



## **ERIE INDEMNITY COMPANY**

### **Investor Supplement Third 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.

**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2017**  
**Table of Contents**

	<u>Page</u>
Definitions	1
Indemnity Income Statements	2
Indemnity Balance Sheet Information	3
Indemnity Management Fee	4
Property and Casualty Group Direct Written Premium Growth Measures	5
Property and Casualty Group Statutory Basis Combined Ratio - Direct Business	6

**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2017**  
**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 - Third Quarter 2017 (Unaudited)**

**Indemnity**  
**Income Statements**

*(dollars in thousands, except per share data)*

	Three months ended				Nine months ended		
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	September 30, 2017	September 30, 2016
<b>Operating revenue</b>							
Management fee revenue, net	\$ 435,214	\$ 441,319	\$ 392,058	\$ 372,169	\$ 411,139	\$ 1,268,591	\$ 1,195,262
Service agreement fee revenue	7,278	7,245	7,258	7,444	7,267	21,781	21,756
Total operating revenue	442,492	448,564	399,316	379,613	418,406	1,290,372	1,217,018
<b>Operating expenses</b>							
Commissions	248,677	251,383	220,478	216,837	232,455	720,538	676,963
Salaries and employee benefits	60,499	60,774	59,740	51,777	53,265	181,013	161,579
All other operating expenses	52,480	53,363	52,564	54,314	50,431	158,407	142,797
Total operating expenses	361,656	365,520	332,782	322,928	336,151	1,059,958	981,339
Operating income	80,836	83,044	66,534	56,685	82,255	230,414	235,679
<b>Investment income</b>							
Net investment income	5,970	6,236	5,978	5,663	5,331	18,184	14,884
Net realized investment gains	899	124	516	643	718	1,539	29
Net impairment losses recognized in earnings	0	(61)	(121)	(71)	0	(182)	(345)
Equity in earnings (losses) of limited partnerships	1,537	149	213	7,304	(1,723)	1,899	(279)
Total investment income	8,406	6,448	6,586	13,539	4,326	21,440	14,289
Interest expense, net	377	257	166	101	—	800	—
Income before income taxes	88,865	89,235	72,954	70,123	86,581	251,054	249,968
Income tax expense	30,322	30,708	25,078	24,337	29,205	86,108	85,388
Net income	\$ 58,543	\$ 58,527	\$ 47,876	\$ 45,786	\$ 57,376	\$ 164,946	\$ 164,580
Net income per share - diluted	\$ 1.12	\$ 1.12	\$ 0.91	\$ 0.87	\$ 1.09	\$ 3.15	\$ 3.14

**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2017 (Unaudited)**

**Indemnity**  
**Balance Sheet Information**

*(in thousands)*

	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 184,628	\$ 144,709	\$ 110,418	\$ 189,072	\$ 139,813
Receivables from Erie Insurance Exchange and affiliates	428,500	411,422	392,319	378,540	399,975
Investments	798,717	797,912	774,326	771,450	770,324
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	194,584	188,182	187,973	184,893	149,903
<b>Total assets</b>	<b>\$ 1,631,429</b>	<b>\$ 1,567,225</b>	<b>\$ 1,490,036</b>	<b>\$ 1,548,955</b>	<b>\$ 1,485,015</b>
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Commissions payable	\$ 236,056	\$ 232,905	\$ 219,256	\$ 210,559	\$ 218,267
Agent bonuses	93,448	62,845	32,882	114,772	84,805
Defined benefit pension plans and employee benefit obligations	208,858	220,434	212,020	222,583	179,008
Long-term borrowings	49,734	49,742	24,753	24,766	—
Other liabilities	168,183	148,085	171,267	159,365	164,006
<b>Total liabilities</b>	<b>756,279</b>	<b>714,011</b>	<b>660,178</b>	<b>732,045</b>	<b>646,086</b>
<b>Shareholders' equity</b>	<b>875,150</b>	<b>853,214</b>	<b>829,858</b>	<b>816,910</b>	<b>838,929</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,631,429</b>	<b>\$ 1,567,225</b>	<b>\$ 1,490,036</b>	<b>\$ 1,548,955</b>	<b>\$ 1,485,015</b>

