the Code, applying an 80% test for purposes of Section 1563(a).

(j) "Covered Employee" is a term that is defined in Article II of the Qualified Plan document.

(k) "Earliest Retirement Date" means the first date on which a Participant has both attained age 55 years, and completed at least 15 years of Credited Service. The attainment of age 65 years shall be the Earliest Retirement Date with respect to a Participant who has incurred a Separation from Service before satisfying the criteria set forth in the preceding sentence.

(l) "Employer" is a term that is defined in Article II of the Qualified Plan document.

(m) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(n) "Normal Retirement Date" shall be the first day of the month next following the month in which a Participant attains age 65 years.

(o) "Participant" shall mean a Covered Employee who participates in the Plan in accordance with the terms and conditions of this Plan document. Participant shall also include a former Covered Employee who had become a Participant as a Covered Employee and who is, at the time of determination, receiving a benefit (or entitled to receive a benefit) payable from the Company pursuant to the terms of the Plan.

(p) "Plan" shall mean this Supplemental Retirement Plan for Certain Members of the Erie Insurance Group Retirement Plan for Employees, including any amendments hereto.

(q) "Qualified Plan" shall mean the Erie Insurance Group Retirement Plan for Employees, as in effect as of the date the relevant determination is being made under the Plan.

(r) "Restoration Benefit" shall mean the benefit provided under Section 4.2. A Restoration Benefit shall be expressed in the form of a single life annuity.

(s) "Separation from Service" shall mean an individual's complete cessation of all services as an Employee for the Company and all Controlled Group Members or as otherwise set forth below:

  (i) A Separation from Service shall not be considered to have occurred if the individual's employment relationship is treated by an Employer as continuing while the individual is on military leave, sick leave, or other bona fide leave of absence if such period of leave does not exceed six months or, if longer, so long as the individual's right to reemployment is provided by statute or by contract. If the period of leave exceeds six months and such reemployment rights are not provided, the employment relationship is deemed to cease on the first date immediately following such six-month period.

  (ii) A Separation from Service shall also not be considered to have occurred if the individual's employment relationship is treated by an Employer as continuing while the individual is on a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six months, where such impairment causes the individual to be unable to perform the duties of his position or any substantially similar position, provided that, for purposes of the Plan, the employment relationship shall be considered to continue no longer than 29 months or, if longer, so long as the individual's right to reemployment is provided by statute or by contract. If the period of leave exceeds 29 months and such reemployment rights are not provided, the employment relationship is deemed to cease on the first date immediately following such 29-month period.

(iii) A Separation from Service shall also not be considered to have occurred, regardless of the level of services anticipated or provided by the individual as an employee, if the individual continues to provide services to the Employer in a capacity other than as an employee of the Employer at a rate that is fifty percent (50%) or more of the level of services rendered, on average, during the immediately preceding 36-month period (or the full period of such services, if less than 36 months) and the remuneration for such services is fifty percent (50%) or more of the average remuneration earned during the 36-month period (or the full period of such services, if less than 36 months).

(iv) Otherwise, a Separation from Service is presumed to have occurred if the facts and circumstances indicate that (A) an Employer and the individual reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the individual would perform after such date would permanently decrease to 20% or less of the average level of bona fide services over the immediately preceding 36-month period (or the full period of such services, if less than 36 months) or (B) the level of bona fide services the individual performs after a given date decreases to a level equal to 20% or less of the average level of bona fide services performed by the individual over the immediately preceding 36-month period (or the full period of such services, if less than 36 months).

(t) "Specified Employee" shall mean, for any period during which the Company remains publicly traded, an individual who is included in the group of employees who are determined to be "key employees" under Section 416(i)(1)(A)(i), (ii), or (iii) of the Code (as applied in accordance with regulations thereunder and disregarding Section 416(i)(5) of the Code), identified in the manner and under the procedures specified in a writing adopted by the Committee.

(u) "Supplemental Plan Benefit" shall mean, to the extent applicable to any given Participant, the Restoration Benefit or the Supplemental Retirement Income Benefit.

(v) "Supplemental Plan Service" shall mean the greater of:

(i) An Employee's period of employment with an Employer as both a Covered Employee and an Executive Vice President or higher-ranking executive; and

(ii) An Employee's period of employment with an Employer during which he is both a Covered Employee and a Participant in the Plan.

Supplemental Plan Service shall be measured in consecutive twelve-month periods, including leaves of absence. Notwithstanding the foregoing, the Committee, in a separate writing, may provide that a given Participant's Supplemental Plan Service be determined in a manner that is different than that set forth above.

(w) "Supplemental Retirement Income Benefit" shall mean the benefit provided under Section 4.1. A Supplemental Retirement Income Benefit shall be expressed in the form of a ten-year certain and life thereafter annuity.

SECTION 2 - ADMINISTRATION

2.1 The Administrator shall be charged with the administration of the Plan. The Administrator shall have all such powers as may be necessary to discharge its duties relative to the administration of the Plan, including by way of illustration and not limitation, discretionary authority to interpret and construe the Plan, to determine and decide all questions of fact, and all disputes arising under the Plan including, but not limited to, the eligibility of any employee to participate in the Plan, the validity of any election or designation as may be necessary or appropriate hereunder and the right of any Participant, surviving spouse or Beneficiary to receive payment of all or any portion of a Supplemental Plan Benefit otherwise determined hereunder. The Administrator shall have all power necessary to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of the Plan as it, in its sole discretion, may from time to time deem advisable and shall have the power to make equitable adjustments to remedy any mistakes or errors made in the administration of the Plan. The Administrator shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to willful misconduct. The Administrator, the Company and its respective officers and directors shall be entitled to conclusively rely upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan insofar as such reliance is consistent with ERISA and other applicable law. The service providers to the Plan may act and rely upon all information reported to them by the Administrator and/or the Company and need not inquire into the accuracy thereof nor shall be charged with any notice to the contrary. Any individual serving as Administrator shall not participate in any action or determination regarding solely his own benefits payable hereunder. Decisions of the Administrator made in good faith shall be final, conclusive and binding upon all parties. Until modified by the Administrator, the claims and review procedures set forth in Section 2.2 shall be the exclusive procedures for the disposition of claims for benefits arising under the Plan.

2.2 Claims Review Procedure. The Administrator shall be responsible for the claims procedure under the Plan.

(a) Original Claim. In the event a claim of any Participant, surviving spouse, Beneficiary, or other person (hereinafter referred to in this Section as the "Claimant") for a benefit is partially or completely denied, the Administrator shall give, within ninety (90) days after receipt of the claim (or if special circumstances, made known to the Claimant, require an extension of time for processing the claim, within one hundred eighty (180) days after receipt of the claim), written notice of such denial to the Claimant. Such notice shall set forth, in a manner calculated to be understood by the Claimant, the specific reason or reasons for the denial (with reference to pertinent Supplemental Plan provisions upon which the denial is based); an explanation of additional material or information, if any, necessary for the Claimant to perfect the claim; a statement of why the material or information is necessary; a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA; and an explanation of the Supplemental Plan's claims review procedure, including the time limits applicable to such procedure.

(b) Review of Denied Claim.

(i) A Claimant whose claim is partially or completely denied shall have the right to request a full and fair review of the denial by a written request delivered to the Administrator within sixty (60) days of receipt of the written notice of claim denial, or within such longer time as the Administrator, under uniform rules, determines. In such review, the Claimant or his duly authorized representative shall have the right to review, upon request and free of charge, all documents, records or other information relevant to the claim and to submit any written comments, documents, or records relating to the claim to the Administrator.

(ii) The Administrator, within sixty (60) days after the request for review, or in special circumstances, such as where the Administrator in its sole discretion holds a hearing, within one hundred twenty (120) days of the request for review, will submit its decision in writing. Such decision shall take into account all comments, documents, records and other information properly submitted by the Claimant, whether or not such information was considered in the original claim determination. The decision on review will be binding on all parties, will be written in a manner calculated to be understood by the Claimant, will contain specific reasons for the decision and specific references to the pertinent Supplemental Plan provisions upon which the decision is based, will indicate that the Claimant may review, upon request and free of charge, all documents, records or other information relevant to the claim and will contain a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

(iii) If a Claimant fails to file a claim or request for review in the manner and in accordance with the time limitations specified herein, such claim or request for review shall be waived, and the Claimant shall thereafter be barred from again asserting such claim.

(c) Determination by the Administrator is Conclusive. The Administrator's determination of factual matter relating to Participants, surviving spouses, Beneficiaries and other persons including, without limitation, a Participant's compensation, years of service credit and any other factual matters, shall be conclusive.

2.3 Exhaustion of Administrative Remedies. The exhaustion of the claims review procedure is mandatory for resolving every claim and dispute arising under the Plan. As to such claims and disputes:

(a) No claimant shall be permitted to commence any civil action to recover Plan benefits or to enforce or clarify rights under the Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, until the claims review procedure set forth herein has been exhausted in its entirety; and
(b) In any such civil action all explicit and all implicit determinations by the Administrator (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed) shall be afforded the maximum deference permitted by law.

2.4 Deadline to File Civil Action. No civil action to recover Plan benefits or to enforce or clarify rights under the Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, may be brought by any claimant on any matter pertaining to the Plan unless the civil action is commenced in the proper forum before the earlier of:
(a) Thirty months after the claimant knew or reasonably should have known of the principal facts on which the claim is based; or
(b) Six months after the claimant has exhausted the claims review procedure.

SECTION 3 - ELIGIBILITY AND PARTICIPATION

3.1 A Covered Employee shall be eligible to participate in the Plan only as provided under Sections 3.2 and 3.3 and only if such Covered Employee is considered management or highly compensated.

3.2 Except as the Committee may provide in a separate writing, each Covered Employee who was considered an eligible Employee under the Plan as of December 31, 2008 and each former Covered Employee who is receiving a Supplemental Plan Benefit (or entitled to receive a Supplemental Plan Benefit) as of December 31, 2008 shall be considered a Participant as of January 1, 2009. Effective on and after January 1, 2009, any Covered Employee shall become a Participant in the Plan (if not already a Participant under Section 3.3) as of the January 1 of the calendar year with respect to which the Committee selects the Covered Employee for participation in the Supplemental Retirement Income Benefit provisions of the Plan. The Administrator shall be responsible for identifying those Covered Employees who participate in the Plan pursuant to the foregoing provisions of this Section 3.2. Except as may otherwise be provided in an individual agreement between the Company and a Participant, a Participant (or his surviving spouse or Beneficiary) will be eligible for a Supplemental Retirement Income Benefit only in the event that:
(a) Such Participant is vested under the Qualified Plan; and
(b) Such Participant (or his surviving spouse or Beneficiary) is entitled to receive a benefit under the Qualified Plan; and
(c) Prior to his Separation from Service, such Participant has become vested in the Supplemental Retirement Income Benefit pursuant to the following schedule:

Supplemental Plan Service	Vested Percentage
Less than 1 year	0%
1 but less than 2 years	20%
2 but less than 3 years	40%
3 but less than 4 years	60%
4 but less than 5 years	80%
5 years or more	100%

Notwithstanding the foregoing provisions of this Section 3.2 or any provision of the Plan to the contrary, the Committee, at any time and for any reason, may determine that a Participant shall cease active participation in the Supplemental Retirement Income Benefit provisions of the Plan. Except as may otherwise be provided by the Committee in a separate writing, a cessation of a Participant's active participation in the Supplemental Retirement Income Benefit provisions of the Plan shall freeze the Participant's Supplemental Retirement Income Benefit as of the effective date determined by the Committee with the result that periods of the Participant's employment and compensation earned by the Participant on and after such effective date shall not be recognized in computing the amount of the Participant's Supplemental Retirement Income Benefit nor in determining the Participant's vested percentage under this Section 3.2.

3.3 Any Covered Employee whose benefit under the Qualified Plan is limited on account of restrictions imposed for any year by Sections 401(a)(17) and/or 415 of the Code shall become a Participant in the Plan (if not already a Participant under Section 3.2) as of the later of the December 31 of the Plan Year in which his Qualified Plan benefit is first so limited or January 1, 1996. Notwithstanding his status as a Participant or non-Participant under Section 3.2, a Covered Employee who satisfies the foregoing criteria of this Section 3.3 shall participate in the Restoration Benefit provisions of the Plan. The Administrator shall be responsible for identifying those Covered Employees whose Qualified Plan benefits are limited in accordance with the foregoing provisions of this Section 3.3, the time at which such limitations first apply to said Employees and the extent to which such limitations do apply. Except as may otherwise be provided in an individual agreement between the Company and a Participant, a Participant (or his surviving spouse or Beneficiary) will be eligible for a Restoration Benefit only in the event that:

(a) Such Participant is vested under the Qualified Plan; and

(b) Such Participant (or his surviving spouse or Beneficiary) is entitled to receive a benefit under the Qualified Plan; and

(b) Payment of such Qualified Plan benefit is restricted by the application of Section 401(a)(17) and/or Section 415 of the Code; and

(d) Such individual is not entitled to a Supplemental Retirement Income Benefit hereunder.

Notwithstanding the foregoing provisions of this Section 3.3 or any provision of the Plan to the contrary, the Committee, at any time and for any reason, may determine that a Participant shall cease active participation in the Restoration Benefit provisions of the Plan. Except as may otherwise be provided by the Committee in a separate writing, a cessation of a Participant’s active participation in the Restoration Benefit provisions of the Plan shall freeze the Participant’s Restoration Benefit as of the effective date determined by the Committee with the result that periods of the Participant’s employment and compensation earned by the Participant on and after such effective date shall not be recognized in computing the amount of the Participant’s Restoration Benefit. However, for purposes of the Participant’s Qualified Plan accrued benefit, adjustments to the limitations of Section 401(a)(17) and/or Section 415 of the Code that occur on or after such effective date shall be recognized and such adjustments may result in a reduced Restoration Benefit.

SECTION 4 - AMOUNT OF SUPPLEMENTAL PLAN BENEFITS

4.1 Except as otherwise specifically provided herein or in an individual agreement between the Company and a Participant, the Supplemental Retirement Income Benefit determined with respect to a Participant who satisfies the provisions of Section 3.2 hereof, and which is paid in accordance with Section 5, shall be the Actuarial Equivalent of the product of (1) the excess, if any, of the amount determined under paragraph (a) below over the amount determined under paragraph (b) below, and (2) the percentage determined under (c) below, where:

(a) Equals the monthly benefit which would have been payable to such Participant (or on his behalf to his surviving spouse or other Beneficiary) under the Qualified Plan, assuming for this purpose that the following modifications were a part of the Qualified Plan:

(i) “Compensation” shall be as defined in the Qualified Plan on the date of determination provided that:

(A) All otherwise current base salary which is deferred at the Participant’s election under any qualified or nonqualified deferred compensation plan or annuity arrangement shall be includable in “Compensation”; and

(B) “Compensation” (as defined in accordance with the foregoing) shall be determined without regard to the annual limitation on compensation set forth in Section 401(a)(17) of the Code; and

(ii) “Final Average Earnings” shall be equal to 1/24th of the aggregate Compensation received by the Participant during the twenty-four consecutive calendar months as a Covered Employee which produces the greatest aggregate Compensation out of the one hundred twenty calendar month period ending on the earlier of (A) the date on which the Participant incurs a Separation from Service or (B) the date on which the Participant is no longer considered a Covered Employee; and

(iii) The monthly benefit under the Qualified Plan shall be equal to 60% of Final Average Earnings, reduced proportionately if the Participant’s years of Credited Service are less than 30 years or 25 years, whichever limitation applied to the Participant under the provisions of Section 6.1 of the Qualified Plan as in effect on December 30, 1989; and

(iv) The monthly benefit under the Qualified Plan is accrued in the normal form of a ten-year certain and life thereafter annuity.

(b) Equals the monthly benefit payable to such Participant (or on his behalf to his surviving spouse or other Beneficiary) under the Qualified Plan and under any other qualified or nonqualified (funded or unfunded) defined benefit retirement plan sponsored by the Company or an Affiliate; provided, however, that for purposes of this offset, such a monthly benefit which is expressed in a form of payment other than a ten-year certain and life thereafter annuity shall be converted to a monthly benefit which is the Actuarial Equivalent of a ten-year certain and life thereafter annuity.

(c) Equals the Participant's vested percentage as of his Separation from Service, determined in accordance with Section 3.2(c) hereof.

4.2 The monthly Restoration Benefit determined with respect to a Participant who satisfies the provisions of Section 3.3 hereof, and which is paid in accordance with Section 5, shall be the Actuarial Equivalent of the excess, if any, of the amount determined under paragraph (a) below over the amount determined under paragraph (b) below, where:

(a) Equals the monthly benefit which would have been payable under the form of a single life annuity to such Participant (or on his behalf to his surviving spouse or other Beneficiary) under the Qualified Plan, if the provisions of the Qualified Plan were administered without regard to the annual limitation on compensation set forth in Section 401(a)(17) of the Code and without regard to the limitations on benefits set forth in Section 415 of the Code; and

(b) Equals the monthly benefit which is payable under the form of a single life annuity to such Participant (or on his behalf to his surviving spouse or other Beneficiary) under the Qualified Plan.

The Restoration Benefits payable under the Plan to, or on behalf of, a Participant shall be computed in accordance with the foregoing and with the objective that the Participant, his surviving spouse or other Beneficiary should receive under the Supplemental Plan and the Qualified Plan, the total amount which would otherwise have been payable to that recipient solely under the Qualified Plan, as of the date payment is made, had the provisions of Section 401(a)(17) and Section 415 of the Code not been applicable thereto.

4.3 Except as otherwise specifically provided herein or in an individual agreement between the Company and a Participant, any Supplemental Plan Benefit payable before a Participant's Normal Retirement Date shall be reduced for early commencement under the same terms and conditions applicable to a payment commencing as of the same date under the Qualified Plan.

4.4 Notwithstanding any provision of the Plan to the contrary, the Supplemental Plan Benefits provided under the foregoing provisions of this Section 4 shall be determined and coordinated by the Administrator so as to prevent any duplication of Supplemental Plan Benefits or duplication of benefits provided by any other plan or program sponsored by the Company or an Affiliate which is intended to supplement the Qualified Plan or any individual agreement between the Participant and an Employer providing for retirement benefits. For purposes of this Section 4.4, any benefits provided by, or in reference to, a Participant's salary and/or bonus deferral under individual deferred compensation contracts and annuities, the Erie Insurance Group Employee Savings Plan or the Deferred Compensation Plan of Erie Indemnity Company are not intended to supplement the Qualified Plan.

4.5 Unless otherwise specifically provided in the Plan or in an individual agreement between the Company and a Participant:

(a) A Participant who retired or terminated employment under the provisions of the Plan as in effect prior to this amendment and restatement and who has commenced payment of the Supplemental Plan Benefit accrued on his behalf prior to January 1, 2009 shall continue to receive such benefits in accordance with the provisions of the Plan as in effect at the time of commencement; and

(b) A Participant who retired or terminated employment under the provisions of the Plan as in effect prior to this amendment and restatement and who has not commenced payment of the Supplemental Plan Benefit accrued on his behalf prior to January 1, 2009 shall be eligible to receive payment of such benefits in accordance with the provisions of the Plan as in effect on and after January 1, 2009.

SECTION 5 - COMMENCEMENT AND FORM OF SUPPLEMENTAL PLAN BENEFITS TO PARTICIPANT

5.1 Except as specifically provided herein or in an individual agreement between the Company and a Participant, any Supplemental Plan Benefit payable to a Participant hereunder shall be:

(a) Distributed as of the later of:

(i) The first day of the first month that follows the date that is six months after the Participant's Separation from Service; and

(ii) The first day of the month next following the Participant's attainment of the Earliest Retirement Date; and

(b) Distributed in the form of a cash lump sum in the amount determined under Section 5.2

5.2 Except as specifically provided herein or in an individual agreement between the Company and a Participant, the lump sum payment of any Supplemental Plan Benefit to a Participant shall be determined as follows:

(a) With respect to a Participant to whom a Supplemental Plan Benefit is payable in accordance with Section 5.1(a)(i), the lump sum distribution shall be equal to the sum of (i) and (ii) where:

(i) equals the lump sum Actuarial Equivalent of the Supplemental Plan Benefit earned by the Participant under Section 4 as of the date the Participant incurred a Separation from Service, determined as the greater of the annuity payable as of the first day of the month that next follows the Participant's Separation from Service or the annuity payable as of the Participant's Normal Retirement Date; and

(ii) interest on the amount determined under subparagraph (i) above, calculated from the first day of the month that follows the Participant's Separation from Service through the date described in Section 5.1(a)(i), based on the interest rate applicable for lump sum determinations as of the date the Participant incurred a Separation from Service.

(b) With respect to a Participant to whom a Supplemental Plan Benefit is payable in accordance with Section 5.1(a)(ii), the lump sum distribution shall be the lump sum Actuarial Equivalent of the Supplemental Plan Benefit earned by the Participant under Section 4 as of the date the Participant incurred a Separation from Service, determined at the time of payment as the greater of the annuity payable as of the Participant's Earliest Retirement Date or the annuity payable as of the Participant's Normal Retirement Date. No interest adjustment shall be made to such lump sum amount.

5.3 Notwithstanding the provisions of Sections 5.1 and 5.2 but subject to the terms of an individual agreement between the Company and a Participant, the Company shall pay a Participant all or any portion of the Supplemental Plan Benefit accrued on the Participant's behalf in a lump sum as soon as is administratively reasonable following the occurrence of any of the events or conditions identified below. Such lump sum payment shall be equal to the amount, as determined by the Administrator, as is reasonably estimated to be required to satisfy the purpose of the accelerated payment. The events or conditions to which this Section 5.3 applies are:

(a) The Participant needs to avoid a violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law.

(b) The Participant incurs state, local, or foreign tax obligations arising from participation in the Plan that apply to a Plan interest before such interest is otherwise payable from the Plan.

(c) The Participant incurs federal employment tax obligations under Sections 3101, 3121(a), or 3121(v)(2) of the Code with respect to a Supplemental Plan Benefit and any federal, state, local, or foreign tax obligations arising from such employment tax obligations.

(d) The Plan is terminated and liquidated in accordance with generally applicable guidance prescribed by the Commissioner of Internal Revenue and published in the Internal Revenue Bulletin.

(e) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his individual circumstances.

Any payment under this Section 5.3 shall be contingent upon the Administrator's decision that a Participant has satisfied all material elements of an applicable event or condition and that the Participant produces evidence to that effect that is satisfactory to the Administrator. If any payment under this Section 5.3 is made and such payment is less than the entire Supplemental Plan Benefit accrued on the Participant's behalf, the Actuarial Equivalent of such payment shall offset any future payment of the Supplemental Plan Benefit to the Participant or any surviving spouse, Beneficiary or other person.

5.4 Notwithstanding the provisions of Sections 5.1 and 5.2 but subject to the terms of an individual agreement between the Company and a Participant, the Company may delay the payment of all or any portion of the Supplemental Plan Benefit accrued on the Participant's behalf in connection with any of the events or conditions identified below; provided, however that, with respect to any given event or condition, the Administrator shall treat Plan payments to all similarly-situated Participants in a reasonably consistent manner:

(a) The Administrator reasonably anticipates that if Plan payments were to be made as scheduled, the Company's deduction with respect to such payments would not be permitted under Section 162(m) of the Code; provided such scheduled payments are then made during the Participant's first taxable year in which the Administrator reasonably anticipates that the Company's deduction will not be barred by application of Section 162(m) of the Code.

(b) The Administrator reasonably anticipates that making scheduled Plan payments will violate federal securities laws or other applicable law; provided that the scheduled payments are then made at the earliest date at which the Administrator reasonably contemplates that making the scheduled payments will not cause such a violation.

(c) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his individual circumstances.

SECTION 6 - COMMENCEMENT AND FORM OF SUPPLEMENTAL PLAN BENEFITS TO SURVIVING SPOUSE OR BENEFICIARY

6.1 Except as specifically provided herein or in an individual agreement between the Company and a Participant, any Supplemental Plan Benefit payable as a result of the Participant's death shall be paid to the Participant's surviving spouse or Beneficiary as provided in this Section 6. Any such payment shall be made as soon as administratively practicable following the Participant's death; provided, however, that payment of a Supplemental Plan Benefit to a surviving spouse as a result of a Participant's death prior to commencement of a benefit hereunder shall not be made before the first day such spouse could commence payment of a surviving spouse's benefit under the Qualified Plan. Except as provided in Section 6.3, a Supplemental Plan Benefit payable as a result of a Participant's death shall be paid in the form of a cash lump sum equal to the lump sum Actuarial Equivalent of the surviving spouse's benefit that would be payable under the Qualified Plan if such benefit was derived from the Supplemental Plan Benefit accrued by the Participant as of his date of death.

6.2 Except as provided in Section 6.3 or in an individual agreement between an Employer and a Participant, payments of Supplemental Plan Benefits to a surviving spouse or Beneficiary shall be subject to the same eligibility conditions and reductions for early commencement as are applied to corresponding benefits under the Qualified Plan. Without limiting the generality of the above, a Supplemental Plan Benefit shall be payable in the event of a Participant's death prior to his commencement of a Supplemental Plan Benefit hereunder only if the Participant has satisfied all requirements of either Section 3.2 or Section 3.3 and is survived by a spouse who herself survives until the date a surviving spouse's benefit would otherwise be payable under the Qualified Plan.

6.3 Notwithstanding the foregoing provisions of this Section 6 but subject to the terms of an individual agreement between the Company and a Participant, a lump sum death benefit shall be payable from the Plan with respect to a Participant who incurs a Separation from Service on or after his Earliest Retirement Date and who thereafter dies before the Supplemental Plan Benefit accrued on his behalf is otherwise paid to him. Such death benefit shall be paid to the Participant's surviving spouse, if the Participant is married at death, or to the Participant's Beneficiary, if the Participant is unmarried at death. The amount of the death benefit under this Section 6.3 shall be equal to the lump sum amount that would have been paid to the Participant on the date the death benefit is paid had the Participant survived to receive payment on such date, applying the principles of Section 5.2(a).

SECTION 7 - AMENDMENT AND TERMINATION

The Company expects to continue the Plan indefinitely, but reserves the right to amend or terminate the Plan at any time, if, in its sole judgment, such amendment or termination is necessary or desirable. Any such amendment or termination shall be made pursuant to a resolution of the Board and shall be effective as of the date specified in such resolution. Without consent of the Participant, no amendment or termination of the Plan shall reduce the amount of any Participant's Supplemental Plan Benefit earned as of the time of amendment or termination. For purposes of this limitation, an amendment that changes the assumptions used to determine Actuarial Equivalent optional forms of benefit (including, without limitation, lump sum payments) shall not be considered to reduce the amount of any Participant's Supplemental Plan Benefit. Except as may otherwise be provided by the Company, in the event of a termination of the Plan, the Company (or any transferee, or successor entity of the Company) shall be obligated to pay Supplemental Plan Benefits to Participants, surviving spouses and Beneficiaries at such time or times and in such forms as provided under the terms of the Plan. Notwithstanding the foregoing provisions of this Section 7, the Company reserves the right to terminate and liquidate the Plan in accordance with generally applicable guidance prescribed by the Commissioner of Internal Revenue and published in the Internal Revenue Bulletin.

SECTION 8 - MISCELLANEOUS

8.1 NO EFFECT ON EMPLOYMENT RIGHTS
Nothing contained herein shall be construed as creating any contract of employment between the Company or any Affiliate and any Participant nor shall any provision hereof confer upon any Participant the right to be retained in the service of the Company or any Affiliate nor limit the right of the Company or any Affiliate to discharge or otherwise deal with Participants without regard to the existence of the Plan.

8.2 GENERAL CONTRACTUAL OBLIGATION
It is the intent of this Plan, and each Participant understands, that no trust has been created for his or her benefit in connection with this Plan and that eligibility and participation in this Plan does not grant any Participant, surviving spouse or Beneficiary any interest in any asset of the Company or any Affiliate. The Company's obligation to pay to the Participant, surviving spouse or Beneficiary the amounts credited hereunder is a general contract obligation and shall be satisfied solely from the general assets of the Company. Nothing contained in the Plan shall constitute a guaranty by the Company, any Affiliate, or any other entity or person that the assets of the Company will be sufficient to pay amounts determined in accordance with the Plan. The obligation of the Company under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay amounts in the future. In each case in which amounts represented by a Participant's Supplemental Retirement Benefit have been distributed to the Participant, surviving spouse, Beneficiary, or other person entitled to receipt thereof and which purports to cover in full the benefits hereunder, such Participant, surviving spouse, Beneficiary or other person shall have no further right or interest in the other assets of the Company on account of participation in the Plan. Notwithstanding a Participant's entitlement to any amounts under the terms of the Plan, the status of the Participant, or of any person claiming by or through the Participant, is that of an unsecured general creditor to the extent of his entire interest under the Plan as herein described.

8.3 BINDING ON COMPANY, PARTICIPANTS AND THEIR SUCCESSORS

The Plan shall be binding upon and inure to the benefit of the Company and Affiliates, their successors and assigns and Participants and their heirs, executors, administrators and legal representatives. In the event of the merger or consolidation of the Company with or into any other corporation, or in the event substantially all of the assets of the Company shall be transferred to another corporation, the successor corporation resulting from the merger or consolidation, or the transferee of such assets, as the case may be, shall, as a condition to the consummation of the merger, consolidation or transfer, assume the obligations of the Company hereunder and shall be substituted for the Company hereunder.

8.4 SPENDTHRIFT PROVISIONS

The interest of a Participant, or of his surviving spouse or Beneficiary, under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, either voluntarily or involuntarily, prior to the Participant's, spouse's or Beneficiary's actual receipt of amounts represented by the Supplemental Plan Benefits credited under the Plan on his or her behalf; any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such interest prior to such receipt shall be void. Amounts credited hereunder and not paid to a Participant, surviving spouse or Beneficiary shall not be subject to garnishment, attachment or other legal or equitable process nor shall they be an asset in bankruptcy. Notwithstanding the preceding sentence, no amount shall be payable from this Plan to a Participant, or any person claiming by or through a Participant, unless and until any and all amounts representing debts or other obligations owed to the Company or any Affiliate by the Participant have been fully paid and satisfied; provided, however, that any such offset, as applicable to a person's Plan interest, shall not exceed such offset as is permitted under Section 409A of the Code. The Company shall not be liable in any manner for or subject to the debts, contracts, liabilities, torts or engagements of any person on whose behalf a Supplemental Plan Benefit is being maintained under the Plan.

