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

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)

For the fiscal year ended December 31, 2001

OR

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

[NO FEE REQUIRED]

For the transition period from to

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)

Registrant's telephone number, including area code (814) 870-2000

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

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

Class A Common Stock, stated value $.0292 per share
Class B Common Stock, stated value $70 per share
(Title of class)

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. [ ]

Aggregate market value of voting stock of non-affiliates: There is no active market for the Class B voting stock and no Class B voting stock has been sold in the last year upon which a price could be established.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: 63,813,523 Class A shares and 3,070 Class B shares of Common Stock outstanding on February 28, 2002.

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2001 (the "Annual Report") are incorporated by reference into Parts I, II and IV of this Form 10-K Report.
2. Portions of the Registrant's Proxy Statement relating to the Annual Meeting of Shareholders to be held April 30, 2002 are incorporated by reference into Parts I and III of this Form 10-K Report.

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PART I

Item 1. Business

Erie Indemnity Company (the "Company") is a Pennsylvania corporation formed in 1925 to be the attorney-in-fact for Erie Insurance Exchange (the "Exchange"), a Pennsylvania-domiciled reciprocal insurance exchange. The Company's principal business activity consists of management of the affairs of the Exchange with fees from the Exchange accounting for approximately 78% of the Company's consolidated revenues. The Company also participates in the property/casualty insurance business through its three wholly owned subsidiaries, Erie Insurance Company ("Erie Insurance Co."), Erie Insurance Company of New York ("Erie NY") and Erie Insurance Property and Casualty Company ("Erie P&C") and through its management of the Flagship City Insurance Company ("Flagship"), a subsidiary of the Exchange. The Company and Exchange also own a 21.6% and 53.5% common stock interest, respectively, in Erie Family Life Insurance Company ("EFL"), an affiliated life insurance company. Together with the Exchange, the Company and its subsidiaries and affiliates operate collectively under the name Erie Insurance Group("The ERIE").

The ERIE is a regional insurance group that underwrites a broad line of personal and commercial coverages. Insurance products are marketed primarily in the Mid-Atlantic and Northeast regions through approximately 7,400 independent agents comprising approximately 1,600 insurance agencies. The property/casualty insurers managed by the Company are licensed to do business in sixteen states and in the District of Columbia and at December 31, 2001, operated in eleven states and the District of Columbia. Branch offices are maintained throughout the eleven contiguous states in which the Company does business.

As of December 31, 2001, the Company had 3,668 full-time employees, of which 1,808 provide claims specific services exclusively for the property/casualty insurance companies of The ERIE and 125 perform general services exclusively for EFL. Both the Exchange and EFL reimburse the Company monthly for the cost of these services. None of the Company's employees is covered by a collective bargaining agreement. The Company believes that its relationship with its employees is good.

Erie P&C, Flagship, Erie Insurance Co. and Erie NY participate in an intercompany pooling agreement with the Exchange. Under the pooling agreement all property/casualty reinsurance business of the Group is ceded to the Exchange. The pooling agreement provides for the Exchange to assume all premiums and losses, including related asset and liability amounts, from all property/casualty affiliates of The ERIE. This pooling agreement further provides for Erie Insurance Co. and Erie NY to share proportionately through retrocession in the results of all of The ERIE's non-affiliated property/casualty insurance operations. Erie Insurance Co.'s and Erie NY's proportionate share of the reinsurance pool are 5.0 percent and 0.5 percent, respectively. An excess of loss reinsurance agreement between the Exchange, Erie Insurance Co. and Erie NY limits the amount of sustained ultimate net losses in any applicable accident year for the Erie Insurance Co. and Erie NY. The excess of loss reinsurance agreement is excluded from the pooling arrangement.

Information About Business Segments

Reference is made to Note 15 of the "Notes to the Consolidated Financial Statements" included in the Annual Report, page 46 for information as to total revenue and net income attributable to the two business segments (management operations and property/casualty insurance operations) in which the Company is engaged.

Management Operations

For services performed in its role as attorney-in-fact for the Policyholders of the Exchange, the Company charges the Exchange a management fee calculated as a percentage of the affiliated assumed (Erie Insurance Co., Erie NY, Erie P&C and Flagship) and direct premiums written by the Exchange. The management fee is compensation for: (a) acting as attorney-in-fact for the Exchange, (b) managing the business and affairs of the Exchange, and (c) paying certain general administrative expenses not part of the settlement of losses or the management of investments.

The Company's Board of Directors may change the management fee at its discretion. However, the maximum fee level which can be charged the Exchange, is limited by the agreement between the Exchange and the Company (or its property/casualty affiliates), to 25 percent of the affiliated assumed and direct written premium. The Board considers several factors in determining the management fee rate, including the relative financial position of the Exchange and the Company and the long-term capital needs of the Exchange to ensure its continued growth, competitiveness, and superior financial strength, which ultimately benefits The ERIE. The management fee rate charged the Exchange was 25 percent from 1999 to 2001. In December 2001, the Board voted to maintain the 25 percent management fee rate for all of 2002.

All premiums collected, less the management fee paid to the Company, are retained by the Exchange for the purpose of paying losses, loss adjustment expenses, investment expenses and other miscellaneous expenses including insurance-related taxes, licenses and fees, certain information technology costs covered under a technology cost-sharing agreement, and for other purposes that are to the benefit of the policyholders.

The Company receives a service agreement fee from the Exchange as compensation for the management and administration of voluntary assumed reinsurance business from non-affiliated insurers. The fee of 7% of voluntary reinsurance premiums assumed from non-affiliated insurers is compensation for accounting, underwriting and operating expenses in connection with the administration of this business.

The Company also receives service charges from the Exchange for fees collected from policyholders for providing extended payment terms on policies written by the insurers managed by the Company. These charges, as well as the service agreement fee described above are included in service agreement revenue in the Consolidated Statements of Operations.

Property/Casualty Insurance Operations

Industry

One of the distinguishing features of the property/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. Current prices must be established from forecasts of the ultimate costs expected to arise from exposures underwritten during the coverage period when the rates are applied. This unique pricing environment affects the financial statements primarily through the loss reserves. Changes in statutory, "regulatory" and case law can significantly affect the liabilities associated with known risks after the insurance contract is in place. Property/casualty insurance companies' ability to increase prices in response to declines in profitability are limited by the large number of competitors and the similarity of products offered, as well as regulatory constraints.

The profitability of the property/casualty insurance business can be influenced by many external factors some of which include rate competition, the severity and frequency of claims, terrorist actions, natural disasters, state regulation of premium rates, and other areas of competition, defaults of reinsurers, investment market conditions, general business conditions, court decisions that define and may expand the extent of coverage and the amount of compensation due for injuries and losses.

Inflation also can affect the loss costs of property/casualty insurers and, as a consequence, insurance rates. Insurance premiums are established before losses and loss adjustment expenses and the extent to which inflation may impact such expenses, are known. Consequently, in establishing premium rates, the Company attempts to anticipate the potential impact of inflation.

Lines of Business

The property/casualty insurers managed by the Company underwrite a broad range of insurance for risks. In 2001, personal lines comprised 71.8% of direct and affiliated assumed premium revenue while commercial lines constituted the remaining 28.2%. The core products in the personal lines are private passenger automobile (75.2%) and homeowners (22.3%) while the core commercial lines consist principally of multi-peril (37.0%), automobile (30.3%) and workers' compensation (29.2%).

See "Selected Segment Information" contained on page 28 of the Annual Report for the distribution of direct premiums written by The ERIE.

Reinsurance

Reference is made to Note 12 of the "Notes to Consolidated Financial Statements" contained in the Annual Report for the year ended December 31, 2001, page 44 through 45 incorporated herein by reference, for a complete discussion of reinsurance transactions.

Combined Ratios

The combined ratio is a standard industry measurement of the results of property/casualty insurance underwriting operations. The statutory combined ratio is the sum of the ratio of incurred losses and loss adjustment expenses to net premiums earned ("loss ratio"), the ratio of underwriting expenses incurred to net premiums written ("expense ratio") and, the ratio of dividends to policyholders to net premiums earned ("dividend ratio"). The generally accepted accounting principles ("GAAP") combined ratio is calculated in the same manner except that it is based on GAAP reported amounts and the denominator for each component is net premiums earned. A combined ratio under 100% generally indicates an underwriting profit; a combined ratio over 100% generally indicates an underwriting loss before contemplation of the time value of money. Investment income, federal income taxes and other non-underwriting income or expense are not reflected in the combined ratio. The profitability of The ERIE is a function of income and expense from both its underwriting and investment operations.

The ratios shown in the table below for the Company's property/casualty insurance subsidiaries Erie Insurance Co. and Erie NY, are prepared in accordance with GAAP and with the National Association of Insurance Commissioners (NAIC) Codified Statutory Accounting Practices ("SAP"). The NAIC Codified SAP contain a provision allowing for prescribed or permitted accounting practices to be determined by each states' insurance commissioner. Accordingly, such discretion will continue to allow prescribed or permitted accounting practices that may differ from state to state.

	Combined Ratios Year Ended December 31, 2001	2000	1999
GAAP Combined Ratio	114.9%	108.4%	103.0%
Statutory operating ratios:			
Loss ratio	84.5	80.1	74.6
Expense and dividend ratio	30.1	28.2	28.2
Statutory Combined Ratio	114.6%	108.3%	102.8%

Increased loss severity in the Company's private passenger automobile and workers' compensation lines of business, combined with unaffiliated assumed voluntary reinsurance losses from the September 11th terrorists attack on the World Trade Center, contributed to the increased loss ratio in 2001 compared to 2000. The 2001 expense and dividend ratio increased in 2001 partly as a result of the Company's share of expenses related to the eCommerce initiative, which totaled $1,314,734.

Seasonal Factors

The Company's management fee is earned when premiums are written. Historically, due to policy renewal and sales patterns, writings are strongest in the second and third quarters of the calendar year. 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 where the Company and affiliated property/casualty insurers operate.

Financial Condition-Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and investment returns providing for liquidity to meet the short and long-term commitments of the Company. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment portfolio, at market value, increased to $840,967,085 at December 31, 2001, which represents 43.4% of total assets. Investment income reflected on the Consolidated Statements of Operations is affected by shifts in the types of investments in the portfolio, changes in interest rates and other factors. Net investment income, was $49,883,896 in 2001 compared to $48,400,343 in 2000, and $43,344,356 in 1999.

The Company reviews 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 are considered in evaluating impairment in value. In addition to specific factors, the primary factors considered in the Company's review of investment valuation are the length of time the market value is below cost and the amount the market value is below cost.

If the Company's policy for determining the recognition of impaired positions were different, the Company's Consolidated Statements of Financial Position and results of operations could be significantly impacted. Management believes its investment valuation philosophy and accounting practices result in appropriate and timely measurement of value and recognition of impairment.

Included in investments is a 21.6% common stock interest in EFL of $44,683,170 at December 31, 2001, which is accounted for under the equity method of accounting. EFL, which was organized in 1967 as a Pennsylvania-domiciled life insurance company, has an A.M. Best and Company Inc. ("A.M. Best") rating of A+ (Superior). EFL is primarily engaged in the business of underwriting and selling non-participating individual and group life insurance policies, including universal life and individual and group annuity products in ten states and the District of Columbia.

Reference is made to the Financial Condition section of the "Management Discussion and Analysis" contained in the Annual Report for the year ended December 31, 2001 pages 20 through 22 incorporated herein by reference, for a complete discussion of investments.

Financial Ratings

Insurance companies are rated by rating agencies to provide insurance consumers and investors with meaningful information on specific insurance companies. 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 Exchange, Flagship, Erie Insurance Co., Erie P&C and Erie NY all have current ratings of A++ (Superior) from A.M. Best with respect to their financial strength and claims-paying ability. In evaluating an insurer's financial and operating performance, A.M. Best reviews the insurer's profitability, leverage and liquidity as well as the insurer's book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its loss reserves and the experience and competency of its management. Management believes that this A.M. Best rating of A++ (Superior) is an important factor in marketing The ERIE's property/casualty insurance to its agents and customers.

Competition

The property/casualty markets in which the Company operates are highly competitive. Property/casualty insurers generally compete on the basis of customer service, price, brand recognition, coverages offered, claim handling ability, financial stability and geographic coverage. In addition, because the insurance products of The ERIE are marketed exclusively through independent insurance agents, these agents have the opportunity to represent more than one company. The ERIE, thus, potentially faces competition within its appointed agencies should it fail to deliver excellence in product, price, service and relationships.

Market competition bears directly on the price charged for insurance products and services provided within the insurance regulatory framework. Growth is driven by a company's ability to provide insurance services at a price that is reasonable and acceptable to the customer. In addition, the marketplace is affected by available capacity of the insurance industry. Surplus expands and contracts primarily in conjunction with profit levels generated by the industry. Growth is the 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 charged by the Company. Firming pricing in 2001 and a return to "hard market" conditions, particularly for commercial and personal insurance, have allowed the property/casualty subsidiaries and affiliates to raise prices or maintain current prices to gain competitive advantage in the insurance marketplace.

The Company, in managing the property/casualty insurers of The ERIE, has followed several strategies which the management of the Company believes will result in underwriting performance which exceeds those of the property/casualty industry in general. First, the Company employs an underwriting philosophy and product mix targeted to produce an Erie Insurance Group-wide underwriting profit, i.e., a combined ratio of less than 100% on a long-term basis, through careful risk selection, adequate pricing and prompt fair claims settlement practices. The careful selection of risks allows for lower claims frequency and loss severity, thereby enabling insurance to be offered at favorable prices. The Company, as well as the property/casualty industry, experienced increased loss severity in private passenger automobile and in commercial lines in 2001. This caused the loss and loss adjustment expense to outpace premiums earned. The firming of auto pricing in the second half of 2001 along with deteriorating loss cost trends have allowed the company to begin raising auto insurance prices to mitigate underwriting losses. All policies issued by the Group are for a one-year term. Therefore the impact of the rate increases will take at least one year before the full impact is recognized in the underwriting results of the Company.

Second, management focuses on consistently providing superior service to policyholders and agents in both underwriting and claims handling. The ERIE's ability to provide superior customer service is reflected in the Group policy retention and new policy growth rates. Continued improvement in new policy growth drove the gains experienced in the Group's direct written premium. Policies in force increased 8.5% to 3,109,583 from 2,865,553 in 2000 and 6.5% in 2000 from 2,689,849 in 1999. Policy retention (the percentage of existing policyholders who renew their policies) remained excellent at 90.9%, 91.0% and 90.5% for the years ended December 31, 2001, 2000 and 1999, respectively, for all lines of business combined. See "Selected Segment Information" contained on page 28 of the Annual Report for policy in force counts and retention rates for The ERIE.

Third, the Company maintains a business model designed to provide the advantages of localized marketing and claims servicing with the economies of scale from centralized accounting, administrative, underwriting, investment, information management and other support services.

Finally, a careful agent selection process exists in which The ERIE seeks to be the lead company with its agents in order to enhance the agency relationship and the likelihood of receiving the most desirable underwriting opportunities from its agents. The Company has ongoing, direct communications with its agency force. Agents have a number of company sponsored venues designed to promote sharing of ideas, concerns and suggestions with the senior management of the ERIE with the goal of improving communications and service. These efforts have resulted in outstanding agency penetration and the ability to sustain long-term agency partnerships.

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 yet reported. The estimated loss reserve for reported claims is based primarily upon a case-by-case evaluation of the type of risk involved and knowledge of the circumstances surrounding each claim and the insurance policy provisions relating to the type of loss. Estimates of reserves for unreported claims and loss settlement expenses are determined on the basis of historical information by line of business as adjusted to current conditions. Inflation is implicitly provided for in the reserving function through analysis of costs, trends and reviews of historical reserving results.

The process of estimating the liability for unpaid losses and loss adjustment expenses is inherently judgmental and can be influenced by factors subject to variation. Possible sources of variation include claim frequency and severity, changing rates of inflation as well as changes in other economic conditions, judicial trends and legislative changes. It is unlikely that future losses and loss adjustment expenses will develop exactly as projected. The Company continually refines reserves as experience develops and new information becomes known. The Company reflects adjustments to reserves in the results of operations in the periods in which the estimates are changed. With the exception of reserves relating to certain workers' compensation cases, which have been discounted at 2.5% in 2001 and 2000, loss reserves are not discounted.

For a reconciliation of beginning and ending property/casualty unpaid losses and loss adjustment expense reserves for each of the last three years, see Note 9 of the "Notes to Consolidated Financial Statements" contained in the Annual Report page 43.

The following table sets forth the development of the Company's net reserves for unpaid losses and loss adjustment expenses from 1994 through 2001. The table has been computed on a statutory basis without reflecting the estimated salvage and subrogation to be recovered on these losses in the future (See following discussion in "Financial Regulation" section).

	Year Ended December 31,							
	2001	2000	1999	1998	1997	1996	1995	1994
				(in millions)				
Reserve for unpaid losses and loss adjustment expense	$122.3	$105.7	$ 98.1	$ 94.4	$ 92.5	$ 87.7	$ 82.0	$ 71.3
Development of liability as of:								
One year later		111.9	104.4	93.7	90.2	88.5	79.7	67.0
Two years later			106.4	95.5	89.7	88.7	81.5	67.3
Three years later				97.2	90.4	88.2	82.8	71.1
Four years later					90.9	87.6	83.3	72.2
Five years later						88.1	82.4	73.5
Six years later							83.5	72.4
Seven years later								73.5
Cumulative (Deficiency) excess		(6.2)	(8.3)	(2.8)	1.6	(0.4)	(1.5)	(2.2)
Cumulative amount of liability paid through:								
One year later		$ 41.2	$ 38.9	$ 33.6	$ 31.3	$ 32.6	$ 29.3	$ 22.1
Two years later			$ 59.2	$ 52.4	$ 48.3	$ 48.7	$ 44.7	$ 36.2
Three years later				$ 63.9	$ 59.2	$ 57.8	$ 53.9	$ 44.7
Four years later					$ 65.5	$ 63.5	$ 59.4	$ 49.8
Five years later						$ 67.4	$ 62.5	$ 53.2
Six years later							$ 64.8	$ 55.0
Seven years later								$ 56.5

The top line shows the estimated liability that was recorded at the end of each of the indicated years for all current and prior year unpaid losses and loss expenses. The upper portion of the table shows re-estimations of the original recorded reserve as of the end of each successive year. The estimate is increased or decreased as payments are made and more information becomes known about the development of remaining unpaid claims. The lower portion of the table shows the cumulative amount paid in succeeding years for losses incurred prior to the Statement of Financial Position date. The cumulative deficiency or redundancy represents the aggregate amount by which original estimates of reserves as of that year-end have changed in subsequent years. An excess in reserves means that reserves established in prior years exceeded actual losses and loss adjustment expenses or were reevaluated at less than the originally reserved amount. A deficiency in reserves means that the reserves established in prior years were less than actual losses and loss adjustment expenses or were reevaluated at more than the originally reserved amount.

Included in the 2001 unpaid losses and loss adjustment expenses reserve of $122,333,970 are the Company's share of estimated incurred losses of the Erie Insurance Group's reinsurance business stemming from the September 11th attack on the World Trade Center. The portion of reinsurance losses recorded by the Company through its property/casualty subsidiaries net of recoveries from the excess of loss agreement with the Exchange was $5,839,445, or $0.06 per share after taxes. The property/casualty insurers are exposed to both direct and reinsurance losses arising from possible future terrorist actions.

Adverse development on loss reserves established for the year ended December 31, 1999 was the result of an increase in loss severity experienced by the Company on its direct business and additional losses on its voluntary assumed reinsurance business related to the December 1999 European windstorms.

Government Regulation

The property/casualty insurers managed by the Company are subject to supervision and regulation in the states in which they transact 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 which 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 which 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 which 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 which 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 annual and other reports relating to the financial condition of insurance companies.

The Company's property/casualty insurance subsidiaries may be required, under the solvency or guaranty laws of the various states in which they are licensed, to pay assessments to fund policyholder losses or liabilities of insolvent insurance companies. Depending on state law, insurers can be assessed an amount that is generally equal to between 1% and 2% of premiums written for the relevant lines of insurance in that state each year to pay the claims of an insolvent insurer. Certain states permit these assessments, or a portion thereof, to be recorded as an offset to future premium taxes. The property/casualty insurers managed by the Company have made accruals for their portion of assessments related to such insolvencies based upon the most current information furnished by the guaranty associations. Reference is made to Note 2 of the "Notes to Consolidated Financial Statements" contained in the Annual Report for the year ended December 31, 2001, pages 35 through 36 incorporated herein by reference, for a complete discussion of guaranty association assessment accruals and their related offsetting tax credits.

The Company's property/casualty insurers are also required to participate in various involuntary insurance programs for automobile insurance, as well as other property and 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. Generally, state law requires participation in such programs as a condition to doing 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; however, the impact of these involuntary programs on the property/casualty insurers managed by the Company has been immaterial.

Pennsylvania regulations limit the amount of dividends EFL can pay its shareholders and limit the amount of dividends the Erie Insurance Co. and

Erie Insurance Property and Casualty Company can pay to the Company, while New York state regulates the amount of dividends Erie NY can pay to the Erie Insurance Co. The limitations are fully described and reference is made herein to Note 13 of the "Notes to Consolidated Financial Statements" contained in pages 45 through 46 in the Annual Report for the year ended December 31, 2001, incorporated by reference.

