



ERIE INDEMNITY COMPANY

Investor Supplement Second Quarter 2015

This report is for informational purposes only and includes consolidated financial statements and financial exhibits that are unaudited. This report should be read in conjunction with documents filed with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K for 2014.

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Investor Supplement - Second Quarter 2015
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Entity Definitions

The accompanying consolidated financial statements of Erie Indemnity Company reflect the consolidated results of Indemnity and the Erie Insurance Exchange ("Exchange"), which we refer to collectively as "Erie Insurance Group."

Indemnity is a publicly held Pennsylvania business corporation that has since its incorporation in 1925 served as the attorney-in-fact for the subscribers (policyholders) of the Exchange. Indemnity shareholder interest represents the Class A and Class B shareholders. All management operations accrue to the Indemnity shareholder interest.

Exchange which also commenced business in 1925, is a Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance. Exchange refers to the noncontrolling interest held for the interest of the subscribers (policyholders) and includes its interests in Erie Insurance Company ("EIC"), Erie Insurance Company of New York ("ENY"), Erie Insurance Property and Casualty Company ("EPC"), Flagship City Insurance Company ("Flagship") and Erie Family Life Insurance Company ("EFL"). All property and casualty and life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest.

The Property and Casualty Group ("P&C Group") is a regional insurance group operating in 12 Midwestern, Mid-Atlantic, and Southeastern states and the District of Columbia. The P&C Group is comprised of Exchange and its wholly owned property and casualty subsidiaries.

EFL is a wholly owned subsidiary of the Exchange that underwrites and sells individual and group life insurance policies and fixed annuities.

Operating income (loss) is net income (loss) excluding the after-tax impact of the net realized investment gains (losses) and impairment losses.

Property and Casualty Group

Certain operating and statistical measures have been incorporated herein to provide supplemental data that indicate current trends in the P&C Group's business. These measures include revenue, policies in-force and policyholder retention. Policyholder retention is defined as renewal policies in the current period divided by total policies in the prior period.

The P&C Group, along with others in the property and casualty insurance industry, use statutory underwriting ratios as measures of performance. The loss and loss expense ratio is the ratio of losses and loss expenses to earned premiums. The statutory underwriting expense ratio is the ratio of underwriting expenses to written premiums. The combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and the policyholder dividend ratio. A combined ratio below 100% demonstrates underwriting profit; a combined ratio above 100% demonstrates underwriting losses. The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.

GAAP combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and, where applicable, the ratio of policyholder dividends to net earned premiums. For GAAP, the loss and loss expense ratio is the ratio of incurred losses and loss expenses to net earned premiums. The underwriting expense ratio is the ratio of policy acquisition and other underwriting costs to net earned premiums. A GAAP combined ratio under 100% generally indicates an underwriting profit. A GAAP combined ratio over 100% generally indicates an underwriting loss.

Loss reserve development is the increase or decrease in incurred losses and loss expenses as a result of the re-estimation of loss and loss expense reserves at successive valuation dates for a given group of claims. Loss reserve development may be related to one or more prior years. In the opinion of the Company's management, discussion of loss reserve development is useful to investors as it allows them to assess the impact between prior year development on incurred claims and claim adjustment expenses, net income, and changes in claims and claim adjustment expense reserve levels from period to period.

Erie Insurance Group's Quarterly Operations by Interest (Unaudited)

(dollars in millions, except per share data)