8.5 DISCLOSURE

Each Participant, upon his written request, shall received a copy of the Plan and the Administrator will make available for inspection by any Participant a copy of any written rules and regulations used by the Administrator in administering the Plan.

8.6 INCAPACITY OF RECIPIENT

In the event a Participant, surviving spouse or Beneficiary is declared incompetent and a guardian, conservator or other person legally charged with the care of his person or of his estate is appointed, any Supplemental Plan Benefit to which such Participant, surviving spouse or Beneficiary is entitled shall be paid to such guardian, conservator or other person legally charged with the care of his person or his estate. Except as provided in the preceding sentence, when the Administrator, in its sole discretion, determines that a Participant, surviving spouse or Beneficiary is unable to manage his financial affairs, the Administrator may direct the Company to make a distribution(s) of all or a portion of the Supplemental Plan Benefit maintained on behalf of such Participant, surviving spouse or Beneficiary to any one or more of the spouse, lineal ascendants or descendants or other closest living relatives of such Participant, surviving spouse or Beneficiary who demonstrates to the satisfaction of the Administrator the propriety of making such a distribution(s). Any payment so made shall not exceed such amount as is permitted under Section 409A of the Code and shall be in complete discharge of any liability of the Company and Administrator under the Plan for such payment. The Administrator shall not be required to see to the application of any such distribution made as provided above.

8.7 INFORMATION FURNISHED BY PARTICIPANTS AND BENEFICIARIES

Neither the Company nor the Administrator shall be liable or responsible for any error in the computation of a Participant's, surviving spouse's or Beneficiary's interest under the Plan resulting from any misstatement of fact made by the Participant, surviving spouse or Beneficiary, directly or indirectly, to the Company or to the Administrator and used by it in determining any benefit under the Plan to the Participant, surviving spouse or Beneficiary. Neither the Company nor the Administrator shall be obligated or required to increase the Plan interest of any such Participant, surviving spouse or Beneficiary which, on discovery of the misstatement, is found to be understated as a result of such misstatement. However, the Plan interest of any Participant, surviving spouse or Beneficiary which is overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of accurate facts.

8.8 OVERPAYMENTS

If a payment made from the Plan is found to be greater than the payment to which a Participant, surviving spouse or Beneficiary is entitled due to factual errors, mathematical errors or otherwise, the Administrator may, in its discretion and to the extent consistent with Section 409A of the Code, exercise such legal or equitable remedies as it deems appropriate to correct the overpayment.

8.9 UNCLAIMED BENEFIT

In the event that any amount determined to be payable to a Participant, surviving spouse or Beneficiary hereunder remains unclaimed by such Participant, surviving spouse or Beneficiary for a period of four years after the whereabouts or existence of such person was last known to the Administrator, the Administrator may direct that all rights of such person to such amounts be terminated absolutely; provided, however, that if such Participant, surviving spouse or Beneficiary subsequently appears and files a claim for payment in accordance with Section 2 and such claim is fully or partially successful, the liability under the Plan for an amount equal to the successful claim shall be reinstated.

8.10 ELECTIONS, APPLICATIONS, NOTICES

Every designation, direction, election, revocation or notice authorized or required under the Plan which is to be delivered to the Company or the Administrator shall be deemed delivered to the Company or the Administrator as the case may be: (a) on the date it is personally delivered to the Administrator at the Company's executive offices at 100 Erie Insurance Place, Erie, Pennsylvania 16530 or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Administrator at the offices indicated above. Every such item which is to be delivered to a person or entity designated by the Administrator to perform recordkeeping and other administrative services on behalf of the Plan shall be deemed delivered to such person or entity when it is actually received (either physically or through interactive electronic communication) by such person or entity. Every designation, direction, election, revocation or notice authorized or required which is to be delivered to a Participant, surviving spouse or Beneficiary shall be deemed delivered to a Participant, surviving spouse or Beneficiary: (a) on the date it is personally delivered to such individual (either physically or through interactive electronic communication), or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to such individual at the last address shown for him on the Company's records. Any notice required under the Plan may be waived by the person entitled thereto.

8.11 COUNTERPARTS

This Plan may be executed in any number of counterparts, each of which shall be considered as an original, and no other counterparts need be produced.

8.12 SEVERABILITY

In the event any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan. This Plan shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

8.13 GOVERNING LAW

The Plan is established under and will be construed according to the laws of the Commonwealth of Pennsylvania to the extent that such laws are not preempted by ERISA and regulations promulgated thereunder.

8.14 HEADINGS

The headings of Sections of this Plan are for convenience of reference only and shall have no substantive effect on the provisions of this Plan.

8.15 CONSTRUCTION

(a) The masculine gender, where appearing in this Plan, shall be deemed to also include the feminine gender. The singular shall also include the plural, where appropriate.

(b) This document is intended to memorialize the provisions of the Plan as amended to comply with guidance promulgated by the Internal Revenue Service pursuant to Section 409A of the Code. As a result, the Administrator shall interpret and construe the terms of the document to be consistent with such Internal Revenue Service guidance. No Plan interest is treated as “grandfathered” within the meaning of such Internal Revenue Service guidance.

Executed at Erie, Pennsylvania this 23rd day of December, 2008, effective as of January 1, 2009.

ERIE INDEMNITY COMPANY

By: /s/ James J. Tanous

Title: Executive Vice President, Secretary and General Counsel

ATTEST:

/s/ Brian Bolash

Exhibit 10.104

DEFERRED COMPENSATION PLAN
OF ERIE INDEMNITY COMPANY

(As Amended and Restated as of January 1, 2009)

BASIC PLAN DOCUMENT

APPENDIX A

APPENDIX B

DEFERRED COMPENSATION PLAN
OF ERIE INDEMNITY COMPANY

(As Amended and Restated as of January 1, 2009)

BASIC PLAN DOCUMENT

ARTICLE ONE

INTRODUCTION

This Deferred Compensation Plan of Erie Indemnity Company (the "Plan") is an unfunded, non-qualified, deferred compensation arrangement created for a select group of management and highly compensated employees of Erie Indemnity Company (the "Company") and its affiliates. It is intended that the Plan will aid in retaining and attracting qualified executives by providing such executives with a vehicle for deferring certain compensation until retirement or other separation from service from the Company and for restoring on behalf of participating executives, certain contributions that would have been made under the tax-qualified 401(k) plan maintained by the Company, but for limitations applicable to such 401(k) plan.

The Plan has been amended from time to time and was last amended and restated effective January 1, 2001. This amendment and restatement of the Plan shall constitute an amendment, restatement and continuation of the Plan and is generally effective as of January 1, 2009. However, certain provisions of this amendment and restatement are effective as of some other date. Events occurring before the applicable effective date of any provision of this amendment and restatement shall be governed by the applicable provision of the Plan as in effect on the date of the event.

This amendment and restatement of the Plan consists of three primary documents: (i) this Basic Plan Document, which principally addresses definitions and procedural matters that apply to all amounts that accumulate under the Plan, (ii) Appendix A, which incorporates provisions of the Plan relating to Plan accounts that were earned and vested on or before December 31, 2004, and (iii) Appendix B, which incorporates provisions of the Plan relating to those portions of Plan accounts that are earned or become vested on or after January 1, 2005.

ARTICLE TWO

DEFINITIONS

When the following words or phrases are used in the Plan document with initial capital letters, they shall have the following meanings, except where otherwise modified in Appendix A or Appendix B:

2.1 "Administrator" shall mean the person or committee, appointed by the Chief Executive Officer of the Company, who shall be responsible for the administrative functions assigned to it under the Plan.

2.2 "Affiliate" shall mean a corporation or partnership in which more than 50% of the equity is owned directly or indirectly by the Company including, without limitation, the following: Erie Family Life Insurance Company, Erie Insurance Company, EI Holding Corp., EI Service Corp., Erie Insurance Company of New York, Erie Insurance Property & Casualty Company and Flagship City Insurance Company.

2.3 "Beneficiary" shall mean the individual(s) or trust(s) selected by a Participant to receive payment of amounts credited under the Plan in the event of the Participant's death, as evidenced by the most recent, properly completed and executed, Beneficiary designation which the Participant has delivered to the Administrator prior to the Participant's death. A Participant may make separate Beneficiary designations to govern the distribution of the Participant's interest in those amounts, if any, credited to the Deferred Compensation Account maintained on his behalf under Appendix A and in those amounts, if any, credited to the Deferred Compensation Account maintained on his behalf under Appendix B. Such Beneficiary designations shall apply in the event of the Participant's death before commencement of payments and to any method of payment the Participant may elect that provides for the possibility of payments to a Beneficiary after the Participant's death. A Participant may change his Beneficiary at any time by delivering a new designation of Beneficiary to the Administrator on such form or forms as may be satisfactory to the Administrator. A new designation of Beneficiary shall be effective upon receipt by the Administrator of the completed and executed designation. As of such effective date, the new designation shall divest any Beneficiary named in a prior designation in that interest indicated in the prior designation. If no effective Beneficiary designation is in effect on the death of the Participant, or if all designated Beneficiaries have predeceased the Participant, any payments to be made under the Plan on account of the Participant's death shall be paid to the estate of the Participant.

2.4 "Board" shall mean the Board of Directors of the Erie Indemnity Company.

2.5 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.6 "Company" shall mean the Erie Indemnity Company, a Pennsylvania business corporation.

2.7 "Deferred Compensation Account" shall mean such account as defined in Appendix A and/or Appendix B, as applicable.

2.8 "Employee" shall mean a person engaged in performing services for the Company, or an Affiliate, as an exempt or non-exempt full-time employee, as defined by the Company's Corporate Personnel Manual, as in existence at the time of determination, and not as an independent contractor.

2.9 "Participant" shall mean each Employee who participates in the Plan in accordance with the terms and conditions of the Plan.

2.10 "Plan" shall mean the Deferred Compensation Plan of Erie Indemnity Company as set forth in the provisions of the Basic Plan Document, Appendix A, Appendix B, and including any amendments, appendices and exhibits to these documents.

2.11 "Qualified Plan" shall mean the Erie Insurance Group Employee Savings Plan, a tax-qualified plan under Section 401(a) of the Code, as said plan is amended from time to time.

2.12 "Vested" shall mean, as of any given date, the portion of the Deferred Compensation Account maintained on behalf of a Participant which is then 100% vested and nonforfeitable. All Deferred Compensation Accounts maintained under the Plan shall be 100% vested and nonforfeitable at all times.

ARTICLE THREE

ADMINISTRATION

3.1. GENERAL ADMINISTRATION

The Administrator shall be charged with the administration of the Plan. The Administrator shall have all such powers as may be necessary to discharge its duties relative to the administration of the Plan, including by way of illustration and not limitation, discretionary authority to interpret and construe the Plan, to determine and decide all questions of fact, and all disputes arising under the Plan including, but not limited to, the eligibility of any Employee to participate hereunder, the validity of any election or designation as may be necessary or appropriate hereunder and the right of any Participant or Beneficiary to receive payment of all or any portion of amounts represented by a Deferred Compensation Account, maintained hereunder. The Administrator shall have all power necessary to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of the Plan as it, in its sole discretion, may from time to time deem advisable and shall have the power to make equitable adjustments to remedy any mistakes or errors made in the administration of the Plan. The Administrator shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to willful misconduct. The Administrator, the Company and its respective officers and directors shall be entitled to conclusively rely upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan, insofar as such reliance is consistent with the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and other applicable law. The service providers to the Plan may act and rely upon all information reported to them by the Administrator and/or the Company and need not inquire into the accuracy thereof nor shall be charged with any notice to the contrary. Any individual serving as Administrator shall not participate in any action or determination regarding solely his own benefits payable hereunder. Decisions of the Administrator made in good faith shall be final, conclusive and binding upon all parties. Until modified by the Administrator, the claims and review procedures set forth in Section 3.2 shall be the exclusive procedures for the disposition of claims for benefits arising under the Plan.

3.2. CLAIMS PROCEDURE

The Administrator shall be responsible for the claims procedure under the Plan.

(a) Original Claim. In the event a claim of any Participant, Beneficiary, or other person (hereinafter referred to in this Section as the "Claimant") for a benefit is partially or completely denied, the Administrator shall give, within ninety (90) days after receipt of the claim (or if special circumstances, made known to the Claimant, require an extension of time for processing the claim, within one hundred eighty (180) days after receipt of the claim), written notice of such denial to the Claimant. Such notice shall set forth, in a manner calculated to be understood by the Claimant, the specific reason or reasons for the denial (with reference to pertinent Plan provisions upon which the denial is based); an explanation of additional material or information, if any, necessary for the Claimant to perfect the claim; a statement of why the material or information is necessary; a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA; and an explanation of the Plan's claims review procedure, including the time limits applicable to such procedure.

(b) Review of Denied Claim.

(i) A Claimant whose claim is partially or completely denied shall have the right to request a full and fair review of the denial by a written request delivered to the Administrator within sixty (60) days of receipt of the written notice of claim denial, or within such longer time as the Administrator, under uniform rules, determines. In such review, the Claimant or his duly authorized representative shall have the right to review, upon request and free of charge, all documents, records or other information relevant to the claim and to submit any written comments, documents, or records relating to the claim to the Administrator.

(ii) The Administrator, within sixty (60) days after the request for review, or in special circumstances, such as where the Administrator in its sole discretion holds a hearing, within one hundred twenty (120) days of the request for review, will submit its decision in writing. Such decision shall take into account all comments, documents, records and other information properly submitted by the Claimant, whether or not such information was considered in the original claim determination. The decision on review will be binding on all parties, will be written in a manner calculated to be understood by the Claimant, will contain specific reasons for the decision and specific references to the pertinent Plan provisions upon which the decision is based, will indicate that the Claimant may review, upon request and free of charge, all documents, records or other information relevant to the claim and will contain a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

(iii) If a Claimant fails to file a claim or request for review in the manner and in accordance with the time limitations specified herein, such claim or request for review shall be waived, and the Claimant shall thereafter be barred from again asserting such claim.

(c) Determination by the Administrator is Conclusive. The Administrator's determination of factual matter relating to Participants, Beneficiaries and other persons including, without limitation, a Participant's compensation, the amount of any contribution credit and any other factual matters, shall be conclusive.

3.3 EXHAUSTION OF ADMINISTRATIVE REMEDIES

The exhaustion of the claims review procedure is mandatory for resolving every claim and dispute arising under the Plan. As to such claims and disputes:

a) No claimant shall be permitted to commence any civil action to recover Plan benefits or to enforce or clarify rights under the Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, until the claims review procedure set forth herein has been exhausted in its entirety; and

b) In any such civil action all explicit and all implicit determinations by the Administrator (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed) shall be afforded the maximum deference permitted by law.

3.4 DEADLINE TO FILE CIVIL ACTION

No civil action to recover Plan benefits or to enforce or clarify rights under the Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, may be brought by any claimant on any matter pertaining to the Plan unless the civil action is commenced in the proper forum before the earlier of:

a) Thirty months after the claimant knew or reasonably should have known of the principal facts on which the claim is based; or

b) Six months after the claimant has exhausted the claims review procedure.

3.5 FICA AND OTHER TAXES

For each year in which credits are made under the Plan for or on behalf of a Participant who is employed in such year, the Company or Affiliate employing the Participant shall withhold from that portion of the Participant's compensation that is not being deferred, in a manner determined by the Administrator, the Participant's share of FICA and other employment taxes. If the Administrator determines it to be necessary or appropriate, the Administrator may reduce any deferral of a Participant under the Plan in order to comply with this Section 3.5.

ARTICLE FOUR

AMENDMENT AND TERMINATION

The Company expects to continue the Plan indefinitely, but reserves the right to amend or terminate the Plan at any time, if, in its sole judgment, such amendment or termination is necessary or desirable. Any such amendment or termination shall be made pursuant to a resolution of the Board and shall be effective as of the date specified in such resolution. Without consent of the Participant, no amendment or termination of the Plan shall reduce the balance of a Participant's Deferred Compensation Account at the time of amendment or termination. Except as may otherwise be provided by the Company, or as provided in Appendix B, in the event of a termination of the Plan, the Company (or any transferee, or successor entity of the Company) shall be obligated to pay amounts represented by Vested Deferred Compensation Account balances to Participants and Beneficiaries at such time or times and in such forms as provided under the terms of the Plan. Nothing herein shall limit the Company's reserved right to terminate and liquidate the Plan in accordance with generally applicable guidance prescribed by the Commissioner of Internal Revenue and published in the Internal Revenue Bulletin.

ARTICLE FIVE

GENERAL PROVISIONS

5.1. NO EFFECT ON EMPLOYMENT RIGHTS

Nothing contained herein shall be construed as creating any contract of employment between the Company or any Affiliate and any Participant nor shall any provision hereof confer upon any Participant the right to be retained in the service of the Company or any Affiliate nor limit the right of the Company or any Affiliate to discharge or otherwise deal with Participants without regard to the existence of the Plan.

5.2. GENERAL CONTRACTUAL OBLIGATION

It is the intent of this Plan, and each Participant understands, that no trust has been created for his or her benefit in connection with this Plan and that eligibility and participation in this Plan does not grant any Participant or Beneficiary any interest in any asset of the Company or any Affiliate. The Company's obligation to pay to the Participant or Beneficiary the amounts credited hereunder is a general contract obligation and shall be satisfied solely from the general assets of the Company. Nothing contained in the Plan shall constitute a guaranty by the Company, any Affiliate, or any other entity or person that the assets of the Company will be sufficient to pay amounts determined in accordance with the Plan. The obligation of the Company under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay amounts in the future. In each case in which amounts represented by the balances credited to a Participant's Vested Deferred Compensation Account have been distributed to the Participant, Beneficiary, or other person entitled to receipt thereof and which purports to cover in full the benefits hereunder, such Participant, Beneficiary or other person shall have no further right or interest in the other assets of the Company on account of participation in the Plan. Notwithstanding a Participant's entitlement to Vested amounts under the terms of the Plan, the status of the Participant, or any person claiming by or through the Participant, is that of an unsecured general creditor to the extent of his entire interest under the Plan as herein described.

5.3. BINDING ON COMPANY, PARTICIPANTS AND THEIR SUCCESSORS

The Plan shall be binding upon and inure to the benefit of the Company and Affiliates, their successors and assigns and Participants and their heirs, executors, administrators and legal representatives. In the event of the merger or consolidation of the Company with or into any other corporation, or in the event substantially all of the assets of the Company shall be transferred to another corporation, the successor corporation resulting from the merger or consolidation, or the transferee of such assets, as the case may be, shall, as a condition to the consummation of the merger, consolidation or transfer, assume the obligations of the Company hereunder and shall be substituted for the Company hereunder.

5.4. SPENDTHRIFT PROVISIONS

The interest of a Participant or Beneficiary under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, either voluntarily or involuntarily, prior to the Participant's or Beneficiary's actual receipt of amounts represented by the balances credited under the Plan on his behalf; any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such interest prior to such receipt shall be void. Amounts credited hereunder and not paid to a Participant or Beneficiary shall not be subject to garnishment, attachment or other legal or equitable process nor shall they be an asset in bankruptcy. Notwithstanding the preceding sentence, no amount shall be payable from this Plan to a Participant, or any person claiming by or through a Participant, unless and until any and all amounts representing debts or other obligations owed to the Company or any Affiliate by the Participant have been fully paid and satisfied; provided, however, that any such offset, as applicable to a person's Plan interest under Appendix B, shall not exceed such offset as is permitted under Section 409A of the Code. Neither the Company nor any Affiliate shall be liable in any manner for or subject to the debts, contracts, liabilities, torts or engagements of any person who has a Deferred Compensation Account maintained on his behalf under the Plan.

5.5. NO SPOUSAL RIGHTS

Except as required by law or specifically provided by the Plan, no spouse or surviving spouse of a Participant and no person designated to be a Beneficiary shall have any rights or interest in the accounts accumulated under the Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the Participant's designation of Beneficiary.

5.6. DISCLOSURE

Each Participant, upon his written request, shall receive a copy of the Plan and the Administrator will make available for inspection by any Participant a copy of any written rules and regulations used by the Administrator in administering the Plan.

5.7. INCAPACITY OF RECIPIENT

In the event a Participant or Beneficiary is declared incompetent and a guardian, conservator or other person legally charged with the care of his person or of his estate is appointed, any Vested Deferred Compensation Account under the Plan to which such Participant, or Beneficiary is entitled shall be paid to such guardian, conservator or other person legally charged with the care of his person or his estate. Except as provided in the preceding sentence, when the Administrator, in its sole discretion, determines that a Participant or Beneficiary is unable to manage his financial affairs, the Administrator may direct the Company to make distribution(s) from the Vested Deferred Compensation Account maintained on behalf of such Participant or Beneficiary to any one or more of the spouse, lineal ascendants or descendants or other closest living relatives of such Participant or Beneficiary who demonstrates to the satisfaction of the Administrator the propriety of making such distribution(s). Any payment so made shall not exceed such amount as is permitted under Section 409A of the Code and shall be in complete discharge of any liability of the Company and Administrator under the Plan for such payment. The Administrator shall not be required to see to the application of any such distribution made as provided above.

5.8. INFORMATION FURNISHED BY PARTICIPANTS AND BENEFICIARIES

Neither the Company nor the Administrator shall be liable or responsible for any error in the computation of a Participant's or Beneficiary's interest under the Plan resulting from any misstatement of fact made by the Participant or Beneficiary, directly or indirectly, to the Company or to the Administrator and used by it in determining the Participant's or Beneficiary's Plan interest. Neither the Company nor the Administrator shall be obligated or required to increase the Plan interest of any such Participant or Beneficiary which, on discovery of the misstatement, is found to be understated as a result of such misstatement. However, the Plan interest of any Participant or Beneficiary which is overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of accurate facts.

5.9. OVERPAYMENTS

If a payment or a series of payments made from the Plan is found to be greater than the payment(s) to which a Participant or Beneficiary is entitled due to factual errors, mathematical errors or otherwise, the Administrator may, in its discretion and to the extent consistent with Section 409A of the Code, suspend or reduce future payments to such Participant or Beneficiary or exercise such legal or equitable remedies as it deems appropriate to correct the overpayment.

5.10. UNCLAIMED BENEFIT

In the event that any amount determined to be payable to a Participant or Beneficiary hereunder remains unclaimed by such Participant or Beneficiary for a period of four years after the whereabouts or existence of such person was last known to the Administrator, the Administrator may direct that all rights of such person to such amounts be terminated absolutely; provided, however, that if such Participant or Beneficiary subsequently appears and files a claim for payment in accordance with Article Three and such claim is fully or partially successful, the liability under the Plan for an amount equal to the successful claim shall be reinstated.

5.11. ELECTIONS, APPLICATIONS, NOTICES

Every designation, direction, election, revocation or notice authorized or required under the Plan which is to be delivered to the Company or the Administrator shall be deemed delivered to the Company or the Administrator as the case may be: (a) on the date it is personally delivered to the Administrator (either physically at the Company's executive offices at 100 Erie Insurance Place, Erie, Pennsylvania 16530 or at such other location designated by the Administrator or through interactive electronic communication) or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Administrator at the offices indicated above. Every such item which is to be delivered to a person or entity designated by the Administrator to perform recordkeeping and other administrative services on behalf of the Plan shall be deemed delivered to such person or entity when it is actually received (either physically or through interactive electronic communication) by such person or entity. Every designation, direction, election, revocation or notice authorized or required which is to be delivered to a Participant or Beneficiary shall be deemed delivered to a Participant or Beneficiary: (a) on the date it is personally delivered to such individual (either physically or through interactive electronic communication), or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to such individual at the last address shown for him on the Company's records. Any notice required under the Plan may be waived by the person entitled thereto.

5.12. COUNTERPARTS

This Plan may be executed in any number of counterparts, each of which shall be considered as an original, and no other counterparts need be produced.

5.13. SEVERABILITY

In the event any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan. This Plan shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

5.14. GOVERNING LAW

The Plan is established under and will be construed according to the laws of the Commonwealth of Pennsylvania to the extent that such laws are not preempted by the Employee Retirement Income Security Act of 1974, as amended, and regulations promulgated thereunder.

5.15. HEADINGS

The headings of Sections of this Plan are for convenience of reference only and shall have no substantive effect on the provisions of this Plan.

5.16. CONSTRUCTION

The masculine gender, where appearing in this Plan, shall be deemed to also include the feminine gender. The singular shall also include the plural, where appropriate. Any words or phrases used herein with initial capital letters that are not otherwise defined in this Basic Plan Document, Appendix A, or Appendix B shall have the meanings assigned to them in the Qualified Plan, as in effect as of the date the relevant determination is being made under the Plan, unless a different meaning is required by the context. Such incorporation of Qualified Plan words and phrases shall not apply with respect to any term or provision that is expressly addressed in the Plan.

Executed at Erie, Pennsylvania this 23rd day of December, 2008, effective as of January 1, 2009.

ERIE INDEMNITY COMPANY

By: /s/ James J. Tanous

Title: Executive Vice President, Secretary and General Counsel

ATTEST:

/s/ Brian Bolash

APPENDIX A

DEFERRED COMPENSATION PLAN
OF ERIE INDEMNITY COMPANY

Accounts Earned and Vested On or Before December 31, 2004

ARTICLE ONE

INTRODUCTION

This Appendix A incorporates the provisions of the Plan as it relates to Deferred Compensation Accounts that were earned and vested on or before December 31, 2004, without material modifications to the terms of the Plan after October 3, 2004. The provisions of this Appendix A shall apply in determining the rights and features of such accounts.

ARTICLE TWO

DEFINITIONS

When the following words or phrases are used in this Appendix A with initial capital letters, they shall have the following meanings:

2.1 "Administrator" is a term that is defined in Article Two of the Basic Plan Document.

2.2 "Affiliate" is a term that is defined in Article Two of the Basic Plan Document.

2.3 "Amendment Form" shall mean the Amendment Form described in Section 5.3.

2.4 "Beneficiary" is a term that is defined in Article Two of the Basic Plan Document.

2.5 "Board" is a term that is defined in Article Two of the Basic Plan Document.

2.6 "Code" is a term that is defined in Article Two of the Basic Plan Document.

2.7 "Committee" shall mean the Executive Compensation and Development Committee of the Board or its successor, as designated by the Board.

2.8 "Company" is a term that is defined in Article Two of the Basic Plan Document.

2.9 "Compensation" shall mean "Compensation" as defined under the Qualified Plan provided, however, that for purposes of the Plan, any limitation on recognized Compensation under Section 401(a)(17) of the Code shall be ignored. Except as otherwise specified by the Board, any change in the definition of Compensation under the Qualified Plan (other than a change related to Section 401(a)(17) of the Code shall automatically be considered a change to the Plan, effective as of the effective date of change under the Qualified Plan, and the Plan shall thereafter be administered in accordance with such change.

2.10 "Deferred Compensation Account" shall mean the bookkeeping account described in Section 4.1.

2.11 "Election Form" shall mean the Participation Election Form described in Section 3.2 and/or Section 3.3, as applicable to amounts under this Appendix A.

2.12 "Employee" is a term that is defined in Article Two of the Basic Plan Document.

2.13 "Hypothetical Interest" shall mean the gains and losses credited to a Participant's Deferred Compensation Account in accordance with Section 4.4.

2.14 “Participant” shall mean each Employee who participated in the Plan in accordance with the terms and conditions of this Appendix A. Participant shall also include a former Employee who had become a Participant as an Employee and on whose behalf the Administrator is maintaining a Deferred Compensation Account pursuant to the terms of this Appendix A.

2.15 “Plan” is a term that is defined in Article Two of the Basic Plan Document.

2.16 “Qualified Plan” is a term that is defined in Article Two of the Basic Plan Document.

2.17 “Supplemental Company Contribution” shall mean, the contribution credit described in Section 4.3(b) and determined in reference to a formula set forth in the Qualified Plan. Except as otherwise specified by the Board of Directors, any change in the employer matching contribution formula under the Qualified Plan shall automatically be considered a change to the Plan, effective as of the effective date of change under the Qualified Plan, and the Plan shall thereafter be administered in accordance with such change.

2.18 “Supplemental Employee Contribution” shall mean the contribution credit described in Section 4.3(a) and determined in reference to a formula set forth in the Qualified Plan. Except as otherwise specified by the Board of Directors, any change in the elective contribution formula under the Qualified Plan shall automatically be considered a change to the Plan, effective as of the effective date of change under the Qualified Plan, and the Plan shall thereafter be administered in accordance with such change.

2.19 “Valuation Date” shall mean the close of business as of each business day.

2.20 “Vested” is a term that is defined in Article Two of the Basic Plan Document.

ARTICLE THREE

PARTICIPATION

3.1 ELIGIBILITY

The individuals who were eligible to participate in the Plan were those Employees selected by the Committee. The Committee made its selection of Employees eligible to participate at least 30 days before January 1 of the year next beginning or at such other times as it shall decide for the purpose of determining the eligibility of new Employees hired by the Company or its Affiliates.

The Committee, in its sole discretion, determined to what extent an Employee was eligible to participate under the provisions of Section 4.2 and/or Section 4.3 hereof. Except as otherwise provided by the Committee, an Employee who had been selected by the Committee as eligible to participate under Section 4.2 and/or Section 4.3 of the Plan continued such eligibility from year to year of his employment with the Company or Affiliate, regardless of whether the Employee elected to participate or not, unless the Committee, in its discretion, terminated all or part of that Employee’s eligibility.

3.2 PARTICIPATION UNDER DEFERRED COMPENSATION PROVISIONS

An Employee who was eligible under the provisions of Section 3.1 to participate under the deferral provisions of Section 4.2 may have elected to participate, altered the extent of his participation, or suspended or terminated his participation under such deferral provisions by having delivered a properly completed and executed Election Form to the Administrator. This form will have specified:

a) The amount of annual salary to be deferred and/or the amount of any bonus to be deferred;

b) The Participant’s investment designation in accordance with Section 4.5;

c) The method by which the amounts credited to the Participant's Deferred Compensation Account are to be paid;

d) The date at which payment of the amounts credited to the Participant's Deferred Compensation Account is to occur (in the event of a lump sum distribution) or commence (in the event of a form of distribution other than a lump sum); and

e) The Beneficiary to whom payment of all amounts credited to the Participant's Deferred Compensation Account under this Appendix A will be made in the event of the Participant's death (unless this Beneficiary had already been designated pursuant to Section 3.3 or otherwise).

