



## **ERIE INDEMNITY COMPANY**

### **Investor Supplement Third 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.

**Erie Indemnity Company**  
**Investor Supplement - Third 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 September 30, 2015	2014	Three months ended September 30, 2015	2014	Three months ended September 30, 2015	2014	Three months ended September 30, 2015	2014
<b>Management operations:</b>								
Management fee revenue, net	\$ 389	\$ 362	\$ —	\$ —	\$ (389)	\$ (362)	\$ —	\$ —
Service agreement revenue	7	8	—	—	—	—	7	8
Total revenue from management operations	396	370	—	—	(389)	(362)	7	8
Cost of management operations	328	308	—	—	(328)	(308)	—	—
<i>Income from management operations before taxes</i>	68	62	—	—	(61)	(54)	7	8
<b>Property and casualty insurance operations:</b>								
Net premiums earned	—	—	1,447	1,333	—	—	1,447	1,333
Losses and loss expenses	—	—	912	908	(1)	(1)	911	907
Policy acquisition and underwriting expenses	—	—	420	387	(63)	(56)	357	331
<i>Income from property and casualty insurance operations before taxes</i>	—	—	115	38	64	57	179	95
<b>Life insurance operations:</b> <sup>(1)</sup>								
Total revenue	—	—	49	48	0	0	49	48
Total benefits and expenses	—	—	38	38	0	0	38	38
<i>Income from life insurance operations before taxes</i>	—	—	11	10	0	0	11	10
<b>Investment operations:</b> <sup>(1)</sup>								
Net investment income	4	4	95	90	(3)	(3)	96	91
Net realized investment losses	0	0	(292)	(88)	—	—	(292)	(88)
Net impairment losses recognized in earnings	(1)	0	(3)	0	—	—	(4)	0
Equity in earnings of limited partnerships	4	4	39	30	—	—	43	34
<i>Income (loss) from investment operations before taxes</i>	7	8	(161)	32	(3)	(3)	(157)	37
<b>Income (loss) from operations before income taxes and noncontrolling interest</b>	75	70	(35)	80	—	—	40	150
Provision for income taxes	25	23	(18)	19	—	—	7	42
<b>Net income (loss)</b>	\$ 50	\$ 47	\$ (17)	\$ 61	\$ —	\$ —	\$ 33	\$ 108

(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.

<b>Operating income</b>	\$ 51	\$ 47
<b>Net income per share - diluted</b>	\$ 0.94	\$ 0.90
<b>Operating income per share - diluted</b>	\$ 0.95	\$ 0.90

**Key measures**

<b>Gross margin % - Indemnity</b>	17.2%	16.5%
<b>GAAP combined ratio</b>	92.1%	97.1%

**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	
	Nine months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
<b>Management operations:</b>								
Management fee revenue, net	\$ 1,127	\$ 1,047	\$ —	\$ —	\$ (1,127)	\$ (1,047)	\$ —	\$ —
Service agreement revenue	22	23	—	—	—	—	22	23
Total revenue from management operations	1,149	1,070	—	—	(1,127)	(1,047)	22	23
Cost of management operations	958	882	—	—	(958)	(882)	—	—
<i>Income from management operations before taxes</i>	191	188	—	—	(169)	(165)	22	23
<b>Property and casualty insurance operations:</b>								
Net premiums earned	—	—	4,239	3,899	—	—	4,239	3,899
Losses and loss expenses	—	—	2,897	3,016	(3)	(4)	2,894	3,012
Policy acquisition and underwriting expenses	—	—	1,222	1,132	(175)	(173)	1,047	959
<i>Income (loss) from property and casualty insurance operations before taxes</i>	—	—	120	(249)	178	177	298	(72)
<b>Life insurance operations: (1)</b>								
Total revenue	—	—	144	144	0	(1)	144	143
Total benefits and expenses	—	—	110	111	0	0	110	111
<i>Income from life insurance operations before taxes</i>	—	—	34	33	0	(1)	34	32
<b>Investment operations: (1)</b>								
Net investment income	13	12	284	263	(9)	(11)	288	264
Net realized investment gains (losses)	0	1	(244)	95	—	—	(244)	96
Net impairment losses recognized in earnings	(1)	0	(7)	0	—	—	(8)	0
Equity in earnings of limited partnerships	17	13	125	97	—	—	142	110
<i>Income from investment operations before taxes</i>	29	26	158	455	(9)	(11)	178	470
<b>Income from operations before income taxes and noncontrolling interest</b>	220	214	312	239	—	—	532	453
Provision for income taxes	75	72	91	61	—	—	166	133
<b>Net income</b>	<b>\$ 145</b>	<b>\$ 142</b>	<b>\$ 221</b>	<b>\$ 178</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 366</b>	<b>\$ 320</b>

(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.

