



ERIE INDEMNITY COMPANY

Investor Supplement Third 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 - Third 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 | | | | | Nine months ended | |
| | September 30, | June 30, | March 31, | December 31, | September 30, | September 30, | September 30, |
| | 2019 | 2019 | 2019 | 2018 | 2018 | 2019 | 2018 |
| Operating revenue | | | | | | | |
| Management fee revenue - policy issuance and renewal services, net | \$ 474,427 | \$ 480,513 | \$ 430,983 | \$ 407,656 | \$ 451,361 | \$ 1,385,923 | \$ 1,311,911 |
| Management fee revenue - administrative services, net | 14,430 | 14,195 | 13,951 | 13,738 | 13,521 | 42,576 | 39,894 |
| Administrative services reimbursement revenue | 142,730 | 146,095 | 142,480 | 147,694 | 140,172 | 431,305 | 432,642 |
| Service agreement revenue | 7,155 | 6,907 | 6,692 | 7,380 | 7,072 | 20,754 | 21,297 |
| Total operating revenue | <u>638,742</u> | <u>647,710</u> | <u>594,106</u> | <u>576,468</u> | <u>612,126</u> | <u>1,880,558</u> | <u>1,805,744</u> |
| Operating expenses | | | | | | | |
| Commissions | 266,983 | 273,256 | 242,982 | 231,321 | 256,770 | 783,221 | 752,437 |
| Non-commission operating expenses | 123,122 | 131,749 | 122,522 | 122,695 | 118,489 | 377,393 | 351,080 |
| Total cost of operations - policy issuance and renewal | 390,105 | 405,005 | 365,504 | 354,016 | 375,259 | 1,160,614 | 1,103,517 |
| Cost of operations - administrative services | 142,730 | 146,095 | 142,480 | 147,694 | 140,172 | 431,305 | 432,642 |
| Total operating expenses | <u>532,835</u> | <u>551,100</u> | <u>507,984</u> | <u>501,710</u> | <u>515,431</u> | <u>1,591,919</u> | <u>1,536,159</u> |
| Operating income | 105,907 | 96,610 | 86,122 | 74,758 | 96,695 | 288,639 | 269,585 |
| Investment income | | | | | | | |
| Net investment income | 8,652 | 8,030 | 8,517 | 8,626 | 7,659 | 25,199 | 21,583 |
| Net realized investment gains (losses) | 1,696 | 1,302 | 2,503 | (1,513) | 0 | 5,501 | (497) |
| Net impairment losses recognized in earnings | (31) | (84) | (78) | (935) | 0 | (193) | (646) |
| Equity in earnings (losses) of limited partnerships | 3,289 | 404 | (1,147) | (1,183) | 772 | 2,546 | 361 |
| Total investment income | <u>13,606</u> | <u>9,652</u> | <u>9,795</u> | <u>4,995</u> | <u>8,431</u> | <u>33,053</u> | <u>20,801</u> |
| Interest expense, net | 111 | 272 | 449 | 596 | 709 | 832 | 1,864 |
| Other income | 100 | 48 | 47 | 3,485 | 54 | 195 | 156 |
| Income before income taxes | 119,502 | 106,038 | 95,515 | 82,642 | 104,471 | 321,055 | 288,678 |
| Income tax expense | 25,333 | 18,284 | 20,204 | 20,328 | 24,025 | 63,821 | 62,768 |
| Net income | <u>\$ 94,169</u> | <u>\$ 87,754</u> | <u>\$ 75,311</u> | <u>\$ 62,314</u> | <u>\$ 80,446</u> | <u>\$ 257,234</u> | <u>\$ 225,910</u> |
| Net income per share - diluted | <u>\$ 1.80</u> | <u>\$ 1.68</u> | <u>\$ 1.44</u> | <u>\$ 1.19</u> | <u>\$ 1.54</u> | <u>\$ 4.92</u> | <u>\$ 4.32</u> |