The election under paragraph (a) above was irrevocable with respect to the calendar year to which it applied. The election under paragraph (b) above may be changed as provided in Section 4.5 and shall be subject to the provisions of Section 3.4. The elections under paragraphs (c) and (d) above shall be irrevocable except as provided in Section 5.3 and shall be subject to the provisions of Section 3.4. The election under paragraph (e) above may be changed by the Participant at any time and shall be subject to the provisions of Section 3.4.

3.3 PARTICIPATION UNDER SUPPLEMENTAL 401(k) PROVISIONS

An Employee who was eligible under the provisions of Section 3.1 to participate under the deferral provisions of Section 4.3 may have elected to participate, altered the extent of his participation, or suspended or terminated his participation under such deferral provisions by having delivered a properly completed and executed Election Form to the Administrator. This form will have specified:

a) The amount of his future Compensation to be deferred;

b) The Participant's investment designation in accordance with Section 4.5;

c) The method by which amounts credited to the Participant's Deferred Compensation Account are to be paid;

d) The date at which payment of the amounts credited to the Participant's Deferred Compensation Account is to occur (in the event of a lump sum distribution) or commence (in the event of a form of distribution other than a lump sum); and

e) The Beneficiary to whom payment of all amounts credited to the Participant's Deferred Compensation Account under this Appendix A will be made in the event of the Participant's death (unless this Beneficiary had already been designated pursuant to Section 3.2 or otherwise).

The election under paragraph (a) above was irrevocable with respect to the calendar year to which it applied. The election under paragraph (b) above may be changed as provided in Section 4.5 and shall be subject to the provisions of Section 3.4. The elections under paragraphs (c) and (d) above shall be irrevocable except as provided in Section 5.3 and shall be subject to the provisions of Section 3.4. The election under paragraph (e) above may be changed by the Participant at any time and shall be subject to the provisions of Section 3.4.

3.4 COORDINATION OF ELECTIONS

Notwithstanding any provision of this Article Three to the contrary, an Employee who was eligible to participate under the provisions of Sections 4.2 and 4.3 and who elected to participate under both Sections was required to coordinate and combine certain elections (stated below) into a single election that is applicable both to salary and/or bonuses deferred under Section 4.2 and Compensation deferred under Section 4.3. The elections that are coordinated into a single election under this Section 3.4 are:

a) A Participant's investment designation described in Sections 3.2(b) and 3.3(b);

b) A Participant's method of payment election described in Sections 3.2(c) and 3.3(c);

c) A Participant's election regarding the time payment is made or commences, as described in Sections 3.2(d) and 3.3(d); and

d) A Participant's Beneficiary designation described in Sections 3.2(e) and 3.3(e).

The effective date of this Section 3.4 with respect to any Participant was the effective date of the Participant's initial deferral under Section 4.2 or his initial deferral under Section 4.3, whichever was later.

3.5 EFFECTIVE DATE FOR PARTICIPATION

The effective date for participation in the Plan by an Employee who was eligible to participate under Section 3.1 was the first day of the calendar year that immediately followed the calendar year in which the Administrator received the Employee's Election Form. The effective date for participation in the Plan by a newly hired Employee who was eligible shall be the date that the Employee began active employment with the Company or an Affiliate as long as the Administrator had received the Employee's Election Form prior to this date. The deferral of a Participant's salary under Section 4.2 and/or the deferral of a Participant's Compensation under Section 4.3 began or ended, as appropriate, as of the first pay period that ended in the calendar year that immediately followed the calendar year in which the Administrator received the Employee's Election Form; provided that, in all events, the Employee's Election Form was received by the Administrator before the beginning of such pay period. The deferral of any Participant bonus under Section 4.2 was effective as of the date such bonus would otherwise have been payable to the Participant.

ARTICLE FOUR

COMPENSATION DEFERRED

4.1 DEFERRED COMPENSATION ACCOUNT

A Deferred Compensation Account was established for each Employee who properly completed, executed and delivered an Election Form under Section 3.2 and/or Section 3.3. The compensation each Participant elected to defer under Section 4.2 and/or any Supplemental Employee Contributions and Supplemental Company Contributions credited on the Participant's behalf under Section 4.3 for calendar years beginning before January 1, 2005, as well as Hypothetical Interest earned on such deferred compensation, is credited to this Deferred Compensation Account. A Participant's Deferred Compensation Account shall be kept only for bookkeeping and accounting purposes and no Company funds shall be transferred or designated to this account. A Participant's interest in the Deferred Compensation Account maintained on his behalf shall be Vested at all times.

4.2 AMOUNT OF SALARY/BONUS DEFERRAL

An Employee who was eligible to participate under the provisions of this Section 4.2 may have elected to defer receipt of up to 25% of his annual salary for services as an Employee of the Company or an Affiliate. In addition to, or in lieu of, a deferral of annual salary, a Participant may have elected to defer receipt of up to 100% of any annual bonus to be payable by the Company or an Affiliate. An election to defer salary and/or bonus was made by the end of the calendar year which preceded the calendar year in which the deferral election was effective and the compensation was earned. Compensation deferred under this Section 4.2 was credited to the Participant's Deferred Compensation Account on the date such compensation would otherwise have been payable to the Participant.

4.3 AMOUNT OF SUPPLEMENTAL 401(k) CONTRIBUTIONS

a) An Employee who was eligible to participate under the provisions of this Section 4.3 may have elected to have Supplemental Employee Contributions made to the Plan on his behalf within such times and in accordance with such means as were designated by the Administrator. The amount of Supplemental Employee Contribution credited hereunder with respect to a participating Employee for any given year was determined by the Administrator, in its discretion, and was in reference to the amount by which the elective contributions made on behalf of such Employee for such year under the Qualified Plan was limited by the application of Section 402(g) of the Code.

b) In the event that (i) the allocation of employer matching contributions under the Qualified Plan on behalf of a Participant was limited for any given Plan Year due to the limitation on elective contributions made on such Participant's behalf under the Qualified Plan under Section 402(g) of the Code, and (ii) the Participant was making Supplemental Employee Contributions for the given year at such level as the Administrator, in its discretion, deems sufficient, the amount by which such employer matching contributions were limited, as determined by the Administrator in its discretion, was credited under the Plan as a matching contribution on Supplemental Employee Contributions and was designated as Supplemental Company Contributions.

c) Compensation deferred under this Section 4.3 was credited to the Participant's Deferred Compensation Account as of the date such compensation would otherwise have been treated as a contribution allocation under the Qualified Plan.

4.4 HYPOTHETICAL INTEREST

The Deferred Compensation Account maintained on behalf of a Participant under this Appendix A is credited with Hypothetical Interest. The Hypothetical Interest is credited as of each Valuation Date on the amount credited to the Participant's Deferred Compensation Account on such Valuation Date in accordance with the valuation procedure adopted by the Administrator. The Hypothetical Interest credited to each Deferred Compensation Account is determined by the Administrator and computed in reference to the appreciation or depreciation experienced since the immediately preceding Valuation Date by the hypothetical investment funds which the Administrator may offer to Participants under Section 4.5. For any given period, Hypothetical Interest may be a positive or a negative figure. The crediting of Hypothetical Interest shall occur so long as there is a balance in the Participant's Deferred Compensation Account regardless of whether the Participant has terminated employment with the Company or Affiliates or has died. The Administrator may prescribe any reasonable method or procedure for the accounting of Hypothetical Interest.

4.5 PARTICIPANT INVESTMENT DESIGNATION

a) A Participant (and any eligible Employee first electing to participate in the Plan) may have designated on such form or forms satisfactory to the Administrator, that portion of his future deferred compensation and, separately, that portion of any existing Deferred Compensation Account maintained on his behalf which shall be credited with Hypothetical Interest in reference to each of the hypothetical investment funds that were offered by the Administrator, in the discretion of the Administrator. Such designations specified, in 1% increments, the percentages to be credited in reference to each of the hypothetical investment funds offered. Such designations may remain in effect until the Participant submits a new designation within such times and in accordance with such means as are designated by the Administrator. All new designations are effective as of a given date specified by the Administrator. In the event a Participant fails to make an effective designation under this paragraph (a), the Administrator, acting in its discretion, shall make such designation on behalf of the Participant.

b) In accepting participation in the Plan, a Participant agreed on behalf of himself and his Beneficiary to assume all risk in connection with any decrease in value of the hypothetical investment funds in reference to which Hypothetical Interest is credited to the Participant's Deferred Compensation Account. The Company, the Affiliates and the Administrator shall not be liable to any Participant or Beneficiary for the under-performance of any hypothetical investment fund offered under the Plan.

c) The Administrator may, in its discretion, offer additional hypothetical investment funds to Participants and may cease to offer any such fund at such time as it deems appropriate. In the event the Administrator decides to discontinue offering a hypothetical investment fund under the Plan, those Participants on whose behalf Hypothetical Interest is then being credited on the basis of the discontinued hypothetical investment fund may be required, at the discretion of the Administrator, to have affected amounts consolidated with (or “mapped” to) a replacement hypothetical investment fund selected by the Administrator or may be required to designate, from such selection of funds as may be offered by the Administrator, a hypothetical fund or funds as a replacement for the investment fund being discontinued. Any such designation by a Participant shall be made in accordance with paragraph (a) above. Hypothetical Interest credited on behalf of any Participant who is affected by the discontinuation of a hypothetical investment fund but who fails to make any replacement designation offered in this paragraph (c) shall mirror, to the extent of the Participant’s interest in such discontinued fund, such hypothetical investment fund or funds as the Administrator may choose in its discretion. Any changes under this paragraph (c) shall take effect as of such times and under such rules as shall be established by the Administrator.

d) Notwithstanding any provision of the Plan to the contrary, the eligibility of a Participant to make any designation under this Section 4.5 shall not be construed as to provide any Participant or other person with a beneficial ownership interest in any assets of the Company or an Affiliate. Title to and beneficial ownership of any assets which the Company or any Affiliate may earmark to pay the contingent deferred compensation hereunder shall at all times remain in the Company or Affiliate. The Participant, his Beneficiary and any heirs, successors or assigns shall not have any legal or equitable right, interest or control over or any property interest whatsoever in any specific assets of the Company or any Affiliate or related entity on account of having an interest under the Plan. Any and all of the Company’s assets, and any life insurance policies, annuity contracts or the proceeds therefrom which may be acquired by the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. In no event shall the Company or any Affiliate be required to purchase any specific shares or interest in any investment fund.

4.6 STATEMENTS

Statements will be sent to each Participant as to the balance of his Deferred Compensation Account at least once each calendar year.

ARTICLE FIVE

PAYMENT OF DEFERRED COMPENSATION

5.1 PAYMENT

Upon termination of employment with the Company and all Affiliates, the Vested balance credited to the Participant’s Deferred Compensation Account shall be paid to him according to the method and at the times selected by the Participant in his Election Form or, if applicable, in the most recent, properly executed and effective Amendment Form(s) which the Participant has delivered to the Administrator prior to the Participant’s termination of employment.

5.2 METHODS OF PAYMENT

The Participant may elect any of the following methods of payment for the amounts represented by his Vested Deferred Compensation Account:

a) A lump sum distribution;

b) Payments in approximately equal annual installments for a period not to exceed 10 years;

c) Payments in approximately equal monthly installments for a period not to exceed 10 years; and

d) Payment of a dollar amount or percentage (as specified by the Participant) of the Participant's Vested Deferred Compensation Account in the form of a single sum payment with the balance of such Account being paid under either the method described in paragraph (b) or the method described in paragraph (c) above.

In the event the Participant dies before receiving the entire distribution to which he is entitled under the Plan, the balance in the Participant's Vested Deferred Compensation Account on his date of death shall be paid as soon as practicable in a lump sum to the Beneficiary designated by the Participant in the most recent, properly executed, Beneficiary designation which the Participant has delivered to the Administrator prior to the Participant's death.

5.3 AMENDMENT TO PAYMENT ELECTION

A Participant who is employed by the Company or an Affiliate may request to defer the date at which payment of his Vested Deferred Compensation Account will occur (or commence) and may request a change in his elected method of payment by submitting an Amendment Form to the Administrator which indicates the period of additional deferral and/or the desired method of payment; provided, however:

a) Such request of additional deferral or alternative method of payment shall be subject to the Administrator's power, to be exercised at Administrator's discretion, to direct that payment of the Participant's Vested Deferred Compensation Account will occur or commence, or will be paid under a method, in accordance with the Participant's election(s) on a previously delivered Amendment Form or on the Participant's Election Form; and

b) In no event shall any requested additional deferral or alternative method of payment become effective unless the Amendment Form evidencing such request is submitted to, and approved by, the Administrator at least twelve months prior to the date payment of the Vested Deferred Compensation Account would otherwise have occurred or commenced under the Election Form or Amendment Form in effect on the date the Participant requests the additional deferral or alternative method of payment.

c) A Participant may at any time elect to change his Beneficiary in accordance with Article Two of the Basic Plan document, subject to the provisions of Section 3.4.

5.4 EMERGENCY CIRCUMSTANCES

Notwithstanding any other provision of this Plan, if the Committee determines, after consideration of a Participant's application, that the Participant has a financial necessity of such a substantial nature that a current payment of compensation deferred under this Plan is warranted, the Committee may in its sole and absolute discretion direct that all or a portion of the Participant's Vested Deferred Compensation Account balance be paid to him. The payment shall be made in the manner and at the times specified by the Committee for payment; provided, however, such payment shall not be in excess of that amount which is, in the discretion of the Committee, required to satisfy the financial necessity.

ARTICLE SIX

CONSTRUCTION

This Appendix A is intended to memorialize the provisions of the Plan as it pertains to grandfathered amounts within the meaning of guidance promulgated by the Internal Revenue Service pursuant to Section 409A of the Code. As a result, the Administrator shall interpret and construe the terms of this Appendix A so as to preserve the status of these amounts as grandfathered amounts under such guidance. References, or cross references to an identified Article, Section, or specific part thereof, shall refer to such Article, Section (or part) of this Appendix A, unless otherwise qualified by the context.

APPENDIX B

DEFERRED COMPENSATION PLAN
OF ERIE INDEMNITY COMPANY

Accounts Not Earned and Vested On or Before December 31, 2004

ARTICLE ONE

INTRODUCTION

This Appendix B incorporates the provisions of the Plan as it relates to Deferred Compensation Accounts other than such accounts that were earned and vested on or before December 31, 2004, without material modifications to the terms of the Plan after October 3, 2004. The provisions of this Appendix B shall apply in determining the rights and features of such accounts and is generally effective as of January 1, 2009.

ARTICLE TWO

DEFINITIONS

When the following words or phrases are used in this Appendix B with initial capital letters, they shall have the following meanings:

2.1 "Administrator" is a term that is defined in Article Two of the Basic Plan Document.

2.2 "Affiliate" is a term that is defined in Article Two of the Basic Plan Document.

2.3 "Amendment Form" shall mean the Amendment Form described in Section 5.7. An Amendment Form may be in paper and/or electronic form, as designated by the Administrator.

2.4 "Beneficiary" is a term that is defined in Article Two of the Basic Plan Document.

2.5 "Board" is a term that is defined in Article Two of the Basic Plan Document.

2.6 "Code" is a term that is defined in Article Two of the Basic Plan Document.

2.7 "Committee" shall mean the Executive Compensation and Development Committee of the Board, or its successor, as designated by the Board.

2.8 "Compensation" shall mean for any period, the rate of base salary or the wages paid by the Company or an Affiliate to an Employee during the period. For this purpose, the "rate of base salary or the wages paid" shall exclude Form W-2 income in the form of overtime compensation, bonuses, commissions, deferred compensation plan payments or severance pay under any severance benefit plan, but shall include Form W-2 income paid as a lump sum in lieu of merit increase and compensation excluded from Form W-2 income because of salary reduction agreements in connection with plans described in Sections 125, 132(f)(4) or 401(k) of the Code or resulting from deferred compensation contracts for the year in question.

2.9 "Company" is a term that is defined in Article Two of the Basic Plan Document.

2.10 "Controlled Group Member" shall mean any organization which, together with the Company, is a member of a controlled group of corporations under Sections 414(b), 414(c), and 1563(a) of the Code, applying an 80% test for purposes of Section 1563(a).

2.11 "Deferred Compensation Account" shall mean the bookkeeping account described in Section 4.4.

2.12 “Election Form” shall mean the Participation Election Form described in Section 3.2 and/or Section 3.3. An Election Form may be in paper and/or electronic form, as designated by the Administrator.

2.13 “Employee” is a term that is defined in Article Two of the Basic Plan Document.

2.14 “Hypothetical Interest” shall mean the gains and losses credited to a Participant’s Deferred Compensation Account in accordance with Section 4.5.

2.15 “Participant” shall mean each Employee who participated in the Plan in accordance with the terms and conditions of this Appendix B. Participant shall also include a former Employee who had become a Participant as an Employee and on whose behalf the Administrator is maintaining a Deferred Compensation Account pursuant to the terms of this Appendix B.

2.16 “Plan” is a term that is defined in Article Two of the Basic Plan Document.

2.17 “Qualified Plan” is a term that is defined in Article Two of the Basic Plan Document.

2.18 “Separation from Service” shall mean an Employee’s complete cessation of all services as an Employee for the Company and all Controlled Group Members or as otherwise set forth below:

a) A Separation from Service shall not be considered to have occurred if the individual’s employment relationship is treated by an Employer as continuing while the individual is on military leave, sick leave, or other bona fide leave of absence if such period of leave does not exceed six months or, if longer, so long as the individual’s right to reemployment is provided by statute or by contract. If the period of leave exceeds six months and such reemployment rights are not provided, the employment relationship is deemed to cease on the first date immediately following such six-month period.

b) A Separation from Service shall also not be considered to have occurred if the individual’s employment relationship is treated by an Employer as continuing while the individual is on a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six months, where such impairment causes the individual to be unable to perform the duties of his position or any substantially similar position, provided that, for purposes of the Plan, the employment relationship shall be considered to continue no longer than 29 months or, if longer, so long as the individual’s right to reemployment is provided by statute or by contract. If the period of leave exceeds 29 months and such reemployment rights are not provided, the employment relationship is deemed to cease on the first date immediately following such 29-month period.

c) A Separation from Service shall also not be considered to have occurred, regardless of the level of services anticipated or provided by the individual as an employee, if the individual continues to provide services to the Employer in a capacity other than as an employee of the Employer at a rate that is fifty percent (50%) or more of the level of services rendered, on average, during the immediately preceding 36-month period (or the full period of such services, if less than 36 months) and the remuneration for such services is fifty percent (50%) or more of the average remuneration earned during the 36-month period (or the full period of such services, if less than 36 months).

d) Otherwise, a Separation from Service is presumed to have occurred if the facts and circumstances indicate that (A) an Employer and the individual reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the individual would perform after such date would permanently decrease to 20% or less of the average level of bona fide services over the immediately preceding 36-month period (or the full period of such services, if less than 36 months) or (B) the level of bona fide services the individual performs after a given date decreases to a level equal to 20% or less of the average level of bona fide services performed by the individual over the immediately preceding 36-month period (or the full period of such services, if less than 36 months).

2.19 "Specified Employee" shall mean, for any period during which the Company remains publicly traded, an individual who is included in the group of employees who are determined to be "key employees" under Section 416(i)(1)(A)(i), (ii), or (iii) of the Code (as applied in accordance with regulations thereunder and disregarding Section 416(i)(5) of the Code), identified in the manner and under the procedures specified in a writing adopted by the Committee.

2.20 "Supplemental Company Contribution" shall mean, the contribution credit described in Section 4.3(b) and determined in reference to a formula set forth in the Qualified Plan. Except as otherwise specified by the Board, any change in the employer matching contribution formula under the Qualified Plan shall automatically be considered a change to the Plan, effective as of the effective date of change under the Qualified Plan, and the Plan shall thereafter be administered in accordance with such change.

2.21 "Supplemental Employee Contribution" shall mean the contribution credit described in Section 4.3(a). 2.22 "Valuation Date" shall mean the close of business as of each business day.

2.23 "Vested" is a term that is defined in Article Two of the Basic Plan Document.

ARTICLE THREE

PARTICIPATION

3.1 ELIGIBILITY

The individuals who are eligible to participate in the Plan are those Employees selected by the Committee. The Committee shall make its selection of eligible Employees before January 1 of the year next beginning or at such other times as it shall decide for the purpose of determining the eligibility of new Employees hired by the Company or its Affiliates or Employees newly promoted into a classification eligible for participation in the Plan.

The Committee, in its sole discretion, shall determine to what extent an Employee is eligible to participate under the provisions of Article Four. Except as otherwise provided by the Committee, an Employee who has been selected by the Committee as eligible to participate under Section 4.2 and/or Section 4.3 of the Plan shall continue such eligibility from year to year of his employment with the Company or Affiliate, regardless of whether the Employee elects to participate or not; provided, however, that the Committee, in its discretion, may terminate all or part of an Employee's eligibility for any given year. To participate in the Plan for any given year, an Employee must be classified within a select group of management and highly compensated employees for such year.

3.2 PARTICIPATION UNDER DEFERRED COMPENSATION PROVISIONS

An Employee who is eligible under the provisions of Section 3.1 to participate under the deferral provisions of Section 4.2 may elect to participate, alter the extent of his participation, or suspend or terminate his participation under such deferral provisions by delivering a properly completed and executed Election Form to the Administrator. This Election Form shall specify:

a) The percentage of any bonus to be deferred as provided in Section 4.2 for the calendar year to which the election applies;

b) The Participant's investment designation in accordance with Section 4.6;

c) The method by which the amounts deferred for the calendar year to which the election applies (included Hypothetical Interest on such deferrals) are to be paid in accordance with a method of payment permitted under Section 5.2(a);

d) The time as of which payment of the amounts deferred for the calendar year to which the election applies (included Hypothetical Interest on such deferrals) is to occur (in the event of a lump sum distribution) or commence (in the event of a form of distribution other than a lump sum) in accordance with a time of payment permitted under Section 5.2(b); and

e) The Beneficiary to whom payment of all amounts credited to the Participant's Deferred Compensation Account under this Appendix B will be made in the event of the Participant's death (unless this Beneficiary has already been designated pursuant to Section 3.3 or otherwise).

The election under paragraph (a) above shall be irrevocable with respect to the calendar year to which it applies, except as provided in Sections 4.1(c) or 4.1(d). The election under paragraph (b) above may be changed as provided in Section 4.6 and shall be subject to the provisions of Section 3.4. The elections under paragraphs (c) and (d) above shall be irrevocable except as provided in Section 5.7 and shall be subject to the provisions of Section 3.4. The election under paragraph (e) above may be made and may be changed as provided in Article Two of the Basic Plan Document, subject to the provisions of Section 3.4.

3.3 PARTICIPATION UNDER SUPPLEMENTAL 401(k) PROVISIONS

An Employee who is eligible under the provisions of Section 3.1 to participate under the deferral provisions of Section 4.3 may elect to participate, alter the extent of his participation, or suspend or terminate his participation under such deferral provisions by delivering a properly completed and executed Election Form to the Administrator. This Election Form shall specify:

a) The percentage of his future Compensation to be deferred as provided in Section 4.3 for the calendar year to which the election applies;

b) The Participant's investment designation in accordance with Section 4.6;

c) The method by which amounts the Participant defers for the calendar year to which the election applies and which are attributable to the Participant's Supplemental Employee Contributions (included Hypothetical Interest on such deferrals) are to be paid in accordance with a method of payment permitted under Section 5.2(a);

d) The time as of which payment of the amounts the Participant defers for the calendar year to which the election applies and which are attributable to the Participant's Supplemental Employee Contributions (included Hypothetical Interest on such deferrals) is to occur (in the event of a lump sum distribution) or commence (in the event of a form of distribution other than a lump sum) in accordance with a time of payment permitted under Section 5.2(b);

e) The method by which amounts represented by those credits to the Participant's Deferred Compensation Account which are attributable to the Supplemental Company Contributions made on the Participant's behalf (including Hypothetical Interest on such amounts) are to be paid in accordance with a method of payment permitted under Section 5.2(a);

f) The time as of which payment of the amounts represented by those credits to the Participant's Deferred Compensation Account which are attributable to the Supplemental Company Contributions made on the Participant's behalf (including Hypothetical Interest on such amounts) is to occur (in the event of a lump sum distribution) or commence (in the event of a form of distribution other than a lump sum) in accordance with a time of payment permitted under Section 5.2(b); and

g) The Beneficiary to whom payment of all amounts credited to the Participant's Deferred Compensation Account under this Appendix B will be made in the event of the Participant's death (unless this Beneficiary has already been designated pursuant to Section 3.2 or otherwise).

The election under paragraph (a) above shall be irrevocable with respect to the calendar year to which it applies, except as provided in Sections 4.1(c) or 4.1(d). The election under paragraph (b) above may be changed as provided in Section 4.6 and shall be subject to the provisions of Section 3.4. The elections under paragraphs (c), (d), (e) and (f) above shall be irrevocable except as provided in Section 5.7 and, with respect to elections under paragraphs (c) and (d), shall be subject to the provisions of Section 3.4. The election under paragraph (g) above may be made and may be changed as provided in Article Two of the Basic Plan Document, subject to the provisions of Section 3.4.

3.4 COORDINATION OF ELECTIONS

Notwithstanding any provision of the Plan to the contrary, an Employee is eligible to participate under the provisions of Sections 4.2 and 4.3 and who elected to participate under both Sections shall be required to coordinate and combine certain elections (stated below) into a single election that is applicable both to a bonus deferred under Section 4.2 and Compensation deferred under Section 4.3. The elections that shall be coordinated into a single election under this Section 3.4 are:

a) A Participant's investment designation described in Sections 3.2(b) and 3.3(b);

b) A Participant's method of payment election described in Sections 3.2(c) and 3.3(c);

c) A Participant's time of payment election described in Sections 3.2(d) and 3.3(d); and

d) A Participant's Beneficiary designation described in Sections 3.2(e) and 3.3(g).

The effective date of this Section 3.4 with respect to any Participant shall be the effective date of the Participant's initial deferral under Section 4.2 or his initial deferral under Section 4.3, whichever is later.

3.5 EFFECTIVE DATE FOR PARTICIPATION

a) Except as provided under paragraph (b) below, the effective date for participation in the Plan by an Employee who is eligible to participate under Section 3.1 shall be the first day of the calendar year that immediately follows the calendar year in which the Administrator receives the Employee's properly completed and executed Election Form. For any given year, the effective date for the deferral of any Participant bonus under Section 4.2 shall be the date such bonus would otherwise be payable to the Participant and the effective date for the deferral of a Participant's Compensation under Section 4.3 shall be the last day of the first pay period that ends in the calendar year that immediately follows the calendar year in which the Administrator receives the Employee's properly completed and executed Election Form.

b) The effective date for participation in the Plan by a newly hired Employee or a newly promoted Employee who is eligible to participate under Section 3.1 shall be the date that the Employee begins active employment with the Company or an Affiliate or the date on which the Employee's promotion is effective, provided the Administrator has received the Employee's Election Form prior to such date. Notwithstanding the preceding sentence, a newly hired Employee or newly promoted Employee who is eligible to participate under Section 3.1 may elect to participate under the provisions of Section 3.2 and/or Section 3.3 by delivering a properly completed and executed Election Form to the Administrator within 30 days of the Employee's date of hire or, if applicable, effective date of promotion. In the event such an Employee completes such action, the Employee's elections under Section 3.2 and/or Section 3.3 shall apply only with respect to that portion of a bonus and/or that Compensation that is attributable to the Employee's services performed after the Election Form has been delivered to the Administrator and the effective date for participation of such Employee shall be the date as of which the Administrator determines such Election Form to be effective.

3.6 CESSATION OF ELIGIBILITY

If during a calendar year a Participant has a Separation from Service, deferrals under the provisions of Sections 4.2 and/or 4.3 shall cease as of the date of such Separation from Service or such earlier date on which the Participant no longer receives Compensation. If during a calendar year a Participant ceases to satisfy the criteria that qualified him for Plan participation, as determined by the Committee, (including, for this purpose, the requirement that a Participant be classified within a select group of management and highly compensated employees), the Participant's deferrals under the provisions of Sections 4.2 and/or 4.3 shall continue for the remainder of such calendar year and shall thereafter cease until such time as the Committee determines the individual again satisfies the criteria for Plan participation. Such individual shall remain a Participant, however, until the amounts represented by the Vested Deferred Compensation Account maintained on his behalf under the Plan are distributed.

ARTICLE FOUR

COMPENSATION DEFERRED

4.1 DEFERRED COMPENSATION ELECTION

a) Initial Deferral Election. An Employee who is eligible to participate in the Plan under the provisions of Section 3.1 may elect to defer an annual bonus and/or Compensation for a given calendar year by delivering a properly completed and executed Election Form to the Administrator as provided in Sections 3.2, 3.3, or 3.5. Except as provided in Section 3.5(b), a properly completed and executed Election Form shall be considered to be delivered on a timely basis if it is provided to the Administrator by the last day of the last full pay period ending in the calendar year which immediately precedes the calendar year for which the deferral election is effective and the annual bonus and/or Compensation is to be earned. Except as provided in paragraphs (c) or (d) below, any such deferral election shall be irrevocable as of the last day of the last full pay period ending in the calendar year that immediately precedes the calendar year to which the election applies. Such deferral election shall automatically terminate as to any annual bonus or Compensation attributable to services after such calendar year.

b) Subsequent Deferral Elections. With respect to any calendar years beginning after the year an Employee first becomes eligible to participate under Section 3.1, the Employee may elect to defer an annual bonus and/or Compensation attributable to services performed in such year by delivering a properly completed and executed Election Form to the Administrator by the last day of the last full pay period ending in the calendar year which immediately precedes the calendar year for which the deferral election is to be effective and the annual bonus and/or Compensation is to be earned. Except as provided in paragraphs (c) or (d) below, any such deferral election shall be irrevocable as of the last day of the last full pay period ending in the calendar year that immediately precedes the calendar year to which the election applies. Such deferral election shall automatically terminate as to any annual bonus or Compensation attributable to services after such calendar year.

c) If a Participant makes a withdrawal due to an unforeseeable emergency under Section 5.6 all remaining deferrals of annual bonus and/or Compensation under the Plan for the calendar year in which such a withdrawal is made shall be cancelled. Such Participant shall not be permitted to make any further deferral of Compensation until the Participant satisfies the procedures set forth in paragraph (b) above.

d) Participant deferrals of annual bonus and/or Compensation under the Plan shall be cancelled in such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election to the application of such events or conditions to his individual circumstances.

