

ERIE INDEMNITY COMPANY

2005 THIRD QUARTER SHAREHOLDERS' REPORT

After making significant improvements in our underwriting profitability over the past few years, we have demonstrated our ability to sustain that favorable pattern. This is allowing the Company to take rating actions that will enhance our competitive position in our markets, and positively impact the Property and Casualty Group's ability to attract new policyholders and to retain existing policyholders. We are already experiencing positive growth trends in our homeowners and commercial lines of business. We are optimistic that trend will continue, and that we will make progress in generating additional profitable private passenger auto business.

Jeffrey A. Ludrof,
President and Chief Executive Officer

About Erie Indemnity Company

Erie Indemnity Company (Company) is a Pennsylvania business corporation formed in 1925 to be the attorney-in-fact for the Erie Insurance Exchange (Exchange), a Pennsylvania-domiciled reciprocal insurance exchange. As attorney-in-fact, the Company is required to perform certain services relating to the sales, underwriting and issuance of policies on behalf of the Exchange. For its services as attorney-in-fact, the Company charges a management fee calculated as a percentage, not to exceed 25 percent, of the direct and affiliated assumed premiums written of the Exchange.

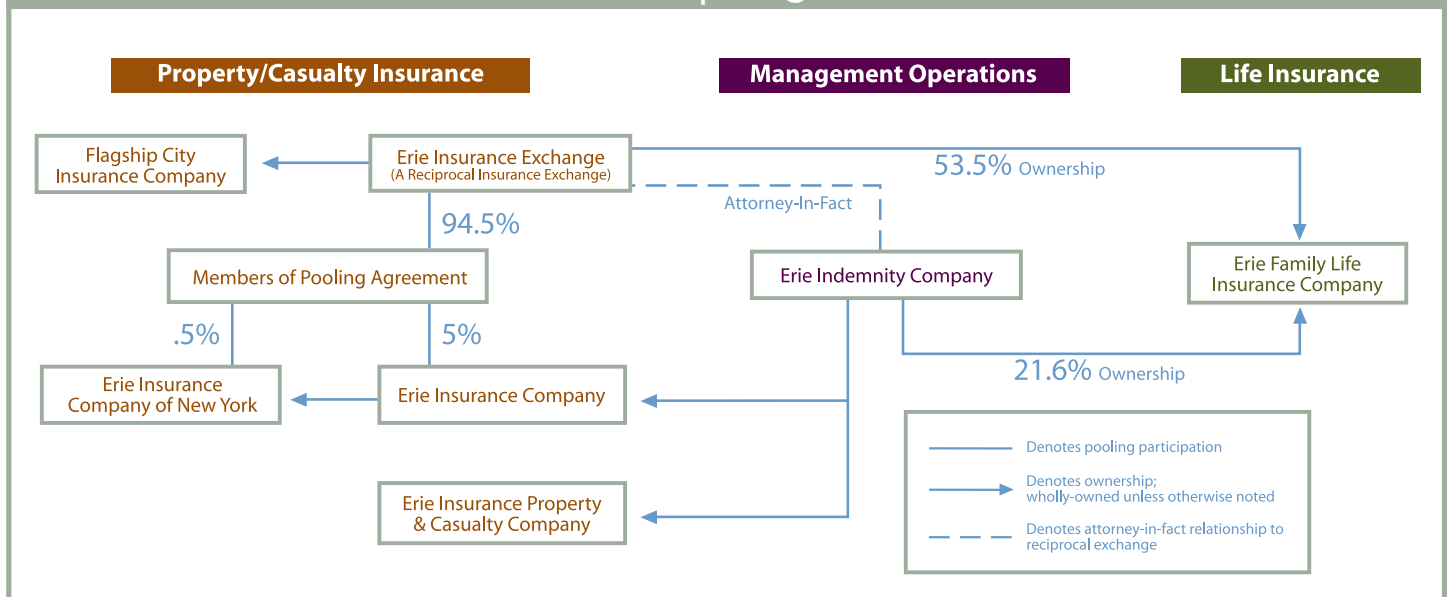
The Company also operates as a property/casualty insurer through its three insurance subsidiaries. The Exchange and

its property/casualty subsidiary and the Company's three property/casualty subsidiaries (collectively, the "Property and Casualty Group") write personal and commercial lines property/casualty coverages exclusively through independent agents and pool their underwriting results. The financial position or results of operations of the Exchange are not consolidated with those of the Company.

