



ERIE INDEMNITY COMPANY

Investor Supplement Fourth 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 2017.

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Investor Supplement - Fourth Quarter 2017
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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							
<i>(dollars in thousands, except per share data)</i>							
	Three Months Ended				Twelve Months Ended		
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
(Unaudited)							
Operating revenue							
Management fee revenue, net	\$ 394,034	\$ 435,214	\$ 441,319	\$ 392,058	\$ 372,169	\$ 1,662,625	\$ 1,567,431
Service agreement fee revenue	7,368	7,278	7,245	7,258	7,444	29,149	29,200
Total operating revenue	401,402	442,492	448,564	399,316	379,613	1,691,774	1,596,631
Operating expenses							
Commissions	226,943	248,677	251,383	220,478	216,837	947,481	893,800
Salaries and employee benefits	59,168	60,499	60,774	59,740	51,777	240,181	213,356
All other operating expenses	57,333	52,480	53,363	52,564	54,314	215,740	197,111
Total operating expenses	343,444	361,656	365,520	332,782	322,928	1,403,402	1,304,267
Operating income	57,958	80,836	83,044	66,534	56,685	288,372	292,364
Investment income							
Net investment income	6,424	5,970	6,236	5,978	5,663	24,608	20,547
Net realized investment (losses) gains	(205)	899	124	516	643	1,334	672
Net impairment losses recognized in earnings	0	0	(61)	(121)	(71)	(182)	(416)
Equity in earnings of limited partnerships	902	1,537	149	213	7,304	2,801	7,025
Total investment income	7,121	8,406	6,448	6,586	13,539	28,561	27,828
Interest expense, net	438	377	257	166	101	1,238	101
Income before income taxes	64,641	88,865	89,235	72,954	70,123	315,695	320,091
Income tax expense	32,588	30,322	30,708	25,078	24,337	118,696	109,725
Net income	\$ 32,053	\$ 58,543	\$ 58,527	\$ 47,876	\$ 45,786	\$ 196,999	\$ 210,366

Key measures

Net income per share - diluted ⁽¹⁾	\$ 0.61	\$ 1.12	\$ 1.12	\$ 0.91	\$ 0.87	\$ 3.76	\$ 4.01
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(1) The 2017 fourth quarter and full year Class A diluted earnings per share was reduced by \$0.19 as a result of increased income tax expense from enactment of the TCJA of \$10.1 million.

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Indemnity				
Balance Sheet Information				

(in thousands)

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
	(Unaudited)				
Assets					
Cash and cash equivalents	\$ 215,721	\$ 184,628	\$ 144,709	\$ 110,418	\$ 189,072
Receivables from Erie Insurance Exchange and affiliates	418,328	428,500	411,422	392,319	378,540
Investments	803,835	798,717	797,912	774,326	771,450
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	202,975	194,584	188,182	187,973	184,893
Total assets	\$ 1,665,859	\$ 1,631,429	\$ 1,567,225	\$ 1,490,036	\$ 1,548,955
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 228,124	\$ 236,056	\$ 232,905	\$ 219,256	\$ 210,559
Agent bonuses	122,528	93,448	62,845	32,882	114,772
Defined benefit pension plans and employee benefit obligations	207,953	208,858	220,434	212,020	222,583
Long-term borrowings	74,728	49,734	49,742	24,753	24,766
Other liabilities	175,182	168,183	148,085	171,267	159,365
Total liabilities	808,515	756,279	714,011	660,178	732,045
Shareholders' equity	857,344	875,150	853,214	829,858	816,910
Total liabilities and shareholders' equity	\$ 1,665,859	\$ 1,631,429	\$ 1,567,225	\$ 1,490,036	\$ 1,548,955

Erie Indemnity Company
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P&C Group					
Direct Written Premium Growth Measures					
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
12 month growth rate policies in force					
Total all lines	3.5%	3.4%	3.2%	3.2%	3.1%
Total personal lines	3.6%	3.5%	3.3%	3.3%	3.3%
Total commercial lines	2.7%	2.7%	2.6%	2.5%	2.3%
Retention trends ⁽¹⁾					
Total all lines	89.6%	89.6%	89.6%	89.8%	89.8%
Total personal lines	90.1%	90.1%	90.1%	90.3%	90.3%
Total commercial lines	86.3%	86.3%	86.2%	86.4%	86.2%
12 month % change average premiums					
Total all lines	2.4%	2.6%	2.7%	2.8%	2.9%
Total personal lines	3.2%	3.2%	3.4%	3.3%	3.1%
Total commercial lines	1.1%	1.6%	1.7%	2.1%	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.