4.2 AMOUNT OF BONUS DEFERRAL

Subject to Section 3.5(b), an Employee who is eligible to participate under the provisions of this Section 4.2 may elect to defer receipt of up to 100% of any annual bonus to be payable by the Company or an Affiliate. Compensation deferred under this Section 4.2 is credited to the Participant’s Deferred Compensation Account as of the date such compensation would otherwise be payable to the Participant.

4.3 AMOUNT OF SUPPLEMENTAL 401(k) CONTRIBUTIONS

a) An Employee who is eligible to participate under the provisions of this Section 4.3 may elect to defer receipt of up to 100% of his Compensation attributable to services performed after the election is delivered to the Administrator. Deferrals under this paragraph (a) shall be designated as Supplemental Employee Contributions and shall be made within such times and in accordance with such means as are designated by the Administrator. The election under this paragraph (a) shall be independent of and unaffected by any deferral election under the Qualified Plan.

b) In the event that (i) the allocation of employer matching contributions under the Qualified Plan on behalf of a Participant is limited for any given Plan Year due to the limitation on elective contributions made on such Participant's behalf under the Qualified Plan under Section 402(g) of the Code, and (ii) the Participant is making Supplemental Employee Contributions for the given year at or above such level required by the Administrator for the given year, the amount by which such employer matching contributions are limited, as determined by the Administrator in its discretion, shall be credited under the Plan as restored matching contributions and shall be designated as Supplemental Company Contributions.

c) Compensation deferred under paragraph (a) above shall be credited to the Participant's Deferred Compensation Account as of the date such Compensation would otherwise be payable to the Participant. Compensation deferred under paragraph (b) above shall be credited to Participant's Deferred Compensation Account as of the date such compensation would otherwise have been treated as a contribution allocation under the Qualified Plan.

4.4 DEFERRED COMPENSATION ACCOUNT

A Deferred Compensation Account shall be established for each Employee who properly completes, executes and delivers an Election Form under Section 3.2 and/or Section 3.3. Any bonus a Participant defers for calendar years beginning on and after January 1, 2005 under Section 4.2 and/or any Supplemental Employee Contributions and Supplemental Company Contributions credited on the Participant's behalf for calendar years beginning on and after January 1, 2005 under Section 4.3, as well as Hypothetical Interest earned on all such deferred compensation, shall be credited to this Deferred Compensation Account. A Participant's Deferred Compensation Account shall be kept only for bookkeeping and accounting purposes and no Company funds shall be transferred or designated to this account. A Participant's interest in the Deferred Compensation Account maintained on his behalf shall be Vested at all times.

4.5 HYPOTHETICAL INTEREST

The Deferred Compensation Account maintained on behalf of a Participant under this Appendix B shall be credited with Hypothetical Interest. The Hypothetical Interest shall be credited as of each Valuation Date on the amount credited to the Participant's Deferred Compensation Account on such Valuation Date in accordance with the valuation procedure adopted by the Administrator. The Hypothetical Interest credited to each Deferred Compensation Account is determined by the Administrator and computed in reference to the appreciation or depreciation experienced since the immediately preceding Valuation Date by the hypothetical investment funds which the Administrator may offer to Participants under Section 4.6. For any given period, Hypothetical Interest may be a positive or a negative figure. The crediting of Hypothetical Interest shall occur so long as there is a balance in the Participant's Deferred Compensation Account regardless of whether the Participant has incurred a Separation from Service. The Administrator may prescribe any reasonable method or procedure for the accounting of Hypothetical Interest.

4.6 PARTICIPANT INVESTMENT DESIGNATION

a) A Participant (and any eligible Employee first electing to participate in the Plan) may designate, within such time and in accordance with such means as are designated by the Administrator, that portion of his future deferred compensation under Sections 4.2 and 4.3, and separately, that portion of any existing Deferred Compensation Account maintained on his behalf which shall be credited with Hypothetical Interest in reference to each of the hypothetical investment funds that may be offered by the Administrator, in the discretion of the Administrator. Such designations may specify, in 1% increments, the percentages to be credited in reference to each of the hypothetical investment funds offered. Such designations may remain in effect until the Participant submits a new designation within such times and in accordance with such means as are designated by the Administrator. New designations shall be effective as of a given date specified by the Administrator. In the event a Participant fails to make an effective designation under this paragraph (a), the Administrator, acting in its discretion, shall make such designation on behalf of the Participant.

b) In accepting participation in the Plan, a Participant agrees on behalf of himself and his Beneficiary to assume all risk in connection with any decrease in value of the hypothetical investment funds in reference to which Hypothetical Interest is credited to the Participant's Deferred Compensation Account. The Company, the Affiliates and the Administrator shall not be liable to any Participant or Beneficiary for the under-performance of any hypothetical investment fund offered under the Plan.

c) The Administrator may, in its discretion, offer additional hypothetical investment funds to Participants and may cease to offer any such fund at such time as it deems appropriate. In the event the Administrator decides to discontinue offering a hypothetical investment fund under the Plan, those Participants on whose behalf Hypothetical Interest is then being credited on the basis of the discontinued hypothetical investment fund may be required, at the discretion of the Administrator, to have affected amounts consolidated with (or "mapped" to) a replacement hypothetical investment fund selected by the Administrator or may be required to designate, from such selection of hypothetical funds as may be offered by the Administrator, a hypothetical fund or funds as a replacement for the hypothetical investment fund being discontinued. Any such designation by a Participant shall be made in accordance with paragraph (a) above. Hypothetical Interest credited on behalf of any Participant who is affected by the discontinuation of a hypothetical investment fund but who fails to make any replacement designation offered in this paragraph (c) shall mirror, to the extent of the Participant's interest in such discontinued fund, such hypothetical investment fund or funds as the Administrator may choose in its discretion. Any changes under this paragraph (c) shall take effect as of such times and under such rules as shall be established by the Administrator.

d) Notwithstanding any provision of the Plan to the contrary, the eligibility of a Participant to make any designation under this Section 4.6 shall not be construed as to provide any Participant or other person with a beneficial ownership interest in any assets of the Company or an Affiliate. Title to and beneficial ownership of any assets which the Company or any Affiliate may earmark to pay the contingent deferred compensation hereunder shall at all times remain in the Company or Affiliate. The Participant, his Beneficiary and any heirs, successors or assigns shall not have any legal or equitable right, interest or control over or any property interest whatsoever in any specific assets of the Company or any Affiliate or related entity on account of having an interest under the Plan. Any and all of the Company's assets, and any life insurance policies, annuity contracts or the proceeds therefrom which may be acquired by the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. In no event shall the Company or any Affiliate be required to purchase any specific shares or interest in any investment fund.

4.7 STATEMENTS

Statements will be sent to each Participant as to the balance of his Deferred Compensation Account at least once each calendar year.

ARTICLE FIVE

PAYMENT OF DEFERRED COMPENSATION

5.1. PAYMENT

Except as otherwise provided in this Article Five, payment of the amounts represented by all or a portion of a Participant's Vested Deferred Compensation Account shall be made according to the method and at the time(s) permitted under Section 5.2 and elected by the Participant in his Election Form(s) or, if applicable, in the most recent, properly completed and effective Amendment Form(s) which the Participant has delivered to the Administrator prior to the Participant's Separation from Service. If a Participant has not delivered to the Administrator a properly completed and effective Election Form or, if for any reason the Administrator determines that any Election Form(s) or Amendment Form(s) is materially deficient, payment of the amounts represented by that portion of the Vested Deferred Compensation Account for which the election is undelivered or materially deficient shall be made in a lump sum during the month next following the month of the Participant's Separation from Service except as otherwise provided in this Article Five. For all purposes of the Plan and effective until such time as the Participant delivers to the Administrator a properly completed and effective Election Form or Amendment Form that includes a method and time of payment election, such default method and time of payment shall be treated as the Participant's elected method and time of payment with respect to any given portion of a Deferred Compensation Account to which the default applies.

5.2. METHODS AND TIMES OF PAYMENT

a) A Participant may elect any one of the following methods of payment with respect to each separate deferral election made in regard to any amounts attributable to the Participant's bonus deferral in accordance with Section 4.2 and/or the Participant's deferral of Supplemental Employee Contributions under Section 4.3(a). In accordance with the coordination of elections under Section 3.4, such elected method of payment shall apply to all such amounts deferred for the calendar year to which the election applies (including Hypothetical Interest on such deferrals):

(i) A lump sum distribution;

(ii) Payment in approximately equal annual installments for a period not to exceed 10 years; or

(iii) Payment in approximately equal monthly installments for a period not to exceed 10 years.

A Participant may separately elect any of the above methods of payment for amounts represented by those credits to the Participant's Vested Deferred Contribution Account which are attributable to the Supplemental Company Contributions made on the Participant's behalf (including Hypothetical Interest on such credits).

Payments of the distributable amount represented by all or a portion of the balance in the Participant's Vested Deferred Compensation Account shall be made in cash.

b) A Participant may elect, with respect to each separate deferral election made in regard to any amounts attributable to the Participant's bonus deferral in accordance with Section 4.2 and/or the Participant's deferral of Supplemental Employee Contributions under Section 4.3(a), to have such amounts distributed to him (or, in the case of an installment distribution, commence to be distributed to him) as of the month next following the month of the Participant's Separation from Service, as of a given future month and year, or as of the earlier of these, as such Participant has elected in accordance with Section 3.2(d) and/or Section 3.3(d); provided, however, that any given future month/year for payment must be at least five years from the effective date of such deferral. In accordance with the coordination of elections under Section 3.4, such elected time of payment shall apply to all such amounts deferred for the calendar year to which the election applies (including Hypothetical Interest on such deferrals).

With respect to amounts represented by those credits to a Participant's Vested Deferred Compensation Account which are attributable to the Supplemental Company Contributions made on the Participant's behalf (including Hypothetical Interest on such credits), the Participant may separately elect to have such amounts distributed to him (or, in the case of an installment distribution, commence to be distributed to him) as of the month next following the month of the Participant's Separation from Service or as of any given month and year, provided such given month and year follows the Participant's Separation from Service, as such Participant has elected in accordance with Section 3.3(f).

Except as provided in this Article Five, no distribution shall commence before or after the elected distribution date(s) provided in this paragraph (b). For purposes of this Section 5.2, if the Company makes a distribution within the permitted distribution period (as defined below) and the actual date of such distribution is not within the direct or indirect control of the Participant, such distribution shall be treated as having been made on such elected distribution date. The "permitted distribution period" for this purpose shall begin on the thirtieth day before the Participant's elected distribution date and shall end on the later of (i) the last day of the calendar year that includes the Participant's elected distribution date, and (ii) the fifteenth day of the third month following the Participant's elected distribution date.

c) In the event the Participant dies before receiving the entire distribution to which he is entitled under the Plan, the provisions of Section 5.8 shall apply.

5.3. ACCELERATION OF PAYMENTS

Notwithstanding the provisions of Sections 5.1 and 5.2 and any Participant election thereunder, the Company may pay a Participant the amounts represented by all or a portion of the balances credited to a Participant's Vested Deferred Compensation Account in a lump sum as of the first Valuation Date that is administratively reasonable following the occurrence of any of the events or conditions identified below. Such lump sum payment shall be equal to the amount, as determined by the Administrator, as is reasonably estimated to be required to satisfy the purpose of the accelerated payment. The events or conditions to which this Section 5.3 applies are:

a) The Participant needs to avoid a violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law.

b) The Participant incurs state, local, or foreign tax obligations arising from participation in the Plan that apply to a Plan interest before such interest is otherwise payable from the Plan.

c) The Participant incurs federal employment tax obligations under Sections 3101, 3121(a), or 3121(v)(2) of the Code with respect to a Vested Deferred Compensation Account and any federal, state, local, or foreign tax obligations arising from such employment tax obligations.

d) The Plan is terminated and liquidated in accordance with generally applicable guidance prescribed by the Commissioner of Internal Revenue and published in the Internal Revenue Bulletin.

e) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his individual circumstances.

Any payment under this Section 5.3 shall be contingent upon the Administrator's decision that a Participant has satisfied all material elements of an applicable event or condition and that the Participant produces evidence to that effect that is satisfactory to the Administrator. If any payment under this Section 5.3 is made and such payment is less than an amount that represents the entire Vested Deferred Compensation Account maintained on the Participant's behalf, the amount of such payment shall offset any future payment from the Plan to the Participant or any Beneficiary or other person who claims through the Participant.

5.4. DELAY OF PAYMENTS

Notwithstanding the provisions of Sections 5.1 and 5.2 and any Participant election thereunder, the Company may delay the payment of amounts represented by all or a portion of the balances credited to a Participant's Vested Deferred Compensation Account in connection with any of the events or conditions identified below; provided, however that, with respect to any given event or condition, the Administrator shall treat Plan payments to all similarly-situated Participants in a reasonably consistent manner:

a) The Administrator reasonably anticipates that if Plan payments were to be made as scheduled, the Company's deduction with respect to such payments would not be permitted under Section 162(m) of the Code; provided such scheduled payments are then made during the Participant's first taxable year in which the Administrator reasonably anticipates that the Company's deduction will not be barred by application of Section 162(m) of the Code.

b) The Administrator reasonably anticipates that making scheduled Plan payments will violate federal securities laws or other applicable law; provided that the scheduled payments are then made at the earliest date at which the Administrator reasonably contemplates that making the scheduled payments will not cause such a violation.

c) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his individual circumstances.

5.5. DELAY OF PAYMENTS TO SPECIFIED EMPLOYEES

Notwithstanding the foregoing provision of this Article Five, if a payment is being made to a Participant on account of such Participant's Separation from Service and such Participant is a Specified Employee as of the date of such Separation from Service, such payment shall not be made (or commence, in the case of an installment distribution) until the first Valuation Date that is administratively reasonable following the date that is six months after the Participant's Separation from Service.

5.6. EMERGENCY CIRCUMSTANCES

Notwithstanding any other provision of this Plan, if the Administrator determines, after consideration of a Participant's application, that the Participant has incurred a severe financial hardship (as defined below) the Administrator may in its sole and absolute discretion direct that all or a portion of the Participant's Vested Deferred Compensation Account balance be paid to him. The payment shall be made in the manner and at the times specified by the Administrator for payment; provided, however, such payment shall not be in excess of that amount which is, in the discretion of the Administrator, reasonably necessary to satisfy the financial hardship.

For purposes of this Section 5.6, a "severe financial hardship" shall mean a financial hardship resulting from (i) an illness or accident of the Participant, the Participant's spouse, beneficiary or dependent, (ii) the Participant's loss of property due to casualty, or (iii) any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant; provided, however, that such financial hardship is not or may not be relieved through reimbursement or compensation from insurance or otherwise, by cessation of deferrals of Compensation in future years, or by liquidation of the Participant's assets to the extent such liquidation would not cause severe financial hardship.

5.7. AMENDMENT TO PAYMENT ELECTION

a) A Participant who is an Employee who has not incurred a Separation from Service may elect to defer the date at which payment of an amount otherwise payable under the Plan will occur (or commence) and may elect a change in his elected method of payment (or the default form of payment under Section 5.1) by submitting a properly completed and executed Amendment Form to the Administrator which indicates the period of additional deferral and/or the desired method of payment; provided that:

(i) Such election shall not be effective until 12 months after it is submitted to the Administrator.

(ii) Such election shall require that the payment with respect to which the election is made shall be delayed for a period of not less than five years from the date payment would have been made (or commence) absent the elected change.

(iii) If the election pertains to a delay in the payment of a Vested Deferred Compensation Account from a specific year and month that the Participant previously elected in his Election Form or a subsequent Amendment Form (or to which the Participant has defaulted under Section 5.1) such election cannot be made less than 12 months before the date the payment was otherwise scheduled to be made (or commence).

For purposes of this Article Five, installment payments shall be treated as a single payment.

b) A Participant may at any time elect to change his Beneficiary in accordance with Article Two of the Basic Plan document, subject to the provisions of Section 3.4.

5.8. <u>PAYMENT UPON DEATH OF PARTICIPANT</u>

a) In the event of a Participant's death before payment is made (or commences) under this Article Five, the amount represented by the Participant's Vested Deferred Compensation Account shall be paid by the Company to the Participant's Beneficiary in the form of a lump sum during the month next following the month of the Participant's death. Except as provided in Sections 5.3 or 5.4, no payment to a Beneficiary under this paragraph (a) shall be made before or after such identified payment date; provided, however, that if the Company makes a payment within the permitted payment period (as defined below) and the actual date of payment is not within the direct or indirect control of the Beneficiary, such payment shall be treated as having been made on such identified payment date. The "permitted payment period" for this purpose shall begin on the first day of the month next following the month of the Participant's death and shall end on the later of (i) the last day of the calendar year that includes the identified payment date, and (ii) the fifteenth day of the third month following the identified payment date.

b) In the event of a Participant's death after payment commences under this Article Five, the amount represented by the remaining balance of the Participant's Vested Deferred Compensation Account shall be paid by the Company to the Participant's Beneficiary in the form of a lump sum during the month next following the month of the Participant's death. Except as provided in Sections 5.3 or 5.4, no payment to a Beneficiary under this paragraph (b) shall be made before or after such identified payment date; provided, however, that if the Company makes a payment within the permitted payment period identified in paragraph (a) above and the actual date of payment is not within the direct or indirect control of the Beneficiary, such payment shall be treated as having been made on such identified payment date.

5.9 <u>REHIRED PARTICIPANT</u>

If a Participant incurs a Separation from Service and payment of the amounts represented by the Participant's Vested Deferred Compensation Account have begun under a method providing for installment payments, such installment payments shall not be suspended if the Participant is subsequently reemployed by the Company or an Affiliate.

<u>ARTICLE SIX</u>

CONSTRUCTION

This Appendix B is intended to memorialize the provisions of the Plan as it pertains to amounts other than grandfathered amounts within the meaning of guidance promulgated by the Internal Revenue Service pursuant to Section 409A of the Code. As a result, the Administrator shall interpret and construe the terms of this Appendix B so as to be consistent with such Internal Revenue Service guidance. References or cross references to an identified Article, Section or specific part thereof, shall refer to such Article, Section (or part) of this Appendix B, unless otherwise qualified by the context.

Exhibit 10.105

ERIE INDEMNITY COMPANY
DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS

(As Amended and Restated as of January 1, 2009)

BASIC PLAN DOCUMENT

APPENDIX A

APPENDIX B

ERIE INDEMNITY COMPANY
DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS

(As Amended and Restated as of January 1, 2009)

BASIC PLAN DOCUMENT

ARTICLE ONE

INTRODUCTION

This Erie Indemnity Company Deferred Compensation Plan for Outside Directors (the "Plan") is an unfunded, non-qualified, deferred compensation arrangement created for outside directors of Erie Indemnity Company (the "Company"). It is intended that the Plan will aid in retaining and attracting outside directors of exceptional ability by providing such directors with a vehicle for deferring director's compensation and accumulating credits denominated in the Class A shares of the Company until retirement or other separation from service from the Board of Directors of Erie Indemnity Company.

The Plan was effective as of May 1, 1997 and has been amended thereafter. This amendment and restatement of the Plan shall constitute an amendment, restatement and continuation of the Plan and is generally effective as of January 1, 2009. However, certain provisions of this amendment and restatement are effective as of some other date. Events occurring before the applicable effective date of any provision of this amendment and restatement shall be governed by the applicable provision of the Plan as in effect on the date of the event.

This amendment and restatement of the Plan consists of three primary documents: (i) this Basic Plan Document, which principally addresses definitions and procedural matters that apply to all amounts that accumulate under the Plan, (ii) Appendix A, which incorporates provisions of the Plan relating to Plan accounts that were earned and vested on or before December 31, 2004, and (iii) Appendix B, which incorporates provisions of the Plan relating to those portions of Plan accounts that are earned or become vested on or after January 1, 2005.

ARTICLE TWO

DEFINITIONS

When the following words or phrases are used in the Plan document with initial capital letters, they shall have the following meanings, except where otherwise modified in Appendix A or Appendix B:

2.1 "Administrator" shall mean the person or committee, appointed by the Board, who shall be responsible for the administrative functions assigned to it under the Plan.

2.2 "Beneficiary" shall mean the individual(s) or trust(s) selected by a Participant to receive payment of amounts credited under the Plan in the event of the Participant's death, as evidenced by the most recent, properly completed and executed, Beneficiary designation which the Participant has delivered to the Administrator prior to the Participant's death. A Participant may make a single Beneficiary designation to govern the distribution of the Participant's entire interest under the Plan (including the total balance of all accounts maintained under both Appendix A and Appendix B) that shall apply in the event of the Participant's death before commencement of payments. Furthermore, the Participant may make a single, but separate, Beneficiary designation to govern the distribution of any remaining interest under the Plan (including the total balance of all accounts maintained under both Appendix A and Appendix B) that shall apply in the event of the Participant's death after payments have commenced but before all scheduled payments have been made. A Participant may change either or both of these Beneficiary designations at any time by delivering a new designation of Beneficiary to the Administrator on such form or forms as may be satisfactory to the Administrator. A new designation of Beneficiary shall be effective upon receipt by the Administrator of the completed and executed designation. As of such effective date, the new designation shall divest any Beneficiary named in a prior designation in that interest indicated in the prior designation. If no effective Beneficiary designation is in effect on the death of the Participant, or if all designated

Beneficiaries have predeceased the Participant, any payments to be made under the Plan on account of the Participant's death shall be paid to the estate of the Participant.

2.3 "Board" shall mean the Board of Directors of the Erie Indemnity Company.

2.4 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.5 "Company" shall mean the Erie Indemnity Company, a Pennsylvania business corporation.

2.6 "Deferred Compensation Account" shall mean such account as defined in Appendix A and/or Appendix B, as applicable.

2.7 "Deferred Stock Account" shall mean such account as defined in Appendix A and/or Appendix B, as applicable.

2.8 "Director" shall mean a member of the Board.

2.9 "Employee" shall mean a person engaged in performing services for the Company, or its affiliates or subsidiaries, as an exempt or non-exempt full-time employee, as defined by the Company's Corporate Personnel Manual, as in existence at the time of determination, and not as an independent contractor.

2.10 "Outside Director" shall mean a Director who is not an Employee or officer of the Company, its affiliates or subsidiaries.

2.11 "Participant" shall mean each Outside Director who participates in the Plan in accordance with the terms and conditions of the Plan.

2.12 "Plan" shall mean the Erie Indemnity Company Deferred Compensation Plan for Outside Directors, as set forth in the provisions of the Basic Plan Document, Appendix A, Appendix B, and including any amendments, appendices and exhibits to these documents.

2.13 "Retirement Plan Transfer Account" shall mean such account as defined in Appendix A and/or Appendix B, as applicable.

2.14 "Total Deferred Cash Account" shall mean such account as defined in Appendix A and/or Appendix B, as applicable.

2.15 "Vested" shall mean, as of any given date, the portion of the Deferred Stock Account and/or the Total Deferred Cash Account maintained on behalf of a Participant which is then 100% vested and nonforfeitable, as determined under Appendix A and/or Appendix B, as applicable.

ARTICLE THREE

ADMINISTRATION

3.1 GENERAL ADMINISTRATION

The Administrator shall be charged with the administration of the Plan. The Administrator shall have all such powers as may be necessary to discharge its duties relative to the administration of the Plan, including by way of illustration and not limitation, discretionary authority to interpret and construe the Plan, to determine and decide all questions of fact, and all disputes arising under the Plan including, but not limited to, the validity of any election or designation as may be necessary or appropriate hereunder and the right of any Participant or Beneficiary to receive payment of all or any portion of amounts represented by a Deferred Compensation Account, Deferred Stock Account and/or Retirement Plan Transfer Account maintained hereunder. The Administrator shall have all power necessary to adopt, alter and repeal such administrative rules, regulations and practices governing the operation of the Plan as it, in its sole discretion, may from time to time deem advisable and shall have the power to make equitable adjustments to remedy any mistakes or errors in the administration of the Plan. The Administrator shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to willful misconduct. The Administrator shall be entitled to conclusively rely upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan. Any individual serving as Administrator shall not participate in any action or determination regarding solely his own benefits payable hereunder. Decisions of the Administrator made in good faith shall be final, conclusive and binding upon all parties. Until modified by the Administrator, the claims and review procedures set forth in Sections 3.2 and 3.3 shall be the exclusive procedures for the disposition of claims for benefits arising under the Plan.

3.2 CLAIMS PROCEDURE

Except as otherwise provided in the Plan, payment to a Participant or Beneficiary of any amount determined under the Plan shall be made by the Company at the time and in the method of payment elected by the Participant under the terms of the Plan. If the Administrator denies, in whole or in part, a claim for benefits filed by any person (hereinafter referred to as a "Claimant"), the Administrator shall transmit a written notice setting forth (i) the specific reasons for the denial of the claim, (ii) references to the specific provisions of the Plan on which the denial is based, (iii) a description of any additional material or information that is needed to perfect the claim and why such material or information is necessary, and (iv) further steps which the Claimant can take in order to have his claim reviewed (including a statement that the Claimant or his duly authorized representative may review the Plan document and submit issues and comments regarding the claim to the Administrator). In addition, the written notice shall contain the date on which the notice was sent and a statement advising the Claimant that, within ninety (90) days of the date on which such notice is received, he may request a review of the Administrator's decision.

3.3. CLAIMS REVIEW

Within ninety (90) days of the date on which the notice of denial of claim is received by the Claimant, the Claimant or his authorized representative may request that the claim denial be reviewed by filing with the Administrator a written request for review, which request shall contain the following information:

a) The date on which the notice of denial of claim was received by the Claimant;

b) The date on which the Claimant's request was filed with the Administrator; provided, however, that the date on which the Claimant's request for review was in fact filed with the Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (b);

c) The specific portions of the claim denial which the Claimant requests the Administrator to review;

d) A statement by the Claimant setting forth the basis upon which he believes the Administrator should reverse its previous denial of his claim for benefits and accept his claim as made;

e) Whether the Claimant desires a hearing on the claim; and

f) Any written material (included as exhibits) which the Claimant desires the Administrator to examine in its consideration of his position as stated pursuant to paragraph (d) above.

If the Claimant has requested a hearing on the claim, such hearing shall be held within thirty (30) days after the date determined pursuant to paragraph (b) above. Within sixty (60) days of the date determined pursuant to paragraph (b) above (or, if special circumstances or the request for a hearing require an extension of time, within ninety (90) days of such date), the Administrator shall conduct a full and fair review of the decision denying the Claimant's claim for benefits and shall deliver its decision to the Claimant in writing. Such written decision shall set forth the specific reasons for the decision, including references to the specific provisions of this Plan which were relied upon. The decision will be final and binding on all persons concerned.

ARTICLE FOUR

AMENDMENT AND TERMINATION

The Company expects to continue the Plan indefinitely, but reserves the right to amend or terminate the Plan at any time, if, in its sole judgment, such amendment or termination is necessary or desirable. Any such amendment or termination shall be made pursuant to a resolution of the Board and shall be effective as of the date specified in such resolution. Without consent of the Participant, no amendment or termination of the Plan shall reduce the balance of a Participant's Deferred Compensation Account, Deferred Stock Account, or Retirement Plan Transfer Account at the time of amendment or termination. Except as may otherwise be provided by the Company, or as provided in Appendix B, in the event of a termination of the Plan, the Company (or any transferee, or successor entity of the Company) shall be obligated to pay amounts represented by Vested Deferred Stock Account balances and Vested Total Deferred Cash Account balances to Participants and Beneficiaries at such time or times and in such forms as provided under the terms of the Plan. Nothing herein shall limit the Company's reserved right to terminate and liquidate the Plan in accordance with generally applicable guidance prescribed by the Commissioner of Internal Revenue and published in the Internal Revenue Bulletin.

ARTICLE FIVE

GENERAL PROVISIONS

5.1. GENERAL CONTRACTUAL OBLIGATION

It is the intent of this Plan, and each Participant understands, that no trust has been created for his or her benefit in connection with this Plan and that eligibility and participation in this Plan does not grant any Participant or Beneficiary any interest in any asset of the Company or any affiliated company. The Company's obligation to pay to the Participant or Beneficiary the amounts credited hereunder is a general contract obligation and shall be satisfied solely from the general assets of the Company. Nothing contained in the Plan shall constitute a guaranty by the Company, any affiliated company, or any other entity or person that the assets of the Company will be sufficient to pay amounts determined in accordance with the Plan. The obligation of the Company under the Plan shall be merely that of an unfunded and unsecured promise of the Company to pay amounts in the future. In each case in which amounts represented by the balances credited to a Participant's Vested Deferred Compensation Account, Vested Deferred Stock Account and Vested Retirement Plan Transfer Account have been distributed to the Participant, Beneficiary, or other person entitled to receipt thereof and which purports to cover in full the benefits hereunder, such Participant, Beneficiary or other person shall have no further right or interest in the other assets of the Company on account of participation in the Plan. Notwithstanding a Participant's entitlement to Vested amounts under the terms of the Plan, the status of the Participant, or any person claiming by or through the Participant, is that of an unsecured general creditor to the extent of his entire interest under the Plan as herein described.

5.2. SPENDTHRIFT PROVISIONS

The interest of a Participant or Beneficiary under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, either voluntarily or involuntarily, prior to the Participant's or Beneficiary's actual receipt of amounts represented by the balances credited under the Plan on his behalf; any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such interest prior to such receipt shall be void. Amounts credited hereunder and not paid to a Participant or Beneficiary shall not be subject to garnishment, attachment or other legal or equitable process nor shall they be an asset in bankruptcy. Notwithstanding the preceding sentence, no amount shall be payable from this Plan to a Participant, or any person claiming by or through a Participant, unless and until any and all amounts representing debts or other obligations owed to the Company or any affiliated company by the Participant have been fully paid and satisfied; provided, however, that any such offset, as applicable to a person's Plan interest under Appendix B, shall not exceed such offset as is permitted under Section 409A of the Code. Neither the Company nor any affiliate or subsidiary of the Company shall be liable in any manner for or subject to the debts, contracts, liabilities, torts or engagements of any person who has a Deferred Stock Account or a Total Deferred Cash Account maintained on his behalf under the Plan.

5.3. NO SPOUSAL RIGHTS

Except as required by law or specifically provided by the Plan, no spouse or surviving spouse of a Participant and no person designated to be a Beneficiary shall have any rights or interest in the accounts accumulated under the Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the Participant's designation of Beneficiary.