The Company's earnings are largely generated by fees based on direct written premiums of the Property and Casualty Group, the principal member of which is the Exchange. The Company, therefore, has a direct incentive to protect the financial condition of the Exchange. The members of the Property and Casualty Group pool their underwriting results. Under the pooling agreement, the Exchange assumes 94.5 percent of the pool. Accordingly, the underwriting risk of the Property and Casualty Group's business is largely borne by the Exchange. Through the pool, the Company's property/casualty subsidiaries currently assume 5.5 percent of the Property and Casualty Group's underwriting results.

The Property and Casualty Group seeks to insure standard and preferred risks primarily in private passenger automobile, homeowners and small commercial lines, including workers' compensation. The Property and Casualty Group's sole distribution channel is its independent agency force, which consists of more than 1,700 agencies comprised of over 7,700 licensed representatives in 11 midwestern, mid-Atlantic and southeastern states and the District of Columbia.

Erie Insurance Group Organizational Chart



Corporate Information

Financial Information

The Erie Indemnity Company submits a quarterly report to the Securities and Exchange Commission on Form 10-Q. Shareholders may obtain a copy of the Form 10-Q report without charge by writing to: Chief Financial Officer, Erie Indemnity Company, 100 Erie Insurance Place, Erie, PA, 16530 or by visiting the Company's Web site at www.erieinsurance.com.

Common Stock Information

The Erie Indemnity Company's Class A, non-voting common stock is traded on the NASDAQ Stock Market under the symbol "ERIE." Quotations are available via major financial news sources.

Stock Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
Plaza Level
New York, NY 10038
(800) 937-5449

Corporate Headquarters

100 Erie Insurance Place
Erie, PA 16530
(814) 870-2000

Internet Address

Financial statement filings, shareholder information, press releases and general news about the Company may also be accessed at www.erieinsurance.com.

Erie Indemnity Company Third Quarter 2005 Results

Highlights of the third quarter 2005 results of the Erie Indemnity Company are as follows:

- Net income totaled \$53.0 million, a decrease of 9.5 percent from \$58.6 million at September 30, 2004.
- Net income per share decreased by 8.4 percent to \$.76 per share, compared to \$.83 per share in the comparable quarter for 2004.
- Net income, excluding net realized gains on investments and related federal income taxes, decreased by 10.6 percent to \$51.9 million, or \$.74 per share, from \$58.0 million, or \$.82 per share, for the same period one year ago.
- Management fee revenue decreased by 1.9 percent to \$241.6 million, from \$246.4 million for the same period one year ago.
- The Property and Casualty Group's adjusted statutory combined ratio for the third quarter 2005 was 85.9 percent, compared to 83.0 percent a year earlier. The Company experienced no underwriting losses as a result of Hurricanes Katrina and Rita.

Management operations

Management fee revenue decreased by 1.9 percent to \$241.6 million for the quarter ended September 30, 2005, compared to \$246.4 million for the same period one year ago. Management fee revenue was reduced by \$1.6 million and \$4.6 million in the third quarters of 2005 and 2004, respectively, for the allowance for mid-term policy cancellations. Management fee revenue is based on the management fee rate, established by the Board of Directors, and the direct written premiums of the Property and Casualty Group. The lower management fee rate in the third quarter of 2005 of 23.75 percent, compared to 24 percent in the third quarter of 2004, resulted in \$2.6 million less in management fee revenue for the quarter ended September 30, 2005, or a decrease in diluted net income per share of \$.02.

The property and casualty direct written premiums of the Erie Insurance Group, upon which management fee revenue is calculated, totaled \$1.0 billion in the third quarter of 2005, down 2.1 percent from third quarter of 2004. The average written premium per policy increased by 1.2 percent for the twelve months ended September 30, 2005, to \$1,055, as compared to \$1,042 for the twelve months ended September 30, 2004.

