



ERIE INDEMNITY COMPANY

Investor Supplement Second Quarter 2016

This report is for informational purposes only and includes 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 2015.

Erie Indemnity Company
Investor Supplement - Second Quarter 2016
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Erie Indemnity Company
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Definitions

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) at the Erie Insurance Exchange ("Exchange"). Indemnity functions solely as the management company and all insurance operations are performed by the Exchange.

Exchange, which also commenced business in 1925, is a Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance.

Property and Casualty Group

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 the Exchange and its wholly owned property and casualty subsidiaries. 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.

- 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 group of claims. Loss reserve development may be related to one or more prior years. The prior year reserve development ratio represents the ratio of prior years' incurred losses and loss expenses to earned premiums.
- The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.
- The current accident year ratio represents the total amount of losses to earned premiums during the current calendar year.

Erie Indemnity Company
Investor Supplement - Second Quarter 2016 (Unaudited)

Indemnity
Income Statements

(dollars in thousands, except per share data)

	Three months ended					Six months ended	
	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	June 30, 2016	June 30, 2015
Operating revenue							
Management fee revenue, net	\$ 416,665	\$ 367,458	\$ 348,885	\$ 389,168	\$ 394,224	\$ 784,123	\$ 737,458
Service agreement fee revenue	7,219	7,270	7,495	7,469	7,436	14,489	15,033
Total operating revenue	423,884	374,728	356,380	396,637	401,660	798,612	752,491
Operating expenses							
Commissions	235,794	208,714	206,691	223,741	223,731	444,508	417,448
Salaries and employee benefits	55,025	53,289	55,998	58,342	57,354	108,314	112,373
All other operating expenses	47,306	45,060	51,852	46,265	50,592	92,366	100,257
Total operating expenses	338,125	307,063	314,541	328,348	331,677	645,188	630,078
Net revenue from operations	85,759	67,665	41,839	68,289	69,983	153,424	122,413
Investment income							
Net investment income	4,891	4,662	4,469	4,346	4,435	9,553	8,976
Net realized investment gains (losses)	399	(1,088)	617	(483)	598	(689)	358
Net impairment losses recognized in earnings	0	(345)	(923)	(480)	(35)	(345)	(155)
Equity in earnings (losses) of limited partnerships	2,114	(670)	81	3,837	10,707	1,444	13,065
Total investment income	7,404	2,559	4,244	7,220	15,705	9,963	22,244
Income before income taxes	93,163	70,224	46,083	75,509	85,688	163,387	144,657
Income tax expense	31,854	24,329	15,950	25,947	29,538	56,183	49,674
Net income	\$ 61,309	\$ 45,895	\$ 30,133	\$ 49,562	\$ 56,150	\$ 107,204	\$ 94,983

Key measures

Operating income ⁽¹⁾	\$ 61,049	\$ 46,827	\$ 30,332	\$ 50,188	\$ 55,784	\$ 107,876	\$ 94,851
Net income per share - diluted	\$ 1.17	\$ 0.87	\$ 0.57	\$ 0.94	\$ 1.07	\$ 2.04	\$ 1.81
Operating income per share - diluted	\$ 1.17	\$ 0.89	\$ 0.58	\$ 0.95	\$ 1.07	\$ 2.05	\$ 1.81

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

Erie Indemnity Company
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Indemnity
Balance Sheet Information

(in thousands)

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Assets					
Cash and cash equivalents	\$ 124,111	\$ 105,282	\$ 182,889	\$ 122,138	\$ 76,580
Receivables from Erie Insurance Exchange and affiliates	387,273	352,451	348,055	384,441	368,877
Investments	725,083	701,080	688,476	703,392	684,441
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	153,359	156,811	162,876	161,531	167,265
Total assets	\$ 1,414,826	\$ 1,340,624	\$ 1,407,296	\$ 1,396,502	\$ 1,322,163
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 217,203	\$ 202,816	\$ 195,542	\$ 208,906	\$ 209,157
Agent bonuses	58,235	31,940	106,752	76,707	48,880
Defined benefit pension plans and employee benefit obligations	171,529	164,053	173,934	202,995	193,380
Other liabilities	152,665	156,948	161,565	158,365	138,543
Total liabilities	599,632	555,757	637,793	646,973	589,960
Shareholders' equity	815,194	784,867	769,503	749,529	732,203
Total liabilities and shareholders' equity	\$ 1,414,826	\$ 1,340,624	\$ 1,407,296	\$ 1,396,502	\$ 1,322,163

Erie Indemnity Company
Investor Supplement - Second Quarter 2016 (Unaudited)

Indemnity Management Fee

(dollars in thousands)

Three months ended

Six months ended

Direct written premiums of the P&C Group

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	June 30, 2016	June 30, 2015
Private passenger auto	\$ 707,442	\$ 638,214	\$ 594,455	\$ 675,411	\$ 653,827	\$ 1,345,656	\$ 1,245,919
Homeowners	450,054	338,899	378,389	438,955	434,871	788,953	757,302
Commercial multi-peril	207,756	200,174	176,138	180,787	201,287	407,930	391,535
Workers compensation	125,121	130,214	98,848	110,434	120,740	255,335	239,430
Commercial auto	131,725	120,210	104,217	105,762	121,801	251,935	231,621
All other lines of business	54,961	46,921	41,492	46,524	52,769	101,882	96,826
P&C Group direct written premiums - total	\$ 1,677,059	\$ 1,474,632	\$ 1,393,539	\$ 1,557,873	\$ 1,585,295	\$ 3,151,691	\$ 2,962,633