Financial Regulation

The Company's property/casualty insurance subsidiaries are required to file financial statements prepared using SAP with state regulatory authorities. The adjustments necessary to reconcile the Company's property/casualty insurance subsidiaries' net income and shareholders' equity prepared in accordance with SAP to net income and shareholders' equity prepared in accordance with GAAP are as follows:

	Net Income	
	Year Ended December 31,	
	2001	2000
	(in thousands)	
SAP amounts	($ 4,929)	$ 5,091
Adjustments:		
Deferred policy acquisition costs	3,816	1,798
Deferred income taxes	1,392	32
Federal alternative minimum tax credit recoverable	0	188
Salvage and subrogation	312	221
Incurred premium adjustment	(1,816)	(798)
Other	83	10
GAAP amounts	($ 1,142)	$ 6,542

	Shareholders' Equity		
	As of December 31,		
	2001	2000	1999
	(in thousands)		
SAP amounts	$ 92,128	$ 89,637	$ 81,709
Adjustments:			
Deferred policy acquisition costs	17,018	13,202	11,405
Diffrence between GAAP and SAP deferred income taxes	(354)	3,569	3,350
Salvage and subrogation	3,661	3,349	3,128
Statutory reserves	0	865	2,656
Incurred premium adjustment	(14,018)	(12,202)	(11,405)
Unrealized gains net of deferred taxes	4,722	2,331	38
Other	223	7	(3)
GAAP amounts	$103,380	$100,758	$ 90,878

Effective January 1, 2001, the NAIC adopted the Codification of Statutory Accounting Practices (Codification) as the NAIC-supported basis of accounting. Codification resulted in changes to the Company's statutory-basis financial statements, the most significant of which was the recording of statutory deferred taxes for certain of the Company's property/casualty insurance subsidiaries. The total cumulative adjustment increased the surplus of the Company's property/casualty insurance subsidiaries by $4.5 million as of January 1, 2001.

The NAIC has adopted risk-based capital ("RBC") standards that require insurance companies to calculate and, report statutory capital and surplus needs based on a formula measuring underwriting, investment and other business risks inherent in an individual company's operations. These RBC standards have not affected the operation of the Company as each of the property/casualty insurance subsidiaries and affiliates has statutory capital and surplus in excess of RBC requirements.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Certain forward-looking statements contained herein involve risks and uncertainties. Many factors could cause future results to differ materially from those discussed. Examples of such factors include variations in catastrophe losses due to changes in weather patterns, other natural causes or terrorist actions; changes in insurance regulations or legislation that disadvantage the members of the Group in the marketplace and recession; economic conditions or stock market changes affecting pricing or demand for insurance products or ability to generate investment income and returns. Growth and profitability have been and will be potentially materially affected by these and other factors.

Item 2. Properties

The Company and its subsidiaries, the Exchange and its subsidiary, Flagship, and EFL share a corporate home office complex in Erie, Pennsylvania which contains 549,786 square feet and is owned by the Exchange. At December 31, 2001 in addition to the Erie branch office, the Company also operated 22 additional field offices in 11 states. Of these sites, 17 provide both agency support and claims services and are referred to as "Branch Offices", while the remaining 5 provide only claims services and are considered "Claims Offices".

The Company owns three of its field offices. Three field offices are owned by and leased from the Exchange. The annual rent expense incurred by the Company for the field offices and home office complex totaled $10,842,301 in 2001. One office is owned by and leased from EFL at an annual rental in 2001 of $311,760. The remaining 14 offices are leased from various unaffiliated parties at an aggregate annual rental in 2001 of approximately $1,815,000. Total rent and operating expenses for all office space occupied by the Company in 2001 was $18,938,140, of which $11,984,989, or approximately 63%, was reimbursed for office space used by it's affiliates.

Item 3. Legal Proceedings

Information concerning the legal proceedings of the Company is incorporated by reference to the section "Legal Proceedings" in the Company's definitive Proxy Statement with respect to the Company's Annual Meeting of Shareholders to be held on April 30, 2002 to be filed with the Securities and Exchange Commission within 120 days of December 31, 2001 (the "Proxy Statement").

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 2001.

PART II

Item 5. Market for Registrant's Common Stock and Related Shareholder Matters

Reference is made to "Market Price of and Dividends on the Common Stock and Related Shareholder Matters" on page 48 of the Annual Report for the year ended December 31, 2001, incorporated herein by reference, for information regarding the high and low sales prices for the Company's stock and additional information regarding such stock of the Company.

As of February 28, 2002, there were approximately 1,093 beneficial shareholders of record of the Company's Class A non-voting common stock and 29 beneficial shareholders of record of the Company's Class B voting common stock.

Of the 63,813,523 shares of the Company's Class A common stock outstanding as of February 28, 2002, approximately 22,824,839 shares are freely transferable without restriction or further registration under the Securities Act of 1933 (the Act), as amended unless purchased by affiliates of the Company as that terms is defined in Rule 144 under the Act. The 40,988,684 remaining outstanding shares of Class A common stock (the Restricted Shares) are held by the Company's directors, executive officers and their affiliates and are restricted securities that are eligible to be sold publicly pursuant to an effective registration statement under the Act or in accordance with the applicable exemption, including Rule 144, from the registration requirements under the Act. The Company is unable to estimate the amount of Restricted Shares that may be sold under Rule 144 since this amount will depend in part on the price for the Class A common stock, the personal circumstances of the sellers and other factors. Sales of a substantial number of Restricted Shares in the public market, or the availability of such shares, could adversely affect the price of the Class A common stock.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated for purposes of Rule 144) who beneficially has owned Restricted Shares for at least two years, including affiliates of the Company, is entitled to sell within any three-month period a number of shares that does not exceed the greater of: (1) one percent of the number of shares of Class A common stock then outstanding, or (2) the average weekly trading volume of the Class A common stock in The NASDAQ Stock MarketSM during the four calendar weeks preceding the date on which notice of sale is filed with the SEC. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. However, a person (or persons whose shares are aggregated for purposes of Rule 144) who is deemed not to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who beneficially has owned the Restricted Shares for at least three years at the time of sale, would be entitled to sell such shares under Rule 144(k) without regard to the aforesaid limitations.

Item 6. Selected Consolidated Financial Data

Reference is made to "Selected Consolidated Financial Data" on page 15 of the Annual Report for the year ended December 31, 2001, incorporated herein by reference.

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

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 16 through 26 of the Annual Report for the year ended December 31, 2001, incorporated herein by reference.

Item 7a. Quantitative and Qualitative Disclosure about Market Risk

Reference is made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 22 through 23 of the Annual Report for the year ended December 31, 2001, incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Reference is made to the "Consolidated Financial Statements" included on pages 29 through 33 and to the "Quarterly Results of Operations" contained in the "Notes to Consolidated Financial Statements" on page 47 of the Annual Report for the year ended December 31, 2001, incorporated herein by reference.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Erie Insurance Group President and CEO, Stephen A. Milne, retired from the Company effective January 18, 2002. Jan R. Van Gorder, Senior Executive Vice President, Secretary and General Counsel, is acting President and CEO until a new President and CEO is selected. Mr. Milne remains on the Board of Directors of the Company and the Erie Indemnity Company, the principal management company of the Erie Insurance Group.

Directors are elected to one year terms at the Company's annual meeting of Shareholders.

(a) Certain information as to the Directors of the Company is as follows:

Name	Age as of 12/31/01	Present Principal Position with Erie Indemnity Company and Other Material Positions Held During the Last Five Years
Samuel P. Black, III 1,3,4,6	59	Director since 1997. President, Treasurer and Secretary, Samuel P. Black & Associates, Inc.--insurance agency; Director--the Company, Erie Insurance Company, Flagship City Insurance Company, Erie Insurance Property & Casualty Company and Erie Family Life Insurance Company.
J. Ralph Borneman, Jr. 3,4	63	Director since 1992. President and Chief Executive Officer, Body-Borneman Associates, Inc., insurance agency. President, Body-Borneman, Ltd. and Body-Borneman, Inc., insurance agencies. Director--the Company, Erie Insurance Company, Erie Family Life Insurance Company, Erie Insurance Company of New York and National Penn Bancshares.
Patricia Garrison-Corbin 2,4,5C	54	Director since 2000. President, P.G. Corbin & Company 1987 - Present. Director--the Company, Erie Insurance Company and Erie Family Life Insurance Company.
Susan Hirt Hagen 1,6C	66	Director since 1980. Managing Partner, Hagen, Herr & Peppin, Group Relations Consultants since 1990; Director--the Company, Erie Insurance Company and Erie Family Life Insurance Company, since 1980.

1 Member of Executive Committee
2 Member of Audit Committee
3 Member of Executive Compensation Committee
4 Member of Nominating Committee
5 Member of Investment Committee
6 Member of Charitable Giving Committee
C Committee Chairperson

Name	Age as of 12/31/01	Present Principal Position with Erie Indemnity Company and Other Material Positions Held During the Last Five Years
F. William Hirt 1C,6	76	Director since 1965. Chairman of the Board of the Company, Erie Insurance Company, Erie Family Life Insurance Company, Erie Insurance Property & Casualty Company and Flagship City Insurance Company since September 1993; Chairman of the Board of Erie Insurance Company of New York since April 1994. Chairman of the Executive Committee of the Company and the Erie Family Life Insurance Company since November 1990; Interim President and Chief Executive Officer of the Company, Erie Family Life Insurance Company, Erie Insurance Company, Erie Insurance Property & Casualty Company, Flagship City Insurance Company and Erie Insurance Company of New York from January 1, 1996 to February 12, 1996; Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee of the Company, Erie Family Life Insurance Company and Erie Insurance Company for more than five years prior thereto; Director--the Company, Erie Insurance Company, Flagship City Insurance Company, Erie Family Life Insurance Company, Erie Insurance Property & Casualty Company and Erie Insurance Company of New York.
Samuel P. Katz 2,3	52	Director since 2000. Chief Executive Officer, Greater Philadelphia First, July 2000 - Present; Managing Partner, Wynnefield Capital Advisors, Inc., 1997 - Present; President, Entersport Capital Advisors, Inc., President 1997 - Present; Partner, Stafford Capital Partners, L.P. 1994 - 1997; Director - the Company, Erie Insurance Company and Erie Family Life Insurance Company.
Claude C. Lilly, III 2	55	Director since 2000. Professor and Dean, University of North Carolina, Charlotte 1997 - Present; Professor, Florida State University 1978 - 1997; Director-- the Company, Erie Insurance Company and Erie Family Life Insurance Company.

1 Member of Executive Committee
2 Member of Audit Committee
3 Member of Executive Compensation Committee
6 Member of Charitable Giving Committee
C Committee Chairperson

Name	Age as of 12/31/01	Present Principal Position with Erie Indemnity Company and Other Material Positions Held During the Last Five Years
Stephen A. Milne 1,5	53	Director since 1996. Retired President and Chief Executive Officer of the Company, Erie Insurance Company, Erie Family Life Insurance Company, Flagship City Insurance Company, Erie Insurance Property & Casualty Company and Erie Insurance Company of New York 1996 - January 18, 2002; Executive Vice President of the Company, Erie Insurance Company, Flagship City Insurance Company, Erie Insurance Property & Casualty Company and Erie Insurance Company of New York 1994 - 1996. Director--the Company, Erie Insurance Company, Erie Family Life Insurance Company, Erie Insurance Company of New York, Flagship City Insurance Company and Erie Insurance Property & Casualty Company.
Henry N. Nassau 1,5	47	Director since 2000. General Counsel, Internet Capital Group 1999 - Present; Partner, Dechert, Price & Rhoades 1987 - 1999; Director-- the Company, Erie Insurance Company and Erie Family Life Insurance Company.
John M. Petersen 1,4C	73	Director since 1979. Retired; President and Chief Executive Officer of the Company, Erie Family Life Insurance Company, Erie Insurance Company, Flagship City Insurance Company and Erie Insurance Property & Casualty Company 1993 - 1995 and Erie Insurance Company of New York 1994 - 1995; Director--the Company, Erie Insurance Company, Flagship City Insurance Company, Erie Family Life Insurance Company, Erie Insurance Property & Casualty Company, Erie Insurance Company of New York, and Spectrum Control.

1 Member of Executive Committee
4 Member of Nominating Committee
5 Member of Investment Committee
C Committee Chairperson

Name	Age as of 12/31/01	Present Principal Position with Erie Indemnity Company and Other Material Positions Held During the Last Five Years
Jan R. Van Gorder 1	54	Director since 1990. Acting President and Chief Executive Officer of the Company, Erie Insurance Company, Erie Family Life Insurance Company, Flagship City Insurance Company, Erie Insurance Property and Casualty Company and Erie Insurance Company of New York since January 19, 2002. Senior Executive Vice President, Secretary and General Counsel of the Company, Erie Family Life Insurance Company and Erie Insurance Company since 1990 and of Flagship City Insurance Company and Erie Insurance Property & Casualty Company since 1992 and 1993, respectively and of Erie Insurance Company of New York since 1994. Director--the Company, Erie Insurance Company, Flagship City Insurance Company, Erie Insurance Property & Casualty Company, Erie Insurance Company of New York and Erie Family Life Insurance Company.
Robert C. Wilburn 2C,3C,4,5	58	Director since 1999. President and Chief Executive Officer, The Gettysburg National Battlefield Museum Foundation since 2001; Distinguished Service Professor, Carnegie Mellon University since 1999; Retired, President and Chief Executive Officer, Colonial Williamsburg Foundation, 1992 - 1999; Director - the Company, Erie Insurance Company and Erie Family Life Insurance Company.

1 Member of Executive Committee
2 Member of Audit Committee
3 Member of Executive Compensation Committee
4 Member of Nominating Committee
5 Member of Investment Committee
C Committee Chairperson

(b) Certain information as to the executive officers of the Company is as follows:

Name	Age as of 12/31/01	Principal Occupation for Past Five Years and Positions with Erie Insurance Group
Acting President & Chief Executive Officer		
Jan R. Van Gorder, Esq.	54	Acting President and Chief Executive Officer since January 19, 2002. Senior Executive Vice President, Secretary and General Counsel of the Company, EFL and Erie Insurance Co. since 1990, and of Flagship and Erie P&C since 1992 and 1993, respectively, and of Erie NY since April 1994.
Executive Vice Presidents		
Philip A. Garcia	45	Executive Vice President and Chief Financial Officer since 1997; Senior Vice President and Controller 1993 - 1997. Director, the Erie NY, Flagship and Erie P&C.
Jeffrey A. Ludrof	42	Executive Vice President - Insurance Operations of the Company, Erie Insurance Co., Flagship, Erie P&C, and Erie NY since 1999; Senior Vice President 1994 - 1999; Regional Vice President 1993 - 1994. Director Erie NY, Flagship and Erie P&C.

Name	Age as of 12/31/01	Principal Occupation for Past Five Years and Positions with Erie Insurance Group
Senior Vice Presidents		
Eugene C. Connell	47	Senior Vice President since 1990.
Michael J. Krahe	48	Senior Vice President since 1999; Vice President 1994 - 1999.
George R. Lucore	51	Senior Vice President since 1995; Regional Vice President 1993 - 1995.
Thomas B. Morgan	38	Senior Vice President since October 2001; Assistant Vice President and Branch Manager 1997 - October 2001; Independent Insurance Agent 1988 - 1997.
Timothy G. NeCastro	41	Senior Vice President and Controller since 1997; Department Manager - Internal Audit November 1996 - 1997.
James R. Roehm	53	Senior Vice President since 1991.
John P. Sommerwerck	51	Senior Vice President and Chief Information Officer since May 2000
Barry P. Stiles	52	Senior Vice President since 1999; Vice President 1993 - 1999.
Michael S. Zavasky	49	Senior Vice President since 1998; Vice President and Managing Director of Reinsurance 1990 - 1998.
Douglas F. Ziegler	51	Senior Vice President, Treasurer and Chief Investment Officer since 1993.
Regional Vice Presidents		
George D. Dufala	30	Regional Vice President since April 2000; Assistant Vice President 1993 - April 2000.
Douglas N. Fitzgerald	45	Regional Vice President since 1993.
Terry L. Hamman	47	Regional Vice President since 1995; Assistant Vice President 1993 - 1995.
Eric D. Root	33	Regional Vice President since April 2000; Branch manager 1996 - April 2000.

Item 11. Executive Compensation

The answer to this item is incorporated by reference to the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 30, 2002, except for the Performance Graph, which has not been incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The answer to this item is incorporated by reference to the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 30, 2002 to be filed with the Securities and Exchange Commission within 120 days of December 31, 2001.

Item 13. Certain Relationships and Related Transactions

Since the formation of the Company and the Exchange in 1925, the Company, as the attorney-in-fact appointed by the policyholders of the Exchange, has managed the property/casualty insurance operations of the Exchange. The Company's operations are interrelated with the operations of the Exchange, and the Company's results of operations are largely dependent on the success of the Exchange.

Reference is made to Note 10 of the "Notes to Consolidated Financial Statements" on pages 43 through 44 of the Annual Report for the year ended December 31, 2001, incorporated herein by reference, for a complete discussion of related party transactions.

Information with respect to certain relationships with Company directors is incorporated by reference to the Company's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 30, 2002 to be filed with the Securities and Exchange Commission within 120 days of December 31, 2001.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Financial statements, financial statement schedules and exhibits filed:

(1) 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.

* Refers to the respective page of Erie Indemnity Company's 2001 Annual Report to Shareholders. The "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements and Auditors' Report" thereon on pages 29 to 47 are incorporated by reference. With the exception of the portions of such Annual Report specifically incorporated by reference in this Item and Items 1, 5, 6, 7, 7a and 8, such Annual Report shall not be deemed filed as part of this Form 10-K Report or otherwise subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

(3) Exhibits

Exhibit Number	Description of Exhibit
3.1*	Articles of Incorporation of Registrant
3.2**	Amended and Restated By-laws of Registrant
3.3##	Amended and Restated By-laws of Registrant dated March 9, 1999
4A*	Form of Registrant's Class A Common Stock certificate
4B*	Form of Registrant's Class B Common Stock certificate
10.1***	Retirement Plan for Employees of Erie Insurance Group, effective as of December 31, 1989
10.2***	Restatement of Supplemental Retirement Plan for Certain Members of the Erie Insurance Group Retirement Plan for Employees, effective as of January 1, 1990
10.3***	Deferred Compensation Plan of Registrant
10.4***	Retirement Plan for Outside Directors of Registrant, effective as of January 1, 1991
10.5***	Employee Savings Plan of Erie Insurance Group, effective as of April 1, 1992
10.6***	Amendment to Employee Savings Plan of Erie Insurance Group
10.7***	Supplemental 401(k) Plan of Erie Insurance Group effective as of January 1, 1994
10.8***	Service Agreement dated January 1, 1989 between Registrant and Erie Insurance Company
10.9***	Service Agreement dated June 21, 1993 between Registrant and Erie Insurance Property & Casualty Company
10.10***	Service Agreement dated June 21, 1993 between Registrant and Flagship City Insurance Company
10.11***	Reinsurance Pooling Agreement dated January 1, 1992 between Erie Insurance Company and Erie Insurance Exchange

Exhibit Number	Description of Exhibit
10.12***	Form of Subscriber's Agreement whereby policyholders of Erie Insurance Exchange appoint Registrant as their Attorney-in-Fact
10.13*	Stock Redemption Plan of Registrant dated December 14, 1989
10.14*	Stock Purchase Agreement dated December 20, 1991, between Registrant and Erie Insurance Exchange relating to the capital stock of Erie Insurance Company
10.15**	Property Catastrophe Excess of Loss Reinsurance Agreement dated January 1, 1994 between Erie Insurance Exchange and Erie Insurance Co.
10.16****	Stock Redemption Plan of Registrant as restated December 12, 1995
10.17****	Property Catastrophe Excess of Loss Reinsurance Agreement dated January 1, 1995 between Erie Insurance Exchange and Erie Insurance Company of New York
10.18****	Service Agreement dated January 1, 1995 between Registrant and Erie Insurance Company of New York
10.19*****	Consulting Agreement for Investing Services dated January 2, 1996 between Erie Indemnity Company and John M. Petersen
10.20*****	Agreement dated April 29, 1994 between Erie Indemnity Company and Thomas M. Sider
10.21******	Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1997 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
10.22#	1997 Annual Incentive Plan of Erie Indemnity Company
10.23#	Erie Indemnity Company Long-Term Incentive Plan
10.24#	Employment Agreement dated December 16, 1997 by and between Erie Indemnity Company and Stephen A. Milne
10.25#	Employment Agreement dated December 16, 1997 by and between Erie Indemnity Company and Jan R. Van Gorder

Exhibit Number	Description of Exhibit
10.26#	Employment Agreement dated December 16, 1997 by and between Erie Indemnity Company and Philip A. Garcia
10.27#	Employment Agreement effective December 16, 1997 by and between Erie Indemnity Company and John J. Brinling, Jr.
10.28###	Employment Agreement effective June 30, 1999 by and between Erie Indemnity Company and Jeffrey A. Ludrof
10.29###	Employment Agreement effective December 15, 1999 By and between Erie Indemnity Company and Douglas F. Ziegler
10.30###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Stephen A. Milne
10.31###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Jan R. Van Gorder
10.32###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Philip A. Garcia
10.33###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and John J. Brinling, Jr.
10.34###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Jeffrey A. Ludrof
10.35&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Stephen A. Milne
10.36&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Jan R. Van Gorder
10.37&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Philip A. Garcia
10.38&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and John J. Brinling, Jr.
10.39&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Jeffrey A. Ludrof
10.40&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Douglas F. Ziegler

Exhibit Number	Description of Exhibit
10.41&&	Cost Sharing Agreement for Information Technology Development dated March 14, 2001 between Registrant and member companies of the Erie Insurance Group.
10.42	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Stephen A. Milne
10.43	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Jan R. Van Gorder
10.44	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Philip A. Garcia
10.45	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and John J. Brinling, Jr.
10.46	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Jeffrey A. Ludrof
10.47	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Douglas F. Ziegler
10.48	Summary of termination benefits provided under the Employment Agreement effective January 18, 2002 by and between Erie Indemnity Company and Stephen A. Milne.
11	Statement re computation of per share earnings
13	2001 Annual Report to Shareholders. Reference is made to the Annual Report furnished to the Commission, herewith.
21	Subsidiaries of Registrant
99.1##	Report of the Special Committee to the Board of Directors

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* Such exhibit is incorporated by reference to th e like numbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

** Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10/A Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on August 3, 1994.