Erie Indemnity Company
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| Indemnity | | | | | |
|---|-------------------------------|--------------------------|---------------------------|------------------------------|-------------------------------|
| Balance Sheet Information | | | | | |
| | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 |
| <i>(in thousands)</i> | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 344,872 | \$ 338,262 | \$ 312,045 | \$ 266,417 | \$ 244,688 |
| Receivables from Erie Insurance Exchange and affiliates | 497,985 | 483,319 | 456,135 | 449,873 | 463,620 |
| Investments | 767,856 | 731,897 | 717,367 | 795,197 | 753,794 |
| Note receivable from Erie Family Life Insurance Company | — | — | — | — | 25,000 |
| Other assets | 363,867 | 336,169 | 313,909 | 266,840 | 272,401 |
| Total assets | \$ 1,974,580 | \$ 1,889,647 | \$ 1,799,456 | \$ 1,778,327 | \$ 1,759,503 |
| Liabilities and shareholders' equity | | | | | |
| Liabilities | | | | | |
| Commissions payable | \$ 272,932 | \$ 267,403 | \$ 253,002 | \$ 241,573 | \$ 257,015 |
| Agent bonuses | 73,921 | 51,357 | 26,129 | 103,462 | 79,308 |
| Defined benefit pension plans ⁽¹⁾ | 136,078 | 129,674 | 123,270 | 116,866 | 154,736 |
| Current and long-term borrowings | 98,305 | 98,774 | 99,273 | 99,730 | 99,727 |
| Contract liability | 54,966 | 53,713 | 52,023 | 51,727 | 51,989 |
| Other liabilities ⁽¹⁾ | 219,107 | 225,272 | 231,955 | 191,297 | 195,705 |
| Total liabilities | 855,309 | 826,193 | 785,652 | 804,655 | 838,480 |
| Shareholders' equity | 1,119,271 | 1,063,454 | 1,013,804 | 973,672 | 921,023 |
| Total liabilities and shareholders' equity | \$ 1,974,580 | \$ 1,889,647 | \$ 1,799,456 | \$ 1,778,327 | \$ 1,759,503 |

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

Erie Indemnity Company
Investor Supplement - Third Quarter 2019 (Unaudited)

Property and Casualty Group
Direct Written Premium Growth Measures

| | Three months ended | | | | Nine months ended | |
|--|-----------------------|---------------------|---------------------|----------------------|-----------------------|-----------------------|
| | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 | September 30, 2018 |
| <i>(dollars in thousands)</i> | | | | | | |
| Direct written premiums of the P&C Group | | | | | | |
| Private passenger auto | \$ 902,405 | \$ 883,877 | \$ 818,783 | \$ 754,495 | \$ 859,967 | \$ 2,605,065 |
| Homeowners | 504,643 | 502,625 | 380,931 | 420,690 | 487,377 | 1,388,199 |
| Commercial multi-peril | 220,159 | 242,109 | 231,965 | 206,188 | 205,151 | 694,233 |
| Workers compensation | 121,102 | 130,936 | 139,909 | 112,040 | 119,587 | 391,947 |
| Commercial auto | 155,155 | 170,410 | 157,864 | 136,816 | 138,028 | 483,429 |
| All other lines of business | 56,977 | 63,636 | 55,068 | 47,897 | 53,817 | 175,681 |
| P&C Group direct written premiums - total | \$ 1,960,441 | \$ 1,993,593 | \$ 1,784,520 | \$ 1,678,126 | \$ 1,863,927 | \$ 5,738,554 |
| | | | | | | \$ 5,434,720 |

Property and Casualty Group
Direct Written Premium Growth Measures

| | September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 | September 30, 2018 |
|---|-----------------------|------------------|-------------------|----------------------|-----------------------|
| 12 month growth rate policies in force | | | | | |
| Total all lines | 2.2% | 2.7% | 3.1% | 3.3% | 3.5% |
| Total personal lines | 2.1% | 2.7% | 3.1% | 3.4% | 3.6% |
| Total commercial lines | 2.5% | 2.6% | 2.7% | 2.7% | 2.5% |
| Retention trends ⁽¹⁾ | | | | | |
| Total all lines | 90.1% | 90.2% | 90.2% | 90.1% | 89.9% |
| Total personal lines | 90.5% | 90.7% | 90.7% | 90.6% | 90.4% |
| Total commercial lines | 86.9% | 86.8% | 87.0% | 86.6% | 86.4% |
| 12 month % change average premiums | | | | | |
| Total all lines | 3.4% | 3.4% | 3.5% | 3.5% | 3.2% |
| Total personal lines | 3.1% | 3.1% | 3.2% | 3.3% | 3.2% |
| Total commercial lines | 4.0% | 4.0% | 4.4% | 4.6% | 3.8% |