5.4. INCAPACITY OF RECIPIENT

In the event a Participant or Beneficiary is declared incompetent and a guardian, conservator or other person legally charged with the care of his person or of his estate is appointed, any Vested Deferred Stock Account and any Vested Total Deferred Cash Account under the Plan to which such Participant, or Beneficiary is entitled shall be paid to such guardian, conservator or other person legally charged with the care of his person or his estate. Except as provided in the preceding sentence, when the Administrator, in its sole discretion, determines that a Participant or Beneficiary is unable to manage his financial affairs, the Administrator may direct the Company to make distribution(s) from the Vested Deferred Stock Account and any Vested Total Deferred Cash Account maintained on behalf of such Participant or Beneficiary to any one or more of the spouse, lineal ascendants or descendants or other closest living relatives of such Participant or Beneficiary who demonstrates to the satisfaction of the Administrator the propriety of making such distribution(s). Any payment so made shall not exceed such amount as is permitted under Section 409A of the Code and shall be in complete discharge of any liability of the Company and Administrator under the Plan for such payment. The Administrator shall not be required to see to the application of any such distribution made as provided above.

5.5. INFORMATION FURNISHED BY PARTICIPANTS AND BENEFICIARIES

Neither the Company nor the Administrator shall be liable or responsible for any error in the computation of a Participant's or Beneficiary's interest under the Plan resulting from any misstatement of fact made by the Participant or Beneficiary, directly or indirectly, to the Company or to the Administrator and used by it in determining the Participant's or Beneficiary's Plan interest. Neither the Company nor the Administrator shall be obligated or required to increase the Plan interest of any such Participant or Beneficiary which, on discovery of the misstatement, is found to be understated as a result of such misstatement. However, the Plan interest of any Participant or Beneficiary which is overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of accurate facts.

5.6. OVERPAYMENTS

If a payment or a series of payments made from the Plan is found to be greater than the payment(s) to which a Participant or Beneficiary is entitled due to factual errors, mathematical errors or otherwise, the Administrator may, in its discretion and to the extent consistent with Section 409A of the Code, suspend or reduce future payments to such Participant or Beneficiary or exercise such legal or equitable remedies as it deems appropriate to correct the overpayment.

5.7. UNCLAIMED BENEFIT

In the event that any amount determined to be payable to a Participant or Beneficiary hereunder remains unclaimed by such Participant or Beneficiary for a period of four years after the whereabouts or existence of such person was last known to the Administrator, the Administrator may direct that all rights of such person to such amounts be terminated absolutely; provided, however, that if such Participant or Beneficiary subsequently appears and files a claim for payment in accordance with Article Three and such claim is fully or partially successful, the liability under the Plan for an amount equal to the successful claim shall be reinstated.

5.8. ELECTIONS, APPLICATIONS, NOTICES

Every designation, direction, election, revocation or notice authorized or required under the Plan which is to be delivered to the Company or the Administrator shall be deemed delivered to the Company or the Administrator as the case may be: (a) on the date it is personally delivered to the Administrator at the Company's executive offices at 100 Erie Insurance Place, Erie, Pennsylvania 16530 or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Administrator at the offices indicated above. Every such item which is to be delivered to a person or entity designated by the Administrator to perform recordkeeping and other administrative services on behalf of the Plan shall be deemed delivered to such person or entity when it is actually received (either physically or through interactive electronic communication) by such person or entity. Every designation, direction, election, revocation or notice authorized or required which is to be delivered to a Participant or Beneficiary shall be deemed delivered to a Participant or Beneficiary: (a) on the date it is personally delivered to such individual (either physically or through interactive electronic communication), or (b) three business days after it is sent by registered or certified mail, postage prepaid, addressed to such individual at the last address shown for him on the Company's records. Any notice required under the Plan may be waived by the person entitled thereto.

5.9. COUNTERPARTS

This Plan may be executed in any number of counterparts, each of which shall be considered as an original, and no other counterparts need be produced.

5.10. SEVERABILITY

In the event any provision of this Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan. This Plan shall be construed and enforced as if such illegal or invalid provision had never been contained herein.

5.11. GOVERNING LAW

The Plan is established under and will be construed according to the laws of the Commonwealth of Pennsylvania.

5.12. HEADINGS

The headings of Sections of this Plan are for convenience of reference only and shall have no substantive effect on the provisions of this Plan.

5.13. CONSTRUCTION

The masculine gender, where appearing in this Plan, shall be deemed to also include the feminine gender. The singular shall also include the plural, where appropriate.

Executed at Erie, Pennsylvania this 23rd day of December, 2008, effective as of January 1, 2009.

ERIE INDEMNITY COMPANY

By: /s/ James J. Tanous

Title: Executive Vice President, Secretary and General Counsel

ATTEST:

/s/ Brian Bolash

APPENDIX A

ERIE INDEMNITY COMPANY
DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS

Accounts Earned and Vested On or Before December 31, 2004

ARTICLE ONE

INTRODUCTION

This Appendix A incorporates the provisions of the Plan as it relates to Deferred Stock Accounts and Total Deferred Cash Accounts that were earned and vested on or before December 31, 2004, without material modifications to the terms of the Plan after October 3, 2004. The provisions of this Appendix A shall apply in determining the rights and features of such accounts.

ARTICLE TWO

DEFINITIONS

When the following words or phrases are used in this Appendix A with initial capital letters, they shall have the following meanings:

2.1 "Administrator" is a term that is defined in Article Two of the Basic Plan Document.

2.2 "Amendment Form" shall mean the Amendment Form described in Section 8.3.

2.3 "Annual Share Credit" shall mean the Share Credit addition determined under Section 7.2.

2.4 "Beneficiary" is a term that is defined in Article Two of the Basic Plan Document.

2.5 "Board" is a term that is defined in Article Two of the Basic Plan Document.

2.6 "Board Compensation" shall mean the remuneration, expressed in terms of a cash amount, earned by a Director for service on the Board including, without limitation, a retainer, meeting fees and chairperson's fees.

2.7 "Board Tenure Year" shall mean the period which, in reference to any given calendar year, begins on the date of the Company's annual shareholder meeting held in such year and ends on the day before the Company's annual shareholder meeting held in the immediately following calendar year.

2.8 "Committee" shall mean the Executive Compensation and Development Committee of the Board or its successor, as designated by the Board.

2.9 "Common Stock" shall mean the Class A common stock of the Company.

2.10 "Company" is a term that is defined in Article Two of the Basic Plan Document.

2.11 "Deferred Compensation Account" shall mean the bookkeeping account described in Section 4.2.

2.12 "Deferred Stock Account" shall mean the bookkeeping account described in Article Seven.

2.13 "Director" is a term that is defined in Article Two of the Basic Plan Document.

2.14 "Dividend Equivalent Credit" shall mean the Share Credit addition determined under Section 7.3.

2.15 "Election Form" shall mean the Participation Election Form described in Section 3.2.

2.16 “Employee” is a term that is defined in Article Two of the Basic Plan Document.

2.17 “Hypothetical Interest” shall mean the gains and losses credited to a Participant’s Deferred Compensation Account and/or Retirement Plan Transfer Account in accordance with Article Six.

2.18 “Outside Director” shall mean a Director who was not an Employee or officer of the Company, its affiliates or subsidiaries.

2.19 “Participant” shall mean each Outside Director who participated in the Plan in accordance with the terms and conditions of this Appendix A. Participant shall also include a former Outside Director who had become a Participant during his period of active Board service and on whose behalf the Administrator is maintaining a Deferred Stock Account and/or a Total Deferred Cash Account pursuant to the terms of this Appendix A.

2.20 “Plan” is a term that is defined in Article Two of the Basic Plan Document.

2.21 “Retirement Plan” shall mean the Erie Indemnity Company Retirement Plan for Outside Directors, effective as of January 1, 1991 and as amended thereafter.

2.22 “Retirement Plan Transfer Account” shall mean the bookkeeping account described in Section 5.3.

2.23 “Retirement Plan Transfer Credit” shall mean the contribution credit determined under Section 5.1.

2.24 “Retirement Plan Transfer Vesting Date” shall mean the date on which a Participant officially stops serving on the Board for reasons other than the Participant’s death, provided such date follows the Participant’s attainment of age 65 and completion of five Years of Board Service.

2.25 “Share Credit” shall mean the separate, identifiable units accumulated within a Participant’s Deferred Stock Account attributable to Annual Share Credits and Dividend Equivalent Credits.

2.26 “Share Credit Allocation Date” shall mean, with respect to any Board Tenure Year, the business day next following the first day of such Board Tenure Year; provided, however, that in reference to any individual who became an Outside Director on any day other than the first day of a given Board Tenure year, the Share Credit Allocation Date relative to such year shall mean the business day next following the day on which the individual became an Outside Director.

2.27 “Total Deferred Cash Account” shall mean the sum of the amounts credited under any Deferred Compensation Account and any Retirement Plan Transfer Account maintained on behalf of a Participant.

2.28 “Valuation Date” shall mean the close of business as of each business day.

2.29 “Vested” shall mean, as of any given date, the portion of the Deferred Stock Account and/or the Total Deferred Cash Account maintained on behalf of a Participant which is then 100% vested and nonforfeitable, as determined under Sections 4.2, 5.3, and Article Seven.

2.30 “Year of Board Service” shall mean each Board Tenure Year during which a Director has served on the Board, including, for Directors on the Board as of May 1, 1997, all Years of Board Service prior to the adoption of the Plan.

ARTICLE THREE

PARTICIPATION

3.1 ELIGIBILITY AND PARTICIPATION

a) Effective as of May 1, 2002, all Outside Directors then in Board service who were not yet Participants became Participants in the Plan. Any individual who became an Outside Director after May 1, 2002 and before January 1, 2005 began participation in the Plan as of the Share Credit Allocation Date next following the date as of which the individual became an Outside Director. As a condition of participation, each Outside Director delivered to the Administrator properly completed and executed elections as described in Section 3.2.

b) Each Outside Director was eligible to participate in the Board Compensation deferral provisions of the Plan and may have chosen to defer Board Compensation in accordance with the provisions of Section 4.1.

3.2 PARTICIPATION ELECTION FORM

An Outside Director delivered to the Administrator the following elections, to the extent applicable to such Director, made on such Election Form or Forms as the Administrator, in its discretion, prescribed:

a) The method by which amounts credited to the Participant's Deferred Stock Account and, separately, any Total Deferred Cash Account are to be paid;

b) The date, following the Participant's official termination of service on the Board, as of which payment of amounts credited to the Participant's Deferred Stock Account and, separately, any Total Deferred Cash Account is to occur (in the event of a lump sum distribution) or commence (in the event of distribution in installments); and

c) The Beneficiary to whom payments of amounts credited to the Participant's Deferred Stock Account and any Total Deferred Cash Account will be made in the event of the Participant's death.

In addition, an Outside Director on whose behalf a Total Deferred Cash Account is being maintained also completed and delivered to the Administrator the investment designation described in Section 6.2.

The elections under paragraphs (a) and (b) shall be irrevocable except as provided in Section 8.3. The election under paragraph (c) may be changed as provided in Section 2.2 of the Basic Plan Document.

ARTICLE FOUR

BOARD COMPENSATION DEFERRED

4.1 DEFERRED COMPENSATION ELECTION

A Participant who is an Outside Director may have elected to defer Board Compensation for a given calendar year beginning before January 1, 2005 by delivering a properly completed and executed Election Form to the Administrator by the end of the calendar year which precedes the given calendar year in which the election is to be effective. Such Election Form stated, in 10% increments from 10% to 100%, the percentage of Board Compensation to be deferred. Such deferral election was irrevocable as of the January 1 of the calendar year to which the election applies. Such deferral election terminated as to all Board Compensation earned after such calendar year.

4.2 DEFERRED COMPENSATION ACCOUNT

A Deferred Compensation Account was established for each Outside Director who properly completed, executed, and delivered an Election Form on which he elected to defer Board Compensation. The Board Compensation which each Participant deferred for calendar years beginning before January 1, 2005 and Hypothetical Interest earned on such Board Compensation (as provided in Section 6.1) is credited to this Deferred Compensation Account. Board Compensation deferred under this Section 4.2 was credited to the Participant's Deferred Compensation Account as of the date such compensation would otherwise have been payable to the Participant. A Participant's Deferred Compensation Account shall be kept only for bookkeeping and accounting purposes and no Company funds shall be transferred or designated to this account. A Participant's interest in the Deferred Compensation Account maintained on his behalf shall be Vested at all times.

ARTICLE FIVE

TRANSFER OF RETIREMENT PLAN CREDIT

5.1 RETIREMENT PLAN TRANSFER ELECTION

a) The Company has recorded a contribution credit under the Plan on behalf of each Outside Director who satisfied the criteria set forth in paragraph (b) of this Section 5.1. Such contribution credit is referred to herein as the Retirement Plan Transfer Credit, was recorded as of December 31, 1997 and, except as provided in Section 6.1(b), was equal to the amount individually determined under Section 5.2.

b) An Outside Director was entitled to a Retirement Plan Transfer Credit if:

(i) The Outside Director was an Outside Director on May 1, 1997; and

(ii) During the period beginning June 17, 1997 and ending August 1, 1997, the Outside Director elected to have the Retirement Plan Transfer Credit recorded on his behalf under the Plan in lieu of any continuing interest under the Retirement Plan.

5.2 RETIREMENT PLAN TRANSFER CREDIT

a) The Retirement Plan Transfer Credit with respect to an Outside Director who satisfied the criteria set forth in Section 5.1 was the actuarial present value (as defined in paragraph (b) below) of the retirement benefit accrued by the Outside Director under the Retirement Plan as of May 1, 1997.

b) For purposes of this Section 5.2, “actuarial present value” shall mean the single sum value of a retirement benefit, determined as of May 1, 1997, by using the 1983 Group Annuity Mortality Table (50% male/50% female) and an interest rate of seven percent.

5.3 RETIREMENT PLAN TRANSFER ACCOUNT

A Retirement Plan Transfer Account has been established for each Outside Director described in Section 5.1(b). The Retirement Plan Transfer Credit and Hypothetical Interest earned on such Retirement Plan Transfer Credit shall be recorded in this Retirement Plan Transfer Account. A Participant’s Retirement Plan Transfer Account shall be kept only for bookkeeping and accounting purposes and no Company funds shall be transferred or designated to this account. Notwithstanding any provision of the Plan to the contrary, a Participant’s interest in the Retirement Plan Transfer Account maintained on his behalf shall be forfeited in its entirety in the event the Participant’s service as a Director is terminated for any reason (including death) prior to the Participant’s attainment of his Retirement Plan Transfer Vesting Date. Upon attainment of his Retirement Plan Transfer Vesting Date, a Participant’s interest in such Retirement Plan Transfer Account shall become Vested. For purposes of this Appendix A, a Retirement Plan Transfer Account shall be maintained hereunder with respect to any Outside Director described in Section 5.1 who has also attained his Retirement Plan Transfer Vesting Date on or before December 31, 2004. With respect to any other Outside Director described in Section 5.1, the Retirement Plan Transfer Account shall be maintained pursuant to the provisions of Appendix B.

ARTICLE SIX

CREDITS TO PARTICIPANT TOTAL DEFERRED CASH ACCOUNTS EARNED AND VESTED ON OR BEFORE DECEMBER 31, 2004

6.1 HYPOTHETICAL INTEREST

a) The Total Deferred Cash Account maintained on behalf of a Participant under this Appendix A is credited with Hypothetical Interest. The Hypothetical Interest is credited as of each Valuation Date on the amount credited to the Participant’s Total Deferred Cash Account on such Valuation Date in accordance with the valuation procedure adopted by the Administrator. The Hypothetical Interest credited to each Total

Deferred Cash Account is determined by the Administrator and computed in reference to the appreciation or depreciation experienced since the immediately preceding Valuation Date by the hypothetical investment funds which the Administrator may offer to Participants under Section 6.2. For any given period, Hypothetical Interest may be a positive or a negative figure. The crediting of Hypothetical Interest shall occur so long as there is a balance in the Participant's Total Deferred Cash Account regardless of whether the Participant has terminated service with the Board or has died. The Administrator may prescribe any reasonable method or procedure for the accounting of Hypothetical Interest.

b) Notwithstanding any provision of this Article Six to the contrary:

(i) The Retirement Plan Transfer Credit, determined under Section 5.2 and recorded as of December 31, 1997 on behalf of an Outside Director described in Section 5.1(b), was increased with Hypothetical Interest for the period beginning on May 1, 1997 and ending on December 31, 1997; and

(ii) For purposes of subparagraph (i) above, "Hypothetical Interest" was in reference to the interest, compounded on a daily basis, at the rate or rates in effect during the period beginning on May 1, 1997 and ending December 31, 1997, as declared by the Board of Directors of Erie Family Life Insurance Company on the Erie Family Life Insurance Company deposit administration group annuity contract held by the trustee of the Erie Insurance Group Employee Savings Plan.

6.2 <u>PARTICIPANT INVESTMENT DESIGNATION</u>

a) A Participant (and any Outside Director first electing to participate in the Plan) may have designated on such form or forms satisfactory to the Administrator, that portion of his future deferred compensation and, separately, that portion of any existing Total Deferred Cash Account maintained on his behalf which were to be credited with Hypothetical Interest in reference to each of the hypothetical investment funds that were offered by the Administrator, in the discretion of the Administrator. Such designations specified, in 1% increments, the percentages to be credited in reference to each of the hypothetical investment funds offered. Such designations may remain in effect until the Participant submits a new designation within such times and in accordance with such means as are designated by the Administrator. New designations are made as to (i) future deferred compensation and/or (ii) any existing Total Deferred Cash Account, provided that separate designations as to the crediting of a Deferred Compensation Account and a Retirement Plan Transfer Account are not available. All new designations are effective as of a given date specified by the Administrator. In the event a Participant fails to make an effective designation under this paragraph (a), the Administrator, acting in its discretion, shall make such designation on behalf of the Participant.

b) In accepting participation in the Plan, a Participant agreed on behalf of himself and his Beneficiary to assume all risk in connection with any decrease in value of the hypothetical investment funds in reference to which Hypothetical Interest is credited to the Participant's Total Deferred Cash Account. The Company and the Administrator shall not be liable to any Participant or Beneficiary for the under-performance of any hypothetical investment fund offered under the Plan.

c) The Administrator may, in its discretion, offer additional hypothetical investment funds to Participants and may cease to offer any such fund at such time as it deems appropriate. In the event the Administrator decides to discontinue offering a hypothetical investment fund under the Plan, those Participants on whose behalf Hypothetical Interest is then being credited on the basis of the discontinued hypothetical investment fund may be required, at the discretion of the Administrator, to have affected amounts consolidated with (or "mapped" to) a replacement hypothetical investment fund selected by the Administrator or may be required to designate, from such selection of hypothetical funds as may be offered by the Administrator, a hypothetical fund or funds as a replacement for the hypothetical investment fund being discontinued. Any such designation by a Participant shall be made in accordance with paragraph (a) above. Hypothetical Interest credited on behalf of any Participant who is affected by the discontinuation of a hypothetical investment fund but who fails to make any replacement designation offered in this paragraph (c) shall mirror, to the extent of the Participant's interest in such discontinued fund, such hypothetical investment fund or funds as the Administrator may choose in its discretion. Any changes under this paragraph (c) shall take effect at such times and under such rules as shall be established by the Administrator.

d) Notwithstanding any provision of the Plan to the contrary, the eligibility of a Participant to make any designation under this Section 6.2 shall not be construed as to provide any Participant or any other person with a beneficial ownership interest in any assets of the Company or an affiliated company or subsidiary. Title to and beneficial ownership of any assets which the Company may earmark to pay the contingent deferred compensation hereunder shall at all times remain in the Company, affiliated company or subsidiary. The Participant, his Beneficiary and any heirs, successors or assigns shall not have any legal or equitable right, interest or control over or any property interest whatsoever in any specific assets of the Company or any affiliated company or subsidiary on account of having an interest under the Plan. Any and all of the Company's assets, and any life insurance policies, annuity contracts or the proceeds therefrom which may be acquired by the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. In no event shall the Company be required to purchase any specific shares or interest in any investment fund.

6.3 STATEMENTS

Statements will be sent to each Participant as to the balance of his Total Deferred Cash Account at least once each calendar year.

ARTICLE SEVEN

CREDITING OF DEFERRED STOCK

7.1 DEFERRED STOCK ACCOUNT

A Deferred Stock Account shall be maintained under the terms of this Appendix on behalf of any applicable Outside Director to reflect the amounts credited on such Director's behalf under Sections 7.2 and 7.3 that were earned and vested on or before December 31, 2004, and the future earnings on such amounts. With respect to amounts credited to an Outside Director that are earned or become vested on or after January 1, 2005, a Deferred Stock Account shall be maintained pursuant to the provisions of Appendix B. A Participant's Deferred Stock Account shall be kept only for bookkeeping and accounting purposes and no Company funds or property shall be transferred or designated to this account. Statements will be sent to each Participant as to the balance of his Deferred Stock Account at least once each calendar year.

7.2 ANNUAL SHARE CREDIT

With respect to each Board Tenure Year during which the Director is an Outside Director, the Deferred Stock Account maintained on such Participant's behalf was credited with an Annual Share Credit, effective as of the Share Credit Allocation Date. For any given Board Tenure Year, the Annual Share Credit made to an Outside Director's Deferred Stock Account was equal to the quotient obtained by dividing a cash amount determined by the Board for the given year by the closing price of Common Stock on the Share Credit Allocation Date. A Participant's interest in the Annual Share Credit attributable to any given Board Tenure Year vested in accordance with the following schedule:

Date of Retirement or Termination of Board Service	**Vested Percentage in that Year's Annual Share Credit**
Before last day of third full month of given Board Tenure Year	0%
After last day of third full month of given Board Tenure Year but before last day of sixth full month of given Board Tenure Year	25%
After last day of sixth full month of given Board Tenure Year but before last day of ninth full month of given Board Tenure Year	50%
After last day of ninth full month of given Board Tenure Year but before the earlier of (i) the twelfth full month of given Board Tenure Year or (ii) the date	75%

Date of Retirement or Termination of Board Service	Vested Percentage in that Year's Annual Share Credit
on which begins the immediately following Board Tenure Year.	
On or after the earlier of (i) the twelfth full month of given Board Tenure Year or (ii) the date on which begins the immediately following Board Tenure Year.	100%

7.3 DIVIDEND EQUIVALENT CREDIT

For each quarterly period (i) with respect to which a dividend is paid on Common Stock, and (ii) in which there is a balance in the Deferred Stock Account maintained on behalf of a Participant as of the record date applicable to the dividend paid on Common Stock (regardless of whether the Participant has terminated service with the Board or has died), a Participant's Deferred Stock Account shall be credited with a Dividend Equivalent Credit. The Dividend Equivalent Credit for any such quarterly period shall be credited as of the date on which the dividend is paid on Common Stock for such quarterly period. For any such applicable quarterly period, the Dividend Equivalent Credit made to a Participant's Deferred Stock Account shall be determined as follows:

a) A dividend credit is determined, expressed in cash, equal to the product of:

(i) The dividend payable by the Company on one share of Common Stock for such quarterly period; and

(ii) The number of accumulated Share Credits credited to the Participant's Deferred Stock Account as of the Common Stock dividend record date applicable to such quarterly period.

b) The dividend credit determined in paragraph (a) above will immediately be converted into a Share Credit by dividing such cash dividend credit by the closing price of Common Stock on the date on which the dividend is paid on Common Stock for such quarterly period.

A Participant's interest in the Share Credits attributable to Dividend Equivalent Credits shall be Vested at all times.

7.4 AGGREGATION OF PARTIAL SHARE CREDITS

Effective as of each Share Credit Allocation Date and each Common Stock dividend record date with respect to which Dividend Equivalent Credits are made, any partial Share Credits then credited to a Participant's Deferred Stock Account shall be aggregated in such manner as the Administrator shall provide to constitute full Share Credits.

7.5 ADJUSTMENT TO SHARE CREDITS

Share Credits maintained on behalf of a Participant hereunder shall be subject to appropriate adjustment by the Administrator in the event of changes in the outstanding Common Stock by reason of stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the date Share Credits are credited hereunder.

ARTICLE EIGHT

PAYMENT OF DEFERRED STOCK ACCOUNT AND TOTAL DEFERRED CASH ACCOUNT

8.1 PAYMENT

The Company shall pay a Participant the amounts represented by the balances credited to the Participant's Vested Deferred Stock Account and Vested Total Deferred Cash Account after the Participant's termination of services with the Board. Except as otherwise provided in this Article Eight, such payment shall be made according to the method and at the times selected by the Participant in his Election Form or, if applicable, in the most recent, properly executed and effective Amendment Form(s) which the Participant has delivered to the Administrator prior to the Participant's termination of Board service. A Participant may make independent elections under this Article Eight applicable to (i) the Vested Deferred Stock Account maintained on his behalf and (ii) the Vested Total Deferred Cash Account maintained on his behalf.

8.2 METHODS OF PAYMENT

a) A Participant may elect one of the following methods of payment for the amounts represented by his Vested Deferred Stock Account:

(i) A lump sum distribution; or

(ii) Payments in approximately equal annual installments for a period not to exceed 10 years.

Payments of the distributable amount represented by all or a portion of the balance in the Participant's Vested Deferred Stock Account will be made in shares of Common Stock equal to the number of full Share Credits comprising the distributable amount that are then credited to the Participant's Vested Deferred Stock Account, with fractional Share Credits comprising the distributable amount payable in cash.

b) A Participant may elect any one of the following methods of payment for the amounts represented by his Vested Total Deferred Cash Account:

(i) A lump sum distribution;

(ii) Payment in approximately equal annual installments for a period not to exceed 10 years; or

(iii) Payment in approximately equal monthly installments for a period not to exceed 10 years.

Payments of the distributable amount represented by all or a portion of the balance in the Participant's Vested Total Deferred Cash Account shall be made in cash.

c) In the event the Participant dies before receiving the entire distribution to which he is entitled under the Plan, the provisions of Section 8.4 shall apply.

8.3 AMENDMENT TO PAYMENT ELECTION

A Participant who is an active Director may request to defer the date at which payment of the amount represented by his Vested Deferred Stock Account and/or Vested Total Deferred Cash Account will occur (or commence) and may request a change in his elected method of payment by submitting a properly completed and executed Amendment Form to the Administrator which indicates the period of additional deferral and/or the desired method of payment; provided, however:

a) Such request of additional deferral or alternative method of payment shall be subject to the Administrator's power, to be exercised at the Administrator's discretion, to direct that payment of the amount represented by the Participant's Vested Deferred Stock Account and/or Vested Total Deferred Cash Account will occur or commence, or will be paid under a method, in accordance with the Participant's election(s) on a previously delivered Amendment Form or on the Participant's Election Form; and

b) In no event shall any requested additional deferral or alternative method of payment become effective unless the Amendment Form evidencing such request is submitted to, and approved by, the Administrator at least twelve months prior to the date payment of the amount represented by the Vested Deferred Stock Account and/or Vested Total Deferred Cash Account would otherwise have occurred or commenced under the Election Form or Amendment Form in effect on the date the Participant requests the additional deferral or alternative method of payment.

A Participant may make separate requests under this Section 8.3 applicable to the Vested Deferred Stock Account maintained on his behalf and to any Total Deferred Cash Account maintained on his behalf.

8.4 PAYMENT UPON DEATH OF PARTICIPANT

a) In the event of a Participant's death prior to his Retirement Plan Transfer Vesting Date, the amount represented by the Participant's Deferred Compensation Account and the amount represented by the Participant's Vested Deferred Stock Account (or, if the Participant had begun payment prior to death, the remaining balance of such accounts) shall be paid by the Company to the Participant's Beneficiary or Beneficiaries as soon as practicable in the form of a lump sum. Any amount represented by the balance credited to the Participant's Retirement Plan Transfer Account shall be forfeited upon the Participant's death.

b) In the event of a Participant's death on or after his Retirement Plan Transfer Vesting Date, the amount represented by the Participant's Vested Deferred Stock Account and the amount represented by the Participant's Vested Total Deferred Cash Account (or, if the Participant had begun payment prior to death, the remaining balance of such accounts) shall be paid by the Company to the Participant's Beneficiary or Beneficiaries as soon as practicable in the form of a lump sum.

c) Payment of the distributable amount represented by the deceased Participant's Vested Deferred Stock Account will be made in shares of Common Stock equal to the number of full Share Credits credited to such account as of the payment date, with fractional Share Credits payable in cash.

8.5 EMERGENCY CIRCUMSTANCES

Notwithstanding any other provision of this Plan, if the Committee determines, after consideration of a Participant's application, that the Participant has a financial necessity of such a substantial nature that a current payment of compensation deferred under this Plan is warranted, the Committee may in its sole and absolute discretion direct that all or a portion of the Participant's Vested Deferred Compensation Account balance be paid to him. The payment shall be made in the manner and at the times specified by the Committee for payment; provided, however, such payment shall not be in excess of that amount which is, in the discretion of the Committee, required to satisfy the financial necessity. In making determinations under this Section 8.5, no member of the Committee shall vote with respect to any application made by the Committee member under this Section.

ARTICLE NINE

CONSTRUCTION

This Appendix A is intended to memorialize the provisions of the Plan as it pertains to grandfathered amounts within the meaning of guidance promulgated by the Internal Revenue Service pursuant to Section 409A of the Internal Revenue Code of 1986, as amended. As a result, the Administrator shall interpret and construe the terms of this Appendix A so as to preserve the status of these amounts as grandfathered amounts under such guidance. References, or cross references to an identified Article, Section, or specific part thereof, shall refer to such Article, Section (or part) of this Appendix A, unless otherwise qualified by the context.

APPENDIX B

ERIE INDEMNITY COMPANY
DEFERRED COMPENSATION PLAN
FOR OUTSIDE DIRECTORS

Accounts Not Earned and Vested On or Before December 31, 2004

ARTICLE ONE

INTRODUCTION

This Appendix B incorporates the provisions of the Plan as it relates to Deferred Stock Accounts and Total Deferred Cash Accounts other than such accounts that were earned and vested on or before December 31, 2004, without material modifications to the terms of the Plan after October 3, 2004. The provisions of this Appendix B shall apply in determining the rights and features of such accounts and is generally effective as of January 1, 2009.

ARTICLE TWO

DEFINITIONS

When the following words or phrases are used in this Appendix B with initial capital letters, they shall have the following meanings:

2.1 "Administrator" is a term that is defined in Article Two of the Basic Plan Document.

2.2 "Affiliate" shall mean any organization which, together with the Company, is a member of a controlled group of corporations under Sections 414(b), 414(c) and 1563(a) of the Code, applying an 80% test for purposes of Section 1563(a).