	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Three months ended June 30,		Three months ended June 30,		Three months ended June 30,		Three months ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Management operations:								
Management fee revenue, net	\$ 395	\$ 366	\$ —	\$ —	\$ (395)	\$ (366)	\$ —	\$ —
Service agreement revenue	7	8	—	—	—	—	7	8
Total revenue from management operations	402	374	—	—	(395)	(366)	7	8
Cost of management operations	332	306	—	—	(332)	(306)	—	—
<i>Income from management operations before taxes</i>	70	68	—	—	(63)	(60)	7	8
Property and casualty insurance operations:								
Net premiums earned	—	—	1,412	1,298	—	—	1,412	1,298
Losses and loss expenses	—	—	952	1,101	(1)	(2)	951	1,099
Policy acquisition and underwriting expenses	—	—	416	380	(65)	(64)	351	316
<i>Income (loss) from property and casualty insurance operations before taxes</i>	—	—	44	(183)	66	66	110	(117)
Life insurance operations: ⁽¹⁾								
Total revenue	—	—	48	46	0	(1)	48	45
Total benefits and expenses	—	—	35	36	0	0	35	36
<i>Income from life insurance operations before taxes</i>	—	—	13	10	0	(1)	13	9
Investment operations: ⁽¹⁾								
Net investment income	5	4	101	89	(3)	(5)	103	88
Net realized investment (losses) gains	0	0	(8)	133	—	—	(8)	133
Net impairment losses recognized in earnings	0	0	(2)	0	—	—	(2)	0
Equity in earnings of limited partnerships	11	3	61	23	—	—	72	26
<i>Income from investment operations before taxes</i>	16	7	152	245	(3)	(5)	165	247
Income from operations before income taxes and noncontrolling interest	86	75	209	72	—	—	295	147
Provision for income taxes	30	26	68	18	—	—	98	44
Net income	\$ 56	\$ 49	\$ 141	\$ 54	\$ —	\$ —	\$ 197	\$ 103

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

Operating income	\$ 56	\$ 49
Net income per share - diluted	\$ 1.07	\$ 0.94
Operating income per share - diluted	\$ 1.07	\$ 0.94

Key measures

Gross margin % - Indemnity	17.4%	18.2%
GAAP combined ratio	96.8%	114.0%

Erie Insurance Group's Year to Date Operations by Interest (Unaudited)

(dollars in millions, except per share data)

	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Management operations:								
Management fee revenue, net	\$ 738	\$ 685	\$ —	\$ —	\$ (738)	\$ (685)	\$ —	\$ —
Service agreement revenue	15	15	—	—	—	—	15	15
Total revenue from management operations	753	700	—	—	(738)	(685)	15	15
Cost of management operations	630	574	—	—	(630)	(574)	—	—
<i>Income from management operations before taxes</i>	123	126	—	—	(108)	(111)	15	15
Property and casualty insurance operations:								
Net premiums earned	—	—	2,792	2,566	—	—	2,792	2,566
Losses and loss expenses	—	—	1,985	2,108	(2)	(3)	1,983	2,105
Policy acquisition and underwriting expenses	—	—	802	745	(112)	(117)	690	628
<i>Income (loss) from property and casualty insurance operations before taxes</i>	—	—	5	(287)	114	120	119	(167)
Life insurance operations: (1)								
Total revenue	—	—	95	96	0	(1)	95	95
Total benefits and expenses	—	—	72	73	0	0	72	73
<i>Income from life insurance operations before taxes</i>	—	—	23	23	0	(1)	23	22
Investment operations: (1)								
Net investment income	9	8	189	173	(6)	(8)	192	173
Net realized investment gains	0	1	48	183	—	—	48	184
Net impairment losses recognized in earnings	0	0	(4)	0	—	—	(4)	0
Equity in earnings of limited partnerships	13	9	86	67	—	—	99	76
<i>Income from investment operations before taxes</i>	22	18	319	423	(6)	(8)	335	433
Income from operations before income taxes and noncontrolling interest	145	144	347	159	—	—	492	303
Provision for income taxes	50	49	109	42	—	—	159	91
Net income	\$ 95	\$ 95	\$ 238	\$ 117	\$ —	\$ —	\$ 333	\$ 212

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

Operating income	\$ 95	\$ 94
Net income per share - diluted	\$ 1.81	\$ 1.82
Operating income per share - diluted	\$ 1.81	\$ 1.81