Erie Indemnity Company  
Investor Supplement - Third Quarter 2017 (Unaudited)

**Indemnity Management Fee**

(dollars in thousands)

	Three months ended					Nine months ended	
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	September 30, 2017	September 30, 2016
<b>Direct written premiums of the P&amp;C Group</b>							
Private passenger auto	\$ 796,221	\$ 772,974	\$ 703,168	\$ 646,819	\$ 732,688	\$ 2,272,363	\$ 2,078,344
Homeowners	465,057	463,200	349,753	389,318	451,628	1,278,010	1,240,581
Commercial multi-peril	192,506	214,948	206,359	185,304	185,370	613,813	593,300
Workers compensation	109,320	124,742	135,514	103,613	110,366	369,576	365,701
Commercial auto	125,529	139,229	128,400	113,478	114,674	393,158	366,609
All other lines of business	51,021	57,784	49,837	44,148	49,029	158,642	150,911
P&C Group direct written premiums - total	\$ 1,739,654	\$ 1,772,877	\$ 1,573,031	\$ 1,482,680	\$ 1,643,755	\$ 5,085,562	\$ 4,795,446
<b>Indemnity operating revenue</b>							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 434,914	\$ 443,219	\$ 393,258	\$ 370,669	\$ 410,939	\$ 1,271,391	\$ 1,198,862
Service agreement/other revenue	7,578	5,345	6,058	8,944	7,467	18,981	18,156
Total operating revenue	\$ 442,492	\$ 448,564	\$ 399,316	\$ 379,613	\$ 418,406	\$ 1,290,372	\$ 1,217,018

	Three months ended					Nine months ended	
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	September 30, 2017	September 30, 2016
<b>Indemnity operating expenses</b>							
Commissions	\$ 248,677	\$ 251,383	\$ 220,478	\$ 216,837	\$ 232,455	\$ 720,538	\$ 676,963
Non-commission operating expenses	112,979	114,137	112,304	106,091	103,696	339,420	304,376
Total operating expenses	\$ 361,656	\$ 365,520	\$ 332,782	\$ 322,928	\$ 336,151	\$ 1,059,958	\$ 981,339

	Three months ended					Nine months ended	
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	September 30, 2017	September 30, 2016
<b>Gross margin from operations</b>							
Operating income	\$ 80,836	\$ 83,044	\$ 66,534	\$ 56,685	\$ 82,255	\$ 230,414	\$ 235,679
Gross margin %	18.3%	18.5%	16.7%	14.9%	19.7%	17.9%	19.4%

**Erie Indemnity Company**  
**Investor Supplement - Third Quarter 2017 (Unaudited)**

<b>Property and Casualty Group</b>					
<b>Direct Written Premium Growth Measures</b>					
	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>	<b>September 30, 2016</b>
<b>12 month growth rate policies in force</b>					
Total all lines	3.4%	3.2%	3.2%	3.1%	3.3%
Total personal lines	3.5%	3.3%	3.3%	3.3%	3.4%
Total commercial lines	2.7%	2.6%	2.5%	2.3%	2.3%
<b>Retention trends <sup>(1)</sup></b>					
Total all lines	89.6%	89.6%	89.8%	89.8%	89.8%
Total personal lines	90.1%	90.1%	90.3%	90.3%	90.3%
Total commercial lines	86.3%	86.2%	86.4%	86.2%	86.1%
<b>12 month % change average premiums</b>					
Total all lines	2.6%	2.7%	2.8%	2.9%	2.7%
Total personal lines	3.2%	3.4%	3.3%	3.1%	2.9%
Total commercial lines	1.6%	1.7%	2.1%	3.1%	3.1%