*** Such exhibit is incorporated by reference to the like titled but renumbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

**** 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, 1995 that was filed with the Commission on March 25, 1996.

***** Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K/A amended annual report for the year ended December 31, 1995 that was filed with the Commission on April 25, 1996.

****** 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, 1996 that was filed with the Commission on March 21, 1997.

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, 1997 that was filed with the Commission on March 25, 1998.

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, 1998 that was filed with the Commission on March 30, 1999.

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, 1999 that was filed with the Commission on March 23, 2000.

& 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, 2000 that was filed with the Commission on March 23, 2001.

&& Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-Q quarterly report for the quarter ended June 30, 2001 that was filed with the Commission on July 17, 2001.

(b) Reports on Form 8-K:

On December 12, 2001 the Company filed a report on Form 8-K, reporting under Item 5, that the Company would recognize charges for realized capital losses related to the sale of certain impaired securities, as well as, realized charges for other-than-temporary impairments of equity and debt securities held in the Company's available-for-sale investment portfolios.

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.

Date: March 5, 2002   ERIE INDEMNITY COMPANY
(Registrant)

Principal Officers

/s/ Jan R. Van Gorder
Jan R. Van Gorder, Acting President and CEO,
Executive Vice President, Secretary & General Counsel

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

/s/ Timothy G. NeCastro
Timothy G. NeCastro, Senior Vice President & Controller

Board of Directors

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

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders
Erie Indemnity Company

We have audited the consolidated statements of financial position of Erie Indemnity Company and subsidiaries (Company) as of December 31, 2001 and 2000 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001, as contained in the 2001 annual report, incorporated by reference in the annual report on Form 10-K for the year ended December 31, 2001. In connection with our audits of the financial statements, we also have audited the financial statement schedules, as listed in the accompanying index. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Erie Indemnity Company and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. 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.

/s/ Malin, Bergquist & Company, LLP
Malin, Bergquist & Company, LLP

Erie, Pennsylvania
February 7, 2002

SCHEDULE I - SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES

DECEMBER 31, 2001

Type of Investment	Cost or Amortized Cost	Fair Value	Amount at which Shown in the Statement of Financial Position
(In Thousands)			
Available-for-sale securities:			
Fixed maturities:			
U.S. treasuries & government agencies	$ 11,211	$ 11,713	$ 11,713
States and political subdivisions	42,392	44,121	44,121
Special revenues	110,267	113,418	113,418
Public utilities	25,150	26,270	26,270
U.S. industrial and miscellaneous	311,757	319,308	319,308
Foreign	26,634	27,476	27,476
Redeemable Preferred Stocks	16,012	17,567	17,567
Equity securities:			
Common stock:			
U.S. banks, trusts and insurance companies	3,284	4,082	4,082
U.S. industrial and miscellaneous	28,718	59,709	59,709
Foreign	0	0	0
Non-redeemable preferred stock:			
Public utilities	2,370	2,379	2,379
U.S. banks, trusts and insurance companies	14,685	15,565	15,565
U.S. industrial and miscellaneous	91,185	91,647	91,647
Foreign	19,485	20,416	20,416
Total available-for-sale securities:	$ 703,150	$ 753,671	$ 753,671
Real estate mortgage loans	$ 5,700	$ 5,700	$ 5,700
Limited partnerships	79,668	81,596	81,596
Total investments	$ 788,518	$ 840,967	$ 840,967

SCHEDULE IV - REINSURANCE

	Direct	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of amount Assumed to Net
December 31,2001					
Premiums for the year					
Property and Liability Insurance	$ 432,306,939	$ 439,697,934	$ 145,039,248	$ 137,648,253	105.6%
December 31,2000					
Premiums for the year					
Property and Liability Insurance	$ 377,569,981	$ 382,394,388	$ 129,281,124	$ 124,456,717	103.9%
December 31,1999					
Premiums for the year					
Property and Liability Insurance	$ 351,227,872	$ 356,608,390	$ 122,604,391	$ 117,223,873	104.6%

SCHEDULE VI - SUPPLMENTAL INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS

	Deferred Policy Acquisition Costs	Reserves for Unpaid Loss & LAE Expenses	Discount, if any deducted from reserves*	Unearned Premiums	Earned Premiums	Net Investment Income
(In thousands)						
@ 12/31/01						
Consolidated P&C Entities	$ 17,018	$ 557,278	$ 2,390	$ 311,969	$ 137,648	$ 17,071
Unconsolidated P&C Entities	0	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0	0
Total	$ 17,018	$ 557,278	$ 2,390	$ 311,969	$ 137,648	$ 17,071
@ 12/31/00						
Consolidated P&C Entities	$ 13,202	$ 477,879	$ 1,509	$ 263,855	$ 123,708	$ 18,381
Unconsolidated P&C Entities	0	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0	0
Total	$ 13,202	$ 477,879	$ 1,509	$ 263,855	$ 123,708	$ 18,381
@ 12/31/99						
Consolidated P&C Entities	$ 11,405	$ 432,895	$ 1,377	$ 237,452	$ 117,224	$ 16,765
Unconsolidated P&C Entities	0	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0	0
Total	$ 11,405	$ 432,895	$ 1,377	$ 237,452	$ 117,224	$ 16,765

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

	Loss and Losses Adjustment Expenses Incurred (1) Current Year	Related to (2) Prior Years	Amortization of Deferred Policy Acquisition Costs	Net Loss & LAE Paid	Premiums Written
@ 12/31/01					
Consolidated P&C Entities	$ 11,258	$ 6,160	$ 24,276	$ 100,840	$ 146,936
Unconsolidated P&C Entities	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0
Total	$ 11,258	$ 6,160	$ 24,276	$ 100,840	$ 146,936
@ 12/31/00					
Consolidated P&C Entities	$ 93,416	$ 6,148	$ 22,793	$ 92,236	$ 128,044
Unconsolidated P&C Entities	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0
Total	$ 93,416	$ 6,148	$ 22,793	$ 92,236	$ 128,044
@ 12/31/99					
Consolidated P&C Entities	$ 88,422	$ (703)	$ 22,507	$ 84,192	$ 118,426
Unconsolidated P&C Entities	0	0	0	0	0
Proportionate share of registrant & subsidiaries	0	0	0	0	0
Total	$ 88,422	$ (703)	$ 22,507	$ 84,192	$ 118,426

* Workers compensation reserves were discounted at 2.5% in 2001, 2000 and 1999.

EXHIBIT INDEX

(Pursuant to Item 601 of Regulation S-K)

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
3.1*	Articles of Incorporation of Registrant	
3.2**	Amended and Restated By-laws of Registrant	
3.3##	Amended and Restated By-laws of Registrant dated March 9, 1999	
4A*	Form of Registrant's Class A Common Stock certificate	
4B*	Form of Registrant's Class B Common Stock certificate	
10.1***	Retirement Plan for Employees of Erie Insurance Group, effective as of December 31, 1989	
10.2***	Restatement of Supplemental Retirement Plan for Certain Members of the Erie Insurance Group Retirement Plan for Employees, effective as of January 1, 1990	
10.3***	Deferred Compensation Plan of Registrant	
10.4***	Retirement Plan for Outside Directors of Registrant, effective as of January 1, 1991	
10.5***	Employee Savings Plan of Erie Insurance Group, effective as of April 1, 1992	
10.6***	Amendment to Employee Savings Plan of Erie Insurance Group	
10.7***	Supplemental 401(k) Plan of Erie Insurance Group effective as of January 1, 1994	
10.8***	Service Agreement dated January 1, 1989 between Registrant and Erie Insurance Company	
10.9***	Service Agreement dated June 21, 1993 between Registrant and Erie Insurance Property & Casualty Company	
10.10***	Service Agreement dated June 21, 1993 between Registrant and Flagship City Insurance Company	
10.11***	Reinsurance Pooling Agreement dated January 1, 1992 between Erie Insurance Company and Erie Insurance Exchange	

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.12***	Form of Subscriber's Agreement whereby policyholders of Erie Insurance Exchange appoint Registrant as their Attorney-in-Fact	
10.13*	Stock Redemption Plan of Registrant dated December 14, 1989	
10.14*	Stock Purchase Agreement dated December 20, 1991, between Registrant and Erie Insurance Exchange relating to the capital stock of Erie Insurance Company	
10.15**	Property Catastrophe Excess of Loss Reinsurance Agreement dated January 1, 1994 between Erie Insurance Exchange and Erie Insurance Co.	
10.16****	Stock Redemption Plan of Registrant restated as of December 12, 1995	
10.17****	Property Catastrophe Excess of Loss Reinsurance Agreement dated January 1, 1995 between Erie Insurance Exchange and Erie Insurance Company of New York	
10.18****	Service Agreement dated January 1, 1995 between Registrant and Erie Insurance Company of New York	
10.19*****	Consulting Agreement for Investing Services dated January 2, 1996 between Erie Indemnity Company and John M. Petersen	
10.20*****	Agreement dated April 29, 1994 between Erie Indemnity Company and Thomas M. Sider	
10.21******	Aggregate Excess of Loss Reinsurance Agreement effective January 1, 1997 between Erie Insurance Exchange, by through its Attorney-in-Fact, Erie Indemnity Company and Erie Insurance Company and its wholly-owned subsidiary Erie Insurance Company of New York	
10.22#	1997 Annual Incentive Plan of Erie Indemnity Company	
10.23#	Erie Indemnity Company Long-Term Incentive Plan	
10.24#	Employment Agreement dated December 16, 1997 by and between Erie Indemnity Company and Stephen A. Milne	
10.25#	Employment Agreement dated December 16, 1997 by and between Erie Indemnity Company and Jan R. Van Gorder	

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.26#	Employment Agreement dated December 16, 1997 by and between Erie Indemnity Company and Philip A. Garcia	
10.27#	Employment Agreement effective December 16, 1997 by and between Erie Indemnity Company and John J. Brinling, Jr.	
10.28###	Employment Agreement effective June 30, 1999 by and between Erie Indemnity Company and Jeffrey A. Ludrof	
10.29###	Employment Agreement effective December 15, 1999 By and between Erie Indemnity Company and Douglas F. Ziegler	
10.30###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Stephen A. Milne	
10.31###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Jan R. Van Gorder	
10.32###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Philip A. Garcia	
10.33###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and John J. Brinling, Jr.	
10.34###	Addendum to Employment Agreement effective December 15, 1999 by and between Erie Indemnity Company and Jeffrey A. Ludrof	
10.35&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Stephen A. Milne	
10.36&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Jan R. Van Gorder	
10.37&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Philip A. Garcia	
10.38&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and John J. Brinling, Jr.	
10.39&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Jeffrey A. Ludrof	
10.40&	Addendum to Employment Agreement effective December 15, 2000 by and between Erie Indemnity Company and Douglas F. Ziegler	

Exhibit Number	Description of Exhibit	Sequentially Numbered Page
10.41&&	Cost Sharing Agreement for Information Technology Development dated March 14, 2001 between Registrant and member companies of the Erie Insurance Group.	
10.42	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Stephen A. Milne	41
10.43	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Jan R. Van Gorder	42
10.44	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Philip A. Garcia	43
10.45	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and John J. Brinling, Jr.	44
10.46	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Jeffrey A. Ludrof	45
10.47	Addendum to Employment Agreement effective December 12, 2001 by and between Erie Indemnity Company and Douglas F. Ziegler	46
10.48	Summary of termination benefits provided under the Employment Agreement effective January 18, 2002 by and between Erie Indemnity Company and Stephen A. Milne.	47
11	Statement re computation of per share earnings	48
13	2001 Annual Report to Shareholders. Reference is made to the Annual Report furnished to the Commission, herewith.	49
21	Subsidiaries of Registrant	98
99.1##	Report of the Special Committee to the Board of Directors	

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* Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

** Such exhibit is incorporated by reference to the like numbered exhibit in Registrant's Form 10/A Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on August 3, 1994.

*** Such exhibit is incorporated by reference to the like titled but renumbered exhibit in Registrant's Form 10 Registration Statement Number 0-24000 filed with the Securities and Exchange Commission on May 2, 1994.

**** 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, 1995 that was filed with the Commission on March 25, 1996.

***** Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K/A amended annual report for the year ended December 31, 1995 that was filed with the Commission on April 25, 1996.

****** 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, 1996 that was filed with the Commission on March 21, 1997.

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, 1997 that was filed with the Commission on March 25, 1998.

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, 1998 that was filed with the Commission on March 30, 1999.

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, 1999 that was filed with the Commission on March 23, 2000.

& 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, 2000 that was filed with the Commission on March 23, 2001.

&& Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-Q quarterly report for the quarter ended June 30, 2001 that was filed with the Commission on July 17, 2001.

EXHIBIT 10.42 - ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 12th day of December, 2001 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Stephen A. Milne effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company has previously considered and agreed to extend the term of the Agreement from its original term; and

WHEREAS, the Board of Directors of the Company at its meeting of December 11, 2001 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2005.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST:	ERIE INDEMNITY COMPANY
/s/ Jan R. Van Gorder Jan R. Van Gorder Secretary	By: /s/ F. William Hirt F. William Hirt Chairman of the Board

WITNESS:	
/s/ Sheila M. Hirsch Sheila M. Hirsch Executive Secretary	/s/ Stephen A. Milne Stephen A. Milne 6200 Kuhl Road Fairview, PA 16415

EXHIBIT 10.43 - ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 12th day of December, 2001 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Jan R. Van Gorder effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company has previously considered and agreed to extend the term of the Agreement from its original term; and

WHEREAS, the Board of Directors of the Company at its meeting of December 11, 2001 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2003.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST:	ERIE INDEMNITY COMPANY
/s/ Stephen A. Milne Stephen A. Milne President & CEO	By: /s/ F. William Hirt F. William Hirt Chairman of the Board

WITNESS:	
/s/ Sheila M. Hirsch Sheila M. Hirsch Executive Secretary	/s/ Jan R. Van Gorder Jan R. Van Gorder 6796 Manchester Beach Road Fairview, PA 16415

EXHIBIT 10.44 - ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 12th day of December, 2001 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Philip A. Garcia effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company has previously considered and agreed to extend the term of the Agreement from its original term; and

WHEREAS, the Board of Directors of the Company at its meeting of December 11, 2001 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2003.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST:	ERIE INDEMNITY COMPANY
/s/ Jan R. Van Gorder Jan R. Van Gorder Secretary	By: /s/ F. William Hirt F. William Hirt Chairman of the Board
WITNESS:	
/s/ Sheila M. Hirsch Sheila M. Hirsch Executive Secretary	/s/ Philip A. Garcia Philip A. Garcia 786 Stockbridge Drive Fairview, PA 16505

EXHIBIT 10.45 - ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 12th day of December, 2001 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and John J. Brinling, Jr. effective as of December 16, 1997.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company has previously considered and agreed to extend the term of the Agreement from its original term; and

WHEREAS, the Board of Directors of the Company at its meeting of December 11, 2001 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2003.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST:	ERIE INDEMNITY COMPANY
/s/ Jan R. Van Gorder Jan R. Van Gorder Secretary	By: /s/ F. William Hirt F. William Hirt Chairman of the Board
WITNESS:	
/s/ Sheila M. Hirsch Sheila M. Hirsch Executive Secretary	/s/ John J. Brinling Jr. John J. Brinling Jr. 5691 Culpepper Drive Erie, PA 16506

EXHIBIT 10.46 - ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 12th day of December, 2001 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Jeffrey A. Ludrof effective as of June 30, 1999.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company has previously considered and agreed to extend the term of the Agreement from its original term; and

WHEREAS, the Board of Directors of the Company at its meeting of December 11, 2001 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2003.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST:	ERIE INDEMNITY COMPANY
/s/ Jan R. Van Gorder Jan R. Van Gorder Secretary	By: /s/ F. William Hirt F. William Hirt Chairman of the Board
WITNESS:	
/s/ Sheila M. Hirsch Sheila M. Hirsch Executive Secretary	/s/ Jeffrey A. Ludrof Jeffrey A. Ludrof 170 Gateway Drive Fairview, PA 16415

EXHIBIT 10.47 - ADDENDUM TO EMPLOYMENT AGREEMENT

This Addendum (the "Addendum") is made effective as of the 12th day of December, 2001 and is intended to amend a certain Employment Agreement (the "Agreement") by and between Erie Indemnity Company and Douglas F. Ziegler effective as of December 15, 1999.

WHEREAS, the Company has determined that it is in the best interest of the Company and its Shareholders to secure the continued employment of the Executive in accordance with the terms of the Agreement; and

WHEREAS, the Board of Directors of the Company at its meeting of December 11, 2001 has again agreed to extend the term of the Agreement for a period of one (1) additional year as contained herein; and

WHEREAS, the Executive is agreeable to the extension of the Agreement.

NOW, THEREFORE, intending to be legally bound hereby, the parties agree as follows:

1. Paragraph 1 of the Agreement with respect to the Term is hereby amended by extending the Term to expire on December 15, 2003.

2. All other terms and conditions of the Agreement remain in full force and effect.

ATTEST: ERIE INDEMNITY COMPANY

/s/ Jan R. Van Gorder
Jan R. Van Gorder
Secretary

By: /s/ F. William Hirt
F. William Hirt
Chairman of the Board

WITNESS:

/s/ Sheila M. Hirsch
Sheila M. Hirsch
Executive Secretary

/s/ Douglas F. Ziegler
Douglas F. Ziegler
378 Ridgeview Drive
Erie, PA 16505

EXHIBIT 10.48 - SUMMARY OF TERMINATION BENEFITS UNDER EMPLOYMENT AGREEMENT

Summary of termination benefits provided under the Employment Agreement between the Company and Stephen A. Milne dated December 16, 1997, as amended, (The Employment Agreement) and summary of a separate performance recognition award (The Performance Award) granted Stephen A. Milne by the Board of Directors of the Company upon voluntary termination from active employment on January 18, 2002.

Termination benefits that were provided Mr. Milne under The Employment Agreement are described under a provision in Section 8 of The Employment Agreement (which was filed with the Commission as an exhibit to the 1997 Form 10K of the Company), describing when termination from employment is "By the Executive Without Good Reason".

Benefits that were provided under The Performance Award upon voluntary termination from active employment by Mr. Milne on January 18, 2002 were as follows:

1. A cash payment of five times the 2002 base annual salary of Mr. Milne plus five times Mr. Milne's 2001 award under the Company's annual incentive plan for Executives.

2. Continuation of the Company's health, dental and vision insurance coverage for Mr. Milne and his spouse until age 65 and continuation of Company life insurance programs regarding the life of Mr. Milne for his lifetime.

3. Treatment of Mr. Milne's benefits under the Long-term Incentive Plan of the Company as if Mr. Milne's termination was due to disability. The benefits due upon disability under the plan are defined in Section 2.7(a)(i) and Section 2.7(a)(ii) of the Long-term incentive plan of the Company as filed with the Commission as an exhibit to the 1997 Form 10K of the Company.

4. Additional amounts under the Supplemental Employee Retirement Plan (SERP) considering the following:

Payments, which are to begin immediately after termination of employment, under the Company's pension/SERP plans, to include the following enhancements.

- Mr. Milne is to be credited with 30 years of service under the SERP's benefit formula.
- The normal form of payment under the SERP will be changed from a 10 year Certain and Continuous to 100% Joint and Survivor.

EXHIBIT 11. - STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	2001	2000	1999
Class A weighted average common shares outstanding (stated value $.0292)	63,974,329	64,586,402	66,118,572
Class B common shares outstanding (stated value $70)	3,070	3,070	3,070
Conversion of Class B shares to Class A shares (One share of Class B for 2,400 shares of Class A)	7,368,000	7,368,000	7,368,000
Total	71,342,329	71,954,402	73,486,572
Net income	$122,261,396	$152,393,015	$143,105,956
Per share amount	$1.71	$2.12	$1.95

Beginning in 1999, the Company established a stock repurchase program. The Company may repurchase as much as $120 million of its outstanding Class A common stock through December 31, 2002. In 2001 220,000 shares were repurchased at a total cost of $7,653,916, or an average price per share of $34.79. Since its inception the Company has repurchased 3,195,677 shares at a total cost of $93,373,265, or an average price per share of $29.22. The Company may purchase the shares from time to time in the open market or by privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital.

EXHIBIT 13

INCORPORATED BY REFERENCE, PAGE 16 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the audited financial statements and related notes found on pages 29 to 47 as they contain important information helpful in evaluating the Company's operating results and financial condition. (Note: A glossary of certain terms used in this discussion can be found on page 27. Defined terms are italicized the first time they appear in the text.)

OVERVIEW

Erie Indemnity Company (the Company) is a Pennsylvania business corporation formed in 1925 to be the attorney-in-fact for Erie Insurance Exchange (the Exchange), a Pennsylvania domiciled reciprocal insurance exchange. The Company's principal business activity consists of management of the affairs of the Exchange. Management fees received from the Exchange account for the majority of the Company's consolidated revenues. The Company also is engaged in the property/casualty insurance business through its wholly-owned subsidiaries, Erie Insurance Company, Erie Insurance Property & Casualty Company, and Erie Insurance Company of New York and through its management of Flagship City Insurance Company (Flagship), a subsidiary of the Exchange. The Company also has a 21.63 percent common stock interest in Erie Family Life Insurance Company (EFL), an affiliated life insurance company. Together with the Exchange, the Company and its subsidiaries and affiliates operate collectively under the name Erie Insurance Group.