Key measures

Gross margin % - Indemnity	16.3%	18.0%
GAAP combined ratio	99.8%	111.1%

Erie Indemnity Company
Investor Supplement - Second Quarter 2015 (Unaudited)

Balance Sheet Information - Indemnity

(in millions)

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 561	\$ 556	\$ 564	\$ 563	\$ 497
Equity securities	22	25	25	25	26
Limited partnerships	101	100	113	134	141
Other invested assets	1	1	1	1	1
Total investments	685	682	703	723	665
Cash and cash equivalents	77	58	92	45	63
Deferred income taxes	44	40	37	2	1
Other assets	123	125	127	114	112
Receivables from Exchange and other affiliates	369	337	335	343	339
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,323	\$ 1,267	\$ 1,319	\$ 1,252	\$ 1,205
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 591	\$ 557	\$ 616	\$ 481	\$ 450
Total liabilities	591	557	616	481	450
Shareholders' equity	732	710	703	771	755
Total liabilities and shareholders' equity	\$ 1,323	\$ 1,267	\$ 1,319	\$ 1,252	\$ 1,205

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Indemnity Management Operations

(dollars in millions)

	Three Months Ended					Six Months Ended	
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	June 30, 2015	June 30, 2014
<u>Direct written premiums of the P&C Group</u>							
Private passenger auto	\$ 654	\$ 592	\$ 555	\$ 634	\$ 616	\$ 1,246	\$ 1,173
Homeowners	435	322	360	413	406	757	707
Commercial multi-peril	202	190	170	169	185	392	361
Commercial auto	122	110	95	96	111	232	210
Workers compensation	120	119	93	94	109	239	215
All other lines of business	53	44	39	43	47	97	87
P&C Group direct written premiums - total	1,586	1,377	1,312	1,449	1,474	2,963	2,753
<u>Indemnity management operations revenue</u>							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 397	\$ 344	\$ 328	\$ 363	\$ 368	\$ 741	\$ 688
Service fee/other	5	7	9	7	6	12	12
Total revenue from management operations	\$ 402	\$ 351	\$ 337	\$ 370	\$ 374	\$ 753	\$ 700

	Three Months Ended					Six Months Ended	
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	June 30, 2015	June 30, 2014
<u>Indemnity cost of management operations</u>							
Commissions	\$ 224	\$ 194	\$ 196	\$ 208	\$ 205	\$ 418	\$ 379
Non-commission expense	108	104	106	100	101	212	195
Total cost of management operations	\$ 332	\$ 298	\$ 302	\$ 308	\$ 306	\$ 630	\$ 574

	Three Months Ended					Six Months Ended	
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	June 30, 2015	June 30, 2014
<u>Gross margin from management operations</u>							
Income from management operations	\$ 70	\$ 53	\$ 35	\$ 62	\$ 68	\$ 123	\$ 126
Gross margin %	17.4%	14.9%	10.5%	16.5%	18.2%	16.3%	18.0%

P&C Group					
Direct Written Premium Growth Measures					
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
12 month growth rate policies in force					
Total all lines	4.1%	4.2%	4.3%	4.5%	4.5%
Total personal lines	4.1%	4.2%	4.3%	4.4%	4.5%
Total commercial lines	4.1%	4.4%	4.4%	4.6%	4.7%
Retention trends ⁽¹⁾					
Total all lines	90.1%	90.2%	90.3%	90.5%	90.6%
Total personal lines	90.7%	90.8%	90.9%	91.0%	91.1%
Total commercial lines	86.3%	86.7%	86.5%	86.7%	86.9%
12 month % change average premiums					
Total all lines	3.9%	4.2%	4.2%	4.1%	4.2%
Total personal lines	3.0%	3.3%	3.5%	3.6%	3.7%
Total commercial lines	6.3%	6.3%	5.7%	5.2%	5.4%

(1) Policyholder retention rates are impacted when a policyholder cancels an existing policy and enters into a new policy due to various factors, including buying a new home or changing the policy type. When this occurs, the cancelled policy reduces the reported retention rate.