Indemnity operating revenue

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	June 30, 2016	June 30, 2015
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 419,265	\$ 368,658	\$ 348,385	\$ 389,468	\$ 396,324	\$ 787,923	\$ 740,658
Service agreement/other revenue	4,619	6,070	7,995	7,169	5,336	10,689	11,833
Total operating revenue	\$ 423,884	\$ 374,728	\$ 356,380	\$ 396,637	\$ 401,660	\$ 798,612	\$ 752,491

Three months ended

Six months ended

Indemnity operating expenses

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	June 30, 2016	June 30, 2015
Commissions	\$ 235,794	\$ 208,714	\$ 206,691	\$ 223,741	\$ 223,731	\$ 444,508	\$ 417,448
Non-commission operating expenses	102,331	98,349	107,850	104,607	107,946	200,680	212,630
Total operating expenses	\$ 338,125	\$ 307,063	\$ 314,541	\$ 328,348	\$ 331,677	\$ 645,188	\$ 630,078

Three months ended

Six months ended

Gross margin from operations

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Net revenue from operations	\$ 85,759	\$ 67,665	\$ 41,839	\$ 68,289	\$ 69,983	\$ 153,424	\$ 122,413
Gross margin %	20.2%	18.1%	11.7%	17.2%	17.4%	19.2%	16.3%

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Property and Casualty Group					
Direct Written Premium Growth Measures					
	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
12 month growth rate policies in force					
Total all lines	3.4%	3.6%	3.6%	3.8%	4.1%
Total personal lines	3.6%	3.7%	3.7%	3.9%	4.1%
Total commercial lines	2.3%	2.7%	2.9%	3.4%	4.1%
Retention trends ⁽¹⁾					
Total all lines	89.8%	89.9%	89.9%	90.0%	90.1%
Total personal lines	90.4%	90.5%	90.5%	90.6%	90.7%
Total commercial lines	86.1%	86.3%	86.0%	86.1%	86.3%
12 month % change average premiums					
Total all lines	3.1%	3.4%	3.5%	3.9%	3.9%
Total personal lines	2.8%	2.8%	2.7%	2.8%	3.0%
Total commercial lines	4.6%	5.5%	6.0%	7.0%	6.3%

(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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Property and Casualty Group
Statutory Basis Combined Ratio - Direct Business

	Three months ended June 30, 2016				Three months ended June 30, 2015			
	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	99.1 %	(5.4)%	2.4 %	102.1 %	106.9 %	(2.5)%	0.9 %	108.5 %
Homeowners	92.9 %	1.8 %	19.9 %	71.2 %	94.7 %	(0.9)%	12.6 %	83.0 %
Other personal lines	85.2 %	(15.3)%	2.1 %	98.4 %	51.2 %	(15.6)%	0.2 %	66.6 %
Total personal lines	96.5%	(2.9)%	9.0%	90.4%	101.3%	(2.1)%	5.4 %	98.0%
Commercial multi-peril	55.4 %	(18.4)%	4.6 %	69.2 %	59.4 %	(9.6)%	(3.4)%	72.4 %
Commercial auto	108.4 %	3.2 %	3.1 %	102.1 %	102.1 %	1.1 %	4.9 %	96.1 %
Workers compensation	94.7 %	1.7 %	0.0 %	93.0 %	82.6 %	(3.7)%	0.0 %	86.3 %
Other commercial lines	87.2 %	2.6 %	0.1 %	84.5 %	83.6 %	(7.2)%	(1.6)%	92.4 %
Total commercial lines	81.0%	(6.4)%	2.8%	84.6%	77.6%	(5.2)%	(0.3)%	83.1%
Grand total - direct business only	91.9%	(3.9)%	7.1%	88.7%	94.3%	(3.0)%	3.7 %	93.6%
	Six months ended June 30, 2016				Six months ended June 30, 2015			
	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	101.1 %	(3.1)%	1.4 %	102.8 %	106.1 %	(1.6)%	0.5 %	107.2 %
Homeowners	87.0 %	0.4 %	13.0 %	73.6 %	94.9 %	(1.7)%	13.9 %	82.7 %
Other personal lines	86.3 %	(2.2)%	1.2 %	87.3 %	37.1 %	(30.6)%	0.1 %	67.6 %
Total personal lines	95.6%	(1.7)%	5.7%	91.6%	100.7%	(2.1)%	5.6 %	97.2%
Commercial multi-peril	74.9 %	(9.4)%	5.3 %	79.0 %	89.9 %	(5.0)%	5.5 %	89.4 %
Commercial auto	96.6 %	(3.0)%	2.1 %	97.5 %	100.4 %	0.8 %	2.5 %	97.1 %
Workers compensation	91.8 %	(1.2)%	0.0 %	93.0 %	87.6 %	(4.0)%	0.0 %	91.6 %
Other commercial lines	83.9 %	1.9 %	0.5 %	81.5 %	77.2 %	(6.3)%	2.0 %	81.5 %
Total commercial lines	85.3%	(4.9)%	2.8%	87.4%	91.1%	(3.4)%	3.1 %	91.4%
Grand total - direct business only	92.5%	(2.7)%	4.9%	90.3%	97.9%	(2.5)%	4.9 %	95.5%