The Company's emphasis on underwriting profitability, more competitive market conditions and slight decreases in rates resulted in a slowing of growth in new business premiums written. New property and casualty premium written for Erie Insurance Group declined 2.9 percent to \$100.7 million in the third quarter of 2005 from \$103.6 million in the third quarter of 2004. Personal lines new premium written declined 5.4 percent, while commercial lines new premium written increased 3.4 percent in the third quarter of 2005 compared to the same period in 2004. The year-over-year policy retention rate declined to 88.4 percent at September 30, 2005 from 88.7 percent at September 30, 2004. The third quarter of 2005 policy retention rate of 88.4 percent was a slight increase from the 88.3 percent rate recorded at the end of the second quarter of 2005.

In the latter part of 2004 and into 2005, the Property and Casualty Group implemented insurance scoring for underwriting purposes for its private passenger auto and homeowners lines of business in most of its operating states in response to changing competitive market conditions. Insurance scoring has also been incorporated, along with other risk characteristics, into a rating plan with multiple pricing tiers. This segmented pricing provides the Property and Casualty Group greater flexibility in pricing policies with varying degrees of risk. The rating plan with multiple pricing tiers was implemented in most states for new business in March 2005 and for renewal business in April 2005. In 2006, the Company anticipates implementing additional pricing segmentations in auto and homeowners insurance.

The effect of rate increases implemented in 2004 offset by 2005 pricing actions approved, filed, awaiting approval or contemplated through September 30, 2005, is anticipated to result in a net decrease in written premiums of \$10.1 million. The majority of the rate decreases stems from the private passenger auto and the homeowners lines of business in Pennsylvania. In the majority of states, an 8 percent rate reduction on certain coverages for new private passenger auto policyholders with no claims or violations was effective July 1, 2005. In Tennessee and West Virginia this rate reduction for policyholders with no claims or violations was 6 percent. Pricing actions anticipated in 2005 are a result of the improvement in underwriting results. Pricing actions approved, contemplated or filed and awaiting approval through September 30, 2005, could reduce written premium in 2006 for the Property and Casualty Group by \$87.4 million.

The cost of management operations increased 3.6 percent to \$194.8 million in the third quarter of 2005, from \$188.0 million for the same period in 2004. Commission costs totaled \$140.3 million for the third quarter of 2005, a 0.1 percent increase from the \$140.2 million reported in the third quarter of 2004. Third quarter costs of management operations, excluding commissions, increased 14.0 percent to \$54.5 million in 2005 from \$47.8 million in 2004, primarily due to increased personnel costs, including contract labor for information technology projects and higher underwriting expenses related to the use of insurance scoring in 2005.

Insurance underwriting operations

The Company's insurance underwriting operations generated underwriting income of \$1.7 million in the third quarter of 2005 compared to \$2.9 million in the third quarter of 2004. Underlying the Company's results were the underwriting results of the Property and Casualty Group.

For the third quarter 2005, the reported statutory combined ratio of the Property and Casualty Group was 90.5, and when adjusted for the profit component of the management fee, the combined ratio was 85.9 for the quarter, compared to a reported statutory combined ratio of 88.6 and an adjusted combined ratio of 83.0 for the third quarter 2004. The Property and Casualty Group's statutory combined ratio increased in the third quarter of 2005 as a result of an increase of \$47.0 million (net of ceded recoveries) to pre-1986 automobile catastrophic injury liability reserves, or a 4.7 point increase to the statutory combined ratio, and seasonal increases in claim volume, which are recognized in the quarter in which they occur, contributed 6.1 points to the statutory combined ratio. The assumed loss and loss adjustment expense reserves related to the September 11, 2001, attack on the World Trade Center were reduced in the third quarter 2005 by \$42 million, decreasing the Property and Casualty Group's statutory combined ratio by 4.2 points for the quarter. While the Company's GAAP combined ratio was impacted by these reserve adjustments, the reduction in the World Trade Center assumed loss and loss adjustment expense reserves triggers a reduction in previously recorded recoveries under the intercompany

aggregate excess-of-loss reinsurance arrangement for accident year 2001, which offset the effect of the reduction in assumed reserves. As a result, reinsurance charges under the excess-of-loss reinsurance arrangement with the Exchange were \$2.2 million for the third quarter 2005 compared to \$1.2 million in the third quarter 2004.