In its role as attorney-in-fact for the Policyholders of the Exchange, the Company may charge a management fee up to 25 percent of the affiliated assumed and direct premiums written by the Exchange. The Company's Board of Directors has the authority to change the management fee at its discretion. The Company's Board of Directors also acts in a fiduciary capacity with respect to the operation of the Exchange. The management fee is compensation for: (a) acting as attorney-in-fact for the Exchange, (b) managing the business and affairs of the Exchange, and (C) paying certain general administrative expenses not part of the settlement of losses or the management of investments. All premiums collected, less the management fee paid to the Company, are retained by the Exchange for the purpose of paying losses, loss adjustment expenses, investment expenses and other miscellaneous expenses including insurance-related taxes, licenses and fees, certain information technology costs covered under a technology cost-sharing agreement, and for other purposes that are to the benefit of the Policyholders. The management fee rate charged the Exchange was 25 percent for each year from 1999 to 2001. In December 2001, the Board voted to maintain the 25 percent management fee rate for all of 2002.

Erie Insurance Property & Casualty Company, Flagship, Erie Insurance Company and Erie Insurance Company of New York participate in an intercompany pooling agreement with the Exchange. Under the pooling agreement, all property/casualty insurance business of the Erie Insurance Group is ceded to the Exchange. This pooling agreement provides for Erie Insurance Company and Erie Insurance Company of New York to share proportionately through retrocession in the results of all property/casualty insurance operations of the Exchange and the Company's subsidiaries, except for the provisions of the excess of loss reinsurance agreement discussed below. Erie Insurance Company's and Erie Insurance Company of New York's proportionate share of the reinsurance pool is 5.0 percent and 0.5 percent, respectively. Erie Insurance Company and Erie Insurance Company of New York also have in effect an all-lines aggregate excess of loss reinsurance agreement with the Exchange. This reinsurance treaty is excluded from the intercompany pooling agreement and limits the amount of sustained ultimate net losses in any applicable accident year for the Erie Insurance Company and Erie Insurance Company of New York.

The results of the Company's insurance operations are affected by the conditions that affect all property/casualty insurance companies, such as increased competition, catastrophic events, terrorist actions, changes in the regulatory and legislative environments and changes in general economic and investment conditions.

INCORPORATED BY REFERENCE, PAGES 16 AND 17 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

RESULTS OF OPERATIONS

OVERVIEW

Consolidated net income in 2001 was $122,261,396, a decrease of 19.8 percent from the 2000 net income of $152,393,015. Gains made in the Company's management operations, including a 15.1 percent increase in management fee revenue, were outpaced by losses experienced in the Company's insurance underwriting operations and reduced levels of income from investment operations. The 2001 underwriting loss resulted from increased losses in the direct business of the Company's property/casualty subsidiaries, primarily in private passenger and commercial automobile and workers' compensation insurance, as well as assumed reinsurance losses, some of which relate to the September 11th terrorist attacks on the World Trade Center. The Company recognized $31,879,174 in net realized losses from investments in 2001 on the sale of securities and related charges for other-than-temporary impairments of equity securities and limited partnerships.

Operating income (net income excluding realized gains/losses and related federal income taxes) increased to $142,982,859 in 2001 from $141,363,933 in 2000. Operating income per share for 2001 was $2.00 per share, an increase of 2.0 percent from $1.96 per share in 2000. Operating income in 2001 reflects a third quarter after-tax charge of $3,795,639, or $.06 per share, from the World Trade Center terrorist attacks and a fourth quarter after-tax charge of $6,933,732, or almost $.10 a share, for severance charges related to the retirement of the Company's chief executive officer. Operating income in 2000 included adverse development on assumed reinsurance losses from the catastrophic storms that devastated Europe in December 1999 contributing $1.4 million, or $.01 per share, after federal income taxes.

ANALYSIS OF MANAGEMENT OPERATIONS

Net revenue from management operations rose 16.3 percent to $184,567,670 in 2001 from $158,746,324 in 2000 and 6.9 percent in 2000 from $148,517,964 in 1999. Gross margins from management operations were 27.9 percent in 2001 compared to gross margins of 27.6 percent in 2000 and 28.1 percent in 1999.

Management fee revenue derived from the direct and affiliated assumed premiums of the Exchange rose $83,319,843, or 15.1 percent, to $634,965,490 in 2001 from $551,645,647 in 2000. (See page 18 "Management Fee Revenue by State and Line of Business.") The direct and affiliated assumed premiums of the Exchange grew 15.1 percent in 2001 to $2,539,861,960 from $2,206,582,573 in 2000. Increases in average premium per policy, improvements in new policy growth and favorable policy retention rates were all contributing factors in the growth. Firming pricing in 2001 for commercial and personal insurance have allowed the Company's property/casualty subsidiaries and affiliates to more adequately price its products while maintaining its competitive advantage in the insurance marketplace. The year-to-year growth rate of direct written premium in the fourth quarter was 18.9 percent, up from 14.8 percent growth in the third quarter, 14.0 percent growth in the second quarter and 12.8 percent growth in the first quarter of 2001.

The average premium per policy increased 6.1 percent to $817 in 2001 from $770 in 2000. For personal auto (which accounted for 54.6 percent of the direct written premiums of the Group and over 1.4 million policies in force), the average premium per policy increased 3.1 percent to $967 in 2001 from $938 in 2000.

Continued improvement in new policy growth also drove the gains experienced in the Group's direct written premium. Policies in force increased 8.5 percent to 3,109,583 in 2001 from 2,865,553 in 2000 and 6.5 percent in 2000 from 2,689,849 in 1999. Policy retention has remained excellent at 90.9 percent, 91.0 percent and 90.5 percent for the years ended December 31, 2001, 2000 and 1999, respectively, for all lines of business combined.

Service agreement revenue for the Company grew 20.2 percent to $27,247,018 in 2001 from $22,662,133 in 2000 and 46.8 percent from $15,440,862 in 1999. Included in service agreement revenue are service charges the Company collects from Policyholders for providing extended payment terms on policies written by the Group. Such service charges amounted to $15,996,469, $12,512,783 and $7,282,621 in 2001, 2000 and 1999, respectively. The 2001 and 2000 growth was positively impacted by service charge increases from $2 to $3 per installment for policies renewing in most states beginning in the second quarter of 2000. Also included in service agreement revenue is service income received from the Exchange as compensation for the management and administration of voluntary assumed reinsurance from non-affiliated insurers. The Company receives a service fee of 7.0 percent of nonaffiliated assumed reinsurance premiums. These fees totaled $11,250,549, $10,149,350 and $8,158,241 on net voluntary assumed reinsurance premiums of $160,722,122, $144,990,714 and $116,546,295 for 2001, 2000 and 1999, respectively.

The cost of management operations rose 14.9 percent to $477,644,838 in 2001 from $415,561,456 in 2000 and 9.3 percent in 2000 from $380,298,179 in 1999. 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, as well as promotional incentives for Agents and Agent contingency awards. Agent contingency awards are based upon a threeyear average of the underwriting profitability of the direct business written and serviced within the Erie Insurance Group by the independent Agent. Commission costs rose 14.3 percent to $323,067,677 in 2001 from $282,746,734 in 2000 and 7.5 percent in 2000 from $263,112,139 in 1999. Commission costs grew at a slower rate relative to the growth in direct premiums written in 2001 as a result of lower accruals for Agent contingency awards compared to 2000. The provision for Agent contingency awards totaled $15,692,870, $18,277,468 and $19,871,036 in 2001, 2000 and 1999, respectively. Commission costs, excluding Agent contingency awards, increased 16.2 percent in 2001, which is in line with the increase in direct written premiums.

The cost of management operations, excluding commission costs, increased 16.4 percent in 2001 to $154,577,161 from $132,814,722 in 2000 due primarily to increases in personnel costs. The Company's personnel costs, net of reimbursement from affiliates, totaled $94,361,308, $79,318,446 and $69,484,788 in 2001, 2000 and 1999, respectively. A portion of the increase in personnel costs resulted from recognition of the severance obligation related to the retirement of the Company's president and chief executive officer on January 18, 2002. The Company recorded a severance charge in the fourth quarter 2001 of $10,667,280. Personnel costs, excluding the severance charge, rose 5.5 percent in 2001 due to increases in Employee pay rates and staffing levels.

During 2001, the Company and the property/casualty insurance companies of the Erie Insurance Group entered into a cost-sharing agreement for information technology development. This agreement describes how member companies of the Erie Insurance Group will share the costs to be incurred for the development of new Internet-enabled property/casualty policy administration and customer relationship management systems. This agreement provides that the application development costs and the related enabling technology costs, such as technical infrastructure and architectural tools, will be shared among the property/casualty insurance companies in a manner consistent with the sharing of insurance transactions under the existing intercompany pooling agreement. These technology costs are included in the policy acquisition and other underwriting expenses on the Company's Consolidated Statements of Operations.

Management fee revenue by state and line of business
For the year ended December 31, 2001
(dollars in thousands)

State	Private Passenger Auto	Commercial Auto	Homeowners	Commercial Multi Peril	Workers' Compensation	All Other Lines of Business	Total
District of Columbia	$ 548	$ 108	$ 247	$ 510	$ 595	$ 117	$ 2,125
Illinois	3,075	645	1,048	1,667	1,010	223	7,668
Indiana	13,309	1,721	5,742	2,846	2,041	845	26,504
Maryland	40,521	6,869	12,689	6,383	6,311	2,671	75,444
New York	10,319	1,887	2,654	3,010	1,645	494	20,009
North Carolina	11,948	4,718	6,171	5,255	3,993	1,384	33,469
Ohio	29,094	4,312	9,619	7,123	0	1,697	51,845
Pennsylvania	193,280	23,004	50,042	27,319	26,801	7,806	328,252
Tennessee	3,712	1,378	1,450	1,830	1,278	386	10,034
Virginia	22,413	5,404	7,695	6,254	6,993	1,958	50,717
West Virginia	18,070	2,644	4,115	2,757	0	838	28,424
Wisconsin	191	52	68	63	78	23	475
Total	$346,480	$ 52,742	$ 101,540	$ 65,017	$ 50,745	$ 18,442	$ 634,966

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Also included as part of this eCommerce program are information technology infrastructure expenditures that are not subject to the cost-sharing agreement for information technology. These eCommerce program costs are included in the cost of management operations in the Company's Consolidated Statements of Operations. These costs totaled $1,588,878 in 2001. (See additional discussion of this program under "Analysis of Insurance Underwriting Operations" and "Factors That May Affect Future Results.")

ANALYSIS OF INSURANCE UNDERWRITING OPERATIONS

The Company recorded underwriting losses of $20,462,530, $10,402,120 and $3,538,884 in 2001, 2000 and 1999, respectively. The underwriting results in 2001 reflect higher losses experienced in private passenger auto, and commercial automobile and workers' compensation lines of business, as well as losses from assumed reinsurance.

Premiums earned increased $13,940,059, or 11.3 percent, to $137,648,253 in 2001 while losses and loss adjustment expenses incurred increased $17,636,989, or 17.7 percent, to $117,201,017 in 2001. The average premium per policy of the Erie Insurance Group was $817, $770 and $763 in 2001, 2000 and 1999, respectively.

The Company's property/casualty insurance subsidiaries' share of the Group's direct business generated net underwriting losses of $16,358,294, $6,437,501 and $946,925 in 2001, 2000 and 1999, respectively. In 2001, the Group continued to experience a decrease in loss frequency; however, loss severity continued to rise. The higher loss costs in 2001 also include adverse development of prior accident year losses amounting to $5.9 million, net of reinsurance recoveries. In 1998 and 1999, the Group lowered prices in the private passenger automobile lines of insurance in response to extremely competitive market conditions and improving loss trends in auto insurance. The firming of auto pricing in 2001 by the industry in response to deteriorating loss cost trends have allowed the Group to begin raising auto insurance prices in order to improve underwriting profitability. All policies issued by the Group are for a one-year term. Therefore, the impact of the rate increases will take at least one year before the full impact is recognized in the underwriting results of the Company.

Catastrophes are an inherent risk of the property/casualty insurance business and can have a material impact on the Company's insurance underwriting results. In addressing this risk, the Company employs what it believes are reasonable underwriting standards and monitors its exposure by geographic region. Additionally, the Company's property/casualty insurance subsidiaries' excess of loss reinsurance agreement with the Exchange should substantially mitigate the effect of catastrophe losses on the Company's financial position. During 2001, 2000 and 1999, the Company's share of catastrophe losses from direct business amounted to $1.6 million, $2.1 million and $4.4 million, respectively.

The Company's property/casualty insurance subsidiaries' unaffiliated voluntary assumed reinsurance business generated net underwriting losses of $4,104,236, $3,964,619 and $2,591,959 in 2001, 2000 and 1999, respectively. Contributing to the 2001 increased loss are the Company's 5.5 percent share of the Erie Insurance Group's estimated incurred reinsurance losses of $150 million from the September 11th terrorist attacks on the World Trade Center. The Company's share of these losses, resulting from its property/casualty insurance subsidiaries' participation in the intercompany pooling agreement with the Exchange, totaled $8,250,000 in 2001, before consideration of recoveries under an excess of loss reinsurance agreement with the Exchange. The agreement reduces the net retention on September 11th losses recorded by the Company to $5,839,445.

In late 2001, the Company took measures to improve the underwriting results from its non-affiliated assumed reinsurance book of business. The effects of these measures will be to lower the Company's exposure to loss by excluding terrorism coverage on certain treaties and, at the same time, raising pricing substantially. Pricing in the reinsurance marketplace has firmed considerably since the events of September 11th and the Company is obtaining significant price increases in its 2002 treaty renewals.

During 2001, the Company's property/casualty insurance subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, recorded $7,241,235 in reinsurance recoveries under the excess of loss reinsurance agreement with the Exchange. Of the total recoveries in 2001, $6,505,716 relates to accident year 2001 (including the losses related to the World Trade Center), with the balance pertaining to the 1999 accident year. The total recoverable reduces the analysis of Company's loss and loss adjustment expenses in 2001. No cash payments have been made between the companies in 2001 for these recoveries. There were no such recoveries recognized in calendar years 2000 or 1999.

Included in the Company's policy acquisition and other underwriting expenses is the property/casualty insurance subsidiaries' share of costs related to the eCommerce initiative totaling $1,314,734 for 2001. The costs stem from the technology cost-sharing agreement described in the analysis of management operations section above, and will continue to increase as the program develops through 2002 and 2003. Also included in underwriting expenses in 2001 is a charge of $1,655,926 for state guaranty fund assessments related to the insolvency of the Reliance Insurance Company.

The 2001 combined ratio for the Company's property/casualty insurance operations calculated under Generally Accepted Accounting Principles (GAAP) was 114.9 compared to 108.4 in 2000 and 103.0 in 1999. The GAAP combined ratio for 2001, 2000 and 1999, excluding catastrophe losses on direct business, was 113.7, 106.7 and 99.3, respectively.

ANALYSIS OF INVESTMENT OPERATIONS

Net revenue from investment operations was $18,770,702 in 2001 compared to $75,593,393 in 2000 and $63,775,746 in 1999. In 2001, the equity markets declined and recovery was further slowed by the September 11th terrorist attacks. As a result, the Company experienced valuation declines in its investment portfolios over the past year. Net realized losses totaled $31,879,174 in 2001 compared to realized gains of $16,967,819 in 2000 and $14,745,334 in 1999. The Company recognized realized losses in 2001 as a result of the sale of securities and charges for other-than-temporary impairments of preferred stock and limited partnerships. The 2001 sales of investments in a loss position was part of a proactive year-end tax selling strategy. Net realized losses from sales of securities totaled $27,291,573, of which $9.6 million is expected to be recovered in federal income taxes paid in 1998, 1999 and 2000. Of this total realized loss, $4.5 million relates to sales of securities of Enron Corporation and its related legal entities. Impairment charges of investments with declines in value considered by management to be other-than-temporary totaled $4,587,601 in 2001.

Net investment income rose 3.1 percent to $49,883,896 for the year ended December 31, 2001 and 11.7 percent to $48,400,343 for the year ended December 31, 2000. The growth in investment income for 2001, 2000 and 1999 was affected by cash outflows used by the Company to repurchase its shares which, through December 31, 2001, totaled $93.4 million. Included in net investment income are primarily interest and dividends on the Company's fixed maturity and equity security portfolios.

Equity in losses of limited partnerships were $6,731 for the year ended December 31, 2001, compared to earnings of $4,733,285 and $640,925 in 2000 and 1999, respectively. Private equity and fixed income limited partnerships realized losses of $1,430,816 in 2001 compared to earnings of $2,807,632 in 2000. Real estate limited partnerships reflected earnings of $1,424,085 in 2001 compared to earnings of $1,925,653 in 2000.

The Company's earnings from its 21.6 percent ownership of Erie Family Life Insurance Company (EFL) totaled $772,711 in 2001, down from $5,491,946 in 2000 and $5,045,131 in 1999. The decrease in level of earnings from the Company's investment in Erie Family Life is related to sales of investments in 2001 resulting in net realized losses on EFL's Statement of Operations. This investment is accounted for under the equity method of accounting.

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FINANCIAL CONDITION

INVESTMENTS

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment strategy also provides for liquidity to meet the short- and long-term commitments of the Company. At December 31, 2001 and 2000, the Company's investment portfolio of investment-grade bonds, common stock, preferred stock and cash and cash equivalents represents 42.6 percent and 46.1 percent, respectively, of total assets. These investments provide the liquidity the Company requires to meet the demands on its funds.

Distribution of investments
Carrying value at December 31,
(dollars in thousands)

	2001	%	2000	%
Fixed maturities	$ 559,873	67	$ 531,546	66
Equity securities:				
Preferred stock	130,007	15	109,081	13
Common stock	63,791	7	95,365	12
Limited partnerships	81,596	10	68,242	8
Real estate mortgage loans	5,700	1	6,581	1
Total investments	$ 840,967	100 %	$ 810,815	100 %

The Company reviews 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 are considered in evaluating impairment in value. In addition to specific factors, the primary factors considered in the Company's review of investment valuation are the length of time the market value is below cost and the amount the market value is below cost.

For common equity securities (including equity limited partnerships) where the decline in market value is more than 20 percent below cost for a period exceeding six months, there is a presumption of impairment. The Company considers market conditions, industry characteristics and the fundamental operating results of the issuer before deciding to sell the investment at a loss or to recognize an impairment charge to operations. For common equity securities that have declined more than 20 percent below cost for a period exceeding twelve months, the position is either sold or recognized as impaired and a charge to operations is recognized as realized losses through the Consolidated Statements of Operations.

For fixed maturity investments, the Company individually analyzes all positions whose market value have declined more than 20 percent below cost for a period exceeding six months. The Company considers 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. Positions that have incurred market price decline of over 20 percent for a period greater than six months where the creditworthiness of the issuer indicates a decline that is other-than-temporary are either sold or recognized as impaired and reflected as a charge to the Company's operations.

If the Company's policy for determining the recognition of impaired positions were different, the Company's Consolidated Statements of Financial Position and results of operations could be significantly impacted. Management believes its investment valuation philosophy and accounting practices result in appropriate and timely measurement of value and recognition of impairment.

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FIXED MATURITIES. Under its investment strategy, the Company maintains a fixed maturities portfolio that is of very high quality and well diversified within each market sector. The fixed maturities portfolio is managed with the goal of achieving reasonable returns while limiting exposure to risk. At December 31, 2001, the carrying value of fixed maturity investments represented 66.6 percent of total invested assets.

The Company's fixed maturity investments consist 96.9 percent of high-quality, marketable bonds and redeemable preferred stock, all of which were rated at investment-grade levels (above Ba/BB) at December 31, 2001. Included in this investment-grade category are $230.2 million, or 41.1 percent, of the highest quality bonds and redeemable preferred stock rated Aaa/AAA or Aa/AA or bonds issued by the United States government. Generally, the fixed maturities in the Company's portfolio are rated by external rating agencies. If not externally rated, they are rated by the Company on a basis consistent with that used by the rating agencies. Management classifies all fixed maturities as available-for-sale securities, allowing the Company to meet its liquidity needs and provide greater flexibility for its investment managers to appropriately respond to changes in market conditions or strategic direction.

Securities classified as available-for-sale are carried at market value with unrealized gains and losses included in shareholders' equity. At December 31, 2001, the net unrealized gain on fixed maturities, net of deferred taxes, amounted to $10,693,076 compared to $4,793,120 at December 31, 2000.

The Company's 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.

EQUITY SECURITIES. Equity securities (common stock and non-redeemable preferred stock) are carried on the Consolidated Statements of Financial Position at market value. At December 31, 2001 and 2000, equity securities held by the Company include net unrealized gains of $22,146,017 and $12,660,439, respectively, net of deferred taxes. Investment characteristics of common and preferred stocks differ substantially from one another. The Company's non-redeemable preferred stock portfolio provides a source of highly predictable current income that is competitive with investment-grade bonds. Non-redeemable preferred stocks generally provide for fixed rates of return that, while not guaranteed, resemble fixed income securities and are paid before common stock dividends. Common stock provides capital appreciation potential within the portfolio. Common stock investments inherently provide no assurance of producing income because dividends are not guaranteed.

LIMITED PARTNERSHIP INVESTMENTS. The Company's limited partnership investments include U.S. and foreign private equity, real estate and fixed income investments. During 2001, limited partnership investments increased $13,354,660 to $81,596,108. Fixed income and real estate limited partnerships, which comprise 34.5 percent of the total limited partnerships, produce a predictable earnings stream while private equity limited partnerships, which comprise 65.5 percent of the total limited partnerships, tend to provide a less predictable earnings stream but the potential for greater long-term returns.