<b>Operating income</b>	\$ 146	\$ 141
<b>Net income per share - diluted</b>	\$ 2.75	\$ 2.71
<b>Operating income per share - diluted</b>	\$ 2.76	\$ 2.70

**Key measures**

<b>Gross margin % - Indemnity</b>	16.6%	17.5%
<b>GAAP combined ratio</b>	97.1%	106.3%

**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2015 (Unaudited)**

**Balance Sheet Information - Indemnity**

*(in millions)*

	<b>September 30, 2015</b>	<b>June 30, 2015</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
<b>Assets</b>					
<b>Investments</b>					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 588	\$ 561	\$ 556	\$ 564	\$ 563
Equity securities	20	22	25	25	25
Limited partnerships	95	101	100	113	134
Other invested assets	1	1	1	1	1
<b>Total investments</b>	<b>704</b>	<b>685</b>	<b>682</b>	<b>703</b>	<b>723</b>
Cash and cash equivalents	122	77	58	92	45
Deferred income taxes	51	44	40	37	2
Other assets	110	123	125	127	114
Receivables from Exchange and other affiliates	385	369	337	335	343
Note receivable from EFL	25	25	25	25	25
<b>Total assets</b>	<b>\$ 1,397</b>	<b>\$ 1,323</b>	<b>\$ 1,267</b>	<b>\$ 1,319</b>	<b>\$ 1,252</b>
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Other liabilities	\$ 647	\$ 591	\$ 557	\$ 616	\$ 481
<b>Total liabilities</b>	<b>647</b>	<b>591</b>	<b>557</b>	<b>616</b>	<b>481</b>
<b>Shareholders' equity</b>	<b>750</b>	<b>732</b>	<b>710</b>	<b>703</b>	<b>771</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,397</b>	<b>\$ 1,323</b>	<b>\$ 1,267</b>	<b>\$ 1,319</b>	<b>\$ 1,252</b>

**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2015 (Unaudited)**

**Indemnity Management Operations**

*(dollars in millions)*

	Three Months Ended					Nine Months Ended	
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	September 30, 2015	September 30, 2014
<b><u>Direct written premiums of the P&amp;C Group</u></b>							
Private passenger auto	\$ 675	\$ 654	\$ 592	\$ 555	\$ 634	\$ 1,921	\$ 1,807
Homeowners	439	435	322	360	413	1,196	1,120
Commercial multi-peril	181	202	190	170	169	573	530
Commercial auto	105	122	110	95	96	337	306
Workers compensation	110	120	119	93	94	349	309
All other lines of business	47	53	44	39	43	144	130
P&C Group direct written premiums - total	1,557	1,586	1,377	1,312	1,449	4,520	4,202
<b><u>Indemnity management operations revenue</u></b>							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 389	\$ 397	\$ 344	\$ 328	\$ 363	\$ 1,130	\$ 1,051
Service fee/other	7	5	7	9	7	19	19
Total revenue from management operations	\$ 396	\$ 402	\$ 351	\$ 337	\$ 370	\$ 1,149	\$ 1,070

	Three Months Ended					Nine Months Ended	
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	September 30, 2015	September 30, 2014
<b><u>Indemnity cost of management operations</u></b>							
Commissions	\$ 223	\$ 224	\$ 194	\$ 196	\$ 208	\$ 641	\$ 587
Non-commission expense	105	108	104	106	100	317	295
Total cost of management operations	\$ 328	\$ 332	\$ 298	\$ 302	\$ 308	\$ 958	\$ 882

	Three Months Ended					Nine Months Ended	
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	September 30, 2015	September 30, 2014
<b><u>Gross margin from management operations</u></b>							
Income from management operations	\$ 68	\$ 70	\$ 53	\$ 35	\$ 62	\$ 191	\$ 188
Gross margin %	17.2%	17.4%	14.9%	10.5%	16.5%	16.6%	17.5%