The impact of seasonal fluctuations was offset by positive development of prior accident year losses, which improved the Property and Casualty Group's statutory combined ratio by 1.8 points. Catastrophe losses, as classified by the Company, during the third quarter of 2005, added 0.5 points to the Property and Casualty Group's reported statutory combined ratio. The Company experienced no underwriting losses from Hurricanes Katrina and Rita during the third quarter of 2005 or Hurricane Wilma in October 2005.

Investment operations

Net revenue from investment operations for the third quarter of 2005 reflects an increase of 18.7 percent to \$25.1 million, compared to \$21.2 million for the same period in 2004. Net investment income was \$14.8 million for each of the quarters ended September 30, 2005 and 2004. Net realized gains on investments of \$1.8 million were recorded during the third quarter of 2005 compared to \$0.9 million for the third quarter of 2004.

Equity in earnings of limited partnerships totaled \$8.0 million in the third quarter of 2005, compared to \$3.8 million in the third quarter of 2004. During the third quarter of 2005, the Company recorded earnings from one partnership of \$4.4 million in the form of a distribution.

The Company's earnings from its 21.6 percent equity ownership of Erie Family Life decreased to \$0.6 million for the third quarter of 2005 from \$1.7 million in the third quarter 2004. The results in the third quarter of 2005 reflect a \$0.5 million charge for a change in estimate related to a new FAS 60 reserve valuation system implemented by Erie Family Life during the quarter.

During the third quarter of 2005, the Company repurchased 395,445 shares of its outstanding Class A common stock in conjunction with the stock repurchase plan that was authorized in December 2003. The shares were purchased at a total cost of \$20.8 million, or an average price per share of \$51.90. The Company has \$149 million remaining in its current share repurchase authorization.

Erie Indemnity Company provides management services to 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. According to A.M. Best Company, Erie Insurance Group, based in Erie, Pennsylvania, is the 16th largest automobile insurer in the United States based on direct premiums written and the 22nd largest property/casualty insurer in the United States based on total lines net premium written. The Group, rated A+ (Superior) by A.M. Best Company, has almost 3.8 million

policies in force and operates in 11 states and the District of Columbia. Erie Insurance Group ranked 425 on the FORTUNE 500 and is included in Forbes Magazine's PLATINUM 400 list of the best-managed companies in America.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Certain forward-looking statements contained herein involve risks and uncertainties. These statements include certain discussions relating to management fee revenue, cost of management operations, underwriting, premium and investment income volume, business strategies,

profitability and business relationships and the Company's other business activities during 2005 and beyond. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions. These forward-looking statements reflect the Company's current views about future events, are based on assumptions and are subject to known and unknown risks and uncertainties that may cause results to differ materially from those anticipated in those statements. Many of the factors that will determine future events or achievements are beyond our ability to control or predict.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share data)