2.3 "Amendment Form" shall mean the Amendment Form described in Section 8.6. An Amendment Form may be in paper and/or electronic form, as designated by the Administrator.

2.4 "Annual Share Credit" shall mean the Share Credit addition determined under Section 7.2.

2.5 "Beneficiary" is a term that is defined in Article Two of the Basic Plan Document.

2.6 "Board" is a term that is defined in Article Two of the Basic Plan Document.

2.7 "Board Compensation" shall mean the remuneration, expressed in terms of a cash amount, earned by a Director for service on the Board including, without limitation, a retainer, meeting fees and chairperson's fees.

2.8 "Board Tenure Year" shall mean the period which, in reference to any given calendar year, begins on the date of the Company's annual shareholder meeting held in such year and ends on the day before the Company's annual shareholder meeting held in the immediately following calendar year.

2.9 "Committee" shall mean the Executive Compensation and Development Committee of the Board, or its successor, as designated by the Board.

2.10 "Common Stock" shall mean the Class A common stock of the Company.

2.11"Company" is a term that is defined in Article Two of the Basic Plan Document.

2.12 "Deferred Compensation Account" shall mean the bookkeeping account described in Section 4.2.

2.13 “Deferred Stock Account” shall mean the bookkeeping account described in Article Seven.

2.14 “Director” is a term that is defined in Article Two of the Basic Plan Document.

2.15 “Dividend Equivalent Credit” shall mean the Share Credit addition determined under Section 7.3.

2.16 “Election Form” shall mean the Participation Election Form described in Section 3.2. An Election Form may be in paper and/or electronic form, as designated by the Administrator.

2.17 “Employee” is a term that is defined in Article Two of the Basic Plan Document.

2.18 “Hypothetical Interest” shall mean the gains and losses credited to a Participant’s Deferred Compensation Account and/or Retirement Plan Transfer Account in accordance with Article Six.

2.19 “Outside Director” shall mean a Director who is not an Employee or officer of the Company or an Affiliate.

2.20 “Participant” shall mean each Outside Director who participates in the Plan in accordance with the terms and conditions of this Appendix B. Participant shall also include a former Outside Director who had become a Participant during his period of active Board service and on whose behalf the Administrator is maintaining a Deferred Stock Account and/or a Total Deferred Cash Account pursuant to the terms of this Appendix B.

2.21 “Plan” is a term that is defined in Article Two of the Basic Plan Document.

2.22 “Retirement Plan” shall mean the Erie Indemnity Company Retirement Plan for Outside Directors, effective as of January 1, 1991 and as amended thereafter.

2.23 “Retirement Plan Transfer Account” shall mean the bookkeeping account described in Section 5.3.

2.24 “Retirement Plan Transfer Credit” shall mean the contribution credit determined under Section 5.1.

2.25 “Retirement Plan Transfer Vesting Date” shall mean the date on which a Participant officially stops serving on the Board for reasons other than the Participant’s death, provided such date follows the Participant’s attainment of age 65 and completion of five Years of Board Service.

2.26 “Separation from Board Service” shall mean the complete cessation of services as a member of the Board and of the board of directors of any Affiliate.

2.27 “Share Credit” shall mean the separate, identifiable units accumulated within a Participant’s Deferred Stock Account attributable to Annual Share Credits and Dividend Equivalent Credits.

2.28 “Share Credit Allocation Date” shall mean, with respect to any Board Tenure Year, the business day next following the first day of such Board Tenure Year; provided, however, that in reference to any individual who becomes an Outside Director on any day other than the first day of a given Board Tenure year, the Share Credit Allocation Date relative to such year shall mean the business day next following the day on which the individual becomes an Outside Director.

2.29 “Total Deferred Cash Account” shall mean the sum of the amounts credited under any Deferred Compensation Account and any Retirement Plan Transfer Account maintained on behalf of a Participant.

2.30 “Valuation Date” shall mean the close of business as of each business day.

2.31 “Vested” shall mean, as of any given date, the portion of the Deferred Stock Account and/or the Total Deferred Cash Account maintained on behalf of a Participant which is then 100% vested and nonforfeitable, as determined under Sections 4.2, 5.3, and Article Seven.

2.32 “Year of Board Service” shall mean each Board Tenure Year during which a Director has served on the Board, including, for Directors on the Board as of May 1, 1997, all Years of Board Service prior to the adoption of the Plan.

ARTICLE THREE

PARTICIPATION

3.1 ELIGIBILITY AND PARTICIPATION

a) Any individual who becomes an Outside Director shall participate in the Plan as of the Share Credit Allocation Date next following the date as of which the individual becomes an Outside Director. As a condition of participation, each Outside Director shall deliver to the Administrator properly completed and executed elections as described in Section 3.2.

b) Each Outside Director is eligible to participate in the Board Compensation deferral provisions of the Plan and may choose to defer Board Compensation in accordance with the provisions of Section 4.1.

3.2 PARTICIPATION ELECTION FORM

An Outside Director shall deliver to the Administrator the following elections, to the extent applicable to such Director, to be made on such Election Form or Forms as the Administrator, in its discretion, shall prescribe:

a) The method by which amounts credited to the Participant’s Deferred Stock Account are to be paid;

b) The date, following the Participant’s Separation from Board Service, as of which payment of amounts credited to the Participant’s Deferred Stock Account is to occur (in the event of a lump sum distribution) or commence (in the event of distribution in installments);

c) The Beneficiary to whom payments of amounts credited to the Participant’s Deferred Stock Account will be made in the event of the Participant’s death; and

d) If the Outside Director chooses to defer Board Compensation in accordance with the provisions of Section 4.1:

  (i) The percentage of Board Compensation to be deferred for the calendar year to which the election applies;

  (ii) The method by which amounts credited to the Participant’s Total Deferred Cash Account are to be paid;

  (iii) The date, following the Participant’s Separation from Board Service, as of which payment of amounts credited to the Participant’s Total Deferred Cash Account is to occur (in the event of a lump sum distribution) or commence (in the event of a distribution in installments);

  (iv) The Beneficiary to whom payments of amounts credited to the Participant’s Total Deferred Cash Account will be made in the event of the Participant’s death; and

  (v) The investment designation described in Section 6.2.

The elections under paragraphs (a) and (b) above shall be delivered to the Administrator within 30 days after first becoming a Participant under Section 3.1(a) and shall be irrevocable except as provided in Section 8.6. The elections under paragraph (c) and subparagraph (d)(iv) above are subject to the provisions of Section 2.2 of the

Basic Plan Document. The election under subparagraph (d)(i) shall be delivered to the Administrator within 30 days after first becoming a Participant under Section 3.1(a) and shall be irrevocable for the calendar year of the election, except as provided in Section 4.1(c) or 4.1(d). The elections under subparagraphs (d)(ii) and (d)(iii) above shall be delivered to the Administrator within 30 days after first becoming a Participant under Section 3.1(a) and shall be irrevocable except as provided in Section 8.6. The election under subparagraph (d)(v) above may be made and changed as provided in Section 6.2.

ARTICLE FOUR

BOARD COMPENSATION DEFERRED

4.1 DEFERRED COMPENSATION ELECTION

a) Initial Deferral Election. A Participant who is an Outside Director may elect to defer Board Compensation for a given calendar year by delivering a properly completed and executed Election Form to the Administrator as provided in Section 3.2(d)(i). Such Election Form shall state, in 10% increments from 0% to 100%, the percentage of Board Compensation the Outside Director chooses to defer that is attributable to services performed after the election is delivered. Except as provided in paragraphs (c) and (d) below, such deferral election shall be irrevocable as of the date the election is delivered to the Administrator, as applicable to such future Board Compensation attributable to the calendar year to which the election applies. Such deferral election shall automatically terminate as to all Board Compensation after such calendar year.

b) Subsequent Deferral Elections. With respect to any calendar years beginning after the year an Outside Director first becomes a Participant under Section 3.1(a), the Participant may elect to defer Board Compensation attributable to services performed in such year by delivering a properly completed and executed Election Form to the Administrator by the end of the calendar year which immediately precedes the calendar year for which the election is to be effective. Such Election Form shall state, in 10% increments from 0% to 100%, the percentage of Board Compensation the Outside Director chooses to defer that is attributable to services performed in the calendar year for which the election is to be effective. Except as provided in paragraphs (c) or (d) below, such deferral election shall be irrevocable as of the December 31 of the calendar year that immediately precedes the calendar year to which the election applies. Such deferral election shall automatically terminate as to all Board Compensation attributable to services after such calendar year.

c) If a Participant makes a withdrawal due to an unforeseeable emergency under Section 8.5, all remaining deferrals of Board Compensation under the Plan for the calendar year in which such withdrawal is made shall be cancelled. Such Participant shall not be permitted to make any further deferral of Board Compensation until the Participant again satisfies the procedures set forth in paragraph (b) above.

d) Participant deferrals of Board Compensation under the Plan shall be cancelled in such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election to the application of such events or conditions to his individual circumstances.

4.2 DEFERRED COMPENSATION ACCOUNT

A Deferred Compensation Account shall be established for each Outside Director who properly completes, executes and delivers an Election Form on which he elects to defer Board Compensation. The Board Compensation which each Participant defers for calendar years beginning on and after January 1, 2005 and Hypothetical Interest earned on such Board Compensation (as provided in Section 6.1) shall be credited to this Deferred Compensation Account. Board Compensation deferred under this Section 4.2 shall be credited to the Participant’s Deferred Compensation Account as of the date such compensation would otherwise have been payable to the Participant. A Participant’s Deferred Compensation Account shall be kept only for bookkeeping and accounting purposes and no Company funds shall be transferred or designated to this account. A Participant’s interest in the Deferred Compensation Account maintained on his behalf shall be Vested at all times.

ARTICLE FIVE

TRANSFER OF RETIREMENT PLAN CREDIT

5.1 RETIREMENT PLAN TRANSFER ELECTION

a) The Company has recorded a contribution credit under the Plan on behalf of each Outside Director who satisfied the criteria set forth in paragraph (b) of this Section 5.1. Such contribution credit is referred to herein as the Retirement Plan Transfer Credit, was recorded as of December 31, 1997 and, except as provided in Section 6.1(b), was equal to the amount individually determined under Section 5.2.

b) An Outside Director was entitled to a Retirement Plan Transfer Credit if:

(i) The Outside Director was an Outside Director on May 1, 1997; and

(ii) During the period beginning June 17, 1997 and ending August 1, 1997, the Outside Director elected to have the Retirement Plan Transfer Credit recorded on his behalf under the Plan in lieu of any continuing interest under the Retirement Plan.

5.2 RETIREMENT PLAN TRANSFER CREDIT

a) The Retirement Plan Transfer Credit with respect to an Outside Director who satisfied the criteria set forth in Section 5.1 was the actuarial present value (as defined in paragraph (b) below) of the retirement benefit accrued by the Outside Director under the Retirement Plan as of May 1, 1997.

b) For purposes of this Section 5.2, “actuarial present value” shall mean the single sum value of a retirement benefit, determined as of May 1, 1997, by using the 1983 Group Annuity Mortality Table (50% male/50% female) and an interest rate of seven percent.

5.3 RETIREMENT PLAN TRANSFER ACCOUNT

A Retirement Plan Transfer Account has been established for each Outside Director described in Section 5.1(b). The Retirement Plan Transfer Credit and Hypothetical Interest earned on such Retirement Plan Transfer Credit shall be recorded in this Retirement Plan Transfer Account. A Participant’s Retirement Plan Transfer Account shall be kept only for bookkeeping and accounting purposes and no Company funds shall be transferred or designated to this account. Notwithstanding any provision of the Plan to the contrary, a Participant’s interest in the Retirement Plan Transfer Account maintained on his behalf shall be forfeited in its entirety in the event the Participant’s service as a Director ends for any reason (including death) prior to the Participant’s attainment of his Retirement Plan Transfer Vesting Date. Upon attainment of his Retirement Plan Transfer Vesting Date, a Participant’s interest in such Retirement Plan Transfer Account shall become Vested. A Retirement Plan Transfer Account shall be maintained under the terms of this Appendix B on behalf of any Outside Director described in Section 5.1 who had not attained his Retirement Plan Transfer Vesting Date on or before December 31, 2004. With respect to an Outside Director who had attained his Retirement Plan Transfer Vesting Date on or before December 31, 2004, a Retirement Plan Transfer Account shall be maintained pursuant to the provisions of Appendix A.

ARTICLE SIX

CREDITS TO PARTICIPANT TOTAL DEFERRED CASH ACCOUNTS NOT EARNED AND VESTED ON OR BEFORE DECEMBER 31, 2004

6.1 HYPOTHETICAL INTEREST

a) The Total Deferred Cash Account maintained on behalf of a Participant under this Appendix B will be credited with Hypothetical Interest. The Hypothetical Interest shall be credited as of each Valuation Date on the amount credited to the Participant's Total Deferred Cash Account on such Valuation Date in accordance with the valuation procedure adopted by the Administrator. The Hypothetical Interest to be credited to each Total Deferred Cash Account shall be determined by the Administrator and computed in reference to the appreciation or depreciation experienced since the immediately preceding Valuation Date by the hypothetical investment funds which the Administrator may offer to Participants under Section 6.2. For any given period, Hypothetical Interest may be a positive or a negative figure. The crediting of Hypothetical Interest shall occur so long as there is a balance in the Participant's Total Deferred Cash Account regardless of whether the Participant has terminated service with the Board or has died. The Administrator may prescribe any reasonable method or procedure for the accounting of Hypothetical Interest.

b) Notwithstanding any provision of this Article Six to the contrary:

(i) The Retirement Plan Transfer Credit, determined under Section 5.2 and recorded as of December 31, 1997 on behalf of an Outside Director described in Section 5.1(b), was increased with Hypothetical Interest for the period beginning on May 1, 1997 and ending on December 31, 1997; and

(ii) For purposes of subparagraph (i) above, "Hypothetical Interest" was in reference to the interest, compounded on a daily basis, at the rate or rates in effect during the period beginning on May 1, 1997 and ending December 31, 1997, as declared by the Board of Directors of Erie Family Life Insurance Company on the Erie Family Life Insurance Company deposit administration group annuity contract held by the trustee of the Erie Insurance Group Employee Savings Plan.

6.2 PARTICIPANT INVESTMENT DESIGNATION

a) A Participant (and any Outside Director first electing to participate in the Plan) may designate, within such times and in accordance with such means as are designated by the Administrator, that portion of his future deferred compensation under Section 4.1 and, separately, that portion of any existing Total Deferred Cash Account maintained on his behalf which shall be credited with Hypothetical Interest in reference to each of the hypothetical investment funds that may be offered by the Administrator, in the discretion of the Administrator. Such designations may specify, in 1% increments, the percentages to be credited in reference to each of the hypothetical investment funds offered. Such designations may remain in effect until the Participant submits a new designation within such time and in accordance with such means as are designated by the Administrator. New designations may be made as to (i) future deferrals of Board Compensation and/or (ii) any existing Total Deferred Cash Account, provided that separate designations as to the crediting of a Deferred Compensation Account and a Retirement Plan Transfer Account shall not be available. All new designations shall be effective as of a given date specified by the Administrator. In the event a Participant fails to make an effective designation under this paragraph (a), the Administrator, acting in its discretion, shall make such designation on behalf of the Participant.

b) In accepting participation in the Plan, a Participant agrees on behalf of himself and his Beneficiary to assume all risk in connection with any decrease in value of the hypothetical investment funds in reference to which Hypothetical Interest is credited to the Participant's Total Deferred Cash Account. The Company, the Affiliates and the Administrator shall not be liable to any Participant or Beneficiary for the under-performance of any hypothetical investment fund offered under the Plan.

c) The Administrator may, in its discretion, offer additional hypothetical investment funds to Participants and may cease to offer any such fund at such time as it deems appropriate. In the event the Administrator decides to discontinue offering a hypothetical investment fund under the Plan, those Participants on whose behalf Hypothetical Interest is then being credited on the basis of the discontinued hypothetical investment fund may be required, at the discretion of the Administrator, to have affected amounts consolidated with (or "mapped" to) a replacement hypothetical investment fund selected by the Administrator or may be required to designate, from such selection of hypothetical funds as may be offered by the Administrator, a hypothetical fund or funds as a replacement for the hypothetical investment fund being discontinued. Any such designation by a Participant shall be made in accordance with paragraph (a) above. Hypothetical Interest credited on behalf of any Participant who is affected by the discontinuation of a hypothetical investment fund but who fails to make any replacement designation offered in this paragraph (c) shall mirror, to the extent of the Participant's interest in such discontinued fund, such hypothetical investment fund or funds as the Administrator may choose in its discretion. Any changes under this paragraph (c) shall take effect at such times and under such rules as shall be established by the Administrator.

d) Notwithstanding any provision of the Plan to the contrary, the eligibility of a Participant to make any designation under this Section 6.2 shall not be construed as to provide any Participant or any other person with a beneficial ownership interest in any assets of the Company or an Affiliate. Title to and beneficial ownership of any assets which the Company or an Affiliate may earmark to pay the contingent deferred compensation hereunder shall at all times remain in the Company or Affiliate. The Participant, his Beneficiary and any heirs, successors or assigns shall not have any legal or equitable right, interest or control over or any property interest whatsoever in any specific assets of the Company or any Affiliate or related entity on account of having an interest under the Plan. Any and all of the Company's assets, and any life insurance policies, annuity contracts or the proceeds therefrom which may be acquired by the Company shall be, and remain, the general unpledged, unrestricted assets of the Company. In no event shall the Company or any Affiliate be required to purchase any specific shares or interest in any investment fund.

6.3 STATEMENTS

Statements will be sent to each Participant as to the balance of his Total Deferred Cash Account at least once each calendar year.

ARTICLE SEVEN

CREDITING OF DEFERRED STOCK

7.1 DEFERRED STOCK ACCOUNT

A Deferred Stock Account shall be maintained under the terms of this Appendix B on behalf of any applicable Outside Director to reflect the amounts credited on such Director's behalf under Article Seven other than such amounts, if any, that were earned and vested on or before December 31, 2004 and the future earnings on such amounts. With respect to amounts credited to an Outside Director that were earned and vested on or before December 31, 2004, and applicable earnings on such amounts, a Deferred Stock Account shall be maintained pursuant to the provisions of Appendix A. A Participant's Deferred Stock Account shall be kept only for bookkeeping and accounting purposes and no Company funds or property shall be transferred or designated to this account. Statements will be sent to each Participant as to the balance of his Deferred Stock Account at least once each calendar year.

7.2 ANNUAL SHARE CREDIT

With respect to each Board Tenure Year during which the Director is an Outside Director, the Deferred Stock Account maintained on such Participant's behalf shall be credited with an Annual Share Credit, effective as of the Share Credit Allocation Date. For any given Board Tenure Year, the Annual Share Credit made to an Outside Director's Deferred Stock Account shall be equal to the quotient obtained by dividing a cash amount determined by the Board for the given year by the closing price of Common Stock on the Share Credit Allocation Date. A Participant's interest in the Annual Share Credit attributable to any given Board Tenure Year shall vest in accordance with the following schedule:

Date of Retirement or Termination of Board Service	**Vested Percentage in that Year's Annual Share Credit**
Before last day of third full month of given Board Tenure Year	0%
After last day of third full month of given Board Tenure Year but before last day of sixth full month of given Board Tenure Year	25%
After last day of sixth full month of given Board Tenure Year but before last day of ninth full month of given Board Tenure Year	50%
After last day of ninth full month of given Board Tenure Year but before the earlier of (i) the twelfth full month of given Board Tenure Year or (ii) the date on which begins the immediately following Board Tenure Year	75%
On or after the earlier of (i) the twelfth full month of given Board Tenure Year or (ii) the date on which begins the immediately following Board Tenure Year	100%

7.3 DIVIDEND EQUIVALENT CREDIT

For each quarterly period (i) with respect to which a dividend is paid on Common Stock, and (ii) in which there is a balance in the Deferred Stock Account maintained on behalf of a Participant as of the record date applicable to the dividend paid on Common Stock (regardless of whether the Participant has terminated service with the Board or has died), a Participant's Deferred Stock Account shall be credited with a Dividend Equivalent Credit. The Dividend Equivalent Credit for any such quarterly period shall be credited as of the date on which the dividend is paid on Common Stock for such quarterly period. For any such applicable quarterly period, the Dividend Equivalent Credit made to a Participant's Deferred Stock Account shall be determined as follows:

a) A dividend credit is determined, expressed in cash, equal to the product of:

(i) The dividend payable by the Company on one share of Common Stock for such quarterly period; and

(ii) The number of accumulated Share Credits credited to the Participant's Deferred Stock Account as of the Common Stock dividend record date applicable to such quarterly period.

b) The dividend credit determined in paragraph (a) above will immediately be converted into a Share Credit by dividing such cash dividend credit by the closing price of Common Stock on the date on which the dividend is paid on Common Stock for such quarterly period.

A Participant's interest in the Share Credits attributable to Dividend Equivalent Credits shall be Vested at all times.

7.4 AGGREGATION OF PARTIAL SHARE CREDITS

Effective as of each Share Credit Allocation Date and each Common Stock dividend record date with respect to which Dividend Equivalent Credits are made, any partial Share Credits then credited to a Participant's Deferred Stock Account shall be aggregated in such manner as the Administrator shall provide to constitute full Share Credits.

7.5 ADJUSTMENT TO SHARE CREDITS

Share Credits maintained on behalf of a Participant hereunder shall be subject to appropriate adjustment by the Administrator in the event of changes in the outstanding Common Stock by reason of stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the date Share Credits are credited hereunder.

ARTICLE EIGHT

PAYMENT OF DEFERRED STOCK ACCOUNT AND TOTAL DEFERRED CASH ACCOUNT

8.1 PAYMENT

Except as otherwise provided in this Article Eight, the Company shall pay a Participant the amounts represented by the balances credited to the Participant's Vested Deferred Stock Account and Vested Total Deferred Cash Account after the Participant's Separation from Board Service and such payment shall be made according to the method and at the time(s) permitted under Section 8.2 and elected by the Participant in his Election Form or, if applicable, in the most recent, properly executed and effective Amendment Form(s) which the Participant has delivered to the Administrator prior to the Participant's Separation from Board Service. If a Participant has not delivered to the Administrator a properly completed and effective Election Form with respect to a Deferred Stock Account and/or a Total Deferred Cash Account or, if for any reason the Administrator determines that any Election Form or Amendment Form is materially deficient, payment of the affected Vested accounts shall be made in a lump sum during the month next following the month of the Participant's Separation from Board Service except as otherwise provided in this Article Eight. For all purposes of the Plan and effective until such time as the Participant delivers to the Administrator a properly completed and effective Election Form or Amendment Form that includes a method and time of payment election, such default method and time of payment shall be treated as the Participant's elected method and time of payment with respect to any Deferred Stock Account and/or Total Deferred Cash Account to which the default applies.

8.2 METHODS AND TIMES OF PAYMENT

a) A Participant may elect one of the following methods of payment for the amounts represented by his Vested Deferred Stock Account:

(i) A lump sum distribution; or

(ii) Payments in approximately equal annual installments for a period not to exceed 10 years.

Payments of the distributable amount represented by all or a portion of the balance in the Participant's Vested Deferred Stock Account will be made in shares of Common Stock equal to the number of full Share Credits comprising the distributable amount that are then credited to the Participant's Vested Deferred Stock Account, with fractional Share Credits comprising the distributable amount payable in cash.

b) A Participant may elect any one of the following methods of payment for the amounts represented by his Vested Total Deferred Cash Account:

(i) A lump sum distribution;

(ii) Payment in approximately equal annual installments for a period not to exceed 10 years; or

(iii) Payment in approximately equal monthly installments for a period not to exceed 10 years.

Payments of the distributable amount represented by all or a portion of the balance in the Participant's Vested Total Deferred Cash Account shall be made in cash.

c) A Participant may elect to have the amount represented by his Vested Deferred Stock Account, and separately, the amount represented by his Vested Total Deferred Cash Account distributed to him (or, in the case of an installment distribution, commence to be distributed to him) as of the month next following the month of the Participant's Separation from Board Service or as of any later month that follows his Separation from Board Service. Except as provided in Sections 8.3, 8.4 or 8.5, no distribution shall commence before or after such elected distribution date; provided, however, that if the Company makes a distribution within the permitted distribution period (as defined below) and the actual date of distribution is not within the direct or indirect control of the Participant, such distribution shall be treated as having been made on such elected distribution date. The "permitted distribution period" for this purpose shall begin on the thirtieth day before the Participant's elected distribution date and shall end on the later of (i) the last day of the calendar year that includes the Participant's elected distribution date, and (ii) the fifteenth day of the third month following the Participant's elected distribution date.

d) In the event the Participant dies before receiving the entire distribution to which he is entitled under the Plan, the provisions of Section 8.7 shall apply.

8.3 ACCELERATION OF PAYMENTS

Notwithstanding the provisions of Sections 8.1 and 8.2 and any Participant election thereunder, the Company shall pay a Participant the amounts represented by the balances credited to a Participant's Vested Deferred Stock Account and Vested Total Deferred Cash Account in a lump sum as of the first Valuation Date that is administratively reasonable following the occurrence of any of the events or conditions identified below. Such lump sum payment shall be equal to the amount, as determined by the Administrator, as is reasonably estimated to be required to satisfy the purpose of the accelerated payment. Payments shall draw from, and exhaust, amounts represented by the balance of the Participant's Vested Total Deferred Cash Account before any amounts that are represented by the Participant's Vested Deferred Stock Account. The events or conditions to which this Section 8.3 applies are:

a) The Participant needs to avoid a violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law.

b) The Participant incurs state, local, or foreign tax obligations arising from participation in the Plan that apply to a Plan interest before such interest is otherwise payable from the Plan.

c) The Plan is terminated and liquidated in accordance with generally applicable guidance prescribed by the Commissioner of Internal Revenue and published in the Internal Revenue Bulletin.

d) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his individual circumstances.

Any payment under this Section 8.3 shall be contingent upon the Administrator's decision that a Participant has satisfied all material elements of an applicable event or condition and that the Participant produces evidence to that effect that is satisfactory to the Administrator. If any payment under this Section 8.3 is made and such payment is less than an amount that represents the entire Vested Deferred Stock Account and Vested Total Deferred Cash Account maintained on the Participant's behalf, the amount of such payment shall offset any future payment from the Plan to the Participant or any Beneficiary or other person who claims through the Participant.

8.4 DELAY OF PAYMENTS

Notwithstanding the provisions of Sections 8.1 and 8.2 and any Participant election thereunder, the Company may delay the payment of amounts represented by the balances credited to a Participant's Vested Deferred Stock Account and Vested Total Deferred Cash Account in connection with any of the events or conditions identified below; provided, however that, with respect to any given event or condition, the Administrator shall treat Plan payments to all similarly-situated Participants in a reasonably consistent manner:

a) The Administrator reasonably anticipates that making scheduled Plan payments will violate federal securities laws or other applicable law; provided that the scheduled payments are then made at the earliest date at which the Administrator reasonably contemplates that making the scheduled payments will not cause such a violation.

b) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance published in the Internal Revenue Bulletin which the Administrator, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his individual circumstances.

8.5 EMERGENCY CIRCUMSTANCES

Notwithstanding any other provision of this Plan, if the Administrator determines, after consideration of a Participant's application, that the Participant has incurred a severe financial hardship (as defined below) the Administrator may in its sole and absolute discretion direct that all or a portion of the Participant's Vested Deferred Compensation Account balance be paid to him. The payment shall be made in the manner and at the times specified by the Administrator for payment; provided, however, such payment shall not be in excess of that amount which is, in the discretion of the Administrator, reasonably necessary to satisfy the financial hardship.

For purposes of this Section 8.5, a "severe financial hardship" shall mean a financial hardship resulting from (i) an illness or accident of the Participant, the Participant's spouse, beneficiary or dependent, (ii) the Participant's loss of property due to casualty, or (iii) any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant; provided, however, that such financial hardship is not or may not be relieved through reimbursement or compensation from insurance or otherwise, by cessation of deferrals of Board Compensation in future years, or by liquidation of the Participant's assets to the extent such liquidation would not cause severe financial hardship.

8.6 AMENDMENT TO PAYMENT ELECTION

a) A Participant who is a Director who has not incurred a Separation from Board Service may elect to defer the date at which payment of the amount represented by his Vested Deferred Stock Account and/or Vested Total Deferred Cash Account will occur (or commence) and may elect a change in his elected method of payment (or the default form of payment under Section 8.1) by submitting a properly completed and executed Amendment Form to the Administrator which indicates the period of additional deferral and/or the desired method of payment; provided that:

   (i) Such election shall not be effective until 12 months after it is submitted to the Administrator;

   (ii) Such election shall require that the payment with respect to which the election is made shall be delayed for a period of not less than five years from the date payment would have been made (or commence) absent the elected change; and

   (iii) If the election pertains to a delay in the payment of a Vested Deferred Stock Account or Vested Total Deferred Cash Account from a specific year and month that the Participant previously elected in his Election Form or a subsequent Amendment Form (or to which the Participant has defaulted under Section 8.1) such election cannot be made less than 12 months before the date the payment was otherwise scheduled to be made (or commence).

For purposes of this Article Eight, installment payments shall be treated as a single payment.

b) A Participant may make separate requests under this Section 8.6 applicable to the Vested Deferred Stock Account maintained on his behalf and to any Total Deferred Cash Account maintained on his behalf.