The Company has outstanding commitments to invest up to $124 million related to these limited partnership investments at December 31, 2001. These commitments will be funded as required through the end of the respective investment periods, which typically span three to five years and principally expire in 2005. At December 31, 2001, the total commitment to fund limited partnerships that invest in private equity securities is $87 million, real estate activities $22 million and fixed income securities $15 million. At December 31, 2001, no one commitment exceeded $7.5 million, or 6 percent, of the outstanding commitment amount. The Company has sufficient cash flows from operations to meet these partnership commitments.

INVESTMENT IN EFL. EFL markets various life insurance products, principally non-participating individual and group life policies, including universal life and individual and group annuity products, in eleven jurisdictions. The Company's carrying value of $44,683,170 represents 21.63 percent of the shareholders' equity of EFL at December 31, 2001.

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 estimated loss reserve for reported claims is based primarily upon a case-by-case evaluation of the type of risk involved and knowledge of the circumstances surrounding each claim and the insurance policy provisions relating to the type of loss. Estimates of reserves for unreported claims and loss settlement expenses are determined on the basis of historical information by line of insurance as adjusted to current conditions. Loss reserves are set at full expected cost, except for loss reserves for workers' compensation which have been discounted at 2.5 percent in 2001 and 2000. Inflation is implicitly provided for in the reserving function through analysis of costs, trends and reviews of historical reserving results.

The process of estimating the liability for unpaid losses and loss expenses is inherently judgmental and can be influenced by factors subject to variation. Possible sources of variation include claim frequency and severity, changing rates of inflation as well as changes in other economic conditions, judicial trends and legislative changes. It is unlikely that future losses and loss adjustment expenses will develop exactly as projected. The Company continually refines reserves as experience develops and new information becomes known. The Company reflects adjustments to reserves in the results of operations in the periods in which the estimates are changed.

At December 31, 2001, the property/casualty insurance companies managed by the Company had estimated total loss exposure related to the events of September 11th of $150 million. Only a nominal amount to date has been paid on losses related to September 11th, which adds greater uncertainty to the loss estimates. Additionally, disputes concerning whether the September 11th attack on the World Trade Center should be considered one or two insurable events are currently being litigated. The Company's $150 million loss estimate anticipates that the events of September 11th is considered one event. If the attack comes to be considered as two events, the total potential exposure for the Erie Insurance Group would increase between $50 million and $75 million. The effect on the Company, as a result, would be additional losses between $2.7 million and $4.1 million. Taking into consideration the excess of loss reinsurance agreement, the net impact of such potential additional losses would be minimal to the Company.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market risk for a change in interest rates is concentrated in the investment portfolio. The Company monitors this exposure through periodic reviews of asset and liability positions. Estimates of cash flows and the impact of interest rate fluctuations relating to the investment portfolio are monitored regularly. Generally, the Company does not hedge its exposure to interest rate risk, as it holds fixed maturity investments to maturity.

Principal cash flows and related weighted-average interest rates by expected maturity dates for financial instruments sensitive to interest rates are as follows:

December 31,2001 (dollars in thousands)	Principal cash flows	Weighted-average interest rate
Fixed maturities and short-term bonds:		
2002	$ 37,245	6.5%
2003	35,245	6.5%
2004	37,978	7.0%
2005	49,515	6.3%
2006	55,340	6.5%
Thereafter	330,872	7.5%
Total	$ 546,195	
Market Value	$ 574,874	

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December 31,2000 (dollars in thousands)	Principal cash flows	Weighted-average interest rate
Fixed maturities and short term bonds:		
2001	$ 54,677	6.5%
2002	55,203	6.6%
2003	49,720	6.7%
2004	47,852	7.0%
2005	59,775	6.5%
Thereafter	289,077	7.2%
Total	$ 556,304	
Market Value	$ 561,502	

Actual cash flows may differ from those stated as a result of calls and prepayments

EQUITY PRICE RISK

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure of an entity's ability to secure enough cash to meet its contractual obligations and operating needs. The Company's major sources of funds from operations are the net cash flow generated from management operations, the net cash flow from Erie Insurance Company's and Erie Insurance Company of New York's 5.5 percent participation in the underwriting results of the reinsurance pool with the Exchange, and investment income from affiliated and nonaffiliated investments. With respect to the management fee, funds are generally received from the Exchange on a premiums collected basis. The other receivable from Erie Insurance Exchange and affiliates represents the management fee receivable from premiums written but not yet collected as well as the management fee receivable on premiums collected in the current month, net of operating expenses paid by the Exchange. The Company pays commissions on premiums collected rather than premiums written. Cash outflows are variable because of the fluctuations in settlement dates for liabilities for unpaid losses and because of the potential for large losses, either individually or in aggregate.

The Company generates sufficient net positive cash flow from its operations to fund its commitments and build its investment portfolio, thereby increasing future investment returns. The Company maintains a high degree of liquidity in its investment portfolio in the form of readily marketable fixed maturities, equity securities and short-term investments. Net cash flows provided by operating activities for the years ended December 31, 2001, 2000 and 1999, were $148,607,987, $130,614,256 and $136,967,568, respectively.

The Company pays nearly all general and administrative expenses on behalf of the Exchange and other affiliated companies. The Exchange generally reimburses the Company for these expenses on a paid basis each month.

Management fee and expense reimbursements due at December 31 from the Exchange were $147,344,684 and $117,961,638 in 2001 and 2000, respectively. A receivable from EFL for expense reimbursements totaled $2,255,597 at December 31, 2001, compared to $1,997,012 at December 31, 2000. The Company also has a receivable due from the Exchange for reinsurance recoverable from losses and unearned premium balances ceded to the intercompany reinsurance pool. Such amounts totaled $491,055,048 and $412,049,637 at December 31, 2001 and 2000, respectively.

Beginning in 1999, the Company established a stock repurchase program. The Company may repurchase as much as $120 million of its outstanding Class A common stock through December 31, 2002. In 2001, there were 220,000 shares repurchased at a total cost of $7,653,916. Since its inception, 3,195,677 shares have been repurchased at a total cost of $93,373,265. The Company may purchase the shares from time to time in the open market or by privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital.

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Dividends declared to shareholders totaled $40,407,734, $36,188,667 and $32,802,428 in 2001, 2000 and 1999, respectively. There are no regulatory restrictions on the payment of dividends to the Company's shareholders, although there are state law restrictions on the payment of dividends from the Company's subsidiaries to the Company. Dividends from subsidiaries are not material to the Company's cash flows.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at December 31, 2001 and 2000 of $12,944,678 and $7,161,544, respectively. The primary reason for the increase in the deferred tax liability is an increase in unrealized gains from available-for-sale securities and limited partnerships in 2001 of $18,013,789 resulting in an increase in deferred tax liability of $6,304,826. Management believes it is likely that the Company will have sufficient taxable income in future years to realize the benefits of the gross deferred tax assets.

FINANCIAL RATINGS

The following table summarizes the current A.M. Best Company ratings for the insurers managed by the Company:

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

According to A.M. Best, a superior rating (A++ or A+) is assigned to those companies that, in A.M. Best's opinion, have achieved superior overall performance when compared to the standards established by A.M. Best and have a very strong ability to meet their obligations to policyholders over the long term. Financial strength ratings have become increasingly important to the insurers managed by the Company and to the industry in marketing insurance products.

REGULATORY RISK-BASED CAPITAL

The NAIC standard 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, 2001, the Company's property/casualty insurance subsidiaries' RBC levels are all substantially in excess of levels that would require regulatory action.

REINSURANCE RISK

The property/casualty insurers managed by the Company do not maintain any ceded reinsurance treaties with unaffiliated insurers due to their strong surplus position, the cost of reinsurance and low ratio of the premium writings to surplus. The Company does not believe the absence of ceded reinsurance treaties will have a material adverse effect, over the long term, on the results of operations of the insurance companies managed by the Company. However, the absence of such treaties could have an adverse effect on the results of operations of the insurance companies managed by the Company in a given year if the frequency or severity of claims were substantially higher than historical averages because of an unusual event or series of events. The Company's reinsurance agreement in effect with the Exchange mitigates catastrophe loss exposure risk to the Company's property/casualty insurance subsidiaries, but does not mitigate the exposure of the Exchange.

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FACTORS THAT MAY AFFECT FUTURE RESULTS

MANAGEMENT OPERATIONS

MANAGEMENT FEE RATE. The management fee paid to the Company as attorney-in-fact for the Exchange is subject to approval by the Company's Board of Directors. The rate may be changed periodically by the Board at its discretion but may not exceed 25 percent. The Board considers several factors in determining the management fee rate, including the relative financial position of the Exchange and the Company and the long-term capital needs of the Exchange, in order to foster growth and competitiveness as well as maintain its superior financial strength, which ultimately benefits the entire Erie Insurance Group. Because the management fee revenue from the Exchange provides the majority of the Company's revenue, the income of the Company is dependent upon the ability of the Exchange to maintain its financial condition and its ability to continue to offer competitive insurance products in the marketplace.

INSURANCE PRICING CONDITIONS. Given the direct correlation of direct premium written to the management fee revenue of the Company, the premium growth and financial viability of the property/casualty insurers managed by the Company bear directly on the ongoing profitability of the Company. Competitive conditions have exerted downward pressure on property/casualty insurance pricing and characteristically soft market conditions (favoring buyers of insurance) have prevailed for some time in both commercial and personal lines of insurance. During 2001, prices for commercial insurance have firmed considerably and personal lines prices have stabilized and started to trend higher. These trends accelerated after the events of September 11th. The Company continually evaluates pricing levels balancing competitive conditions and the need to maintain the solid financial condition of the insurers it manages. Pricing actions contemplated or taken by the insurers of the Erie Insurance Group are subject to various regulatory requirements of the states in which these insurers operate. Premium increases anticipated in 2002, due to pricing actions contemplated, filed and awaiting approval, or approved through December 31, 2001, could amount to approximately $107 million in premium for the Erie Insurance Group in 2002. The majority of the anticipated increase stems from the private passenger and commercial auto lines of business as well as the homeowner line of business. Further rate actions will be contemplated during 2002 and future years affecting the overall competitiveness and profitability of the Erie Insurance Group and the management fee levels of the Company.

The Company also receives service agreement revenue from the Exchange as compensation for management of its voluntary assumed non-affiliated reinsurance business. The Company's service fee is 7 percent of the non-affiliated assumed voluntary reinsurance premiums. During the 2002 reinsurance renewal season, the Exchange has been obtaining significant price increases on treaties it is renewing. On average, renewal rates online are 40 to 50 percent above 2001 rates. However, the Exchange is reducing its aggregate exposure in non-affiliated assumed voluntary reinsurance by non-renewing unprofitable business, excluding terrorism coverage, and restricting exposure on certain types of risks. As a result of raising prices and lowering aggregate exposure in non-affiliated assumed voluntary reinsurance, the Company anticipates reinsurance premium volume will be at or slightly below the 2001 premium level.

INSURANCE OPERATIONS

GEOGRAPHIC EXPANSION. On December 6, 2001, the Company announced the Erie Insurance Group's intention to expand its operations into Minnesota. Minnesota will be the 12th state served by the Group, in addition to the District of Columbia. Beginning in the third quarter of 2004, the Group intends to write all lines of insurance it currently offers, including auto, home, business, life and annuities in Minnesota.

INCURRED BUT NOT REPORTED (IBNR) LOSSES. The insurance companies owned and managed by the Company are exposed to new claims on previously closed files and to larger than historical settlements on pending and unreported claims. The Company is exposed to increased losses by virtue of its 5.5 percent participation in the intercompany reinsurance pooling agreement with the Exchange.

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INSURANCE PREMIUM RATE INCREASES. Premium rate filings impact the Company's property/casualty insurance subsidiaries. Rate increases filed in 2001 for the private passenger auto, commercial auto, workers' compensation and homeowners lines of business in various states were sought to offset growing loss costs in these particular lines. See additional discussion of premium levels and pricing in the insurance pricing conditions section above.

INSURANCE COMPANY INSOLVENCIES. The insurance companies owned and managed by the Company pay assessments under the solvency or guaranty laws of the various states in which they are licensed. During 2001, the Company received notification of the insolvency of the Reliance Insurance Group. As a result, the Erie Insurance Group property/casualty insurance companies recorded an estimated assessment of $36.8 million, before consideration of potential premium tax recoveries of $5.9 million. The Company's share of this assessment was $1.7 million and was recorded in the policy acquisition and other underwriting expenses during the fourth quarter of 2001. This estimate was based upon preliminary data relating to this insolvency and is subject to change as more information becomes available. There are other insurance company insolvencies that could impact future underwriting results of the Company, one of which is Pennsylvania-based PHICO Insurance Company, which became insolvent in late 2001. The impact of this insolvency on the Company's financial results cannot be reasonably estimated at this time.

INFORMATION TECHNOLOGY COSTS. In 2001, the Company began a comprehensive program of eCommerce initiatives in support of the Erie Insurance Group's business model of distributing insurance products exclusively through independent Agents. The eCommerce program includes initiatives to replace property/casualty policy administration systems as well as Agent and customer interaction systems. The program also includes significant information technology infrastructure expenditures. It is intended to improve service and efficiency, as well as result in increased sales. Total threeyear expenditures for the program are estimated at $175 million. The cost of these initiatives will be shared among several companies of the Erie Insurance Group, including the Company. The costs of the eCommerce program reduced aftertax net income of the Company by $0.03 per share for 2001. Current cost estimates indicate an additional reduction in the Company's after-tax earnings per share of between $0.15 and $0.17 per share in 2002 and between $0.04 and $0.06 per share in 2003.

REGULATORY

FEDERAL CHARTERING. Congress is considering legislation that would create an optional federal charter for insurers. The "Insurance Industry Modernization Act" would establish an Office of National Insurers within the Treasury Department. The office would have the power to charter, license and regulate "national insurers" and its director would be required to establish a Division of Consumer Affairs within the office. The proposed legislation would repeal the McCarran-Ferguson Act, except for the sharing of historical loss data and activities associated with participation in mandatory residual market and workers' compensation mechanisms.

Federal chartering has the potential to create an uneven playing field for insurers. Federally chartered companies could be subject to different regulatory requirements than state chartered insurers in the areas of market conduct oversight, solvency regulation, guaranty fund participation and premium tax burdens. If this occurs, federally chartered insurers may obtain a competitive advantage over state licensed carriers. The federal proposal also raises the specter of a matrix of regulation and costly duplicative, or conflicting, federal and state requirements. Finally, the partial repeal of McCarran-Ferguson poses a threat to industry practices, which are currently exempt from antitrust scrutiny.

TERRORISM. The tragic September 11th attacks resulted in staggering losses for the insurance industry and have caused uncertainty in the insurance and reinsurance market. The industry has been compelled to re-examine policy language and to address the potential for future threats of terrorist events and losses. ERIE's personal and commercial property and casualty insurance policies were not intended to cover the risk of terrorist events and losses such as those suffered in the September 11th attacks. It is difficult to predict and measure the risks associated with possible future terrorist attacks.

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To address the industry's terrorism exposure, insurers have been working with Congress, the White House and other interested parties to enact legislation that would help spread the risk of future terrorist losses. However, no federal backstop legislation has been passed and future legislation is uncertain.

Regulators in states in which ERIE does business, with the exception of New York, have approved limited optional terrorism exclusion endorsements for use only on commercial property and liability lines within the framework developed by ISO (Insurance Services Office, Inc.). These endorsements exclude claims for terrorist acts involving the release of biological, chemical, nuclear or radioactive materials. In other incidents of terrorism, thresholds must be met before the exclusion will apply. For both property and liability coverage, insured property damage must exceed $25 million. For liability coverage, the exclusion will also apply if more than 50 people sustain serious physical injury. When the threshold is met, there is no coverage. ERIE has made the necessary filings to obtain approval for use of these optional exclusions where deemed necessary.

The National Association of Insurance Commissioners (NAIC) has recently announced a resolution to deny terrorism exclusions on personal lines policies. NAIC action is advisory and states have approval authority; however, it is likely that many states will follow the NAIC resolution. Through its trade organizations and grassroots efforts, ERIE continues to work toward a federal solution.

The Company's substantial portfolio of equity and fixed income investments could also be affected by potential future terrorist actions, which may affect the level of economic activity as well as investor confidence in the U.S. capital markets.

MOLD. Over the course of the last several years, the industry has experienced several significant jury verdicts handed down in cases involving property damage and personal injuries, arguably related to mold. Potentially, The ERIE could see an increase in the number of claims from both a first party and a third party coverage context. The Company has created a mold task force committee which is in the process of reviewing all of The ERIE's personal and commercial policies in order to determine the feasibility of limiting claims. Presently, the committee is studying various options ranging from an outright exclusion of mold coverage to an exclusion with a buy-back endorsement for coverage.

PRIVACY. The insurance industry continues to address compliance issues required by the Gramm Leach Bliley Financial Services Modernization Act (GLBA) and the Health Insurance Portability and Accountability Act (HIPAA).

The GLBA places limits on how insurers may use and disclose consumer information. It also requires all financial institutions to adopt internal policies and procedures to protect the privacy and security of consumer information and to deliver an annual privacy notice to all customers. Following delivery of these notices in July 2001, consumer groups complained that the notices were legalistic, complex and generally not "consumer friendly." In response, the NAIC organized a task force to study the adoption of simplified model language for insurer privacy notices. The NAIC has also proposed model regulations that address the security of consumer information and provide standards for insurance departments to measure compliance with privacy laws.

In February 2001, the Department of Health and Human Services (HHS) issued regulations under HIPAA requiring health plans, health care providers and health care clearinghouses ("covered entities") to adopt privacy policies for the protection of health information. Regulations have also been adopted to set standards for the electronic transfer of health information. Although the Company's insurance operations are not directly subject to the regulations, the Company will be required to comply if it elects to engage in the electronic transfer of information to and from covered entities. The Company's health plan for Employees, which is a covered entity under the regulations, will be required to reach compliance by April 2003.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Certain forward-looking statements contained herein involve risks and uncertainties. Many factors could cause future results to differ materially from those discussed. Examples of such factors include variations in catastrophe losses due to changes in weather patterns, other natural causes or terrorist actions; changes in insurance regulations or legislation that disadvantage the members of the Group in the marketplace and recession; economic conditions or stock market changes affecting pricing or demand for insurance products or ability to generate investment income and returns. Growth and profitability have been and will be potentially materially affected by these and other factors.

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Glossary of selected insurance terms

Assume: To receive from an insurer or a reinsurer all or part of the insurance or reinsurance written by an insurance or reinsurance entity.

Attorney-in-fact: Legal entity (Erie Indemnity Company, a corporate attorney-in-fact) that is legally appointed by another (subscribers of the Exchange) to transact business on its behalf.

Cede: To transfer to an insurer or a reinsurer all or part of the insurance or reinsurance written by an insurance or reinsurance entity.

Direct premiums written: Premiums on policies written by an insurer with the Policyholder.

GAAP combined ratio: Ratio of acquisition and underwriting expenses, losses and loss adjustment expenses incurred to premiums earned, computed under Generally Accepted Accounting Principles.

Gross margins from management operations: Net revenues from management operations divided by total revenues from management operations.

Incurred but not reported: Estimated liabilities established by an insurer to reflect the losses estimated to have occurred but that are not yet known by the insurer.

Losses: An occurrence that is the basis for submission of a claim. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy. "Loss" also refers to the amount of the insurer's liability arising out of the occurrence.

Loss adjustment expenses (LAE): The expenses of settling claims, including legal and other fees and expenses, and the portion of general expenses allocated to claim settlement costs.

Loss reserves: Estimated liabilities established by an insurer to reflect the estimated cost of claims payments and the related expenses that ultimately will be incurred in respect of insurance it has written.

NAIC: The National Association of Insurance Commissioners, an association of the top regulatory officials of all 50 states and the District of Columbia organized to promote consistency of regulatory practices and statutory accounting practices throughout the United States.

Policy retention: The percentage of existing Policyholders who renew their policies.

Property/casualty insurance: Casualty insurance indemnifies an insured against legal liability imposed for losses caused by injuries to third persons (i.e., not the policyholder). It includes, but is not limited to, employers' liability, workers' compensation, public liability, automobile liability and personal liability. Property insurance indemnifies a person with an insurable interest in tangible property for his property loss, damage or loss of use.

Reciprocal insurance exchange: An unincorporated group of persons known as subscribers who, under a common name, exchange insurance contracts with each other for the purpose of providing indemnity among themselves from losses through a common attorney-in-fact. Each subscriber gives a power of attorney under which the attorney-in-fact represents each subscriber in exchanging insurance contracts with the other subscribers.

Reinsurance: An instrument through which an insurer cedes to another insurer all or a portion of the risk insured and conveys/pays to that other insurer a portion of the premium received from the insured. Reinsurance makes the assuming reinsurer liable to the extent of the coverage ceded. However, in the event the reinsurer is unable to pay the assumed portion of the loss, the ceding insurer would be responsible for the entire loss.

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Selected Segment Information

The direct written premiums of the Erie Insurance Group have a direct impact on the Company's management fee revenue and, consequently, the Company's management operations. The Company's insurance underwriting operations are impacted by the mix of the group's direct written premium. Below is a summary of direct written premiums of the Erie Insurance Group by state and line of business.

	Years Ended December 31		
	2001	2000	1999
Premiums written as a percent of total by state:			
District of Columbia	0.3 %	0.3 %	0.2 %
Illinois	1.2	0.6	0.2
Indiana	4.2	4.0	3.9
Maryland	11.9	11.9	11.9
New York	3.1	2.7	2.2
North Carolina	5.3	4.6	4.1
Ohio	8.2	8.0	7.9
Pennsylvania	51.7	53.9	55.6
Tennessee	1.6	1.4	1.3
Virginia	8.0	8.0	8.1
West Virginia	4.4	4.6	4.6
Wisconsin	0.1	0.0	0.0
Total direct premiums written	100.00 %	100.00 %	100.00 %
Premiums written by line of business:			
Personal:			
Automobile	54.6 %	56.9 %	59.5 %
Homeowners	16.0	16.1	15.7
Other	1.2	1.3	0.9
Total personal	71.8 %	74.3 %	76.1 %
Commercial:			
Automobile	8.3 %	7.8 %	7.3 %
Workers' compensation	8.0	7.2	6.5
Commercial multi-peril	10.2	9.1	8.3
Other	1.7	1.6	1.8
Total commercial	28.2 %	25.7 %	23.9 %

The growth rate of policies in force and policy retention trends can impact the Company's management and property/casualty operating segments. Below is a summary of each by line of business for the Erie Insurance Group's property/casualty business.