*(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 2017 (Unaudited)

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

	Three months ended September 30, 2017				Three months ended September 30, 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	102.6 %	(1.7) %	1.0 %	103.3 %	112.6 %	(0.5) %	0.5 %	112.6 %
Homeowners	82.9 %	0.1 %	17.2 %	65.6 %	80.1 %	0.5 %	7.7 %	71.9 %
Other personal lines	90.3 %	21.8 %	(0.3) %	68.8 %	27.9 %	(25.8) %	(0.7) %	54.4 %
<b>Total personal lines</b>	<b>95.3 %</b>	<b>(0.7) %</b>	<b>6.8 %</b>	<b>89.2 %</b>	<b>99.1 %</b>	<b>(0.5) %</b>	<b>3.2 %</b>	<b>96.4 %</b>
Commercial multi-peril	77.6 %	3.5 %	4.0 %	70.1 %	73.4 %	(3.9) %	1.1 %	76.2 %
Commercial auto	94.1 %	(4.6) %	0.5 %	98.2 %	106.5 %	1.9 %	1.2 %	103.4 %
Workers compensation	79.9 %	2.9 %	0.0 %	77.0 %	97.7 %	(1.6) %	0.0 %	99.3 %
Other commercial lines	26.9 %	(48.7) %	0.5 %	75.1 %	32.0 %	(29.3) %	0.5 %	60.8 %
<b>Total commercial lines</b>	<b>79.2 %</b>	<b>(2.2) %</b>	<b>1.9 %</b>	<b>79.5 %</b>	<b>85.4 %</b>	<b>(3.5) %</b>	<b>0.8 %</b>	<b>88.1 %</b>
<b>Grand total - direct business only</b>	<b>90.6 %</b>	<b>(1.1) %</b>	<b>5.4 %</b>	<b>86.3 %</b>	<b>95.0 %</b>	<b>(1.4) %</b>	<b>2.5 %</b>	<b>93.9 %</b>
	Nine months ended September 30, 2017				Nine months ended September 30, 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	104.7 %	(0.9) %	0.8 %	104.8 %	105.1 %	(2.2) %	1.1 %	106.2 %
Homeowners	91.8 %	0.6 %	19.6 %	71.6 %	84.7 %	0.5 %	11.2 %	73.0 %
Other personal lines	82.2 %	8.2 %	0.0 %	74.0 %	66.5 %	(10.2) %	0.5 %	76.2 %
<b>Total personal lines</b>	<b>99.6 %</b>	<b>(0.2) %</b>	<b>7.6 %</b>	<b>92.2 %</b>	<b>96.8 %</b>	<b>(1.3) %</b>	<b>4.9 %</b>	<b>93.2 %</b>
Commercial multi-peril	81.7 %	0.1 %	6.8 %	74.8 %	74.4 %	(7.6) %	3.9 %	78.1 %
Commercial auto	97.5 %	(1.4) %	1.1 %	97.8 %	100.0 %	(1.3) %	1.8 %	99.5 %
Workers compensation	87.6 %	(6.3) %	0.0 %	93.9 %	93.8 %	(1.3) %	0.0 %	95.1 %
Other commercial lines	57.5 %	(17.3) %	0.5 %	74.3 %	66.3 %	(8.7) %	0.5 %	74.5 %
<b>Total commercial lines</b>	<b>85.8 %</b>	<b>(3.0) %</b>	<b>3.2 %</b>	<b>85.6 %</b>	<b>85.3 %</b>	<b>(4.5) %</b>	<b>2.1 %</b>	<b>87.7 %</b>
<b>Grand total - direct business only</b>	<b>95.6 %</b>	<b>(1.0) %</b>	<b>6.3 %</b>	<b>90.3 %</b>	<b>93.4 %</b>	<b>(2.3) %</b>	<b>4.1 %</b>	<b>91.6 %</b>