



## Erie Indemnity Company's Third Quarter Earnings Increase 7.6 Percent

Erie, Pa. -- October 19, 1999 -- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 7.6 percent increase in earnings for the third quarter of 1999.

Net income for the quarter ended September 30, 1999 increased to \$38,424,589 or \$.52 per share, from \$35,696,537 or \$.48 per share earned during the third quarter of 1998. For the nine months ended September 30, 1999, net income increased 8.0 percent to \$111,057,129 or \$1.51 per share, from \$102,866,077 or \$1.38 per share recorded in the same period in 1998. Gains made in the Company's management operations and its investment operations for the third quarter of 1999 were offset somewhat by losses experienced in the Company's insurance underwriting operations as a result of Hurricane Floyd.

Total revenue from management operations increased \$6,547,062, or 4.9 percent, to \$139,907,506 for the third quarter of 1999 from \$133,360,444 in the third quarter of 1998. Direct written premiums, upon which management fee revenue is based, grew 2.1 percent to \$543,185,707 in the third quarter of 1999 from \$532,170,508 for the same period in 1998. Premium growth continues to be modest due to previously announced pricing actions in the private passenger automobile line of insurance. Effective October 1, 1999, Erie Insurance Group filed and obtained approval for a reduction in private passenger auto rates by another 2.4 percent, or about \$25 million.

"This reduction is in The ERIE's spirit of providing the best possible insurance at the lowest possible price," said Stephen A. Milne, president and chief executive officer of Erie Insurance Group. "Through these rate reductions, we pass along savings to drivers who have the most favorable experience. Actions such as this keep ERIE ahead of the competition in our markets."

Policy growth for the quarter was strong as policy retention and the new policy growth rates improved. Contributing to the increase in total revenue from management operations was the increased management fee rate charged in the third quarter of 1999 of 25.0 percent compared to a rate of 24.25 percent charged in the third quarter of 1998. The cost of management operations increased 5.0 percent to \$97,962,068 in the third quarter of 1999 from \$93,313,277 for the same period in 1998. As a result, net revenue from the Company's management operations rose 4.7 percent to \$41,945,438 for the three months ended September 30, 1999 compared to \$40,047,167 for the same period in 1998. Net revenue for the nine months ended September 30, 1999 increased 3.6 percent to \$116,898,721. The gross margin from management operations for the nine months decreased to 28.7 percent in 1999 from 29.1 percent in 1998.

Premiums earned in the Company's insurance underwriting operations were \$29,449,004 for the quarter ended September 30, 1999, a 3.7 percent increase over the \$28,387,446 reported in the third quarter of 1998. For the nine months ended September 30, 1999, premiums earned totaled \$87,573,069, up 4.3 percent from the first nine months of 1998. Losses, loss adjustment expenses and other underwriting expenses for the third quarter of 1999 increased 8.9 percent to \$31,028,462 compared to \$28,484,155 for the same period in 1998. Catastrophe losses increased to \$1,341,856 in the third quarter of 1999 from \$659,138 in the third quarter of 1998 due to the effects of Hurricane Floyd. As a result, the Company's insurance operations produced an underwriting loss of \$1,579,458 and \$96,709 for the third quarter of 1999 and 1998, respectively. The underwriting loss for the first nine months of 1999 amounted to \$1,073,850 compared to a profit of \$1,024,049 for the same period in 1998.

Total revenue from investment operations for the third quarter of 1999 increased 38.9 percent, to \$16,449,582 from \$11,847,165 recorded for the third quarter of 1998. Growth in revenue from investment operations in the third quarter of 1999 resulted from improved results in all investment operating segments. For the nine months ended September 30, 1999, revenues from investment operations rose to \$47,397,211, an increase of 29.1 percent from the \$36,717,852 earned in the first nine months of 1998.

Net income per share was influenced by the share repurchase program, which began January 1, 1999. Approximately 503,500 shares were repurchased at a cost of \$14,282,763 (average cost of \$28.37 per share) during the third quarter of 1999. For the year, total shares repurchased were approximately 1,436,900 at a total cost of \$39,710,078 (average cost of \$27.64 per share).

In another matter, the Erie Indemnity Company board of directors announced the retirement of one member and the election of three new members. Edmund J. Mehl retired at the September board of directors' meeting. Mehl served as a director for 30 years. At the same meeting, Gwendolyn S. King, Robert C. Wilburn and Martin J. Lippert were elected to the board. King is retired from her position as senior vice president and head of corporate and public affairs for the Philadelphia Electric

Company and formerly served as a commissioner for the U.S. Social Security Administration. Wilburn is the retired president and CEO of the Williamsburg Foundation and currently is an adjunct professor at Carnegie Mellon University. Lippert is currently vice chairman and chief information officer for the Royal Bank of Canada and also serves as the bank's executive vice president.

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.

Known for competitive rates and superior service since 1925, Erie Insurance Group is the 16th largest property/casualty insurer in the United States based on surplus and has over 2.6 million policyholders. Group member Erie Insurance Exchange is the 13th largest auto insurer in the country. Erie Indemnity Company (NASDAQ - ERIE) is the management company for Erie Insurance Group, which includes seven companies operating in 10 states and the District of Columbia. The ERIE provides a complete line of auto, home, business and life insurance through more than 5,500 independent insurance agents.