	Years Ended December 31 (amounts in thousands)		
	2001	2000	1999
Policies in force:			
Personal lines	2,724	2,517	2,368
Commercial lines	386	349	322
Total policies in force	3,110	2,866	2,690
Policy retention percentages:			
Personal policy retention percentages	91.3%	91.5%	91.0%
Commercial policy retention percentages	87.7%	85.9%	84.1%
Total policy retention percentages	90.9%	91.0%	90.5%

Index to Graphs included in the Management's Discussion and Analysis

GRAPH NUMBER	AMOUNTS TO GRAPH		

Graph # 1

NET REVENUE FROM MANAGEMENT
OPERATIONS AND GROSS MARGINS
(In millions of dollars, except ratios)

	1999	2000	2001
Net Revenue from Management Operations	$148.5	$158.7	$184.6
Gross Margin from Management Operations	28.1%	27.6%	27.9%

Pie Chart # 1

Diversification of fixed maturities
at December 31, 2001

U.S. Industrial & Miscellaneous	57%
Special Revenue	20%
States & Political Subdivisions	8%
Foreign	5%
Public Utilities	5%
Redeemable preferred stock	3%
Other	2%

Pie Chart # 2

Quality* of fixed maturities
Carrying Value at December 31, 2001

Baa/BBB	32%
Aaa/AAA	27%
A	24%
Aa/AA	14%
Ba/BB or lower	3%

* As rated by Standard & Poor's or Moody's Investor's Service, Inc.

Pie Chart # 3

Diversification of equity securities
at December 31, 2001 - Carrying Value

(1) U.S. Industrial & Miscellaneous	31%
(1) U.S. Banks, Trusts & Insurance Co's	2%
(2) U.S. Industrial & Miscellaneous	47%
(2) Foreign	11%
(2) U.S. Banks, Trusts & Insurance Co's	8%
(2) Public Utilities	1%

(1) Common Stock
(2) Nonredeemable Preferred Stock

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REPORT OF MANAGEMENT

The management of Erie Indemnity Company is responsible for the preparation of information included in the financial statements in this annual report to shareholders. The financial statements have been prepared in conformity with Generally Accepted Accounting Principles. The balances in the financial statements are developed from the financial records of the Company and reflect estimates using judgment where amounts cannot be measured precisely or for transactions not yet complete.

The Company's system of internal control is designed to safeguard Company assets from unauthorized use or disposition and to provide for proper authorization, execution and recording of Company transactions. Company personnel design, maintain and monitor internal control on an ongoing basis. In addition, the Company's internal auditors review and report on the functioning of various aspects of internal control.

The Audit Committee of the Board of Directors, composed of outside directors, meets periodically with the Company's management, internal auditors and independent auditors to review the work of each and to inquire as to their assessment of the performance of Company financial personnel. The independent auditors and internal auditors have full and free access to the Audit Committee, without the presence of management, to discuss results of work performed and communicate other appropriate matters.

/s/ Jan R. Van Gorder
Jan R. Van Gorder
Acting President and Chief Executive Officer
February 7, 2002

/s/ Philip A. Garcia
Philip A. Garcia
Executive Vice President and Chief Financial Officer
February 7, 2002

/s/ Timothy G. NeCastro
Timothy G. NeCastro
Senior Vice President and Controller
February 7, 2002

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 and subsidiaries as of December 31, 2001 and 2000, and the related Consolidated Statements of Operations, Shareholders' Equity, and Cash Flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Erie Indemnity Company and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ Malin, Bergquist & Company, LLP
Malin, Bergquist & Company, LLP
Erie, Pennsylvania
February 7, 2002

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2001 and 2000
(Dollars in thousands)

ASSETS	2001	2000
Investments:		
Fixed maturities at fair value (amortized cost of $543,423 and $524,172, respectively)	$ 559,873	$ 531,546
Equity securities at fair value (cost of $159,727 and $184,968, respectively)	193,798	204,446
Limited partnerships (cost of $79,668 and $60,661, respectively)	81,596	68,242
Real estate mortgage loans	5,700	6,581
Total investments	$ 840,967	$ 810,815
Cash and cash equivalents	88,213	38,778
Accrued investment income	9,138	9,087
Premiums receivable from Policyholders	186,175	156,269
Prepaid federal income taxes	14,056	3,604
Reinsurance recoverable from Erie Insurance Exchange	491,055	412,050
Note receivable from Erie Family Life Insurance Company	15,000	15,000
Other receivables from Erie Insurance Exchange and affiliates	149,600	119,959
Reinsurance recoverable from non-affiliates	372	712
Deferred policy acquisition costs	17,018	13,202
Property and equipment	14,635	13,856
Equity in Erie Family Life Insurance Company	44,683	42,331
Other assets	64,654	44,936
Total assets	$1,935,566	$1,680,599

See accompanying notes to consolidated financial statements

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As of December 31, 2001 and 2000
(Dollars in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	2001	2000
LIABILITIES		
Unpaid losses and loss adjustment expenses	$ 557,278	$ 477,879
Unearned premiums	311,969	263,855
Commissions payable and accrued	110,121	96,823
Accounts payable and accrued expenses	46,164	30,476
Deferred income taxes	12,945	7,161
Dividends payable	10,930	9,839
Employee benefit obligations	20,904	15,551
Total liabilities	$1,070,311	$ 901,584
SHAREHOLDERS' EQUITY		
Capital stock		
Class A common, stated value $.0292 per share; authorized 74,996,930 shares; 67,032,000 shares issued; 63,836,323 and 64,056,323 shares outstanding in 2001 and 2000, respectively	$ 1,955	$ 1,955
Class B common, stated value $70 per share; authorized 3,070 shares; 3,070 shares issued and outstanding	215	215
Additional paid-in capital	7,830	7,830
Accumulated other comprehensive income	35,222	23,182
Retained earnings	913,406	831,552
Total contributed capital and retained earnings	$ 958,628	$ 864,734
Treasury stock, at cost, 3,195,677 shares in 2001 and 2,975,677 in 2000	(93,373)	(85,719)
Total shareholders' equity	$ 865,255	$ 779,015
Total liabilities and shareholders' equity	$1,935,566	$1,680,599

See accompanying notes to consolidated financial statements

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2001, 2000 and 1999
(Amounts in thousands, except per share data)

	2001	2000	1999
MANAGEMENT OPERATIONS:			
Management fee revenue	$ 634,966	$ 551,646	$ 513,375
Service agreement revenue	27,247	22,662	15,441
Total revenue from management operations	662,213	574,308	528,816
Cost of management operations	477,645	415,562	380,298
Net revenue from management operations	$ 184,568	$ 158,746	$ 148,518
INSURANCE UNDERWRITING OPERATIONS:			
Premiums earned	$ 137,648	$ 123,708	$ 117,224
Losses and loss adjustment expenses incurred	117,201	99,564	87,719
Policy acquisition and other underwriting expenses	40,910	34,546	33,044
Total losses and expenses	$ 158,111	$ 134,110	$ 120,763
Underwriting loss	($ 20,463)	($ 10,402)	($ 3,539)
INVESTMENT OPERATIONS:			
Net investment income	$ 49,884	$ 48,401	$ 43,344
Net realized (losses) gains on investments	(31,879)	16,968	14,746
Equity in earnings of Erie Family Life Insurance Company	773	5,492	5,045
Equity in (losses) earnings of limited partnerships	(7)	4,733	641
Net revenue from investment operations	$ 18,771	$ 75,594	$ 63,776
Income before income taxes	$ 182,876	$ 223,938	$ 208,755
Provision for income taxes	60,615	71,545	65,649
NET INCOME	$ 122,261	$ 152,393	$ 143,106
Net income per share	$ 1.71	$ 2.12	$ 1.95
Weighted average shares outstanding	71,342	71,954	73,487

See accompanying notes to consolidated financial statements

INCORPORATED BY REFERENCE, PAGE 33 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2001, 2000 and 1999
(Amounts in thousands, except per share data)

	Total Shareholders' Equity	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income
Balance, January 1, 1999	$ 655,223		$ 605,045	$ 40,178
Comprehensive income				
Net income	143,106	143,106	143,106	
Unrealized depreciation of investments, net of tax	(13,597)	(13,597)		(13,597)
Comprehensive income		$ 129,509		
Purchase of treasury stock	(54,330)			
Dividends declared:				
Class A $.495 per share	(32,575)		(32,575)	
Class B $74.25 per share	(228)		(228)	
Balance, December 31, 1999	$ 697,599		$ 715,348	$ 26,581
Comprehensive income				
Net income	152,393	152,393	152,393	
Unrealized depreciation of investments, net of tax	(3,399)	(3,399)		(3,399)
Comprehensive income		$ 148,994		
Purchase of treasury stock	(31,389)			
Dividends declared:				
Class A $.5575 per share	(35,932)		(35,932)	
Class B $83.625 per share	(257)		(257)	
Balance, December 31, 2000	$ 779,015		$ 831,552	$ 23,182
Comprehensive income				
Net income	122,261	122,261	122,261	
Unrealized appreciation of investments, net of tax	14,890	14,890		14,890
Minimum pension liability adjustment, net of tax	(2,850)	(2,850)		(2,850)
Comprehensive income		$ 134,301		
Purchase of treasury stock	(7,654)			
Dividends declared:				
Class A $.6275 per share	(40,119)		(40,119)	
Class B $94.125 per share	(288)		(288)	
Balance, December 31, 2001	$ 865,255		$ 913,406	$ 35,222

See accompanying notes to consolidated financial statements

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
Years Ended December 31, 2001, 2000 and 1999
(Amounts in thousands, except per share data)

	Class A Common	Class B Common	Additional Paid-in-Capital	Treasury Stock
Balance, January 1, 1999	$ 1,955	$ 215	$ 7,830	$ 0
Comprehensive income				
Net income				
Unrealized depreciation of investments, net of tax				
Comprehensive income				
Purchase of treasury stock				(54,330)
Dividends declared:				
Class A $.495 per share				
Class B $74.25 per share				
Balance, December 31, 1999	$ 1,955	$ 215	$ 7,830	($ 54,330)
Comprehensive income				
Net income				
Unrealized depreciation of investments, net of tax				
Comprehensive income				
Purchase of treasury stock				(31,389)
Dividends declared:				
Class A $.5575 per share				
Class B $83.625 per share				
Balance, December 31, 2000	$ 1,955	$ 215	$ 7,830	($ 85,719)
Comprehensive income				
Net income				
Unrealized appreciation of investments, net of tax				
Minimum pension liability adjustment, net of tax				
Comprehensive income				
Purchase of treasury stock				(7,654)
Dividends declared:				
Class A $.6275 per share				
Class B $94.125 per share				
Balance, December 31, 2001	$ 1,955	$ 215	$ 7,830	($ 93,373)

See accompanying notes to consolidated financial statements

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2000 and 1999
(Dollars in thousands)

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 122,261	$ 152,393	$ 143,106
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,350	2,745	1,766
Deferred income tax expense (benefit)	1,013	(2,112)	(1,311)
Amortization of deferred policy acquisition costs	24,276	22,793	22,507
Realized loss (gain) on investments	31,879	(16,968)	(14,746)
Equity in losses (income) from limited partnerships	7	(4,733)	(641)
Net amortization of bond (discount) premium	(199)	(43)	80
Undistributed earnings of Erie Family Life	0	(4,020)	(3,696)
Dividends received in excess of undistributed earnings - Erie Family Life	821	0	0
Deferred compensation	294	642	1,212
Increase in accrued investment income	(51)	(1,089)	(745)
Increase in receivables	(138,213)	(76,240)	(6,274)
Policy acquisition costs deferred	(28,092)	(24,591)	(23,049)
Increase in prepaid expenses and other assets	(14,460)	(939)	(6,185)
Increase in accounts payable and accrued expenses	16,362	8,068	3,343
Increase in commissions payable and accrued	13,298	3,950	7,868
Increase in income taxes recoverable	(10,452)	(629)	(466)
Increase in loss reserves	79,398	44,984	6,730
Increase in unearned premiums	48,115	26,403	7,469
Net cash provided by operating activities	$ 148,607	$ 130,614	$ 136,968
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments:			
Fixed maturities	($ 235,854)	($ 153,029)	($ 162,769)
Equity securities	(67,549)	(54,649)	(71,637)
Mortgage loans	0	0	(66)
Limited partnership investments	(28,380)	(24,753)	(20,667)
Sales/maturities of investments:			
Fixed maturity sales	109,634	61,333	30,927
Fixed maturity calls/maturities	80,223	59,570	64,094
Equity securities	90,589	55,596	84,187
Mortgage loans	882	1,649	123
Limited partnership sales or distributions	6,634	6,227	1,368
Purchase of property and equipment	(2,014)	(308)	(444)
Purchase of computer software	(1,113)	(1,032)	(4,194)
Loans to agents	(7,612)	(1,781)	(3,459)
Collections on agent loans	2,358	1,719	2,582
Net cash used in investing activities	($ 52,202)	($ 49,458)	($ 79,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders	($ 39,316)	($ 35,203)	($ 32,049)
Purchase of treasury stock	(7,654)	(31,389)	(54,330)
Net cash used in financing activities	($ 46,970)	($ 66,592)	($ 86,379)
Net increase (decrease) in cash and cash equivalents	$ 49,435	$ 14,564	($ 29,366)
Cash and cash equivalents at beginning of year	38,778	24,214	53,580
Cash and cash equivalents at end of year	$ 88,213	$ 38,778	$ 24,214

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:
Cash paid during the years ended December 31, 2001, 2000 and 1999 for income taxes was $70,751, $74,286 and $67,495, respectively.

See accompanying notes to consolidated financial statements

ERIE INDEMNITY COMPANY

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

NOTE 1. NATURE OF BUSINESS

Erie Indemnity Company (Company), formed in 1925, is the attorney-in-fact for the Erie Insurance Exchange (Exchange), a reciprocal insurance exchange. The Company earns a management fee for management services provided to the Exchange and its affiliates. The Exchange is a Pennsylvania domiciled property/casualty insurer rated A++ Superior by A. M. Best. The Exchange is the 23rd largest insurer in the United States based on net premiums written for all lines of business. See also Note 10.

The Company's property/casualty insurance subsidiaries also share proportionately in the results of all property/casualty insurance underwriting operations of the Exchange. The Exchange, Erie Insurance Company (EIC), a wholly-owned subsidiary of the Company, and the Erie Insurance Company of New York (EINY), a wholly-owned subsidiary of the EIC, are part of an intercompany pooling agreement. Under this agreement, EIC and EINY cede 100% of their property/casualty insurance business, including property/casualty insurance operations assets and liabilities, to the Exchange. Erie Insurance Property & Casualty Company, a wholly-owned subsidiary of the Company, and Flagship City Insurance Company, owned by the Exchange, participate in a quota share agreement, where all insurance business is ceded to the Exchange. The Exchange retrocedes to EIC and EINY a specified percentage (5% for EIC and .5% for EINY during 2001, 2000 and 1999) of all pooled property/casualty insurance business, including insurance operations assets and liabilities. Insurance ceded by EIC, EINY, Erie Insurance Property & Casualty Company and Flagship City Insurance Company, to the Exchange does not relieve EIC and EINY from their primary liability as the original insurers. See also Note 12.

The Exchange, EIC and EINY together with the Erie Insurance Property & Casualty Company and the Flagship City Insurance Company as well as the Erie Family Life Insurance Company (EFL) operate collectively as the "Erie Insurance Group (EIG)."

The property/casualty insurers of the Erie Insurance Group operate in 11 states and the District of Columbia. Business consists, to a large extent, of private passenger and commercial automobile, homeowners and workers' compensation insurance in Pennsylvania, Ohio, West Virginia, Maryland and Virginia.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America that differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities. See also Note 13.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The 21.6% equity ownership of EFL is not consolidated but accounted for under the equity method of accounting.

Reclassifications

Certain amounts reported in prior years have been reclassified to conform to the current year's financial statement presentation.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 and cash equivalents

Fixed maturities and marketable equity securities are classified as available-for-sale. Equity securities consist primarily of common and nonredeemable preferred stocks while fixed maturities consist of bonds, notes and redeemable preferred stock. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of deferred tax, reflected in shareholders' equity in accumulated other comprehensive income. There are no securities classified as "trading" or "held-to-maturity." Realized gains and losses on sales of investments, are recognized in income on the specific identification method. Interest and dividend income is recorded as earned.

Limited partnerships include U.S. and foreign private equity, real estate and fixed income investments. The private equity limited partnerships invest primarily in small- to medium-sized companies. Limited partnerships are recorded using the equity method, which approximates the Company's share of the carrying value of the partnership. Unrealized gains and losses on private equity limited partnerships are reflected in shareholders' equity in accumulated other comprehensive income, net of deferred taxes. The Company has not guaranteed any of the partnership liabilities.

When a decline in value of investments is considered to be other-than-temporary by Company management, the investments are written down to realizable value. The write down is made on an individual security or limited partnership basis and is considered a realized loss in the Consolidated Statements of Operations.

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

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

Derivatives

Financial Accounting Standards Board Statement of Financial Accounting Standards (FAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133) became effective for fiscal years beginning after June 15, 1999. Sections of FAS 133 were subsequently amended by FAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (an amendment of FAS 133 which became effective for all fiscal quarters of all fiscal years beginning after June 15, 2000). FAS 133 and FAS 138 establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The accounting for changes in the fair value of a derivative, i.e. gains and losses, depends on the intended use of the derivative and the resulting designation.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For derivatives not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change. Credit risk is managed by entering into transactions using a bank counterparty with a high credit rating. See also Note 3.

Fair value of financial instruments

Fair values of available-for-sale securities are based on quoted market prices, where available, or dealer quotations. The carrying amounts reported in the Consolidated Statements of Financial Position approximate fair value. The carrying value of receivables and liabilities arising in the ordinary course of business approximates fair value.

Deferred policy acquisition costs

Commissions and other costs of acquiring insurance that vary with, and are primarily related to, the production of new and renewal business are deferred and amortized over the terms of the policies or reinsurance treaties to which they relate. The amount of costs to be deferred would be reduced to the extent future policy premiums and anticipated investment income would not exceed related losses, expenses and Policyholder dividends. There have been no reduction in costs deferred in any of the years presented. Amortization expense, which is included in policy acquisition and other underwriting expenses of insurance underwriting operations, equaled $24,276, $22,793 and $22,507 in 2001, 2000 and 1999, respectively.

Insurance liabilities

Losses incurred refer to amounts paid or expected to be paid for loss events which have occurred through the balance sheet date. The cost of investigating, resolving and processing claims are referred to as "loss adjustment expenses". A liability is established for the total unpaid cost of losses and loss adjustment expenses, including events occurring in current and prior years. Losses are reported on the Consolidated Statements of Operations in insurance underwriting operations.

The liability for losses and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount, based on past experience, for losses incurred but not reported. Inflation is provided for in the reserving function through analysis of costs, trends and reviews of historical reserving results. Such liabilities are necessarily based on estimates and, while management believes the amount is appropriate, the ultimate liability may differ from the amounts provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments considered necessary are reflected in current earnings. Loss reserves, as permitted by insurance department statute, are set at full expected cost except for loss reserves for workers' compensation which have been discounted at 2.5% in 2001 and 2000. Unpaid losses and loss adjustment expenses in the Consolidated Statements of Financial Position were reduced by $2,390 and $1,509 at December 31, 2001 and 2000, respectively, due to discounting. The reserves for losses and loss adjustment expenses are reported net of receivables for salvage and subrogation of $3,661 and $3,349 at December 31, 2001 and 2000, respectively.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Environment-related claims

In establishing the liability for unpaid losses and loss adjustment expenses related to environmental claims, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities have been established to cover additional exposures on both known and unasserted claims. Estimates of the liabilities are reviewed and updated continually. The total amount of the Company's property/casualty insurance subsidiaries' share of paid losses and loss reserves pertaining to environment-related claims is immaterial.

Liability for guaranty fund and other assessments

The Company's property/casualty insurance subsidiaries may be required, under the solvency or guaranty laws of the various states in which they are licensed, to pay assessments up to prescribed limits to fund Policyholder losses or liabilities of insolvent insurance companies. The liability for guaranty fund or other assessments is recorded when the event obligating the Company has occurred and the amount can be reasonably estimated. The estimated liability for guaranty fund and other assessments at December 31, 2001 and 2000 totaled $2,383 and $592, respectively. During 2001, the Company received notification of the insolvency of Reliance Insurance Company. It is expected this insolvency will result in guaranty fund liabilities to be assessed the Company's property/casualty insurance subsidiaries. The Company has recorded an estimated liability that has been charged to operations in the current period based on preliminary data relating to this insolvency. The estimated liability for the Reliance insolvency is $2,024 at December 31, 2001.

Certain states permit these assessments, or a portion thereof, to be recovered as an offset to future premium taxes. When an assessment can be recovered, an asset is established on a basis consistent with the credits to be realized under applicable state law. During 2001, the Company's property/casualty insurance subsidiaries recorded an asset of $559 related to these recoverable credits which will be recovered in accordance with state law which ranges between a 5 and 10 year period. These liabilities and corresponding recoverable assets are presented gross on the Consolidated Statement of Financial Position.

