



Erie Indemnity Company Announces Second Quarter Earnings Growth

Erie, Pa. --- July 20, 1999 --- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 10.6 percent increase in earnings for the second quarter of 1999.

Net income for the quarter ended June 30, 1999 increased to \$39,224,982 or \$.53 per share, from \$35,470,481 or \$.48 per share earned during the second quarter of 1998. For the six months ended June 30, 1999, net income increased 8.1 percent to \$72,632,540 or \$.98 per share, from \$67,169,540 or \$.90 per share recorded in the same period in 1998. The increase in net income for the quarter was due to improved results in all three of the company's operating segments.

Total revenues from management operations increased \$8,016,823, or 6.0 percent, to \$141,518,548 for the second quarter of 1999 from \$133,501,725 in the second quarter of 1998. Direct written premiums, upon which management fee revenue is based, grew 2.5% to \$550,011,427 in the second quarter 1999 from \$536,825,827 for the same period in 1998. Premium growth was adversely influenced by previously announced pricing actions in the Private Passenger Auto line of insurance. However, policy growth for the quarter was strong as policy retention rates and new policy growth improved. The cost of management operations increased 6.9 percent to \$100,931,839 in the second quarter of 1999 from \$94,437,016 for the same period in 1998. As a result, net revenues from the company's management operations rose 3.9 percent to \$40,586,709 for the three months ended June 30, 1999 compared to \$39,064,709 for the same period in 1998. Net revenues for the six months ended June 30, 1999 increased 2.9 percent to \$74,953,283. The gross margin from management operations for the six months decreased to 28.0 percent in 1999 from 28.6 percent in 1998.

"We are pleased with the accelerated rate of growth in premium volume experienced during the second quarter. While market conditions remain very competitive, particularly in personal lines, our marketing and pricing initiatives combined with our superior service continue to translate into new business growth and improved policy retention rates," said Stephen A. Milne, President and Chief Executive Officer of Erie Insurance Group.

The company's insurance underwriting operations produced an underwriting gain of \$1,112,954 during the second quarter of 1999 compared to a loss of \$306,723 in the second quarter of 1998. Catastrophe losses decreased from \$2.3 million in the second quarter of 1998 to \$1.0 million in the second quarter of 1999. The company recognized premiums earned of \$29,517,142 for the quarter ended June 30, 1999, a 4.9 percent increase over the \$28,146,565 reported in the second quarter of 1998. For the six months ended June 30, 1999, earned premium revenue totaled \$58,124,065, up 4.5 percent from the first six months of 1998. The Company had an underwriting profit of \$505,608 for the first six months of 1999 compared to \$1,120,758 for the same period in 1998.

Revenue from investment operations for the second quarter of 1999 increased 19.4 percent, to \$16,177,283 from \$13,553,770 recorded for the second quarter of 1998. Growth in revenue from investment operations in the second quarter of 1999 resulted from a 19.4 percent increase in net investment income, a 5.6 percent increase in earnings in Erie Family Life Insurance Company and a 24.5 percent increase in realized gains on investments. For the six months ended June 30, 1999, revenues from investment operations rose to \$30,947,629, an increase of 24.4 percent from the \$24,870,687, earned in the first six months of 1998.

Net income per share was influenced by the share repurchase program during the quarter. Approximately 465,300 shares were repurchased at a cost of \$12,645,449 during the second quarter.

Erie Indemnity Company is the principal management company for the member companies of the Erie Insurance Group, which includes the Erie Insurance Exchange, Flagship City Insurance Company, Erie Insurance Company, Erie Insurance Property and Casualty Company, Erie Insurance Company of New York and Erie Family Life Insurance Company.

Erie Insurance Group, based in Erie, Pennsylvania, is the 12th largest insurer of private passenger automobiles and the 17th largest property and casualty insurance group in the United States. The Group operates in 10 states and the District of Columbia.