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|------------------|-----------------------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (unaudited) | | (unaudited) | |
| Operating revenue | | | | |
| Management fee revenue—net | \$ 228,349 | \$ 232,837 | \$ 686,475 | \$ 684,539 |
| Premiums earned | 53,908 | 52,862 | 161,721 | 154,576 |
| Service agreement revenue | 5,294 | 5,384 | 15,440 | 16,207 |
| Total operating revenue | 287,551 | 291,083 | 863,636 | 855,322 |
| Operating expenses | | | | |
| Cost of management operations | 184,056 | 177,659 | 539,228 | 521,599 |
| Losses and loss adjustment expenses incurred | 36,995 | 34,602 | 103,457 | 112,642 |
| Policy acquisition and other underwriting expenses | 12,637 | 12,153 | 36,836 | 35,906 |
| Total operating expenses | 233,688 | 224,414 | 679,521 | 670,147 |
| Investment income—unaffiliated | | | | |
| Investment income, net of expenses | 14,755 | 14,795 | 45,158 | 45,086 |
| Net realized gains on investments | 1,765 | 859 | 16,457 | 6,743 |
| Equity in earnings of limited partnerships | 8,032 | 3,845 | 30,788 | 5,727 |
| Total investment income—unaffiliated | 24,552 | 19,499 | 92,403 | 57,556 |
| Income before income taxes and equity in earnings of Erie Family Life Insurance Company | 78,415 | 86,168 | 276,518 | 242,731 |
| Provision for income taxes | 25,930 | 29,141 | 92,241 | 81,865 |
| Equity in earnings of Erie Family Life Insurance Company, net of tax | 520 | 1,539 | 2,667 | 4,227 |
| Net income | \$ 53,005 | \$ 58,566 | \$ 186,944 | \$ 165,093 |
| Net income per share—Class A basic | \$ 0.84 | \$ 0.92 | \$ 2.97 | \$ 2.58 |
| Net income per share—Class B basic | \$ 128.01 | \$ 139.84 | \$ 450.68 | \$ 393.52 |
| Net income per share—diluted | \$ 0.76 | \$ 0.83 | \$ 2.69 | \$ 2.34 |
| Weighted average shares outstanding—diluted | 69,320 | 70,259 | 69,563 | 70,657 |
| Dividends declared per share | | | | |
| Class A common stock | \$ 0.325 | \$ 0.215 | \$ 0.975 | \$ 0.645 |
| Class B common stock | \$ 48.75 | \$ 32.25 | \$ 146.25 | \$ 96.75 |

CONSOLIDATED STATEMENTS OF OPERATIONS—SEGMENT BASIS

(Amounts in thousands, except per share data)

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|------------------|-----------------------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (unaudited) | | (unaudited) | |
| Management operations | | | | |
| Management fee revenue | \$ 241,639 | \$ 246,388 | \$ 726,429 | \$ 724,379 |
| Service agreement revenue | 5,294 | 5,384 | 15,440 | 16,207 |
| Total revenue from management operations | 246,933 | 251,772 | 741,869 | 740,586 |
| Cost of management operations | 194,768 | 187,998 | 570,612 | 551,957 |
| Income from management operations | 52,165 | 63,774 | 171,257 | 188,629 |
| Insurance underwriting operations | | | | |
| Premiums earned | 53,908 | 52,862 | 161,721 | 154,576 |
| Losses and loss adjustment expenses incurred | 36,995 | 34,602 | 103,457 | 112,642 |
| Policy acquisition and other underwriting expenses | 15,215 | 15,365 | 45,407 | 45,389 |
| Total losses and expenses | 52,210 | 49,967 | 148,864 | 158,031 |
| Underwriting gain (loss) | 1,698 | 2,895 | 12,857 | (3,455) |
| Investment operations | | | | |
| Net investment income | 14,755 | 14,795 | 45,158 | 45,086 |
| Net realized gains on investments | 1,765 | 859 | 16,457 | 6,743 |
| Equity in earnings of limited partnerships | 8,032 | 3,845 | 30,788 | 5,727 |
| Equity in earnings of Erie Family Life Insurance Company | 560 | 1,654 | 2,868 | 4,545 |
| Net revenue from investment operations | 25,112 | 21,153 | 95,271 | 62,101 |
| Income before income taxes | 78,975 | 87,822 | 279,385 | 247,275 |
| Provision for income taxes | 25,970 | 29,256 | 92,441 | 82,182 |
| Net income | \$ 53,005 | \$ 58,566 | \$ 186,944 | \$ 165,093 |
| Net income per share—diluted | \$ 0.76 | \$ 0.83 | \$ 2.69 | \$ 2.34 |

Amounts presented on a segment basis are presented gross of intercompany/intersegment items.

RECONCILIATION OF OPERATING INCOME TO NET INCOME

For the Periods Ended September 30, 2005 and 2004

Definition of Non-GAAP and Operating Measures

Management believes that investors' understanding of the Company's performance is enhanced by the disclosure of the following non-GAAP financial measure. The Company's method of calculating this measure may differ from those used by other companies; therefore, comparability may be limited.