Reinsurance

The insurance underwriting operations segment in the Consolidated Statements of Operations is presented net of reinsurance activities. Gross losses and expenses incurred are reduced for amounts expected to be recovered under reinsurance agreements. Reinsurance transactions are recorded gross on the Consolidated Statements of Financial Position. Estimated reinsurance recoverables and receivables for ceded unearned premiums are recorded as assets with liabilities recorded for related unpaid losses and expenses and unearned premiums. Reinsurance premiums are recognized as revenue on a pro rata basis over the policy term.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Provisions for income taxes include deferred taxes resulting from changes in cumulative temporary differences between the tax bases and financial statement bases of assets and liabilities. Deferred taxes are provided on the liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Property and equipment

Property and equipment are stated at cost. Improvements and replacements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation of property and equipment is computed using straight line and accelerated methods over the estimated useful lives of the assets. The costs and accumulated depreciation and amortization of property sold or retired are removed from the accounts and gains or losses, if any, are reflected in earnings for the year.

Property and equipment as of December 31 is summarized as follows:

	2001	2000
Land	$ 737	$ 737
Buildings	5,879	5,863
Leasehold improvements	518	322
Computer software	18,836	17,723
Computer equipment	5,416	3,706
Transportation equipment	544	450
	$ 31,930	$ 28,801
Less accumulated depreciation	17,295	14,945
	$ 14,635	$ 13,856

Software development costs, primarily salaries and benefits, totaling $7,842 and $7,797, are included in property and equipment at December 31, 2001 and 2000, respectively. Software development costs capitalized during 2001 and 2000 amounted to $45 and $499, respectively. These costs are amortized on a straight-line basis over the expected life of the applications once the software is ready for intended use. Software amortization related to these costs totaled $2,007, $1,697 and $199 in 2001, 2000 and 1999, respectively.

During 2001, the Company entered into various operating lease agreements for computer equipment. These leases contain various early termination provisions which allow the Company to cancel the leases generally after three years from inception of the lease. The total projected commitment for these leases at December 31, 2001, approximates $10,051 through the year 2004. Of this total, approximately $5,075 will be reimbursed to the Company from its affiliates. The total rental expense for 2001 was $165.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

In 2000, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." SAB 101 states revenue should not be recognized until it is realized or realizable and earned. Cited in SAB 101 are certain criteria that generally should be met to determine when revenue is realized or realizable and earned. The Company periodically evaluates its revenue recognition practices in relation to the requirements of SAB 101. Management believes the revenue recognition practices are in compliance with the provisions of SAB 101.

Recognition of management fee revenue

A management fee is charged the Exchange by the Company for management of the affairs of the Exchange. The fee is recorded as revenue, calculated as a percentage of Exchange direct and affiliated assumed premiums written. The management fees are recognized upon policy issuance or renewal. The Exchange issues policies with annual terms only.

Recognition of premium revenues and losses

Property and liability premiums are generally recognized as revenue on a pro rata basis over the policy term. Unearned premiums represent the unexpired portion of premiums written.

Losses and loss adjustment expenses are recorded as incurred. Premiums earned and losses and loss adjustment expenses incurred are reflected in the Consolidated Statements of Operations net of amounts ceded to the Exchange. See also Note 12.

Earnings per share

Earnings per share is based on the weighted average number of Class A shares outstanding, giving effect to the conversion of the weighted average number of Class B shares outstanding at a rate of 2,400 Class A shares for one Class B share. The total weighted average number of Class A equivalent shares outstanding (including conversion of Class B shares) was 71,342,329, 71,954,402, and 73,486,572 during 2001, 2000 and 1999, respectively.

INCORPORATED BY REFERENCE, PAGE 37 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS

The following tables summarize the cost and market value of available-for-sale securities at December 31, 2001 and 2000:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2001				
Fixed Maturities:				
U.S. treasuries & government agencies	$ 11,211	$ 502	$ 0	$ 11,713
States & political subdivisions	42,392	1,817	88	44,121
Special revenue	110,267	3,496	345	113,418
Public utilities	25,150	1,156	36	26,270
U. S. industrial & miscellaneous	311,757	8,989	1,438	319,308
Foreign	26,634	859	17	27,476
Total bonds	$ 527,411	$ 16,819	$ 1,924	$ 542,306
Redeemable preferred stock	16,012	1,555	0	17,567
Total fixed maturities	$ 543,423	$ 18,374	$ 1,924	$ 559,873
Equity Securities:				
Common stock:				
U. S. banks, trusts & insurance companies	$ 3,284	$ 814	$ 16	$ 4,082
U. S. industrial & miscellaneous	28,718	31,570	579	59,709
Nonredeemable preferred stock:				
Public Utilities	2,370	12	3	2,379
U. S. banks, trusts & insurance companies	14,685	938	58	15,565
U. S. industrial & miscellaneous	91,185	2,573	2,111	91,647
Foreign	19,485	1,039	108	20,416
Total equity securities	$ 159,727	$ 36,946	$ 2,875	$ 193,798
Total available-for-sale securities	$ 703,150	$ 55,320	$ 4,799	$ 753,671

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2000				
Fixed Maturities:				
U.S. treasuries & government agencies	$ 11,216	$ 420	$ 24	$ 11,612
States & political subdivisions	50,337	1,656	34	51,959
Special revenue	110,855	3,779	68	114,566
Public utilities	23,221	550	207	23,564
U. S. industrial & miscellaneous	267,231	4,770	5,940	266,061
Foreign	30,082	238	406	29,914
Total bonds	$ 492,942	$ 11,413	$ 6,679	$ 497,676
Redeemable preferred stock	31,230	3,341	701	33,870
Total fixed maturities	$ 524,172	$ 14,754	$ 7,380	$ 531,546
Equity Securities:				
Common stock:				
U. S. banks, trusts & insurance companies	$ 3,651	$ 422	$ 275	$ 3,798
U. S. industrial & miscellaneous	63,662	38,286	15,343	86,605
Foreign	7,100	581	2,719	4,962
Nonredeemable preferred stock:				
U. S. banks, trusts & insurance companies	22,094	97	66	22,125
U. S. industrial & miscellaneous	62,266	1,987	3,119	61,134
Foreign	26,195	217	590	25,822
Total equity securities	$ 184,968	$ 41,590	$ 22,112	$ 204,446
Total available-for-sale securities	$ 709,140	$ 56,344	$ 29,492	$ 735,992

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

The amortized cost and estimated fair value of fixed maturities at December 31, 2001, by remaining contractual term to maturity, are shown below.

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 37,241	$ 37,787
Due after one year through five years	162,766	167,265
Due after five years through ten years	160,105	165,194
Due after ten years	183,311	189,627
	$ 543,423	$ 559,873

Changes in unrealized gains (losses) consist of the following for the years ended December 31:

	2001	2000	1999
Equity securities	$ 14,593	($ 24,410)	$ 11,061
Fixed maturities	9,076	11,246	(24,123)
Limited partnerships	(5,651)	5,930	1,616
Equity in unrealized gains (losses) of Erie Family Life Insurance Company	4,890	2,005	(9,473)
Deferred federal income tax (liability) benefit	(8,018)	1,830	7,322
Increase (decrease) in unrealized gains	$ 14,890	($ 3,399)	($ 13,597)

Sources of net investment income for the years ended December 31 are as follows:

	2001	2000	1999
Fixed maturities	$ 36,569	$ 34,445	$ 30,547
Equity securities	11,022	11,034	10,104
Cash equivalents and other	3,034	3,416	3,222
Total investment income	$ 50,625	$ 48,895	$ 43,873
Investment expense	741	494	529
Net investment income	$ 49,884	$ 48,401	$ 43,344

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

Following are the components of net realized (loss) gain on investments as reported on the Consolidated Statements of Operations. The securities impairment charge in 2001 related primarily to preferred stocks in the equipment leasing and agricultural industry segments. The limited partnership impairment charge resulted from one private equity partnership that had investments of preferred stock in the eCommerce industry and common stock in the customer relationship software industry. The securities impairment charge in 2000 resulted from preferred stocks in the financial services industry.

	2001	2000	1999
Fixed maturities:			
Gross realized gains	$ 4,216	$ 2,921	$ 712
Gross realized losses	(7,941)	(311)	(87)
Net realized (losses) gains	($ 3,725)	$ 2,610	$ 625
Equity securities:			
Gross realized gains	$ 4,997	$ 18,070	$ 18,437
Gross realized losses	(28,563)	(2,445)	(4,316)
Impairment charge	(1,855)	(1,267)	0
Net realized (losses) gains	($ 25,421)	$ 14,358	$ 14,121
Limited partnership impairment charge	($ 2,733)	$ 0	$ 0
Net realized (losses) gains on investments	($ 31,879)	$ 16,968	$ 14,746

The components of equity in (losses) earnings of limited partnerships as reported on the Consolidated Statements of Operations for the years ended December 31 are as follows:

	2001	2000	1999
Private equity	($ 2,013)	$ 1,464	($ 354)
Real estate	1,424	1,926	905
Fixed income	582	1,343	90
Total equity in (losses) earnings of limited partnerships	($ 7)	$ 4,733	$ 641

See also Note 14 for investment commitments related to partnerships.

The Company participates in a securities lending program whereby certain securities from its portfolio are loaned to other institutions for short periods of time through a lending agent. The Company maintains control over the securities. A fee is paid to the Company by the borrower. Collateral, comprised of cash and government securities, that exceeds the market value of the loaned securities is maintained by the lending agent. The Company has an indemnification agreement with the lending agent in the event a borrower becomes insolvent or fails to return securities. The Company had loaned securities with a market value of $46,771 and $31,776 and secured collateral of $48,804 and $33,468 at December 31, 2001 and 2000, respectively. The borrower of the securities is not permitted to sell or replace the security on loan. The Company maintains the loaned securities on its Consolidated Statements of Financial Position as part of its invested assets. The Company has incurred no losses on the loan program since the program's inception.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (CONTINUED)

During 2001, the Company entered into several foreign currency forward contracts related to its limited partnership investments, which are by definition derivatives. These contracts were not designated as hedges as the primary purpose is to generate profits from short-term market movements. The forward contracts have no cash requirements at the inception of the arrangement. At December 31, 2001, the notional amount of the contracts outstanding totaled $1,869. Changes in value, totaling $8 in 2001, have been recognized currently in earnings as realized gains in the Consolidated Statements of Operations.

NOTE 4. COMPREHENSIVE INCOME

Comprehensive income is defined as any change in equity from transactions and other events originating from nonowner sources. The components of other comprehensive income follow for the years ended December 31:

	2001	2000	1999
Unrealized holding (losses) gains on securities arising during period	($ 8,971)	$ 11,739	($ 6,173)
Less: losses (gains) included in net income	31,879	(16,968)	(14,746)
Net unrealized holding gains (losses) arising during period	22,908	(5,229)	(20,919)
Income tax (liability) benefit related to unrealized gains or losses	(8,018)	1,830	7,322
Net appreciation (depreciation) of investments	14,890	(3,399)	(13,597)
Minimum pension liability adjustment (See also Note 6)	(4,384)	0	0
Tax asset related to pension liability adjustment	1,534	0	0
Net pension liability adjustment	(2,850)	0	0
Other comprehensive income (loss), net of tax	$ 12,040	($ 3,399)	($ 13,597)

NOTE 5. EQUITY IN ERIE FAMILY LIFE INSURANCE COMPANY

The Company owns 21.6% of EFL's common shares outstanding, which is accounted for using the equity method of accounting. EFL is a Pennsylvania-domiciled life insurance company operating in ten states and the District of Columbia.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. EQUITY IN ERIE FAMILY LIFE INSURANCE COMPANY (CONTINUED)

The following represents condensed financial information for EFL on a Generally Accepted Accounting Principles (GAAP) basis:

	2001	2000	1999
Investments	$ 869,723	$ 881,069	$ 817,460
Total assets	1,120,483	1,020,343	954,532
Liabilities	914,724	824,623	783,429
Shareholders' equity	205,759	195,720	171,103
Revenues	89,514	115,373	102,924
Net income	2,738	25,390	23,325
Comprehensive income (loss)	17,410	31,421	(5,191)
Dividends paid to shareholders	7,229	6,662	6,096

The Company's share of EFL's net unrealized gains or (losses) on securities, as reflected in shareholders' equity, is $3,983, $801 and ($502) at December 31, 2001, 2000 and 1999, respectively.

NOTE 6. BENEFIT PLANS

Pension plans

The Company's pension plans consist of: (1) a noncontributory-defined benefit pension plan covering substantially all Employees of the Company, (2) an unfunded supplemental employee retirement plan (SERP) for its senior and executive officers and (3) an unfunded pension plan for its outside directors. Information about the plans follows for the years ended December 31:

	2001	2000
Net periodic benefit cost:		
Service cost	$ 6,837	$ 6,329
Interest cost	8,325	7,705
Expected return on plan assets	(13,709)	(12,322)
Amortization of prior service cost	844	989
Recognized net actuarial gain	(2,583)	(2,303)
Amortization of unrecognized initial net asset	(234)	(234)
Net periodic benefit cost	$ 520	$ 164

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

	2001	2000
Change in benefit obligation:		
Benefit obligation at January 1	$ 116,693	$ 104,588
Service cost	6,837	6,329
Interest cost	8,325	7,705
Amendments	55	611
Actuarial loss (gain)	14,523	(2,114)
Benefits paid	(1,729)	(426)
Benefit obligation at December 31	$ 144,704	$ 116,693
Change in plan assets:		
Fair value of plan assets at January 1	$ 171,636	$ 160,385
Actual return on plan assets	(31,413)	11,688
Employer contributions (refunds)	9,271	(11)
Benefits paid	(1,729)	(426)
Fair value of plan assets at December 31	$ 147,765	$ 171,636
Reconciliation of funded status:		
Funded status at December 31	$ 3,061	$ 54,943
Unrecognized net actuarial loss (gain)	10,986	(51,342)
Unrecognized prior service cost	5,236	6,025
Unrecognized initial net asset	(469)	(701)
Net amount recognized on Consolidated Statements of Financial Position	$ 18,814	$ 8,925
Amounts recognized in the consolidated statements of financial position consist of:		
Prepaid benefit cost	$ 25,451	$ 15,096
Accrued benefit liability	(13,686)	(8,656)
Intangible asset	2,665	2,485
Accumulated other comprehensive income	4,384	0
Net amount recognized at year end	$ 18,814	$ 8,925
Weighted-average assumptions as of December 31:		
Employee pension plan:		
Discount rate	7.00%	7.50%
Expected return on plan assets	8.25	8.25
Rate of compensation increase	5.00	5.00
SERP:		
Discount rate	7.00%	7.50%
Rate of compensation increase	6.00-7.25	5.00

The amendment amounts relate primarily to two additional participants being added to the SERP for each of the years 2001 and 2000.

The Employee pension plan has assets that include cash, treasury bonds, corporate bonds, common and preferred stocks and mortgages.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

An additional minimum pension liability of $4,384 resulted in 2001 due to changes in discount rates, the rate of compensation increase and certain other assumptions of the SERP. The additional pension liability was recorded as a reduction to shareholders' equity as accumulated other comprehensive income, net of deferred income taxes.

The Company's funding policy regarding the Employee pension plan is to contribute amounts sufficient to meet ERISA funding requirements plus such additional amounts as may be determined to be appropriate.

The Employee pension plan purchases individual annuities periodically from EFL to settle retiree benefit payments. Such purchases equaled $4,513, $5,627 and $5,322 in 2001, 2000 and 1999, respectively. These are non-participating annuity contracts under which EFL has unconditionally contracted to provide specified benefits to beneficiaries in return for a fixed premium from the plan. However, the plan remains the primary obligor to the beneficiaries and a contingent liability exists in the event EFL could not honor the annuity contracts. The benefit obligation has been reduced for these annuities purchased for retirees.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets (SERP and the pension plan for outside directors) were $20,348, $13,686 and $0 respectively, as of December 31, 2001, and $12,696, $8,656 and $0, respectively, as of December 31, 2000.

Post-retirement benefits other than pensions

The Company provides post-retirement medical coverage for eligible retired Employees and eligible dependents. To be eligible for benefits, an employee must be 60 years old and have 15 years of continuous full-time service. The benefits are provided from retirement to age 65. The benefits are unfunded as the Company pays the obligations when due. The cash payments for such benefits were $379, $161 and $121 in 2001, 2000 and 1999, respectively. Actuarially determined costs are recognized over the period the Employee provides service to the Company. Information about this plan follows for the years ended December 31:

	2001	2000
Net periodic benefit cost:		
Service cost	$ 400	$ 400
Interest cost	389	385
Amortization of prior service cost	(36)	(37)
Recognized net actuarial gain	(50)	(27)
Net periodic benefit cost	$ 703	$ 721
Change in benefit obligation:		
Benefit obligation at January 1	$ 5,803	$ 4,745
Service cost	400	400
Interest cost	389	385
Actuarial loss	919	434
Benefits paid	(379)	(161)
Benefit obligation at December 31	$ 7,132	$ 5,803
Reconciliation of Funded status:		
Funded status at December 31	($ 7,132)	($ 5,803)
Unrecognized net actuarial loss (gain)	244	(726)
Unrecognized prior service costs	(330)	(366)
Net liability recognized on Consolidated Statements of Financial Position	($ 7,218)	($ 6,895)

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

The weighted average discount rate used to measure the accumulated post-retirement benefit obligation was 7.0% and 7.50% in 2001 and 2000, respectively. The December 31, 2001, accumulated benefit obligation was based on a 10.0% increase in the cost of covered health care benefits during 2001. The expected health care cost trend rate assumption for 2002 is 10.0%. This rate is assumed to decrease gradually to 5.5% per year in 2006 and to remain at that level thereafter.

	2001	2000
Effect on total of service and interest cost components:		
1% Increase	$ 126	$ 126
1% Decrease	(106)	(106)
Effect on post-retirement benefit obligation:		
1% Increase	$ 1,023	$ 814
1% Decrease	(871)	(695)

Employee savings plan

The Company has an Employee Savings Plan for its Employees. Beginning January 2001, the maximum percentage that eligible participants were permitted to contribute to the plan was increased to 15%. The Company match was also changed to 100% of the participant contributions up to 3% of compensation and 50% of participant contributions over 3% and up to 5% of compensation. Additionally, regular part-time Employees are eligible to participate in the plan. Prior to 2001, eligible participants were permitted to make contributions of 1% to 8% of compensation to the plan on a pre-tax salary reduction basis. The Company matched one-half of the participant contributions up to 6% of compensation. All full-time Employees were eligible to participate in the plan. The Company's matching contributions to the plan in 2001, 2000 and 1999 were $5,329, $3,499 and $3,245, respectively. Employees are permitted to invest a portion of employer contributions in the Class A common stock of the Company. The plan acquires shares in the open market necessary to meet the obligations of the plan.

INCORPORATED BY REFERENCE, PAGES 41 AND 42 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. BENEFIT PLANS (CONTINUED)

Management incentive plans and deferred compensation

The Company has separate annual and long-term incentive plans and a deferred compensation plan, which are available for key management employees. The deferred compensation plan is an unfunded arrangement for a select group of management and highly compensated employees of the Company. Those participating in this plan can select hypothetical investment funds for their deferrals and are credited with interest based on the investment results. The incentive plans are available to key management employees and link awards to current year and three-year performance period targets. The awards are settled with cash and Company stock. The Company purchases its stock in the open market when awards are settled in stock. The Company accrues estimated compensation expense in the applicable performance period based on its best estimate of the achievement of the performance targets. Expense recorded in 2001, 2000 and 1999 relating to these incentive and deferred compensation plans equaled $3,424, $3,445 and $3,352, respectively. Actual payments totaled $2,441 and $1,590 in 2001 and 2000, respectively. There were no payments in 1999. The Company also has a deferred compensation plan for certain of its outside directors. Expenses recorded in 2001, 2000, and 1999 with related (losses) earnings amounted to ($70), $78 and $241, respectively. The losses in the current year were a result of the performance of the investments that comprise the plan assets.

Health and dental benefits

The Company has self-funded health and dental care plans for all of its Employees and eligible dependents. Estimated unpaid claims incurred are accrued as a liability at December 31, 2001 and 2000. Operations were charged $19,826, $17,456 and $14,756 in 2001, 2000 and 1999, respectively, for the cost of health and dental care provided under these plans.

All liabilities for the above mentioned plans are presented in this note in total for all employees of the Erie Insurance Group. The gross liability is presented in the Consolidated Statements of Financial Position as employee benefit obligations with amounts expected to be recovered from the Company's affiliates included in other assets.

NOTE 7. INCOME TAXES

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

	2001	2000	1999
Federal income taxes:			
Currently due	$ 59,602	$ 73,657	$ 66,960
Deferred	1,013	(2,112)	(1,311)
Total	$ 60,615	$ 71,545	$ 65,649

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:

	2001	2000	1999
Income tax at statutory rates	$ 64,007	$ 78,378	$ 73,051
Tax-exempt interest	(2,729)	(3,046)	(3,229)
Dividends received deduction	(2,398)	(2,160)	(2,064)
Other	1,735	(1,627)	(2,109)
Provision for income taxes	$ 60,615	$ 71,545	$ 65,649

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. INCOME TAXES (CONTINUED)

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

	2001	2000
Deferred tax assets:		
Loss reserve discount	$ 4,580	$ 3,965
Unearned premiums	4,960	4,286
Employee benefit plan obligations	4,800	4,111
Severance benefits	3,801	0
Write downs of securities	1,606	443
Other	1,525	1,212
Total deferred tax assets	$ 21,272	$ 14,017
Deferred tax liabilities:		
Deferred policy acquisition costs	$ 5,956	$ 4,621
Unrealized gains	16,822	12,051
Pension and other benefits	7,021	2,438
Other	4,418	2,068
Total deferred tax liabilities	$ 34,217	$ 21,178
Net deferred income tax liability	$ 12,945	$ 7,161

The Company, as a corporate attorney-in-fact for a reciprocal insurer, is not subject to state corporate taxes.