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P&C Group								
Reported Combined Ratio (Statutory Basis) - Direct Business								
Three Months ended June 30, 2015					Three Months ended June 30, 2014			
	Prior Year		Current		Prior Year		Current	
	Reserve		Accident		Reserve		Accident	
	Development		Year		Development		Year	
	Deficiency		Excluding		Deficiency		Excluding	
	Calendar	(Redundancy)	Catastrophe	Catastrophes	Calendar	(Redundancy)	Catastrophe	Catastrophes
	Year	[Direct business]	Losses		Year	[Direct business]	Losses	
Private passenger auto	106.9%	(2.5)%	0.9 %	108.5%	110.3%	(2.3)%	14.0%	98.6%
Homeowners	94.7%	(0.9)%	12.6 %	83.0%	115.3%	1.3 %	37.6%	76.4%
Other personal lines	51.2%	(15.6)%	0.2 %	66.6%	74.1%	(7.1)%	1.4%	79.8%
Total personal lines	101.3%	(2.1)%	5.4 %	98.0%	111.6%	(1.0)%	22.7%	89.9%
Commercial multi-peril	59.4%	(9.6)%	(3.4)%	72.4%	114.8%	1.2 %	15.0%	98.6%
Commercial auto	102.1%	1.1 %	4.9 %	96.1%	110.6%	(0.4)%	8.7%	102.3%
Workers compensation	82.6%	(3.7)%	0.0 %	86.3%	113.7%	0.7 %	0.0%	113.0%
Other commercial lines	83.6%	(7.2)%	(1.6)%	92.4%	63.1%	(13.9)%	0.7%	76.3%
Total commercial lines	77.6%	(5.2)%	(0.3)%	83.1%	110.1%	(0.3)%	8.7%	101.7%
Grand total - direct business only	94.3%	(3.0)%	3.7 %	93.6%	111.2%	(0.8)%	18.7%	93.3%
Six Months ended June 30, 2015					Six Months ended June 30, 2014			
	Prior Year		Current		Prior Year		Current	
	Reserve		Accident		Reserve		Accident	
	Development		Year		Development		Year	
	Deficiency		Excluding		Deficiency		Excluding	
	Calendar	(Redundancy)	Catastrophe	Catastrophes	Calendar	(Redundancy)	Catastrophe	Catastrophes
	Year	[Direct business]	Losses		Year	[Direct business]	Losses	
Private passenger auto	106.1%	(1.6)%	0.5 %	107.2%	107.3%	(0.4)%	7.3%	100.4%
Homeowners	94.9%	(1.7)%	13.9 %	82.7%	116.9%	0.5 %	29.9%	86.5%
Other personal lines	37.1%	(30.6)%	0.1 %	67.6%	58.5%	(18.2)%	1.5%	75.2%
Total personal lines	100.7%	(2.1)%	5.6 %	97.2%	110.2%	(0.3)%	15.7%	94.8%
Commercial multi-peril	89.9%	(5.0)%	5.5 %	89.4%	115.3%	(1.6)%	12.2%	104.7%
Commercial auto	100.4%	0.8 %	2.5 %	97.1%	112.9%	6.7 %	4.7%	101.5%
Workers compensation	87.6%	(4.0)%	0.0 %	91.6%	92.2%	(15.6)%	0.0%	107.8%
Other commercial lines	77.2%	(6.3)%	2.0 %	81.5%	75.5%	0.3 %	1.1%	74.1%
Total commercial lines	91.1%	(3.4)%	3.1 %	91.4%	106.3%	(2.9)%	6.6%	102.6%
Grand total - direct business only	97.9%	(2.5)%	4.9 %	95.5%	109.1%	(1.1)%	13.1%	97.1%