



## **Erie Indemnity Company's First Quarter Earnings Up 5.4 Percent**

ERIE, Pa. --- April 16, 1999 --- Erie Indemnity Company (Nasdaq: ERIE), the management company for the Erie Insurance Group, announced a 5.4 percent increase in earnings for the first quarter of 1999.

Net income for the quarter ended March 31, 1999 increased to \$33,407,558 or \$.45 per share, from \$31,699,059 or \$.43 per share earned during the first quarter of 1998. The increase in net income was due to improved results in the company's management and investment operating segments. The 1999 underwriting operations were affected by catastrophe losses in the first quarter of 1999 of about \$1.3 million, which contributed to an underwriting loss for the quarter.

Total revenues from management operations increased \$5,203,161, or 4.3 percent, to \$125,900,098 for the first quarter of 1999. A very competitive sales environment and previously announced price reductions in the private passenger automobile insurance business affected management fee revenue growth. The cost of management operations increased 5.3 percent from \$86,936,086 in the first quarter of 1998 to \$91,533,524 for the same period in 1999. As a result, net revenues from the company's management operations rose 1.8 percent to \$34,366,574 for the three months ended March 31, 1999 compared to \$33,760,851 for the same period in 1998. The gross margin from management operations decreased slightly to 27.3 percent in 1999 from 28.0 percent in 1998. The reduction in the average direct premium written per policy, which underlies the management fee revenue, and increased acquisition and administrative expenses contributed to the lower gross margin.

"The ERIE's superior financial strength and underwriting discipline allow us to respond to the highly competitive environment in a manner that sustains our competitive price position in our markets. By remaining price competitive, we are positioning The ERIE to grow market share over the long term," said Stephen A. Milne, President and Chief Executive Officer of Erie Insurance Group.

The company's insurance underwriting operations recorded an underwriting loss of \$607,346 during the first quarter of 1999 compared to a gain of \$1,427,481 in the first quarter of 1998. The company recognized premiums earned of \$28,606,923 for the quarter ended March 31, 1999, a 4.2 percent increase over the \$27,461,062 reported in the first quarter of 1998. Winter storm-related catastrophe losses of \$1.3 million contributed to an increase in the loss and loss adjustment expenses incurred of 15.6 percent to \$21,391,170 in the first quarter of 1999, compared to \$18,497,390 for the same period in 1998. Catastrophe losses for the first quarter of 1998 were about \$215,000.

Revenue from investment operations for the first quarter of 1999 increased \$3,453,429, or 30.5 percent, to \$14,770,346 for the first quarter of 1999. Growth in the company's revenue from investment operations resulted from a \$2,252,074 increase in non-recurring realized gains on investments combined with a \$1,550,924 increase in net investment income in the first quarter of 1999. This increase was partially offset by a \$349,569 decrease in the equity in earnings of Erie Family Life Insurance Company in the first quarter of 1999.

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

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