NOTE 8. 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 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% of any dividend declared on each share of Class B common stock. The Company may declare and pay a dividend in respect of Class A common stock without any requirement that any dividend be declared and paid in respect of Class B common stock. Sole voting power is vested in Class B common stock except insofar as any applicable law shall permit Class A common stock to vote as a class in regards to any changes in the rights, preferences and privileges attaching to Class A common stock.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. CAPITAL STOCK (CONTINUED)

Stock repurchase plan

Beginning in 1999, the Company established a stock repurchase program. The Company may repurchase as much as $120 million of its outstanding Class A common stock through December 31, 2002. Treasury shares are recorded on the Consolidated Statements of Financial Position at cost. In 2001 there were 220,000 shares repurchased at a total cost of $7,654, or an average price per share of $34.79. Since its inception, 3,195,677 shares have been repurchased at a total cost of $93,373, or an average price per share of $29.22. The Company 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 the Company's capital.

NOTE 9. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table provides a reconciliation of beginning and ending loss and loss adjustment expense liability balances for the Company's wholly-owned property/casualty insurance subsidiaries:

	2001	2000	1999
Total unpaid losses and loss adjustment expenses at January 1, gross	$ 477,879	$ 432,895	$ 426,165
Less reinsurance recoverables	375,567	337,911	334,708
Net balance at January 1	102,312	94,984	91,457
Incurred related to:			
Current accident year	111,258	93,416	88,422
Prior accident years	5,943	6,148	(703)
Total incurred	117,201	99,564	87,719
Paid related to:			
Current accident year	59,637	53,251	50,560
Prior accident years	41,203	38,985	33,632
Total paid	100,840	92,236	84,192
Net balance at December 31	118,673	102,312	94,984
Plus reinsurance recoverables	438,605	375,567	337,911
Total unpaid losses and loss adjustment expenses at December 31, gross	$ 557,278	$ 477,879	$ 432,895

Included in the 2001 losses and loss adjustment expenses incurred related to current accident year of $111,258 are the Company's share of estimated incurred losses of the Erie Insurance Group's reinsurance business stemming from the September 11th attack on the World Trade Center of $8,250. Partially offsetting these losses is an aggregate excess of loss reinsurance agreement between the Exchange and the Company's property/casualty insurance subsidiaries. See also Note 12. This agreement reduces the net retention of these losses recorded by the Company to $5,839. Current loss estimates are based on the assumption that the attack will be considered one event. If the attack comes to

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

be considered two events, the total potential exposure for EIG would increase between $50,000 and $75,000. The effect on the Company would be additional losses between $2,750 and $4,125. Taking into consideration the excess of loss reinsurance agreement, the net impact of such potential additional losses would be minimal to the Company. The property/casualty insurers are exposed to both direct and reinsurance losses arising from possible future terrorist actions and other catastrophic events.

The 2001 incurred losses related to prior accident years of $5,943 are due primarily to adverse development of losses in the private passenger auto liability and workers' compensation lines of business and are generally the result of ongoing analysis of recent loss development trends. These losses are reflected in the insurance underwriting operations segment of the Consolidated Statements of Operations.

The 2000 incurred losses related to prior accident years of $6,148 are due to adverse development of reinsurance losses from the catastrophic storms in Europe in December 1999, combined with increased loss severity in private passenger automobile and in commercial lines of business.

NOTE 10. RELATED PARTY TRANSACTIONS

Management fee

A management fee is charged to the Exchange for management services provided by the Company. The fee is a percentage of Exchange direct and affiliated assumed premiums written. The percentage rate is adjusted periodically within specified limits by the Company's Board of Directors. The management fee charged the Exchange was 25% for each year from 1999 to 2001.

In December 2001, the Board of Directors elected to maintain the 25% management fee rate for all of 2002. The Company's Board of Directors may change the management fee rate at its discretion, but it may not exceed 25%.

eCommerce Program and Related Information Technology Infrastructure

During 2001, the Erie Insurance Group undertook a series of initiatives to develop its eCommerce capabilities. In connection with this program, the Company and the property/casualty insurance companies of the Erie Insurance Group entered into a Cost Sharing Agreement for Information Technology Development (Agreement). The Agreement describes how member companies of the Erie Insurance Group will share the costs to be incurred for the development of new Internet enabled property/casualty policy administration and customer relationship management systems. The Agreement provides that the cost of the systems and the related enabling technology costs, such as required infrastructure and architectural tools, will be shared among the property/casualty insurance companies in a manner consistent with the sharing of insurance transactions under the existing intercompany pooling agreement. See also Note 12. These costs are included in the policy acquisition and other underwriting expenses in the Consolidated Statements of Operations. The Company's share of these costs, incurred by the Company's property/casualty subsidiaries totaled $1,315 for the year ended December 31, 2001.

Certain other costs of the eCommerce Program are related to information technology hardware and are not included under the Agreement. These costs are included in the cost of management operations in the Consolidated Statement of Operations. The Company's share of these infrastructure costs amounted to $1,589 for the year ended December 31, 2001.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. RELATED PARTY TRANSACTIONS (CONTINUED)

Service agreement revenue

A service agreement fee is charged to the Exchange to compensate the Company for its management of non-affiliated assumed reinsurance business on behalf of the Exchange. The Company receives a fee of 7% of voluntary reinsurance premiums assumed from non-affiliated insurers and is responsible for accounting, underwriting, and operating expenses in connection with the administration of this business. Service agreement fee revenue amounted to $11,251, $10,149 and $8,158 in 2001, 2000 and 1999, respectively.

Also included in service agreement revenue are service charges collected from Policyholders for providing extended payment terms on policies written by the insurers managed by the Company. In June 2000, this administrative fee collected from Policyholders increased from $2 to $3 per installment for policies renewing in most states. Service charge revenue amounted to $15,996, $12,513 and $7,283 in 2001, 2000 and 1999, respectively.

Expense reimbursements

The Company pays for and is reimbursed by the Exchange for expenses incurred in connection with adjustment of claims and administrative services and by EFL for administrative expenses. Reimbursements are made to the Company from these affiliates monthly. The amounts of such expense reimbursements were as follows for the years ended December 31:

	2001	2000	1999
Erie Insurance Exchange	$ 162,549	$ 142,519	$ 136,045
Erie Family Life	18,545	18,631	14,740
Total reimbursements	$ 181,094	$ 161,150	$ 150,785

Office leases

The Company occupies certain office facilities owned by the Exchange and EFL. The Company leases office space on a year-to-year basis from the Exchange. Rent expenses under these leases totaled $10,842, $10,703 and $10,320 in 2001, 2000 and 1999, respectively. The Company has a lease commitment until 2008 with EFL for a branch office. Rentals paid to EFL under this lease totaled $311 in 2001, $309 in 2000 and $303 in 1999.

Note receivable from EFL

The Company is due $15 million from EFL in the form of a surplus note. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to prior approval of the Pennsylvania Insurance Commissioner. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005. During 2001, 2000 and 1999, EFL paid interest to the Company totaling $968 each year.

Structured settlements with EFL

The Erie Insurance Group affiliated property/casualty insurance companies periodically purchase annuities from EFL in connection with the structured settlement of claims. The Company's pro-rata share (5.5%) of such annuities purchased equaled $708, $889 and $1,282 in 2001, 2000 and 1999, respectively.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. RECEIVABLES FROM ERIE INSURANCE EXCHANGE AND CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially expose the Company to concentrations of credit risk, include unsecured receivables from the Exchange. Most all of the Company's revenue and receivables are from the Exchange and affiliates.

Management fee and expense reimbursements due from the Exchange were $147,344 and $117,962 in 2001 and 2000, respectively. A receivable from EFL for expense reimbursements totaled $2,256 at December 31, 2001 compared to $1,997 at December 31, 2000. The Company also has a receivable due from the Exchange for reinsurance recoverable from losses and unearned premium balances ceded to the pool totaling $491,055 and $412,050 in 2001 and 2000, respectively.

Premiums receivable from Policyholders at December 31, 2001 and 2000 equaled $186,175 and $156,269, respectively. A significant amount of these receivables are ceded to the Exchange as part of the intercompany pooling agreement. At December 31, 2001, the Exchange's statutory total assets totaled almost $7 billion and Policyholders' surplus totaled $3 billion.

NOTE 12. REINSURANCE

EIC and EINY have an intercompany reinsurance pooling agreement with the Exchange, whereby EIC and EINY cede all of their direct property/casualty insurance to the Exchange, except for the annual premium under the all-lines aggregate excess of loss reinsurance agreement discussed below. EIC and EINY then assume 5% and 0.5%, respectively, of the total of the Exchange's insurance business (including the business assumed from EIC and EINY). The companies settle accounts between them by payment of amounts due within 30 days after the end of each quarterly accounting period.

EIC and EINY have in effect an all-lines aggregate excess of loss reinsurance agreement with the Exchange. Under this agreement, EIC and EINY reinsure their net retained share of the intercompany reinsurance pool such that once EIC and EINY have sustained ultimate net losses in any applicable accident year that exceed an amount equal to 72.5% of EIC and EINY's net premiums earned in that period, the Exchange will be liable for 95% of the amount of such excess, up to but not exceeding, an amount equal to 95% of 15% of EIC and EINY's net premium earned. Losses equal to 5% of the net ultimate net loss in excess of the retention under the contract are retained net by EIC and EINY. The annual premium is subject to a minimum premium of $950. This reinsurance treaty is excluded from the intercompany pooling agreement. The annual premium paid to the Exchange for the agreement totaled $1,423, $1,268 and $1,199 in 2001, 2000 and 1999 respectively. Recoveries during 2001 amounted to $7,241, of which $6,506 relates to the 2001 accident year. The balance of the recoveries under this agreement recorded in 2001 related to the 1999 accident year. There were no loss recoveries by EIC or EINY under the agreement for 2000 or 1999.

To the extent the Exchange assumes reinsurance business from nonaffiliated sources, the Company participates because of its pooling agreement with the Exchange. Similarly, the Company also participates in the business ceded from the Exchange. Reinsurance premiums, commissions, expense reimbursements and reserves related to reinsurance business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to the Exchange have been reported as a reduction of premium income. The Company's property and liability reinsurance assumed from foreign insurance companies is accounted for using the periodic method, whereby premiums are recognized as revenue over the policy term, and claims, including an estimate of claims incurred but not reported, are recognized as they occur. The amount of reinsurance business assumed from foreign insurance companies is not significant.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. REINSURANCE (CONTINUED)

Reinsurance contracts do not relieve the Company from its primary obligations to Policyholders. A contingent liability exists with respect to reinsurance receivables in the event reinsurers are unable to meet their obligations under the reinsurance agreements.

The following summarizes insurance and reinsurance activities for the Company:

	2001	2000	1999
Premiums Earned:			
Direct	$ 432,307	$ 377,570	$ 351,228
Assumed nonaffiliates	7,391	4,824	5,380
Ceded to Erie Insurance Exchange	(439,698)	(382,394)	(356,608)
Assumed from Erie Insurance Exchange	137,648	123,708	117,224
Net	$ 137,648	$ 123,708	$ 117,224
Losses and Loss Adjustment Expenses Incurred:			
Direct	$ 374,440	$ 325,644	$ 264,177
Assumed nonaffiliates	14,262	3,956	6,512
Ceded to Erie Insurance Exchange	(388,702)	(329,600)	(270,689)
Assumed from Erie Insurance Exchange	117,201	99,564	87,719
Net	$ 117,201	$ 99,564	$ 87,719

NOTE 13. STATUTORY INFORMATION

The statutory financial statements of Erie Insurance Property & Casualty Company 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 Statutory Accounting Practices (SAP) include state laws, regulations, and general administration rules, as well as a variety of publications from the National Association of Insurance Commissioners (NAIC). The NAIC adopted the Codification of Statutory Accounting Practices (Codification), effective January 1, 2001, as the NAIC-supported basis of accounting. The Codification was approved with a provision allowing for prescribed or permitted accounting practices to be determined by each states' insurance commissioner. Accordingly, such discretion will continue to allow prescribed or permitted accounting practices that may differ from state to state. The New York State Insurance Department did not adopt the deferred tax provisions of Codification, thus no deferred taxes are recorded on the EINY statutory financial statements.

Codification resulted in changes to the Company's statutory-basis financial statements, the most significant of which was the recording of statutory deferred taxes for EIC and Erie Insurance Property & Casualty Company. The total cumulative adjustment increased the surplus of the Company's property/casualty insurance subsidiaries by $4,446 as of January 1, 2001.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. STATUTORY INFORMATION (CONTINUED)

Accounting principles used to prepare statutory financial statements differ from those used to prepare financial statements on the basis of generally accepted accounting principles. Consolidated balances including amounts reported by the property/casualty insurance subsidiaries on the statutory basis would be as follows:

	2001	2000	1999
Shareholders' equity at December 31,	$ 854,003	$ 767,894	$ 688,802
Net income for the year ended December 31,	118,475	150,942	142,615

The amount of dividends the Company's Pennsylvania-domiciled property/casualty subsidiaries, EIC and Erie Insurance Property & Casualty Company, 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. At December 31, 2001, the maximum dividend the Company could receive from its property/casualty insurance subsidiaries was $5,491. No dividends were paid to the Company from its property/casualty insurance subsidiaries in 2001 or 2000.

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 regards Policyholders as shown on its last annual statement on file with the commissioner, or (b) the net income as reported for the period covered by such annual statement, but shall not include pro rata distribution of any class of the insurer's own securities. Accordingly, the Company's share of the maximum dividend payout which may be made in 2002 without prior Pennsylvania Commissioner approval is $2,295. Dividends to the Company totaled $1,594 in 2001 and $1,472 in 2000.

NOTE 14. COMMITMENTS

The Company has outstanding commitments to invest up to $124,000 in limited partnerships at December 31, 2001. These commitments will be funded as required through the end of the respective investment periods, which typically span 3 to 5 years expiring in 2005. At December 31, 2001, the total commitment to fund limited partnerships that invest in private equity securities is $87,000, real estate activities $22,000 and fixed income securities $15,000. At December 31, 2001, no one partnership commitment exceeded $7.5 million, or 6%, of the outstanding commitment amount.

During 2001, the Company entered into contracts to provide services related to the eCommerce program with various external vendors. The total outstanding commitment for these contracts at December 31, 2001, was $16,146, of which approximately $12,943 will be reimbursed to the Company by the Exchange. The majority of these committed services at December 31, 2001, are expected to be performed in 2002.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. SEGMENT INFORMATION

The Company operates its business as two reportable segments - management operations and property/casualty insurance operations. Accounting policies for segments are the same as those described in the summary of significant accounting policies. See also Note 2. Assets are not allocated to the segments and are reviewed in total by management for purposes of decision making. No single customer or agent provides 10% or more of revenues for the Exchange.

The Company's principal operations consist of serving as attorney-in-fact for the Exchange, which constitute its management operations. The Company's property/casualty insurance operations arise through direct business of its subsidiaries and by virtue of the pooling agreement between its subsidiaries and the Exchange, which includes assumed reinsurance from nonaffiliated domestic and foreign sources. Insurance provided in the property/casualty operations consists of personal and commercial lines and is sold by independent agents. Personal lines 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 based upon the underwriting results as determined under SAP for the total pooled business of the Group.

Summarized financial information for these operations is presented below.

	2001	2000	1999
Management operations:			
Revenue:			
Management fee revenue	$ 634,966	$ 551,646	$ 513,375
Service agreement revenue	27,247	22,662	15,441
Total revenue from management operations	662,213	574,308	528,816
Net revenue from investment operations	1,700	57,213	47,011
Total revenue	$ 663,913	$ 631,521	$ 575,827
Income before taxes	$ 186,267	$ 215,959	$ 195,529
Net income	$ 123,403	$ 145,851	$ 133,235
Property/casualty operations:			
Revenue:			
Premiums earned:			
Commercial lines	$ 34,970	$ 28,456	$ 25,147
Personal lines	97,078	89,369	87,334
Reinsurance	8,866	7,880	6,185
Total premiums earned (SAP)	140,914	125,705	118,666
GAAP adjustments	(3,266)	(1,997)	(1,442)
Total premiums earned (GAAP)	137,648	123,708	117,224
Net revenue from investment operations	17,071	18,381	16,765
Total revenue	$ 154,719	$ 142,089	$ 133,989
Expense:			
Losses and expenses:			
Commercial lines	$ 41,417	$ 31,914	$ 26,726
Personal lines	107,851	92,012	85,512
Reinsurance	12,970	12,203	9,225
Total losses and expenses (SAP)	162,238	136,129	121,463
GAAP adjustments	(4,127)	(2,019)	(700)
Total losses and expenses (GAAP)	$ 158,111	$ 134,110	$ 120,763
(Loss) income before taxes	($ 3,391)	$ 7,979	$ 13,226
Net (loss) income	($ 1,142)	$ 6,542	$ 9,871

INCORPORATED BY REFERENCE, PAGE 47 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				
Net revenue from management operations	$ 43,200	$ 53,104	$ 55,044	$ 33,220
Underwriting loss	(3,538)	(1,786)	(10,589)	(4,550)
Net revenue (loss) from investment operations	12,196	18,731	6,994	(19,150)
Income before income taxes	51,858	70,049	51,449	9,520
Net income	$ 34,785	$ 47,129	$ 34,430	$ 5,917
Net income per share	$ 0.49	$ 0.66	$ 0.48	$ 0.08
Comprehensive income	$ 36,407	$ 45,414	$ 31,081	$ 21,399
2000				
Net revenue from management operations	$ 36,618	$ 43,310	$ 44,417	$ 34,401
Underwriting loss	(3,203)	(1,590)	(2,742)	(2,867)
Net revenue from investment operations	19,515	20,658	18,986	16,435
Income before income taxes	52,930	62,378	60,661	47,969
Net income	$ 36,185	$ 42,518	$ 41,192	$ 32,498
Net income per share	$ 0.50	$ 0.59	$ 0.58	$ 0.45
Comprehensive income	$ 50,036	$ 35,093	$ 41,565	$ 22,300
1999				
Net revenue from management operations	$ 34,367	$ 40,587	$ 41,945	$ 31,619
Underwriting (loss) gain	(607)	1,113	(1,580)	(2,465)
Net revenue from investment operations	14,770	16,177	16,450	16,379
Income before income taxes	48,530	57,877	56,815	45,533
Net income	$ 33,407	$ 39,225	$ 38,425	$ 32,049
Net income per share	$ 0.45	$ 0.53	$ 0.53	$ 0.44
Comprehensive income	$ 31,897	$ 32,180	$ 26,295	$ 39,137

During the fourth quarter of 2001, the Company realized net losses on the sale of impaired securities and realized charges for other-than-temporary impairments of equity securities and limited partnerships totaling $29,153. Realized losses resulted in an after-tax earnings per share reduction of $0.27. The investment sales were part of a proactive year-end tax planning strategy and will produce the recovery of approximately $9.6 million of federal income taxes paid in 1998, 1999 and 2000. Also contributing to the fourth quarter 2001 decline in net income per share were charges for a severance benefit stemming from the retirement of the president and CEO of the Erie Insurance Group. The Company's share of charges related to this severance was approximately $0.10 per share, after taxes.

INCORPORATED BY REFERENCE, PAGE 48 OF THE COMPANY'S 2001 ANNUAL REPORT TO SHAREHOLDERS

MARKET PRICE OF AND DIVIDENDS ON THE COMMON STOCK AND RELATED SHAREHOLDER MATTERS

COMMON STOCK PRICES

The Class A non-voting common stock of the Company trades on The NASDAQ Stock Market under the symbol "ERIE." The following sets forth the range of high and low trading prices by quarter as reported by The NASDAQ Stock Market.

CLASS A TRADING PRICE

	2001		2000	
	Low	High	Low	High
First Quarter	25.63	30.13	26.25	32.63
Second Quarter	27.54	36.12	27.50	32.88
Third Quarter	30.83	39.70	28.25	32.13
Fourth Quarter	36.65	41.27	23.88	30.00

No established trading market exists for the Class B voting common stock.

On February 18, 1997, the Executive Committee of the Board of Directors approved an enhancement to the Company's 401(K) plan for Employees which permits participants to invest a portion of the Company's contributions to the plan in shares of Erie Indemnity Class A common stock. The plan's Trustee was authorized to buy Erie Indemnity Company Class A common stock on behalf of 401(K) plan participants beginning May 8, 1997.

In 1998, the Board of Directors of the Company approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as $120 million of its outstanding Class A common stock through December 31, 2002. Treasury shares are recorded on the Consolidated Statements of Financial Position at cost. In 2001, there were 220,000 shares repurchased at a total cost of $7,653,916, or an average price per share of $34.79. Since its inception, 3,195,677 shares have been repurchased at a total cost of $93,373,265, or an average price per share of $29.22. The Company 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 the Company's capital.

COMMON STOCK DIVIDENDS

The Company historically has 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, earnings, financial condition and cash requirements of the Company at the time such payment is considered, and on the ability of the Company to receive dividends from its subsidiaries, the amount of which is subject to regulatory limitations. Dividends declared for each class of stock during 2001 and 2000 are as follows:

DIVIDENDS DECLARED

2001:	Class A share	Class B share
First Quarter	$ .1525	$ 22.875
Second Quarter	.1525	22.875
Third Quarter	.1525	22.875
Fourth Quarter	.1700	25.500
	$ .6275	$ 94.125

2000:	Class A share	Class B share
First Quarter	$ .1350	$ 20.250
Second Quarter	.1350	20.250
Third Quarter	.1350	20.250
Fourth Quarter	.1525	22.875
	$ .5575	$ 83.625

American Stock Transfer & Trust Company serves as the Company's transfer agent and registrar.

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