8.7 PAYMENT UPON DEATH OF PARTICIPANT

a) In the event of a Participant's death prior to his Retirement Plan Transfer Vesting Date, the amount represented by the Participant's Vested Deferred Compensation Account and the amount represented by the Participant's Vested Deferred Stock Account (or, if the Participant began payment prior to death, the remaining balance of such accounts) shall be paid by the Company to the Participant's Beneficiary in the form of a lump sum during the month next following the month of the Participant's death. Any amount represented by the balance credited to the Participant's Retirement Plan Transfer Account shall be forfeited upon the Participant's death. Except as provided in Sections 8.3 or 8.4, no payment to a Beneficiary under this paragraph (a) shall be made before or after such identified payment date; provided, however, that if the Company makes a payment within the permitted payment period (as defined below) and the actual date of payment is not within the direct or indirect control of the Beneficiary, such payment shall be treated as having been made on such identified payment date. The "permitted payment period" for this purpose shall begin on the day of the Participant's death and shall end on the later of (i) the last day of the calendar year that includes the identified payment date, and (ii) the fifteenth day of the third month following the identified payment date.

b) In the event of a Participant's death on or after his Retirement Plan Transfer Vesting Date, the amount represented by the Participant's Vested Deferred Stock Account and the amount represented by the Participant's Vested Total Deferred Cash Account (or, if the Participant began payment prior to death, the remaining balance of such accounts) shall be paid by the Company to the Participant's Beneficiary in the form of a lump sum during the month next following the month of the Participant's death. Except as provided in Sections 8.3 or 8.4, no payment to a Beneficiary under this paragraph (b) shall be made before or after such identified payment date; provided, however, that if the Company makes a payment within the permitted payment period identified in paragraph (a) above and the actual date of payment is not within the direct or indirect control of the Beneficiary, such payment shall be treated as having been made on such identified payment date.

c) Payment of the distributable amount represented by the deceased Participant's Vested Deferred Stock Account will be made in shares of Common Stock equal to the number of full Share Credits credited to such account as of the payment date, with fractional Share Credits payable in cash.

ARTICLE NINE

CONSTRUCTION

This Appendix B is intended to memorialize the provisions of the Plan as it pertains to amounts other than grandfathered amounts within the meaning of guidance promulgated by the Internal Revenue Service pursuant to Section 409A of the Code. As a result, the Administrator shall interpret and construe the terms of this Appendix B so as to be consistent with such Internal Revenue Service guidance. References or cross references to an identified Article, Section or specific part thereof, shall refer to such Article, Section (or part) of this Appendix B, unless otherwise qualified by the context.

Exhibit 10.106

ERIE INDEMNITY COMPANY

LONG-TERM INCENTIVE PLAN

Restated Effective January 1, 2009

SECTION 1. GENERAL

1.1 Purpose. The purposes of the Long-Term Incentive Plan (the "Plan") are: (a) to enhance the growth and profitability of Erie Indemnity Company, a Pennsylvania business corporation (the "Company"), and its subsidiaries and affiliates, including Erie Family Life Insurance Company, and the Erie Insurance Exchange (collectively, the "Erie Insurance Group") by providing the incentive of long-term rewards to key employees who are capable of having a significant impact on the performance of the Company and its subsidiaries and affiliates; (b) to attract and retain employees of outstanding competence and ability; and (c) to further align the interests of such employees with those of the shareholders of the Company.

1.2 Administration of the Plan. The Plan shall be administered by the Executive Compensation and Development Committee (the "Committee") of the Company's Board of Directors (the "Board") or other committee appointed by the Board, which shall be comprised of not less than two members of the Board, each of whom at the time of appointment to the Committee and at all times during service as a member of the Committee shall be both (1) a "non-employee director" as then defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule and (2) an "outside director" as then defined in the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to: (i) select Participants after receiving the recommendations of the management of the Company; (ii) determine the number of Restricted Performance Shares, as described in Section 2 subject to each grant; (iii) determine the time or times when grants are to be made or are to be effective, including the Performance Period for each grant; (iv) determine the terms and conditions, including the Performance Goals, subject to which grants may be made; (v) extend the term of any grant; (vi) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (vii) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (viii) construe and interpret the Plan and all rules, regulations, and instruments utilized thereunder; and (ix) make all determinations deemed advisable or necessary for the administration of the Plan. All determinations by the Committee shall be final and binding.

1.3 Eligibility and Participation. Participation in the Plan shall be limited to officers (who may also be members of the Board) and other salaried key employees of the Company and its subsidiaries and affiliates as identified by the Committee to participate in the Plan. Employees who are granted awards under the Plan are referred to herein as "Participants".

1.4 Shares Available. The aggregate net number of shares of Class A (non-voting) Common Stock of the Company (the "Common Stock") which may be paid and as to which grants of Restricted Performance Shares may be made under the Plan (counting all grants from the Plan's effective date) is 1,000,000 shares, subject to adjustment and substitution as set forth in Section 3. The Company or its agent shall repurchase outstanding shares of Common Stock in order to satisfy the Company's obligation under the Plan to pay awards in shares of Common Stock. If shares of Common Stock are forfeited to the Company pursuant to the restrictions applicable to Restricted Performance Shares or are withheld or delivered to the Company in satisfaction of a tax withholding obligation, the shares so forfeited, withheld or delivered shall again be available for purposes of the Plan.

1.5 New Participants. Except as provided in this Section 1.5, an employee who is not a Participant as of the first day of a Performance Period shall not become a Participant for that Performance Period. New employees of the Company or its subsidiaries and affiliates hired during a Performance Period, and employees promoted during the Performance Period who were not eligible to participate in the Plan at the beginning of the Performance Period, may, as determined by the Committee in its sole discretion, become a Participant during a Performance Period and participate in the Plan for such Performance Period on a pro-rata basis (based on the number of days in the Performance Period that such employee is an employee who is deemed eligible to participate in the Plan); provided, that if the new or promoted employee is a covered employee (as such term is defined under Section 162(m) of the Code or any successor section thereto and the regulations thereunder), then the employee shall not be eligible to participate in the Plan unless he or she becomes a Participant effective not later than 90 days after the beginning of the Performance Period.

SECTION 2. RESTRICTED PERFORMANCE SHARES

2.1 Restricted Performance Shares. The Committee is authorized to grant Restricted Performance Shares to Participants on the following terms and conditions:

(i) *Right to Payment of Shares.* Restricted Performance Shares shall represent a right to receive shares of Common Stock based on the achievement, or the level of achievement, during a specified Performance Period of one or more Performance Goals established by the Committee at the time of the award.

(ii) *Terms of Restricted Performance Shares.* At the time Restricted Performance Shares are granted, the Committee shall cause to be set forth in the agreement covering such award or otherwise in writing (1) the Performance Goals applicable to the award, the weighting of such goals, and the Performance Period during which the achievement of the Performance Goals shall be measured, (2) the number of shares of Common Stock which may be earned by the Participant based on the achievement, or the level of achievement, of the Performance Goals or the formula by which such amount shall be determined and (3) such other terms and conditions applicable to the award as the Committee may, in its discretion, determine to include therein. The terms so established by the Committee shall be objective such that a third party having knowledge of the relevant facts could determine whether or not any Performance Goal has been achieved, or the extent of such achievement, and the amount, if any, which has been earned by the Participant based on such performance.

(iii) *Performance Goals.* "Performance Goals" shall mean one or more preestablished, objective measures of performance during a specified "Performance Period", selected by the Committee in its discretion. Performance Goals may be based upon one or more of the following objective performance measures and expressed in either, or a combination of, absolute or relative values: (i) adjusted combined ratio of property and casualty insurance operations of Erie Insurance Group, (ii) growth in direct written premiums of Erie Insurance Group, (iii) the statutory or GAAP combined ratio, loss ratio, expense ratio or dividend ratio of the property and casualty insurance operations of the Erie Insurance Group, (iv) net income (including net income before or after taxes and net income before interest, taxes, depreciation and amortization), net income per share and net income per share growth rate, (v) operating revenue, net premiums written or net premiums earned, (vi) operating expenses, cost of management operations or underwriting expenses, (vii) cash flow, (viii) return on capital, shareholders' equity, assets or investments, (ix) stock price, (x) market share or (xi) gross margins. Performance measures may be based on the performance of the Erie Insurance Group, the Company or a subsidiary or subsidiaries or affiliate of the Company, a division, department, business unit or other portion thereof, a product line or products, or any combination the foregoing and/or upon a comparison of such performance with the performance of a peer group of corporations or other measure selected or defined by the Committee at the time of making the award of Restricted Performance Shares. The Committee may in its discretion also determine to use other objective performance measures as Performance Goals.

(iv) *Committee Certification.* Following completion of the applicable Performance Period, and prior to any payment of shares of Common Stock to the Participant for Restricted Performance Shares, the Committee shall determine, in accordance with the terms of the Restricted Performance Shares, and certify in writing whether the applicable Performance Goal or Goals were achieved, or the level of such achievement, and the number of shares, if any, earned by the Participant based upon such performance. For this purpose, approved minutes of the meeting of the Committee at which certification is made shall be sufficient to satisfy the requirement of a written certification.

(v) *Maximum Individual Payments.* The maximum number of shares of Common Stock which may be earned under the Plan by any single Participant during any one calendar year shall be limited to 250,000 shares. The limitation in the preceding sentence shall be interpreted and applied in a manner consistent with Section 162(m) of the Code.

(vi) *Termination of Employment.*

(a) *Death, Disability or Normal or Early Retirement.* If a Participant ceases to be an employee of the Company, its subsidiaries and affiliates prior to the end of a Performance Period by reason of death, disability (meaning total and permanent disability within the meaning of Section 22(e)(3) of the Code) or Normal or Early Retirement (as defined below), the Participant may receive all or such portion of his or her award as may be determined by the Committee in its sole discretion to have been earned by the Participant; provided that the Participant shall not receive less than the total number of shares of Common Stock earned pursuant to such Restricted Performance Shares held by such Participant based upon performance during the reduced Performance Period which is deemed to end, for the purposes of paragraphs (iv), (vi), and (vii) of this Section 2.1, on the last day of the calendar year in which such termination of employment occurs. For the purposes of this Plan, "Normal Retirement" means cessation of employment upon or after attainment of age 65, and "Early Retirement" means cessation of employment upon or after attainment of age 55 and completion of 15 years of Credited Service (as defined under the Erie Insurance Group Retirement Plan for Employees).

(b) *Other Terminations.* If a Participant ceases to be an employee of the Company, its subsidiaries and affiliates prior to the end of a Performance Period for any reason other than death, disability or Normal or Early Retirement as described in subsection (a), above, the Participant may receive all or such portion of his or her award as may be determined by the Committee in its sole discretion; provided, that a Participant who is terminated for cause (as defined in such employee's employment agreement with the Company or its subsidiary or affiliate, if no such agreement exists, as defined by the Committee) shall not be entitled to receive payment of any award for any Performance Period.

(vii) *Payment.* The Company shall pay to the Participant the number of shares of Common Stock earned pursuant to an award of Restricted Performance Shares held by the Participant for a Performance Period in the first calendar year beginning after the end of that Performance Period, as promptly as reasonably practicable following the Committee's determination and certification as set forth in Section 2.1(iv) (the "Payment Date").

(viii) *Delayed Payment Date For Specified Employee.* If, pursuant to Section 2.1(vi)(a), the Performance Period for a Participant's award is reduced so that the Payment Date for the Participant's award would occur in a calendar year earlier than the year in which it would have occurred had the Performance Period not been reduced, then the Payment Date for the award may not be earlier than the date that is six months after the Participant's separation from service (or, if earlier, the Participant's death). "Specified employee" means, with respect to the relevant 12-month period beginning on an April 1 and during which the Company remains publicly traded, a Participant who was a "key employee" within the meaning of Section 416(i) of the Code, without regard to Section 416(i)(5), at any time during the calendar year preceding the applicable April 1. For the purpose of determining whether a Participant is a specified employee, the compensation to be used is "Test Compensation" as defined in the Erie Insurance Group Employee Savings Plan.

SECTION 3. ADJUSTMENT PROVISIONS

3.1 Adjustments Generally. If a dividend or other distribution shall be declared upon the Common Stock payable in shares of Common Stock, the number of shares of Common Stock then subject to any outstanding Restricted Performance Shares, the number of shares of Common Stock which may be issued under the Plan but not then subject to outstanding Restricted Performance Shares and the maximum number of shares as to which

Restricted Performance Shares may be granted and as to which shares may be awarded under Sections 1.4 and 2.1(v), shall be adjusted by adding thereto the number of shares of Common Stock which would have been distributable thereon if such shares had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend or distribution.

3.2 Recapitalizations, Mergers, Etc. If the outstanding shares of Common Stock shall be changed into or exchangeable for a different number or kind of shares of stock or other securities of the Company or another corporation, or cash or other property, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger or consolidation, then there shall be substituted for each share of Common Stock subject to any then outstanding Restricted Performance Share, and for each share of Common Stock which may be issued under the Plan but which is not then subject to any outstanding Restricted Performance Share, the number and kind of shares of stock or other securities (and in the case of outstanding Restricted Performance Share, the cash or other property) into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchangeable.

3.3 Spin-Offs, Liquidations, Etc. If the outstanding shares of the Common Stock shall be changed in value by reason of any spin-off, split-off or split-up, or dividend in partial liquidation, dividend in property other than cash, or extraordinary distribution to shareholders of the Common Stock, the Committee shall make any adjustments to any then outstanding Restricted Performance Share which it determines are equitably required to prevent dilution or enlargement of the rights of awardees which would otherwise result from any such transaction.

3.4 No Fractional Shares. No adjustment or substitution provided for in this Section 3.1 shall require the Company to pay or sell a fraction of a share of Common Stock or other security. Accordingly, all fractional shares of Common Stock or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution.

SECTION 4. AMENDMENTS TO AND TERMINATION OF THE PLAN

4.1 Amendment and Termination. The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of shareholders or Participants, except that, without the approval of the shareholders of the Company, no amendment, alteration, suspension, discontinuation or termination shall be made if shareholder approval is required by any federal or state law or regulation or by the rules of any stock exchange on which the shares may then be listed, or if the amendment, alteration or other change materially increases the benefits accruing to Participants, increases the number of shares available under the Plan or modifies the requirements for participation under the Plan, or if the Board in its discretion determines that obtaining such shareholder approval is for any reason advisable; provided, however, that except as provided in Section 5.15, without the consent of the Participant, no amendment, alteration, suspension, discontinuation or termination of the Plan may materially and adversely affect the rights of such Participant under any award theretofore granted to him. The Committee may, consistent with the terms of the Plan, waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any award theretofore granted, prospectively or retrospectively; provided, however, that except as provided in Section 5.15, without the consent of a Participant, no amendment, alteration, suspension, discontinuation or termination of any award may materially and adversely affect the rights of such Participant under any award theretofore granted to him.

4.2 Restrictions on Acceleration of Payment Date; Deferrals; Delay of Payment to Specified Employee.

(i) *Acceleration or Deferral*. Notwithstanding any contrary provision of Section 4.1, an action by the Board or Committee under Section 4.1 shall not accelerate or defer a Payment Date except as follows:

(a) An action may accelerate the payment of all or part of an award upon the following events: the termination and liquidation of the Plan or any other event the Commissioner of Internal Revenue may prescribe in generally applicable guidance under the Section 409A of the Internal Revenue Code, provided, in any case, that the terms and conditions of the acceleration would not cause the Plan to fail to meet the requirements of Section 409A for the deferral (until payment) of the inclusion of awards in gross income.

(b) An action may defer a Payment Date for all or a part of an award under the following circumstances:

(1) The Board or Committee reasonably anticipates that, if an award were to be paid as scheduled, the Company's deduction with respect to such payment would not be permitted under Section 162(m) of the Code; provided such scheduled payment is then made during the Participant's first taxable year in which the Board or Committee reasonably anticipates that the Company's deduction will not be barred by application of Section 162(m) of the Code.

(2) The Board or Committee reasonably anticipates that the payment of an award as scheduled will violate federal securities laws or other applicable law; provided that the scheduled payment is then made at the earliest date on which the Board or Committee reasonably determines that making the scheduled payment will not cause such a violation.

(3) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance that the Board or Committee, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his or her individual circumstances, and further provided, in any case under this paragraph (b), that the terms and conditions of the deferral would not cause the Plan to fail to meet the requirements of Section 409A for the deferral (until payment) of the inclusion of awards in gross income.

(ii) *Delay of Payment to Specified Employee*. If an award is payable to a Participant on account of separation from service (within the meaning of Section 409A of the Code), and the Participant is a specified employee (as defined in Section 2.1(viii)), the payment may not be made before the date that is six months after the Participant's separation from service (or, if earlier, the Participant's death).

SECTION 5. MISCELLANEOUS

5.1 Designation of Beneficiary. A Participant may designate, in a writing delivered to the Company before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. Such designation may be made, revoked or changed by the Participant at any time before the earlier of death or receipt of any unpaid amounts, but such designation of beneficiary will not be effective and supersede all prior designations until it is received and acknowledged by the Committee or its delegate. If the Committee has any doubt as to the proper beneficiary to receive payments hereunder, the Committee shall have the right to withhold such payments until the matter is finally adjudicated. However, any payment made in good faith shall fully discharge the Committee, the Company, its subsidiaries, affiliates and the Board from all further obligations with respect to that payment.

5.2 No Right to Employment. Nothing contained in the Plan or any award agreement shall confer, and no grant of an award shall be construed as conferring, upon any Participant any right to continue in the employ of the Company, its subsidiaries or affiliates or to interfere in any way with the right of the Company to terminate his employment at any time or increase or decrease his compensation from the rate in existence at the time of granting of an award.

5.3 Nontransferability. A Participant's rights under the Plan, including the right to any shares payable, may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to his designated beneficiary or, in the absence of such a designation, by will or the laws of descent and distribution.

5.4 Relationship to Other Benefits. No payment under the Plan shall be taken into account in determining any benefits under any retirement, group insurance, or other employee benefit plan of the Company. The Plan shall not preclude the shareholders of the Company, the Board or any committee thereof, or the Company from authorizing or approving other employee benefit plans or forms or incentive compensation, nor shall it limit or prevent the continued operation of other incentive compensation plans or other employee benefit plans of the Company or the participation in any such plans by Participants in the Plan.

5.5 Withholding. To the extent required by applicable Federal, state, local or foreign law, the Participant or his successor shall make arrangements satisfactory to the Company, in its discretion, for the satisfaction of any withholding tax obligations that arise in connection with an award. The Company shall not be required to pay any shares of Common Stock or other payment under the Plan until such obligations are satisfied. The Company is authorized to withhold from any award granted or any payment due under the Plan, including from a distribution of shares of Common Stock, amounts of withholding taxes due with respect to an award, or any payment thereunder, and to take such other action as the Committee may deem necessary or advisable to enable the Company and Participants to satisfy obligations for the payment of such taxes. This authority shall include authority to withhold or receive previously owned shares to satisfy such tax withholding obligations, provided that shares withheld or delivered to satisfy such obligations in excess of the minimum required statutory withholding rate must have been held for at least six months to the extent that the Committee so requires.

5.6 Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an award, nothing contained in the Plan or any award agreement shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company’s obligations under the Plan to deliver shares pursuant to any award, which trusts or other arrangements shall be consistent with the “unfunded” status of the Plan.

5.7 Award Agreements. An award shall be evidenced by a written agreement entered into between the Company or a participating entity and the Participant, setting forth the terms of such award granted to the Participant under this Plan. To the extent an award agreement, whether issued before 2009 or after 2008, conflicts with the terms of this Plan as restated, the terms of this Plan shall supersede the terms of the award agreement.

5.8 Expenses. The expenses of administering the Plan shall be borne by the Company.

5.9 Indemnification. Service on the Committee shall constitute service as a member of the Board so that members of the Committee shall be entitled to indemnification and reimbursement as directors of the Company pursuant to its Articles of Incorporation, By-Laws, or resolutions of its Board or shareholders.

5.10 Tax Litigation. The Company shall have the right to contest, at its expense, any tax ruling or decision, administrative or judicial, on any issue that is related to the Plan and that the Company believes to be important to Participants in the Plan and to conduct any such contest or any litigation arising therefrom to a final decision.

5.11 No Right to Awards; No Shareholder Rights. No Participant or employee shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment of Participants and employees. No award shall confer on any Participant any of the rights of a shareholder of the Company unless and until shares of Common Stock are in fact paid to such Participant in connection with such award.

5.12 No Fractional Shares. No fractional shares of Common Stock shall be paid or delivered pursuant to the Plan or any award. In the event that any award would result in the issuance of a fractional share of Common Stock, the fractional share shall be rounded up to the next whole share.

5.13 Governing Law and Construction. The validity, interpretation, construction and effect of the Plan and any rules and regulations relating to the Plan shall be governed by the laws of the Commonwealth of Pennsylvania (without regard to the conflicts of laws thereof). The provisions of the Plan and award agreements shall be construed and administered in accordance with the requirements of Section 409A of the Code to prevent the inclusion of awards in gross income before the time of payment. As used in Section 2.1(vi), the terms “termination of employment” and “ceases to be an employee” shall be construed to refer to a separation from service within the meaning of Section 409A of the Code. Titles of Sections of the Plan are for convenience of reference only and are not to be taken into account when construing and interpreting the provisions of the Plan. Capitalized terms shall have the meanings ascribed to them herein unless the context expressly otherwise requires.

5.14 Severability. If any provision of the Plan or any award is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or award, it shall be deleted and the remainder of the Plan or award shall remain in full force and effect; provided, however, that, unless otherwise determined by the Committee, the provision shall not be construed or deemed amended or deleted with respect to any Participant whose rights and obligations under the Plan are not subject to the law of such jurisdiction or the law deemed applicable by the Committee.

5.15 Certain Restrictions Under Rule 16b-3. Upon the effectiveness of any amendment to Rule 16b-3, this Plan and any award agreement for an outstanding award held by a Participant then subject to Section 16 of the Exchange Act shall be deemed to be amended, without further action on the part of the Committee, the Board or the Participant, to the extent necessary for awards under the Plan or such award agreement to qualify for the exemption provided by Rule 16b-3, as so amended, except to the extent any such amendment requires shareholder approval.

5.16 Registration and Listing Compliance. No award shall be paid and no shares or other securities shall be distributed with respect to any award in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any state securities law and no award shall confer upon any Participant rights to such payment or distribution, until such laws shall have been complied with in all material respects. If such compliance requires a delay in a Payment Date, payment shall be made on the earliest date on which such laws have been complied with in all material respects. Before the Payment Date of an award and the distribution of any shares or other securities subject to a listing requirement under any listing agreement between the Company and any national securities exchange, the contractual obligations of the Company shall have been complied with in all material respects. Except to the extent required by the terms of an award agreement or another contract between the Company and the Participant, neither the grant of any award nor anything else contained herein shall obligate the Company to take any action to comply with any requirements of any such securities laws or contractual obligations relating to the registration (or exemption therefrom) or listing of any shares or other securities.

5.17 Stock Certificates. All certificates for shares delivered under the terms of the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of any national securities exchange or automated quotation system on which shares of Common Stock are listed or quoted. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions or any other restrictions or limitations that may be applicable to shares. In addition, during any period in which awards or shares are subject to restrictions or limitations under the terms of the Plan or any award agreement, or during any period during which delivery or receipt of an award or shares has been deferred by the Committee or a Participant, the Committee may require any Participant to enter into an agreement providing that certificates representing shares payable or paid pursuant to an award shall remain in the physical custody of the Company or such other person as the Committee may designate.

SECTION 6. EFFECTIVE DATE AND TERM OF THE PLAN

6.1 Effective Date. This document is an amendment and restatement of the Plan. The original Plan was approved by shareholders of the Company in 2004, with an effective date of March 2, 2004. This amendment and restatement shall be effective January 1, 2009. The Plan as restated will remain in effect until amended or terminated by the Board, provided that no Restricted Performance Shares may be awarded subsequent to the 2009 Annual Meeting of shareholders of the Company, absent additional shareholder approval after 2008.

* * *

IN WITNESS WHEREOF, the Board of Directors of the Company has caused this document to be executed this 31st day of December, 2008.

ERIE INDEMNITY COMPANY

by /s/ James J. Tanous

James J. Tanous
Executive Vice President,
Secretary and General Counsel

Exhibit 10.107

ERIE INDEMNITY COMPANY

ANNUAL INCENTIVE PLAN

Section 1. Purpose. The purpose of the Annual Incentive Plan (the "Plan") of Erie Indemnity Company (the "Company") is to advance the best interests of the Erie Insurance Group—consisting of the Company and its subsidiaries and affiliates, including Erie Family Life Insurance Company, and the Erie Insurance Exchange (collectively, the "Erie Insurance Group")—and thereby enhance shareholder value of the Company by providing incentives in the form of annual cash bonus awards to certain management employees of the Company and other Participating Entities upon the attainment of performance goals established in accordance with the Plan.

Section 2. Effective Date and Performance Periods. This document is an amendment and restatement of the Plan. The original Plan was approved by shareholders of the Company in 2004, with an effective date of March 2, 2004. This amendment and restatement shall be effective January 1, 2009. The Plan will remain in effect from year to year (each calendar year shall be referred to herein as a "Plan Year") until formally amended or terminated in writing by the Company's Board of Directors (the "Board"), provided that, absent additional shareholder approval after 2008, no awards may be granted under the Plan after the Company's Annual Meeting of Shareholders in 2009. There shall be one year performance periods (each, a "Performance Period") under the Plan. A new Performance Period shall commence on the first day of each Plan Year and end on December 31 of such Plan Year.

Section 3. Administration of the Plan.

Section 3.01. General. The Plan shall be administered by the Executive Compensation and Development Committee (the "Committee") of the Board or other committee appointed by the Board, which shall be comprised solely of two or more "outside directors" as then defined in the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision. The Committee shall interpret the Plan and prescribe such rules, regulations and procedures in connection with the operations of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated. For each Plan Year, the Committee shall (i) designate the Participants eligible to receive awards under the Plan, (ii) determine the Company Performance Goals and the Company Incentive Targets for such Participants, (iii) determine the Individual Performance Goals and Individual Incentive Targets for eligible Participants, and (iv) make such other determinations as may be required or permitted by the Plan. Prior to payment of any Company Incentive Award or Individual Incentive Award for any Plan Year, the Committee shall certify that the Company Performance Goals and Individual Performance Goals (and other material terms of any award) have been achieved. For purposes of the required certification, approved minutes of the meeting of the Committee at which the certification is made shall be sufficient to satisfy the requirement of a written certification.

Section 3.02. Section 162(m). Company Incentive Awards under this Plan are intended to constitute "qualified performance-based compensation" under Section 162(m) of the Code (or any successor section thereto) and the regulations thereunder with respect to Participants who are or who are anticipated to be covered employees, as such term is defined in Section 162(m) of the Code (or any successor section thereto) for any Plan Year (each, a "Covered Employee") and the Plan shall be administered and interpreted consistently with said Section 162(m) with respect to awards to Covered Employees.

Section 4. Eligibility, Termination, New Participants.

Section 4.01. Eligibility. Any key employee of the Company or any corporation, partnership or other organization of which the Company owns or controls, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests (each, a "Participating Entity") who the Committee determines, in its sole discretion, has a significant affect on the operations and/or results of the Company shall be eligible to participate in the Plan (each, a "Participant"); provided, that the Company's Chief Executive Officer and the Executive Vice Presidents of the Company shall not be eligible to receive Individual Incentive

Awards. Participants in the Plan for any Plan Year shall be deemed ineligible to participate in the Erie Insurance Group Employee Profit Sharing Bonus Plan (the "Profit Sharing Plan") for such Plan Year. No employee of the Company or any Participating Entity shall have a right (a) to be selected to participate in the Plan for any Plan Year, or (b) having once been selected for a Plan Year, to (i) be selected to participate again in the future or (ii) continue as an employee of the Company or any Participating Entity.

Section 4.02. Termination of Employment. If the active employment of a Participant shall be terminated before the Payment Date of an award for any Plan Year for any reason, such Participant may receive all or such portion of his or her award as may be determined by the Committee in its sole discretion; provided, that if a Participant ceases to be an employee of the Company or a Participating Entity prior to the Payment Date of an award for any Plan Year by reason of death, Disability (meaning total and permanent disability within the meaning of Section 22(e)(3) of the Code), or Normal or Early Retirement (as defined below), the Participant shall be entitled to payment of not less than a pro rata portion of such award, based on the number of days such Participant was an employee during the Performance Period; and provided, further, that a Participant who is terminated for cause (as defined in such employee's employment agreement with the Company or Participating Entity or, if no such agreement exists, as defined by the Committee) shall not be entitled to receive payment of any award for the Plan Year. For the purposes of this Plan, "Normal Retirement" means cessation of employment upon or after attainment of age 65, and "Early Retirement" means cessation of employment upon or after attainment of age 55 and completion of 15 years of Credited Service (as defined under the Erie Insurance Group Retirement Plan for Employees).

Section 4.03. New Participants. Except as provided in this Section 4.03, an employee who is not a Participant as of the first day of a Performance Period shall not become a Participant for that Performance Period. New employees of the Company or a Participating Entity hired during a Performance Period, and employees promoted during the Performance Period who were not eligible to participate in the Plan at the beginning of the Performance Period, may, as determined by the Committee in its sole discretion, become a Participant during a Performance Period and participate in the Plan for such Performance Period on a pro-rata basis (based on the number of days in the Performance Period that such employee is an employee who is deemed eligible to participate in the Plan); provided, that if the new or promoted employee is a Covered Employee for the Plan Year, then the employee shall not be eligible to participate in the Plan unless he or she becomes a Participant effective not later than 90 days after the beginning of the Performance Period. An employee who becomes a Participant after the first day of a Performance Period shall not be eligible to participate in the Profit Sharing Plan from the date the employee becomes a Participant in the Plan; however, such Participant shall be entitled to a pro rata portion of the benefit, if any, to which he or she otherwise would be entitled under the Profit Sharing Plan for such Plan Year based on the number of days in the year prior to the date he or she became a Participant in this Plan.

Section 5. Company Incentive Targets, Company Incentive Awards, Company Performance Measures, Company Performance Goals.

Section 5.01. Company Incentive Targets. Each Participant under the Plan shall be assigned a Company Incentive Target, which shall be expressed as a percentage of the Participant's annual rate of base salary in effect on December 31 of the Plan Year for which the Company Incentive Target is being assigned, and which shall establish the amount of cash compensation payable to the Participant upon attaining, in whole or in part, or exceeding, the Company Performance Goals for a Performance Period (the "Company Incentive Target"). The Company Incentive Targets shall be determined and approved by the Committee not later than 90 days after the commencement of each Performance Period. At the time the Company Incentive Target is established, the Committee shall establish the maximum Company Incentive Award that may be paid for the Performance Period to Participants who are Covered Employees.

Section 5.02. Company Incentive Awards. Company incentive awards are the actual cash amounts earned by Participants during a Performance Period for attaining, in whole or in part, or exceeding the Company Performance Goals for such Performance Period ("Company Incentive Awards"); provided, however, that for Participants who are Covered Employees (a) no Company Incentive Award may exceed the Participant's Company Incentive Target established for the actual level of achievement attained, and (b) payment of any Company Incentive Award under the Plan shall be contingent upon the achievement of the Company Performance Goals.

Section 5.03. Company Performance Goals.

