



ERIE INDEMNITY COMPANY

Investor Supplement First Quarter 2017

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 2016.

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Investor Supplement - First Quarter 2017
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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.

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Indemnity
Income Statements

(dollars in thousands, except per share data)

Three months ended

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Operating revenue					
Management fee revenue, net	\$ 392,058	\$ 372,169	\$ 411,139	\$ 416,665	\$ 367,458
Service agreement fee revenue	7,258	7,444	7,267	7,219	7,270
Total operating revenue	399,316	379,613	418,406	423,884	374,728
Operating expenses					
Commissions	220,478	216,837	232,455	235,794	208,714
Salaries and employee benefits	59,740	51,777	53,265	55,025	53,289
All other operating expenses	52,564	54,314	50,431	47,306	45,060
Total operating expenses	332,782	322,928	336,151	338,125	307,063
Net revenue from operations	66,534	56,685	82,255	85,759	67,665
Investment income					
Net investment income	5,978	5,663	5,331	4,891	4,662
Net realized investment gains (losses)	516	643	718	399	(1,088)
Net impairment losses recognized in earnings	(121)	(71)	0	0	(345)
Equity in (losses) earnings of limited partnerships	213	7,304	(1,723)	2,114	(670)
Total investment income	6,586	13,539	4,326	7,404	2,559
Interest expense, net	166	101	—	—	—
Income before income taxes	72,954	70,123	86,581	93,163	70,224
Income tax expense	25,078	24,337	29,205	31,854	24,329
Net income	\$ 47,876	\$ 45,786	\$ 57,376	\$ 61,309	\$ 45,895
Net income per share - diluted	\$ 0.91	\$ 0.87	\$ 1.09	\$ 1.17	\$ 0.87

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Indemnity
Balance Sheet Information

(in thousands)

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Assets					
Cash and cash equivalents	\$ 110,418	\$ 189,072	\$ 139,813	\$ 124,111	\$ 105,282
Receivables from Erie Insurance Exchange and affiliates	392,319	378,540	399,975	387,273	352,451
Investments	774,326	771,450	770,324	725,083	701,080
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	187,973	184,893	149,903	153,359	156,811
Total assets	\$ 1,490,036	\$ 1,548,955	\$ 1,485,015	\$ 1,414,826	\$ 1,340,624
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 219,256	\$ 210,559	\$ 218,267	\$ 217,203	\$ 202,816
Agent bonuses	32,882	114,772	84,805	58,235	31,940
Defined benefit pension plans and employee benefit obligations	212,020	222,583	179,008	171,529	164,053
Long-term borrowings	24,753	24,766	—	—	—
Other liabilities	171,267	159,365	164,006	152,665	156,948
Total liabilities	660,178	732,045	646,086	599,632	555,757
Shareholders' equity	829,858	816,910	838,929	815,194	784,867
Total liabilities and shareholders' equity	\$ 1,490,036	\$ 1,548,955	\$ 1,485,015	\$ 1,414,826	\$ 1,340,624

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Indemnity Management Fee

(dollars in thousands)

Three months ended

Direct written premiums of the P&C Group

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Private passenger auto	\$ 703,168	\$ 646,819	\$ 732,688	\$ 707,442	\$ 638,214
Homeowners	349,753	389,318	451,628	450,054	338,899
Commercial multi-peril	206,359	185,304	185,370	207,756	200,174
Workers compensation	135,514	103,613	110,366	125,121	130,214
Commercial auto	128,400	113,478	114,674	131,725	120,210
All other lines of business	49,837	44,148	49,029	54,961	46,921
P&C Group direct written premiums - total	\$ 1,573,031	\$ 1,482,680	\$ 1,643,755	\$ 1,677,059	\$ 1,474,632

Indemnity operating revenue

Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 393,258	\$ 370,669	\$ 410,939	\$ 419,265	\$ 368,658
Service agreement/other revenue	6,058	8,944	7,467	4,619	6,070
Total operating revenue	\$ 399,316	\$ 379,613	\$ 418,406	\$ 423,884	\$ 374,728

Three months ended

Indemnity operating expenses

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Commissions	\$ 220,478	\$ 216,837	\$ 232,455	\$ 235,794	\$ 208,714
Non-commission operating expenses	112,304	106,091	103,696	102,331	98,349
Total operating expenses	\$ 332,782	\$ 322,928	\$ 336,151	\$ 338,125	\$ 307,063

Three months ended

Gross margin from operations

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Net revenue from operations	\$ 66,534	\$ 56,685	\$ 82,255	\$ 85,759	\$ 67,665
Gross margin %	16.7%	14.9%	19.7%	20.2%	18.1%

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Property and Casualty Group Direct Written Premium Growth Measures

	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
12 month growth rate policies in force					
Total all lines	3.2%	3.1%	3.3%	3.4%	3.6%
Total personal lines	3.3%	3.3%	3.4%	3.6%	3.7%
Total commercial lines	2.5%	2.3%	2.3%	2.3%	2.7%
Retention trends ⁽¹⁾					
Total all lines	89.8%	89.8%	89.8%	89.8%	89.9%
Total personal lines	90.3%	90.3%	90.3%	90.4%	90.5%
Total commercial lines	86.4%	86.2%	86.1%	86.1%	86.3%
12 month % change average premiums					
Total all lines	2.8%	2.9%	2.7%	3.1%	3.4%
Total personal lines	3.3%	3.1%	2.9%	2.8%	2.8%
Total commercial lines	2.1%	3.1%	3.1%	4.6%	5.5%

(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 March 31, 2017				Three months ended March 31, 2016			
	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	104.5 %	0.9 %	0.3 %	103.3 %	103.3 %	(0.7)%	0.3 %	103.7 %
Homeowners	102.2 %	1.8 %	22.2 %	78.2 %	81.1 %	(0.9)%	6.1 %	75.9 %
Other personal lines	58.2 %	(13.5)%	0.4 %	71.3 %	87.5 %	11.1 %	0.2 %	76.2 %
Total personal lines	102.9%	1.0 %	8.3%	93.6%	94.6%	(0.6)%	2.5%	92.7%
Commercial multi-peril	95.2 %	(1.4)%	8.7 %	87.9 %	94.7 %	(0.3)%	5.9 %	89.1 %
Commercial auto	96.3 %	(1.5)%	1.3 %	96.5 %	84.4 %	(9.3)%	1.1 %	92.6 %
Workers compensation	87.5 %	(14.3)%	0.0 %	101.8 %	88.8 %	(4.0)%	0.0 %	92.8 %
Other commercial lines	65.8 %	(11.3)%	0.3 %	76.8 %	80.5 %	1.2 %	0.8 %	78.5 %
Total commercial lines	91.6%	(5.3)%	4.0%	92.9%	89.7%	(3.4)%	2.8%	90.3%
Grand total - direct business only	99.6%	(0.8)%	7.1%	93.3%	93.2%	(1.4)%	2.6%	92.0%