



ERIE INDEMNITY COMPANY

Investor Supplement Third Quarter 2018

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 - Third Quarter 2018
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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						
	Three months ended					Nine months ended	
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	September 30, 2018	September 30, 2017
Operating revenue							
Management fee revenue - policy issuance and renewal services, net ⁽¹⁾	\$ 451,361	\$ 454,572	\$ 405,978	\$ 394,034	\$ 435,214	\$ 1,311,911	\$ 1,268,591
Management fee revenue - administrative services, net ⁽¹⁾	13,521	13,299	13,074	N/A	N/A	39,894	N/A
Administrative services reimbursement revenue ⁽²⁾	140,172	146,507	145,963	N/A	N/A	432,642	N/A
Service agreement revenue	7,072	7,080	7,145	7,368	7,278	21,297	21,781
Total operating revenue	612,126	621,458	572,160	401,402	442,492	1,805,744	1,290,372
Operating expenses							
Commissions	256,770	261,573	234,094	226,943	248,677	752,437	720,538
Non-commission operating expenses	118,489	118,055	114,536	115,834	112,576	351,080	338,207
Total cost of operations - policy issuance and renewal services ⁽³⁾	375,259	379,628	348,630	342,777	361,253	1,103,517	1,058,745
Cost of operations - administrative services ⁽²⁾	140,172	146,507	145,963	N/A	N/A	432,642	N/A
Total operating expenses	515,431	526,135	494,593	342,777	361,253	1,536,159	1,058,745
Operating income	96,695	95,323	77,567	58,625	81,239	269,585	231,627
Investment income							
Net investment income	7,659	7,104	6,820	6,437	5,982	21,583	18,202
Net realized investment (losses) gains	0	(32)	(465)	(205)	899	(497)	1,539
Net impairment losses recognized in earnings	0	(646)	0	0	0	(646)	(182)
Equity in earnings (losses) of limited partnerships	772	(219)	(192)	902	1,537	361	1,899
Total investment income	8,431	6,207	6,163	7,134	8,418	20,801	21,458
Interest expense, net	709	602	553	438	377	1,864	800
Other income (expense) ⁽³⁾	54	58	44	(680)	(415)	156	(1,231)
Income before income taxes	104,471	100,986	83,221	64,641	88,865	288,678	251,054
Income tax expense	24,025	21,280	17,463	32,588	30,322	62,768	86,108
Net income	\$ 80,446	\$ 79,706	\$ 65,758	\$ 32,053	\$ 58,543	\$ 225,910	\$ 164,946
Net income per share - diluted ⁽⁴⁾	\$ 1.54	\$ 1.52	\$ 1.26	\$ 0.61	\$ 1.12	\$ 4.32	\$ 3.15

N/A = not applicable

- (1) In accordance with new revenue recognition accounting guidance, effective January 1, 2018, we allocate our management fee revenue between the two performance obligations we have in the subscriber's agreement, policy issuance and renewal services and administrative services.
- (2) In accordance with the new revenue recognition accounting guidance, effective January 1, 2018, we present expenses we incur and the related reimbursements we receive for administrative services gross in our Statements of Operations.
- (3) All historical periods have been restated to reflect the reclassification of other than service net benefit costs in accordance with new accounting guidance, which was retrospectively adopted on January 1, 2018.
- (4) The 2017 fourth quarter Class A diluted earnings per share was reduced by \$0.19 as a result of increased income tax expense from the enactment of the Tax Cuts and Jobs Act of \$10.1 million.

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Indemnity Balance Sheet Information					
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
<i>(in thousands)</i>					
Assets					
Cash and cash equivalents	\$ 244,688	\$ 198,412	\$ 119,627	\$ 215,721	\$ 184,628
Receivables from Erie Insurance Exchange and affiliates	463,620	445,211	415,343	418,328	428,500
Investments	753,794	757,567	786,501	803,835	798,717
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	272,401	226,085	227,005	202,975	194,584
Total assets	\$ 1,759,503	\$ 1,652,275	\$ 1,573,476	\$ 1,665,859	\$ 1,631,429
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 257,015	\$ 253,328	\$ 240,848	\$ 228,124	\$ 236,056
Agent bonuses	79,308	56,482	30,232	122,528	93,448
Defined benefit pension plans and employee benefit obligations	154,805	145,861	176,911	207,953	208,858
Contract liability ⁽¹⁾	51,989	50,589	48,861	N/A	N/A
Current and long-term borrowings	99,727	99,725	74,726	74,728	49,734
Other liabilities	195,636	166,102	161,743	175,182	168,183
Total liabilities	838,480	772,087	733,321	808,515	756,279
Shareholders' equity	921,023	880,188	840,155	857,344	875,150
Total liabilities and shareholders' equity	\$ 1,759,503	\$ 1,652,275	\$ 1,573,476	\$ 1,665,859	\$ 1,631,429

N/A = not applicable

(1) In accordance with new revenue recognition accounting guidance, effective January 1, 2018, we allocate our management fee revenue between the two performance obligations we have in the subscriber's agreement, policy issuance and renewal services and administrative services. Contract liability represents the portion of revenue not yet earned related to the administrative services to be provided in subsequent periods.

