



ERIE INDEMNITY COMPANY

Investor Supplement First Quarter 2019

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 2018.

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Investor Supplement - First Quarter 2019
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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"). Our primary function as attorney-in-fact is to perform policy issuance and renewal services on behalf of the subscribers at the Exchange. We also act as attorney-in-fact on behalf of the Exchange with respect to all claims handling and investment management services, as well as the service provider for all claims handling, life insurance, and investment management services for its insurance subsidiaries, collectively referred to as "administrative services".

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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(dollars in thousands, except per share data)

Indemnity					
Income Statements					
Three months ended					
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Operating revenue					
Management fee revenue - policy issuance and renewal services, net	\$ 430,983	\$ 407,656	\$ 451,361	\$ 454,572	\$ 405,978
Management fee revenue - administrative services, net	13,951	13,738	13,521	13,299	13,074
Administrative services reimbursement revenue	142,480	147,694	140,172	146,507	145,963
Service agreement revenue	6,692	7,380	7,072	7,080	7,145
Total operating revenue	594,106	576,468	612,126	621,458	572,160
Operating expenses					
Commissions	242,982	231,321	256,770	261,573	234,094
Non-commission operating expenses	122,522	122,695	118,489	118,055	114,536
Total cost of operations - policy issuance and renewal services	365,504	354,016	375,259	379,628	348,630
Cost of operations - administrative services	142,480	147,694	140,172	146,507	145,963
Total operating expenses	507,984	501,710	515,431	526,135	494,593
Operating income	86,122	74,758	96,695	95,323	77,567
Investment income					
Net investment income	8,517	8,626	7,659	7,104	6,820
Net realized investment gains (losses)	2,503	(1,513)	0	(32)	(465)
Net impairment losses recognized in earnings	(78)	(935)	0	(646)	0
Equity in (losses) earnings of limited partnerships	(1,147)	(1,183)	772	(219)	(192)
Total investment income	9,795	4,995	8,431	6,207	6,163
Interest expense, net	449	596	709	602	553
Other income	47	3,485	54	58	44
Income before income taxes	95,515	82,642	104,471	100,986	83,221
Income tax expense	20,204	20,328	24,025	21,280	17,463
Net income	\$ 75,311	\$ 62,314	\$ 80,446	\$ 79,706	\$ 65,758
Net income per share - diluted	\$ 1.44	\$ 1.19	\$ 1.54	\$ 1.52	\$ 1.26

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Indemnity
Balance Sheet Information

(in thousands)

Assets

Cash and cash equivalents	
Receivables from Erie Insurance Exchange and affiliates	
Investments	
Note receivable from Erie Family Life Insurance Company	
Other assets	
Total assets	

Liabilities and shareholders' equity

Liabilities

Commissions payable					
Agent bonuses					
Defined benefit pension plans ⁽¹⁾					
Current and long-term borrowings					
Contract liability					
Other liabilities ⁽¹⁾					
Total liabilities					

Shareholders' equity

Total liabilities and shareholders' equity

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	\$ 312,045	\$ 266,417	\$ 244,688	\$ 198,412	\$ 119,627
	456,135	449,873	463,620	445,211	415,343
	717,367	795,197	753,794	757,567	786,501
	—	—	25,000	25,000	25,000
	313,909	266,840	272,401	226,085	227,005
	\$ 1,799,456	\$ 1,778,327	\$ 1,759,503	\$ 1,652,275	\$ 1,573,476
	\$ 253,002	\$ 241,573	\$ 257,015	\$ 253,328	\$ 240,848
	26,129	103,462	79,308	56,482	30,232
	123,270	116,866	154,736	145,667	176,598
	99,273	99,730	99,727	99,725	74,726
	52,023	51,727	51,989	50,589	48,861
	231,955	191,297	195,705	166,296	162,056
	785,652	804,655	838,480	772,087	733,321
	1,013,804	973,672	921,023	880,188	840,155
	\$ 1,799,456	\$ 1,778,327	\$ 1,759,503	\$ 1,652,275	\$ 1,573,476

(1) Historical periods have been restated to conform to current period presentation.

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Property and Casualty Group
Direct Written Premium Growth Measures

Three months ended

(dollars in thousands)

Direct written premiums of the P&C Group

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Private passenger auto	\$ 818,783	\$ 754,495	\$ 859,967	\$ 830,781	\$ 766,695
Homeowners	380,931	420,690	487,377	482,597	362,435
Commercial multi-peril	231,965	206,188	205,151	226,578	219,617
Workers compensation	139,909	112,040	119,587	135,424	141,124
Commercial auto	157,864	136,816	138,028	152,969	141,290
All other lines of business	55,068	47,897	53,817	59,650	51,633
P&C Group direct written premiums - total	\$ 1,784,520	\$ 1,678,126	\$ 1,863,927	\$ 1,887,999	\$ 1,682,794

Property and Casualty Group
Direct Written Premium Growth Measures

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
12 month growth rate policies in force					
Total all lines	3.1%	3.3%	3.5%	3.5%	3.5%
Total personal lines	3.1%	3.4%	3.6%	3.7%	3.6%
Total commercial lines	2.7%	2.7%	2.5%	2.6%	2.4%
Retention trends ⁽¹⁾					
Total all lines	90.2%	90.1%	89.9%	89.8%	89.6%
Total personal lines	90.7%	90.6%	90.4%	90.3%	90.1%
Total commercial lines	87.0%	86.6%	86.4%	86.5%	86.4%
12 month % change average premiums					
Total all lines	3.5%	3.5%	3.2%	2.8%	2.6%
Total personal lines	3.2%	3.3%	3.2%	3.1%	3.1%
Total commercial lines	4.4%	4.6%	3.8%	2.8%	1.9%

(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, 2019				Three months ended March 31, 2018			
	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	109.7%	2.5 %	0.7%	106.5%	108.3%	0.8 %	0.3%	107.2%
Homeowners	96.8%	1.1 %	15.8%	79.9%	113.2%	1.9 %	26.4%	84.9%
Other personal lines	57.8%	(25.3)%	0.2%	82.9%	65.2%	(8.2)%	1.1%	72.3%
Total personal lines	104.3%	1.6 %	6.0%	96.7%	109.3%	1.0 %	9.5%	98.8%
Commercial multi-peril	102.5%	6.4 %	4.6%	91.5%	89.0%	(2.0)%	7.1%	83.9%
Commercial auto	111.4%	7.3 %	0.6%	103.5%	100.6%	(3.6)%	0.1%	104.1%
Workers compensation	84.3%	(3.9)%	0.0%	88.2%	98.6%	2.7 %	0.0%	95.9%
Other commercial lines	21.7%	(2.3)%	0.0%	24.0%	91.1%	0.8 %	0.4%	89.9%
Total commercial lines	95.5%	3.8 %	2.2%	89.5%	94.6%	(1.1)%	3.0%	92.7%
Grand total - direct business only	101.8%	2.2 %	4.9%	94.7%	105.1%	0.4 %	7.6%	97.1%