<b>P&amp;C Group</b>					
<b>Direct Written Premium Growth Measures</b>					
	<b>September 30, 2015</b>	<b>June 30, 2015</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>	<b>September 30, 2014</b>
<b>12 month growth rate policies in force</b>					
Total all lines	3.8%	4.1%	4.2%	4.3%	4.5%
Total personal lines	3.9%	4.1%	4.2%	4.3%	4.4%
Total commercial lines	3.4%	4.1%	4.4%	4.4%	4.6%
<b>Retention trends <sup>(1)</sup></b>					
Total all lines	90.0%	90.1%	90.2%	90.3%	90.5%
Total personal lines	90.6%	90.7%	90.8%	90.9%	91.0%
Total commercial lines	86.1%	86.3%	86.7%	86.5%	86.7%
<b>12 month % change average premiums</b>					
Total all lines	3.9%	3.9%	4.2%	4.2%	4.1%
Total personal lines	2.8%	3.0%	3.3%	3.5%	3.6%
Total commercial lines	7.0%	6.3%	6.3%	5.7%	5.2%

*(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.*



**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2015 (Unaudited)**

<b>P&amp;C Group</b>								
<b>Reported Combined Ratio (Statutory Basis) - Direct Business</b>								
<b>Three Months ended September 30, 2015</b>					<b>Three Months ended September 30, 2014</b>			
	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	106.6%	0.7 %	1.1 %	104.8%	105.0%	(1.5)%	(1.5)%	108.0%
Homeowners	76.3%	(1.5)%	14.7 %	63.1%	81.1%	(3.5)%	12.7 %	71.9%
Other personal lines	99.5%	(2.4)%	0.0 %	101.9%	150.0%	35.0 %	(2.0)%	117.0%
<b>Total personal lines</b>	<b>95.0%</b>	<b>(0.2)%</b>	<b>6.2 %</b>	<b>89.0%</b>	<b>96.7%</b>	<b>(1.7)%</b>	<b>3.8 %</b>	<b>94.6%</b>
Commercial multi-peril	71.0%	(6.2)%	6.8 %	70.4%	90.1%	(8.1)%	10.1 %	88.1%
Commercial auto	98.0%	(12.4)%	(0.2)%	110.6%	87.3%	(10.1)%	(2.0)%	99.4%
Workers compensation	78.1%	(8.8)%	0.0 %	86.9%	103.5%	8.3 %	0.0 %	95.2%
Other commercial lines	55.5%	(3.3)%	4.0 %	54.8%	50.6%	(14.5)%	(0.3)%	65.4%
<b>Total commercial lines</b>	<b>78.5%</b>	<b>(8.2)%</b>	<b>3.1 %</b>	<b>83.6%</b>	<b>90.2%</b>	<b>(4.9)%</b>	<b>3.9 %</b>	<b>91.2%</b>
<b>Grand total - direct business only</b>	<b>90.0%</b>	<b>(2.6)%</b>	<b>5.3 %</b>	<b>87.3%</b>	<b>94.8%</b>	<b>(2.6)%</b>	<b>3.8 %</b>	<b>93.6%</b>
<b>Nine Months ended September 30, 2015</b>					<b>Nine Months ended September 30, 2014</b>			
	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	106.3%	(0.8)%	0.7 %	106.4%	106.5%	(0.7)%	4.3 %	102.9%
Homeowners	88.6%	(1.7)%	14.2 %	76.1%	104.7%	(0.9)%	24.0 %	81.6%
Other personal lines	59.1%	(20.9)%	0.1 %	79.9%	89.9%	0.0 %	0.3 %	89.6%
<b>Total personal lines</b>	<b>98.8%</b>	<b>(1.5)%</b>	<b>5.8 %</b>	<b>94.5%</b>	<b>105.6%</b>	<b>(0.8)%</b>	<b>11.6 %</b>	<b>94.8%</b>
Commercial multi-peril	83.4%	(5.4)%	5.9 %	82.9%	106.7%	(3.8)%	11.5 %	99.0%
Commercial auto	99.6%	(3.7)%	1.6 %	101.7%	104.1%	0.9 %	2.4 %	100.8%
Workers compensation	84.2%	(5.7)%	0.0 %	89.9%	96.3%	(7.3)%	0.0 %	103.6%
Other commercial lines	69.8%	(5.3)%	2.7 %	72.4%	67.0%	(4.8)%	0.6 %	71.2%
<b>Total commercial lines</b>	<b>86.7%</b>	<b>(5.1)%</b>	<b>3.1 %</b>	<b>88.7%</b>	<b>100.8%</b>	<b>(3.6)%</b>	<b>5.6 %</b>	<b>98.8%</b>
<b>Grand total - direct business only</b>	<b>95.2%</b>	<b>(2.5)%</b>	<b>5.0 %</b>	<b>92.7%</b>	<b>104.2%</b>	<b>(1.6)%</b>	<b>9.9 %</b>	<b>95.9%</b>