Erie Indemnity Company
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Property and Casualty Group
Direct Written Premium Growth Measures

	Three months ended				Nine months ended		
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	September 30, 2018	September 30, 2017
<i>(dollars in thousands)</i>							
Direct written premiums of the P&C Group							
Private passenger auto	\$ 859,967	\$ 830,781	\$ 766,695	\$ 705,209	\$ 796,221	\$ 2,457,443	\$ 2,272,363
Homeowners	487,377	482,597	362,435	401,475	465,057	1,332,409	1,278,010
Commercial multi-peril	205,151	226,578	219,617	193,271	192,506	651,346	613,813
Workers compensation	119,587	135,424	141,124	104,030	109,320	396,135	369,576
Commercial auto	138,028	152,969	141,290	121,423	125,529	432,287	393,158
All other lines of business	53,817	59,650	51,633	45,531	51,021	165,100	158,642
P&C Group direct written premiums - total	\$ 1,863,927	\$ 1,887,999	\$ 1,682,794	\$ 1,570,939	\$ 1,739,654	\$ 5,434,720	\$ 5,085,562

Property and Casualty Group
Direct Written Premium Growth Measures

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
12 month growth rate policies in force					
Total all lines	3.5%	3.5%	3.5%	3.5%	3.4%
Total personal lines	3.6%	3.7%	3.6%	3.6%	3.5%
Total commercial lines	2.5%	2.6%	2.4%	2.7%	2.7%
Retention trends ⁽¹⁾					
Total all lines	89.9%	89.8%	89.6%	89.6%	89.6%
Total personal lines	90.4%	90.3%	90.1%	90.1%	90.1%
Total commercial lines	86.4%	86.5%	86.4%	86.3%	86.3%
12 month % change average premiums					
Total all lines	3.2%	2.8%	2.6%	2.4%	2.6%
Total personal lines	3.2%	3.1%	3.1%	3.2%	3.2%
Total commercial lines	3.8%	2.8%	1.9%	1.1%	1.6%

(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 September 30, 2018				Three months ended September 30, 2017			
	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	110.6%	(0.7)%	0.8%	110.5%	102.6%	(1.7)%	1.0%	103.3%
Homeowners	93.4%	3.6%	16.9%	72.9%	82.9%	0.1%	17.2%	65.6%
Other personal lines	66.5%	(10.6)%	0.7%	76.4%	90.3%	21.8%	(0.3)%	68.8%
Total personal lines	103.9%	0.6%	6.4%	96.9%	95.3%	(0.7)%	6.8%	89.2%
Commercial multi-peril	89.4%	1.4%	3.9%	84.1%	77.6%	3.5%	4.0%	70.1%
Commercial auto	105.3%	(1.5)%	0.8%	106.0%	94.1%	(4.6)%	0.5%	98.2%
Workers compensation	27.3%	(67.4)%	0.0%	94.7%	79.9%	2.9%	0.0%	77.0%
Other commercial lines	161.1%	59.3%	2.1%	99.7%	26.9%	(48.7)%	0.5%	75.1%
Total commercial lines	82.9%	(12.7)%	2.0%	93.6%	79.2%	(2.2)%	1.9%	79.5%
Grand total - direct business only	97.8%	(3.2)%	5.1%	95.9%	90.6%	(1.1)%	5.4%	86.3%
	Nine months ended September 30, 2018				Nine months ended September 30, 2017			
	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	109.2%	(0.1)%	0.7%	108.6%	104.7%	(0.9)%	0.8%	104.8%
Homeowners	107.4%	2.6%	25.4%	79.4%	91.8%	0.6%	19.6%	71.6%
Other personal lines	66.3%	(9.1)%	1.0%	74.4%	82.2%	8.2%	0.0%	74.0%
Total personal lines	107.9%	0.7%	9.4%	97.8%	99.6%	(0.2)%	7.6%	92.2%
Commercial multi-peril	86.5%	(1.1)%	6.3%	81.3%	81.7%	0.1%	6.8%	74.8%
Commercial auto	103.5%	(1.4)%	0.7%	104.2%	97.5%	(1.4)%	1.1%	97.8%
Workers compensation	65.0%	(32.5)%	0.0%	97.5%	87.6%	(6.3)%	0.0%	93.9%
Other commercial lines	118.9%	27.9%	1.3%	89.7%	57.5%	(17.3)%	0.5%	74.3%
Total commercial lines	87.9%	(7.1)%	2.9%	92.1%	85.8%	(3.0)%	3.2%	85.6%
Grand total - direct business only	102.1%	(1.5)%	7.5%	96.1%	95.6%	(1.0)%	6.3%	90.3%