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P&C Group

Statutory Basis Combined Ratio - Direct Business

	Three months ended December 31, 2017				Three months ended December 31, 2016			
	Prior Year Reserve Development Deficiency	Current Accident Year	Calendar Year	Excluding Catastrophes	Prior Year Reserve Development Deficiency	Current Accident Year	Calendar Year	Excluding Catastrophes
	(Redundancy) [Direct business]	Catastrophe Losses			(Redundancy) [Direct business]	Catastrophe Losses		
Private passenger auto	117.0%	(1.7)%	0.1%	118.6%	116.4%	(4.8)%	0.6%	120.6%
Homeowners	79.6%	1.6%	8.2%	69.8%	76.1%	0.4%	6.9%	68.8%
Other personal lines	54.6%	(25.4)%	0.9%	79.1%	58.9%	(20.1)%	0.3%	78.7%
Total personal lines	102.6%	(0.9)%	3.0%	100.5%	100.6%	(3.1)%	2.9%	100.8%
Commercial multi-peril	69.3%	0.7%	1.6%	67.0%	88.2%	3.2%	3.0%	82.0%
Commercial auto	104.5%	(2.6)%	0.5%	106.6%	102.6%	(0.8)%	0.6%	102.8%
Workers compensation ⁽¹⁾	73.8%	(5.0)%	0.0%	78.8%	126.3%	6.8%	0.0%	119.5%
Other commercial lines	42.8%	(1.3)%	0.1%	44.0%	53.7%	(6.7)%	0.4%	60.0%
Total commercial lines	78.1%	(1.7)%	0.8%	79.0%	99.3%	2.4%	1.4%	95.5%
Grand total - direct business only	95.5%	(1.1)%	2.3%	94.3%	100.2%	(1.5)%	2.5%	99.2%
	Twelve months ended December 31, 2017				Twelve months ended December 31, 2016			
	Prior Year Reserve Development Deficiency	Current Accident Year	Calendar Year	Excluding Catastrophes	Prior Year Reserve Development Deficiency	Current Accident Year	Calendar Year	Excluding Catastrophes
	(Redundancy) [Direct business]	Catastrophe Losses			(Redundancy) [Direct business]	Catastrophe Losses		
Private passenger auto	107.8%	(1.1)%	0.6%	108.3%	108.0%	(2.9)%	1.0%	109.9%
Homeowners	88.7%	0.8%	16.7%	71.2%	82.5%	0.5%	10.1%	71.9%
Other personal lines	75.1%	(0.4)%	0.2%	75.3%	64.6%	(12.7)%	0.5%	76.8%
Total personal lines	100.4%	(0.4)%	6.4%	94.4%	97.7%	(1.8)%	4.4%	95.1%
Commercial multi-peril	78.5%	0.2%	5.5%	72.8%	77.9%	(4.8)%	3.6%	79.1%
Commercial auto	99.3%	(1.7)%	0.9%	100.1%	100.6%	(1.2)%	1.5%	100.3%
Workers compensation ⁽¹⁾	84.1%	(6.0)%	0.0%	90.1%	102.0%	0.7%	0.0%	101.3%
Other commercial lines	53.8%	(13.2)%	0.4%	66.6%	63.1%	(8.2)%	0.4%	70.9%
Total commercial lines	83.8%	(2.7)%	2.6%	83.9%	88.9%	(2.7)%	2.0%	89.6%
Grand total - direct business only	95.6%	(1.1)%	5.3%	91.4%	95.1%	(2.1)%	3.7%	93.5%

(1) In 2016, the workers compensation discount rate was eliminated. This change in accounting principle was recorded to surplus and had no impact on the combined ratio for the twelve months ended December 31, 2016. The unwinding of the discount did, however, contribute 2.0 points to the workers compensation combined ratio in the fourth quarter of 2016.