Operating income is net income excluding realized capital gains and losses and related federal income taxes. Equity in earnings or losses of Erie Family Life Insurance Company and equity in earnings or losses of limited partnerships are not excluded from the calculation of operating income. Both of these categories include the respective investment's realized capital gains and losses, as well as unrealized gains and losses, as these investments are accounted for under the equity method.

Net income is the GAAP measure that is most directly comparable to operating income.

The Company uses operating income to evaluate the results of operations. It reveals trends in the Company's

management services, insurance underwriting and investment operations that may be obscured by the net effects of realized capital gains and losses. Realized capital gains and losses may vary significantly between periods and are generally driven by business decisions and economic developments such as capital market condition, the timing of which is unrelated to management services and the insurance underwriting processes of the Company. The Company believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing the Company's performance. The Company is aware that the price-to-earnings multiple, commonly used by investors as a forward-looking valuation technique, uses operating income as the denominator. Operating income should not be considered as a substitute for net income and does not reflect the overall profitability of the Company's business.

The following table reconciles operating income and net income for the periods ended September 30, 2005 and 2004:

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|------------------|-----------------------------------|-------------------|
| | 2005 | 2004 | 2005 | 2004 |
| (in thousands) | (unaudited) | | (unaudited) | |
| Operating income | \$ 51,858 | \$ 58,007 | \$ 176,247 | \$ 160,710 |
| Net realized gains on investments | 1,765 | 859 | 16,457 | 6,743 |
| Income tax expense on realized gains | (618) | (300) | (5,760) | (2,360) |
| Realized gains net of income tax expense | 1,147 | 559 | 10,697 | 4,383 |
| Net income | \$ 53,005 | \$ 58,566 | \$ 186,944 | \$ 165,093 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|--|------------------------------------|----------------|-----------------------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| (per share information—diluted) | (unaudited) | | (unaudited) | |
| Operating income | \$ 0.74 | \$ 0.82 | \$ 2.54 | \$ 2.28 |
| Net realized gains on investments | 0.03 | 0.01 | 0.24 | 0.10 |
| Income tax expense on realized gains | (0.01) | (0.00) | (0.09) | (0.04) |
| Realized gains net of income tax expense | 0.02 | 0.01 | 0.15 | 0.06 |
| Net income | \$ 0.76 | \$ 0.83 | \$ 2.69 | \$ 2.34 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands, except per share data)

| | September 30 2005 <small>(unaudited)</small> | December 31 2004 |
|---|--|---------------------|
| Assets | | |
| Investments | | |
| Fixed maturities | \$ 988,333 | \$ 974,512 |
| Equity securities | | |
| Preferred stock | 169,489 | 143,851 |
| Common stock | 92,690 | 58,843 |
| Other invested assets | 136,151 | 135,508 |
| Total investments | 1,386,663 | 1,312,714 |
| Cash and cash equivalents | 42,735 | 50,061 |
| Equity in Erie Family Life Insurance Company | 56,773 | 58,728 |
| Premiums receivable from policyholders | 287,152 | 275,721 |
| Receivables from affiliates | 1,180,095 | 1,145,238 |
| Other assets | 161,988 | 137,282 |
| Total assets | \$ 3,115,406 | \$ 2,979,744 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Unpaid losses and loss adjustment expenses | \$ 985,836 | \$ 943,034 |
| Unearned premiums | 480,404 | 472,553 |
| Other liabilities | 336,887 | 297,276 |
| Total liabilities | 1,803,127 | 1,712,863 |
| Total shareholders' equity | 1,312,279 | 1,266,881 |
| Total liabilities and shareholders' equity | \$ 3,115,406 | \$ 2,979,744 |
| Book value per share | \$ 19.03 | \$ 18.14 |
| Shares outstanding | 68,947 | 69,852 |



Erie Indemnity®

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An Equal Opportunity Employer

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814.870.2000 • www.erieinsurance.com