(a) Company Performance Goals. For each Performance Period, the Committee shall establish specific, written, objective performance goals (the "Company Performance Goals") for each Participant, which may be based upon one or more of the following performance measures and expressed in either, or a combination of, absolute values or rates of change: (i) the operating ratio of the property and casualty insurance operations of the Erie Insurance Group (ii) direct written premiums of the Erie Insurance Group, (iii) the statutory or GAAP combined ratio, loss ratio, expense ratio or dividend ratio of the property and casualty insurance operations of the Erie Insurance Group, (iv) net income (including net income before or after taxes and net income before interest, taxes, depreciation and amortization), net income per share and net income per share growth rate, (v) operating revenue, net premiums written or net premiums earned, (vi) operating expenses, cost of management operations or underwriting expenses, (vii) cash flow, (viii) return on capital, shareholders' equity, assets or investments, (ix) stock price, (x) market share or (xi) gross margins ("Company Performance Measures"). Company Performance Measures may be based on the performance of the Erie Insurance Group, the Company or a subsidiary or subsidiaries or affiliate of the Company, a division, department, business unit or other portion thereof, a product line or products, or any combination of the foregoing and/or upon a comparison of such performance with the performance of a peer group or other measure selected or defined by the Committee at the time of assigning the Company Incentive Target. For Participants who are Covered Employees, the Company Performance Goals shall be established for any Performance Period not later than 90 days after the commencement of the Performance Period.

(b) Manner of Calculating Company Incentive Awards. When the Company Performance Goals are established, the Committee shall also specify, in terms of an objective formula or standard, the method for computing the amount of the Company Incentive Award if the Company Performance Goal is attained, in whole or in part, or exceeded. If more than one Company Performance Goal is established for any Performance Period, the Committee shall also specify the weighting assigned to such Company Performance Goals. The Committee may, at the time the Company Performance Goals are established, determine that unusual items or certain specified events or occurrences, including changes in accounting standards or tax laws and the effects of non-operational or extraordinary items as defined by generally accepted accounting principles, shall be excluded from the calculation; provided that such determination does not cause the Company Incentive Award for any Performance Period to fail to constitute "qualified performance-based compensation" under Section 162(m) of the Code (or any successor section thereto) and the regulations thereunder with respect to Participants who are Covered Employees.

Section 5.04. Discretion. The Committee shall have no discretion to increase any Company Incentive Target or Company Incentive Award that would otherwise be due upon attainment of the Company Performance Goals, or otherwise modify any Company Performance Goals associated with a Performance Period; provided, however, that solely with respect to Participants who are eligible to receive Individual Incentive Awards under Section 6, the Committee may in its discretion reduce or eliminate such Company Incentive Target or Company Incentive Award for a Performance Period.

Section 5.05. Determination of Company Incentive Award. As promptly as reasonably practicable following receipt of the information necessary for the calculation of any Company Incentive Award, the Committee shall determine the amount of a Participant's Company Incentive Award for the Plan Year, if any, based on the level of attainment of the applicable Company Performance Goals for the Performance Period in accordance with the terms of the award as set forth in the Award Agreement and the other terms of the Plan. Such determination shall be communicated to the Participant in writing. Prior to any payment of the Company Incentive Awards hereunder, the Committee shall determine and certify in writing the extent to which the Company Performance Goals and other material terms of the Plan and the applicable Award Agreement were achieved.

Section 5.06. Maximum Company Incentive Awards. Notwithstanding any other provision of this Plan, the maximum Company Incentive Award payable in cash to any one Participant under the Plan with respect to any Performance Period shall be $3.0 million.

Section 6. Individual Incentive Targets, Individual Incentive Awards and Individual Performance Goals.

Section 6.01. Individual Incentive Targets. Each Participant under the Plan who is eligible to receive Individual Incentive Awards under this Section 6 shall be assigned an individual incentive target, which shall be expressed as a percentage of the Participant's annual rate of base salary in effect on December 31 of the

Plan Year for which the Individual Incentive Target is being assigned and which shall establish the amount of cash compensation payable to the Participant upon attaining, in whole or in part, or exceeding, the Individual Performance Goals for a Performance Period (an "Individual Incentive Target").

Section 6.02. Individual Incentive Awards. Individual incentive awards ("Individual Incentive Awards") are the actual cash amounts earned by eligible Participants during a Performance Period for attaining, in whole or in part, or exceeding the Individual Performance Goals for such Performance Period.

Section 6.03. Individual Performance Goals.

(a) Individual Performance Goals. For each Performance Period, the Committee shall review and approve the individual performance goals for each eligible Participant as established pursuant to the employee performance assessment program in effect from time to time and set forth on the Participant's individual performance assessment form for such Performance Period (the "Individual Performance Goals").

(b) Calculation. When the Individual Performance Goals are established, the Committee shall also specify the method for computing the amount of the Individual Incentive Award if the Individual Performance Goal is attained, in whole or in part, or exceeded by the Participant. If more than one Individual Performance Goal is established for any Performance Period, the Committee shall also specify the weighting assigned to such Individual Performance Goals. The Committee may determine that unusual circumstances or certain specified events or occurrences, shall be excluded from the calculation.

Section 6.04. Discretion. The Committee shall have no discretion to increase any Individual Incentive Target or Individual Incentive Award that would otherwise be due upon attainment of the Individual Performance Goals, or otherwise modify any Individual Performance Goals associated with a Performance Period; provided, however, that the Committee may in its discretion reduce or eliminate Individual Incentive Targets or Individual Incentive Awards for a Performance Period.

Section 6.05. Determination of Individual Incentive Award. As promptly as reasonably practicable following receipt of the information necessary for the calculation of any Individual Incentive Award, the Committee shall determine the amount of a Participant's Individual Incentive Award for the Plan Year, if any, based on the level of attainment of the applicable Individual Performance Goals for the Performance Period in accordance with the terms of the award as set forth in the Award Agreement and the other terms of the Plan. Such determination shall be communicated to the Participant in writing. Prior to any payment of the Individual Incentive Awards hereunder, the Committee shall determine and certify in writing the extent to which the Individual Performance Goals and other material terms of the Plan were achieved for each Participant.

Section 7. Payment to Participants.

Section 7.01. Timing of Payment. Except as may be deferred pursuant to Section 8.02, Company Incentive Awards and Individual Incentive Awards for a Performance Period shall be paid to the Participant in the first calendar year beginning after the end of such Performance Period, as promptly as reasonably practicable following the Committee's determination and certification of such awards (the "Payment Date").

Section 7.02. Beneficiary Designation. A Participant may file a completed designation of beneficiary form with the Committee or its delegate in the form prescribed. Such designation may be made, revoked or changed by the Participant at any time before the earlier of death or receipt of any unpaid Company Incentive Awards or Individual Incentive Awards, but such designation of beneficiary will not be effective and supersede all prior designations until it is received and acknowledged in writing by the Committee or its delegate. If the Committee has any doubt as to the proper beneficiary to receive payments hereunder, the Committee shall have the right to withhold such payments until the matter is finally adjudicated. However, any payment made in good faith shall fully discharge the Committee, the Company, its subsidiaries, Participating Entities and the Board from all further obligations with respect to that payment.

Section 7.03. Form of Payment. Payment of Company Incentive Awards and Individual Incentive Awards shall be made in cash.

Section 7.04. Tax Withholding. All Company Incentive Awards and Individual Incentive Awards shall be subject to Federal income, FICA, and other tax withholding as required by applicable law.

Section 8. Miscellaneous.

Section 8.01. Non-alienation. Except as may be required by law, neither the Participant nor any beneficiary shall have the right to, directly or indirectly, alienate, assign, transfer, pledge, anticipate or encumber (except by reason of death) any amount that is or may be payable hereunder, including in respect of any liability of a Participant or beneficiary for alimony or other payments for the support of a spouse, former spouse, child or other dependent, prior to actually being received by the Participant or beneficiary hereunder, nor shall the Participant's or beneficiary's rights to benefit payments under the Plan be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or beneficiary or to the debts, contracts, liabilities, engagements, or torts of any Participant or beneficiary, or transfer by operation of law in the event of bankruptcy or insolvency of the Participant or any beneficiary, or any legal process.

Section 8.02. Deferral. A Participant may elect to defer all or a portion (in whole percentages) of his or her Company Incentive Award and Individual Incentive Award, in accordance with the terms of a deferral agreement entered into between the Participant and the Company pursuant to the Deferred Compensation Plan of Erie Indemnity Company (the "Deferred Compensation Plan"). An election to defer must be made prior to the commencement of the Plan Year to which the Incentive Award relates, except as otherwise allowed under the Deferred Compensation Plan for a new employee. No amount in excess of the amount of the Company or Individual Incentive Award deferred shall be payable to the Participant for such deferral, except as may be based upon either an actual or deemed reasonable rate of interest or on one or more actual or deemed investment vehicles as made available from time to time by the Company pursuant to the Deferred Compensation Plan and elected by the Participant.

Section 8.03. Amendment or Termination of this Plan. The Board shall have the right to amend or terminate the Plan at any time, provided that any termination shall automatically end the outstanding Performance Period and calculations shall be made with respect to achievement of the Company and Individual Performance Goals for such Performance Periods for the purpose of determining whether any partial Company or Individual Incentive Awards may be payable under the Plan, and provided further that the conditions of Section 8.04 are satisfied. No employee or Participant shall have any vested right to payment of any Company or Individual Incentive Award hereunder prior to its payment. The Company shall notify affected employees in writing of any amendment or termination of the Plan.

Section 8.04. Restrictions on Acceleration of Payment Date; Deferrals; Delay of Payment to Specified Employee.

(a) Acceleration or Delay. The amendment or termination of the Plan shall not accelerate or defer a Payment Date except as follows:

(1) The Board may accelerate the payment of all or part of an award upon the following events: the termination and liquidation of the Plan or any other event the Commissioner of Internal Revenue may prescribe in generally applicable guidance under the Section 409A of the Internal Revenue Code, provided, in any event, that the terms and conditions of the acceleration would not cause the Plan to fail to meet the requirements of Section 409A and of any generally applicable guidance published by the Commissioner of Internal Revenue under Section 409(A) for the deferral (until payment) of the inclusion of awards in gross income.

(2) The Board may defer a Payment Date for all or a part of an award under the following circumstances:

(i) The Committee reasonably anticipates that, if an award were to be paid as scheduled, the Company's deduction with respect to such payment would not be permitted under Section 162(m) of the Code; provided such scheduled payment is then made during the Participant's first taxable year in which the Committee reasonably anticipates that the Company's deduction will not be barred by application of Section 162(m) of the Code.

(ii) The Committee reasonably anticipates that the payment of an award as scheduled will violate federal securities laws or other applicable law; provided that the scheduled payment is then made at the earliest date on which the Committee reasonably determines that making the scheduled payment will not cause such a violation.

(iii) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance that the Board, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his or her individual circumstances.

(b) Delay of Payment to Specified Employee. If an award is payable to a Participant on account of separation from service (within the meaning of Section 409A of the Code), and the Participant is a specified employee (as defined below), the payment may not be made before the date that is six months after the Participant's separation from service (or, if earlier, the Participant's death). "Specified employee" means, with respect to the relevant 12-month period beginning on an April 1 and during which the Company remains publicly traded, a Participant who was a "key employee" within the meaning of Section 416(i) of the Code, without regard to Section 416(i)(5), at any time during the calendar year preceding the applicable April 1. For the purpose of determining whether a Participant is a specified employee, the compensation to be used is "Test Compensation" as defined in the Erie Insurance Group Employee Savings Plan.

Section 8.05. Award Agreements. Company Incentive Awards and Individual Incentive Awards shall be evidenced by a written agreement entered into between the Company or a Participating Entity and the Participant, setting forth such award granted to the Participant under this Plan (each, an "Award Agreement"). To the extent an Award Agreement, whether issued before 2009 or after 2008, conflicts with the terms of this Plan as restated, the terms of this Plan shall supersede the terms of the Award Agreement.

Section 8.06. Limits of Liability. Any liability of the Company to any Participant with respect to an award shall be based solely upon contractual obligations created by the Plan and the Award Agreement. Neither the Company, nor any member of its Board or of the Committee, nor any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability to any party for any action taken or not taken in good faith under the Plan.

Section 8.07. No Employment Rights. Neither the adoption of the Plan nor any provision of the Plan shall be construed as a contract of employment between the Company or a subsidiary or Participating Entity and any employee or Participant, or as a guarantee or right of any employee or Participant to future or continued employment with the Company or a subsidiary or Participating Entity, or as a limitation on the right of the Company or a subsidiary or Participating Entity to discharge any of its employees. Specifically, designation as a Participant does not create any rights, and no rights are created under the Plan, with respect to continued or future employment or conditions of employment.

Section 8.08. Illegal or Invalid Provision. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced without regard to such provisions.

Section 8.09. Unsecured Creditor. The Plan constitutes a mere promise by the Company to make benefit payments in the future. The Company's obligations under the Plan shall be unfunded and unsecured promises to pay. The Company shall not be obligated under any circumstance to fund its financial obligations under the Plan. It may, in its discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if such arrangement will not cause the Plan to be considered a funded deferred compensation plan. To the extent that any Participant or beneficiary or other person acquires a right to receive payments under the Plan, such right shall be no greater than the right of a general unsecured creditor of the Company and each Participant and beneficiary shall at all times have the status of a general unsecured creditor of the Company.

Section 8.10. Construction. The provisions of the Plan shall be construed, administered and governed by the laws of the Commonwealth of Pennsylvania, including its statute of limitations provisions, but without reference to conflicts of law principles, and in accordance with the requirements of Section 409A of the Code to prevent the inclusion of awards in gross income before the time of payment. Titles of Sections of the Plan are for convenience of reference only and are not to be taken into account when construing and interpreting the provisions of the Plan. Capitalized terms shall have the meanings ascribed to them herein unless the context expressly otherwise requires.

*   *   *

IN WITNESS WHEREOF, the Board of Directors of the Company has caused this document to be executed this 31st day of December, 2008.

ERIE INDEMNITY COMPANY

by /s/ James J. Tanous

James J. Tanous
Executive Vice President,
Secretary and General Counsel

Exhibit 10.108

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT is made as of __________, 2008, by and between **ERIE INDEMNITY COMPANY**, a Pennsylvania business corporation (the "Company"), and ____________________ (the "Indemnified Person").

INTRODUCTION

It is essential to the Company to attract and retain as directors and officers the most capable persons available.

The Company wishes the Indemnified Person to continue to serve as **[a director/an officer]** of the Company and the Indemnified Person is willing to continue in such position with the indemnification and other rights provided hereby.

In recent years, litigation seeking to impose liability on directors and officers of publicly-held corporations has become more frequent. Such litigation is extremely expensive to defend. The possibility of liability for extremely large sums is a deterrent to persons accepting positions of responsibility with a public corporation.

The Indemnified Person is deeply concerned regarding this situation, as well as the adequacy of the indemnification available under the Company's bylaws. It is therefore of critical importance to the Indemnified Person that adequate provisions be made for advancing costs and expenses of legal defense.

In recognition of the foregoing, the Company wishes to provide in this Agreement for the indemnification of, and the advancement of expenses to, the Indemnified Person to the fullest extent (whether partial or complete) permitted by Pennsylvania law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of the Indemnified Person under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the premises and of the Indemnified Person continuing to serve the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE ONE
INTERPRETIVE RULES; DEFINITIONS

Section 1.1. General Interpretive Rules.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (i) terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (ii) references herein to "Sections" without reference to a document are to designated Sections of this Agreement; (iii) "including" means "including but not limited to;" and (iv) "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision.

Section 1.2. Definitions.

Agreement means this Indemnification Agreement as executed by the parties hereto as of the date first written above or, if amended, as amended.

Board means the Board of Directors of the Company.

Derivative Proceeding means a Proceeding brought by or in the right of the Company or one of its subsidiaries to procure a judgment in its favor.

Entity means a corporation, business, general or limited partnership, limited liability partnership, limited liability company, reciprocal insurance exchange, joint venture, trust, employee benefit plan or trust, or other enterprise.

Fine means any fine, penalty or, with respect to an employee benefit plan, any excise tax or penalty assessed with respect thereto.

Litigation Costs means reasonable costs, charges and expenses, including attorneys' fees, reasonably incurred in the investigation, defense or prosecution of or other involvement in any Proceeding and any appeal therefrom, and the reasonable costs of appeal, attachment and similar bonds.

Losses means the total amount which the Indemnified Person becomes legally obligated to pay in connection with any Proceeding, including judgments, Fines, amounts paid in settlement and Litigation Costs.

Proceeding means any threatened, pending or completed action, suit, proceeding or investigation, whether of a civil, criminal, administrative or investigative (whether external or internal to the Company) nature, and whether formal or informal, in which the Indemnified Person is or was a director, officer or employee of the Company, or is or was serving at the request of the Company as a director, officer, partner, member, employee, agent or trustee of another Entity.

ARTICLE TWO
INDEMNIFICATION

Section 2.1. Proceedings by Third Parties.

The Company shall indemnify the Indemnified Person if he or she was or is a party or is threatened to be made a party to a Proceeding (other than a Derivative Proceeding) against Losses incurred in connection with such Proceeding to the fullest extent permitted by Pennsylvania law.

Section 2.2. Derivative Proceedings.

(a) Except as provided in Section 2.2(b), the Company shall indemnify the Indemnified Person if he or she was or is a party to, or is threatened to be made a party to, or otherwise involved in, a Derivative Proceeding against amounts paid in settlement and Litigation Costs incurred in connection with the defense or settlement of such Derivative Proceeding to the fullest extent permitted by Pennsylvania law.

(b) No indemnification under Section 2.2(a) shall be made in respect of any claim, issue or matter in a Derivative Proceeding as to which the Indemnified Person shall have been adjudged to be liable to the Company unless and only to the extent that a court of competent jurisdiction or the court in which such Proceeding was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnified Person is fairly and reasonably entitled to indemnity for the expenses that a court of competent jurisdiction or other court deems proper.

Section 2.3. No Presumptions Based on Manner Proceeding is Terminated.

The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnified Person is not entitled to indemnification or the advancement of Litigation Costs to the fullest extent permitted by Pennsylvania law.

Section 2.4. Indemnification for Expenses of Successful Party.

Notwithstanding any other provision hereof, to the extent that the Indemnified Person has been successful on the merits or otherwise in defense of any Proceeding or in defense of any claim, issue or matter therein, he or she shall be indemnified against Litigation Costs actually and reasonably incurred by the Indemnified Person in connection therewith.

Section 2.5. Advances of Litigation Costs.

At the request of the Indemnified Person, Litigation Costs incurred by the Indemnified Person in any Proceeding shall be paid by the Company in advance of the final disposition of such Proceeding to the fullest extent permitted by Pennsylvania law with the undertaking of the Indemnified Person, which undertaking is hereby given, to repay the amount if it is ultimately determined that he or she is not entitled to be indemnified by the Company as authorized by Pennsylvania law.

Section 2.6. Determination of Right to Indemnification or Advancing of Expenses Upon Application; Procedure Upon Application.

(a) Indemnification under Sections 2.1 and 2.2 shall be made promptly, and in any event within 90 days of the Indemnified Person's written request therefore, unless a determination is made reasonably and within such 90-day period by the Company, in the manner provided in Section 2.6(b), that the Indemnified Person is not entitled to indemnification under Pennsylvania law.

(b) The determination to be made by the Company under Section 2.6(a) shall be based on the facts known at the time and shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the Proceeding ("disinterested directors"); (ii) if such a quorum is not obtainable, by independent legal counsel in a written opinion; or (iii) if such a quorum is obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or (iv) by the shareholders of the Company.

(c) The right to indemnification hereunder shall be enforceable by the Indemnified Person in any court of competent jurisdiction if the Indemnified Person's claim therefore is denied, in whole or in part, in the manner provided herein, or if no disposition of such claim is made within the aforesaid 90-day period.

(d) It shall be a defense to an action under Section 2.6(c) that the Indemnified Person has not met the standards of conduct under Pennsylvania law which make it permissible hereunder for the Company to indemnify the Indemnified Person for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including the Board, independent legal counsel, or its shareholders, as the case may be) to have made a determination prior to the commencement of such action that indemnification of the Indemnified Person is proper in the circumstances because the Indemnified Person has met the applicable standards of conduct under Pennsylvania law, nor an actual determination by the Company (including the Board, independent legal counsel, or its shareholders, as the case may be) that the Indemnified Person had not met such applicable standards of conduct, shall be a defense to the Indemnified Person's action or create a presumption that the Indemnified Person had not met the applicable standards of conduct.

(e) The Indemnified Person's Litigation Costs incurred in connection with successfully establishing his or her right to indemnification or advances, in whole or in part, shall also be indemnified by the Company.

(f) With respect to any Proceeding (other than a Derivative Proceeding) for which indemnification is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, the Company may assume the defense thereof, with counsel satisfactory to the Indemnified Person. After notice from the Company to the Indemnified Person of its election to assume the defense of a Proceeding, the Company will not be liable to the Indemnified Person under this Agreement for any Litigation Costs subsequently incurred by the Indemnified Person in connection with the defense thereof, other than as provided below. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on the Indemnified Person without his or her written consent. The Indemnified Person shall have the right to employ counsel in any Proceeding but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense of the Proceeding shall be at the expense of the Indemnified Person, unless (i) the employment of counsel by the Indemnified Person has been authorized by the Company; (ii) the Indemnified Person shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnified Person in the conduct of the defense of a Proceeding; or (iii) the Company shall not in fact have employed counsel to assume the defense of a Proceeding, in each of which cases the fees and expenses of the Indemnified Person's counsel shall be advanced by the Company.

Section 2.7. Exclusions.

(a) The Company shall not be liable to make any payment hereunder (whether in the nature of indemnification or contribution) to the extent payment is actually made to the Indemnified Person under a valid, enforceable and collectible insurance policy (the "Insurance Policy"). If the Indemnified Person is required to pay any amount that the Company is obligated to pay hereunder except for the exclusion in this subsection, before payment is reasonably expected to be made under the Insurance Policy, the Company shall promptly advance the amount the Indemnified Person is required to pay for which the Company is liable hereunder. Any advance by the Company shall be made with the undertaking of the Indemnified Person, which hereby is given, that the Indemnified Person shall immediately pay over to the Company, from the funds the Indemnified Person later receives under the Insurance Policy, an amount equal to the amount which the Company advanced pursuant to this subsection.

(b) The Company shall not be liable hereunder for amounts paid in settlement of a Proceeding effected without its written consent, which consent may not be unreasonably withheld. Without intending to limit the circumstances in which it would be unreasonable for the Company to withhold its consent to a settlement, the parties agree that it would be unreasonable for the Company to withhold its consent (i) to a settlement in an amount that did not exceed, in the judgment of the Board, the estimated amount of Litigation Costs of the Indemnified Person to litigate the Proceeding to conclusion or (ii) with respect to a Proceeding other than a Derivative Proceeding, to any settlement proposed by the Indemnified Person unless a determination is made reasonably and within 90 days of being proposed by the Company, in the manner provided in Section 2.6(b), that the Indemnified Person is not entitled to indemnification under Pennsylvania law.

(c) The Company shall not be liable hereunder for any Fine imposed by law which the Company is prohibited by applicable law from paying as indemnity or otherwise.

(d) Indemnification pursuant to this Agreement shall not be made by the Company in any case where the Indemnified Person's act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

Section 2.8. Contribution.

In order to provide for just and equitable contribution in circumstances in which the indemnification provided for herein is held by a court of competent jurisdiction to be unavailable to the Indemnified Person in whole or part, the parties agree that, in such event, the Company shall contribute to the payment of the Indemnified Person's Losses in an amount that is just and equitable in the circumstances, taking into account, among other things, contributions by other directors and officers of the Company pursuant to indemnification agreements to which they are parties with the Company or otherwise. The Company and the Indemnified Person agree that, in the absence of personal enrichment of the Indemnified Person, or acts of intentional fraud or dishonesty or criminal conduct on the part of the Indemnified Person, it would not be just and equitable for the Indemnified Person to contribute to the payment of Losses arising out of a Proceeding (including a Derivative Proceeding) in an amount greater than: (i) in a case where the Indemnified Person is a director of the Company or any of its subsidiaries but not an officer of either, the amount of all annual Board and committee retainers and meeting fees paid to the Indemnified Person for serving as a director during the 12 months preceding the commencement of such Proceeding; or (ii) in a case where the Indemnified Person is a director of the Company or any of its subsidiaries and is an officer of either, the amount set forth in clause (i) plus 5% of the annual base salary paid to the Indemnified Person for serving as such officer(s) during the 12 months preceding the commencement of such Proceeding; or (iii) in a case where the Indemnified Person is only an officer of the Company or any of its subsidiaries, 5% of the annual base salary paid to the Indemnified Person for serving as such officer(s) during the 12 months preceding the commencement of such Proceeding. The Company shall contribute to the payment of Losses covered hereby to the extent not payable by the Indemnified Person pursuant to the contribution provisions set forth in the preceding sentence.

Section 2.9. Notice to the Company; Cooperation.

(a) The Indemnified Person shall give the Company notice, as soon as practicable, of any claim made against the Indemnified Person for which indemnification will be or could be sought hereunder.

(b) The Indemnified Person shall give the Company such cooperation and information as it may reasonably require in connection with any claim by the Indemnified Person hereunder.

Section 2.10. Other Rights and Remedies.

The rights provided hereby shall not be deemed exclusive of any other right to which the Indemnified Person may be entitled under any statute, applicable charter or bylaw provision, agreement, vote of shareholders or of disinterested directors or otherwise, both as to action in the Indemnified Person's official capacity and as to action in another capacity while holding such office, and shall continue after the Indemnified Person ceases to serve the Company in the position identified in the Introduction hereof.

Section 2.11. Serving at the Company's Request.

References in Article Two to "serving at the request of the Company" include service with respect to any employee benefit plan or trust, its participants or beneficiaries.

Section 2.12. Proceedings Initiated by the Indemnified Person.

No payment pursuant to this Agreement shall be made by the Company to indemnify or advance funds to the Indemnified Person for Litigation Costs with respect to Proceedings initiated, brought, participated in or joined in voluntarily by the Indemnified Person and not by way of affirmative defense or counterclaim, except with respect to Proceedings brought to establish or enforce a right to indemnification or advancement of Litigation Costs under this Agreement or as otherwise required by Pennsylvania law, but such indemnification or advancement of Litigation Costs may be provided by the Company in specific cases if, by majority vote, the Board of Directors finds it to be appropriate.

ARTICLE THREE
MISCELLANEOUS

Section 3.1. Binding Effect.

This Agreement shall be binding upon all successors and assigns of the Company (including any transferee of all or substantially all of its assets and any successor by merger or operation of law) and shall inure to the benefit of the heirs, personal representatives and estate of the Indemnified Person.

Section 3.2. Savings Clause.

If all or any portion of any section hereof is held invalid or unenforceable on any ground by any court of competent jurisdiction, the Company nevertheless shall indemnify the Indemnified Person for his or her Losses to the full extent permitted by any applicable portion hereof that has not been held invalid or unenforceable or by any other applicable law.

Section 3.3. Governing Law.

The validity, construction, enforcement and interpretation of this Agreement shall be governed by the internal law (and not the law of conflicts) of Pennsylvania. This Agreement, in accordance with the Company's bylaws, is intended to indemnify and advance Litigation Costs to an Indemnified Person to the fullest extent permitted by Pennsylvania law. As used herein, “to the fullest extent permitted by Pennsylvania law” means to the fullest extent permitted by Pennsylvania law as the same exists or hereafter may be amended, but in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than such law permitted the Company to provide prior to such amendment.

Section 3.4. Effect of Headings.

The Introduction and Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.5. Notices.

(a) Any notice, request or other communication hereunder to or on the Company or the Indemnified Person shall be in writing and delivered or sent by postage prepaid first-class mail, as follows: (i) if to the Company, addressed to Erie Indemnity Company, 100 Erie Insurance Place, Erie, Pennsylvania 16530, “Attention: Corporate Secretary;” and (ii) if to the Indemnified Person, addressed to the Indemnified Person at the address shown on the signature page hereof.

(b) Either address referred to in the preceding subsection may be changed from time to time and shall be the most recent such address furnished in writing by the party whose address has changed to the other party in the manner specified in the preceding subsection.

Section 3.6. Counterparts.

This Agreement may be executed in any number of counterparts. Each counterpart of an agreement so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart.

Section 3.7. Subrogation.

In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnified Person, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of those documents necessary to enable the Company effectively to bring suit to enforce such rights.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

ERIE INDEMNITY COMPANY

By: ______________________________
Name:
Title:

INDEMNIFIED PERSON

____
Name:
Address:

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Registrant owns 100% of the outstanding stock of the following companies:

Name	State of Formation
Erie Insurance Property & Casualty Company	Pennsylvania
Erie Insurance Company	Pennsylvania
EI Holding Corp.	Delaware
EI Service Corp.	Pennsylvania
Erie Insurance Company of New York (wholly owned by Erie Insurance Company)	New York

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-148705) pertaining to the Erie Indemnity Company 2004 Long-Term Incentive Plan, the Erie Indemnity Company 1997 Long-Term Incentive Plan, as amended, and the Erie Indemnity Company Deferred Compensation Plan for Outside Directors, as amended of our reports dated February 20, 2009, with respect to the consolidated financial statements and schedules of Erie Indemnity Company and the effectiveness of internal control over financial reporting of Erie Indemnity Company, included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young, LLP
Cleveland, Ohio
February 20, 2009

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Terrence W. Cavanaugh, certify that:

1. I have reviewed this annual report on Form 10-K of Erie Indemnity Company for the year ended December 31, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2009

/s/ Terrence W. Cavanaugh
Terrence W. Cavanaugh
President & CEO

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Philip A. Garcia, certify that:

1. I have reviewed this annual report on Form 10-K of Erie Indemnity Company for the year ended December 31, 2008;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2009

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

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

We, Terrence W. Cavanaugh, Chief Executive Officer of the Erie Indemnity Company (Company), and Philip A. Garcia, Chief Financial Officer of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, that:

(1) The Annual Report on Form 10-K of the Company for the annual period December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terrence W. Cavanaugh
Terrence W. Cavanaugh
President & Chief Executive Officer

/s/ Philip A. Garcia
Philip A. Garcia
Executive VP & Chief Financial Officer

February 26, 2009

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Erie Indemnity Company and will be retained by Erie Indemnity Company and furnished to the Securities and Exchange Commission or its staff upon request.