(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, 2019 | | | | | Three months ended September 30, 2018 | | | |
| | Prior Year | Reserve | Current | | Prior Year | Reserve | Current | |
| | Development | Deficiency | Accident | Year | Development | Deficiency | Accident | Year |
| Calendar | (Redundancy) | Catastrophe | Excluding | | Calendar | (Redundancy) | Catastrophe | Excluding |
| Year | [Direct business] | Losses | Catastrophes | | Year | [Direct business] | Losses ⁽¹⁾ | Catastrophes |
| Private passenger auto | 100.3 % | (4.1) % | (0.6) % | 105.0 % | 110.6 % | (0.7) % | 0.8 % | 110.5 % |
| Homeowners | 94.0 % | 1.1 % | 11.9 % | 81.0 % | 93.4 % | 3.6 % | 20.7 % | 69.1 % |
| Other personal lines | 96.9 % | 18.5 % | 1.1 % | 77.3 % | 66.5 % | (10.6) % | 1.0 % | 76.1 % |
| Total personal lines | 98.1 % | (1.9) % | 3.8 % | 96.2 % | 103.9 % | 0.6 % | 7.7 % | 95.6 % |
| Commercial multi-peril | 90.8 % | (1.1) % | 3.9 % | 88.0 % | 89.4 % | 1.4 % | 6.3 % | 81.7 % |
| Commercial auto | 108.4 % | (3.5) % | 1.0 % | 110.9 % | 105.3 % | (1.5) % | 0.7 % | 106.1 % |
| Workers compensation | 82.3 % | (18.9) % | 0.0 % | 101.2 % | 27.3 % | (67.4) % | 0.0 % | 94.7 % |
| Other commercial lines | 77.3 % | (12.2) % | 1.5 % | 88.0 % | 161.1 % | 59.3 % | 1.1 % | 100.7 % |
| Total commercial lines | 92.9 % | (6.5) % | 1.8 % | 97.6 % | 82.9 % | (12.7) % | 2.7 % | 92.9 % |
| Grand total - direct business only | 96.6 % | (3.3) % | 3.2 % | 96.7 % | 97.8 % | (3.2) % | 6.3 % | 94.7 % |
| Nine months ended September 30, 2019 | | | | | Nine months ended September 30, 2018 | | | |
| | Prior Year | Reserve | Current | | Prior Year | Reserve | Current | |
| | Development | Deficiency | Accident | Year | Development | Deficiency | Accident | Year |
| Calendar | (Redundancy) | Catastrophe | Excluding | | Calendar | (Redundancy) | Catastrophe | Excluding |
| Year | [Direct business] | Losses ⁽¹⁾ | Catastrophes | | Year | [Direct business] | Losses ⁽¹⁾ | Catastrophes |
| Private passenger auto | 107.6 % | (1.1) % | 2.0 % | 106.7 % | 109.2 % | (0.1) % | 0.8 % | 108.5 % |
| Homeowners | 114.5 % | 0.5 % | 36.9 % | 77.1 % | 107.4 % | 2.6 % | 30.0 % | 74.8 % |
| Other personal lines | 80.4 % | (2.0) % | 2.6 % | 79.8 % | 66.3 % | (9.1) % | 1.6 % | 73.8 % |
| Total personal lines | 109.5 % | (0.6) % | 14.1 % | 96.0 % | 107.9 % | 0.7 % | 11.0 % | 96.2 % |
| Commercial multi-peril | 96.2 % | 1.3 % | 10.0 % | 84.9 % | 86.5 % | (1.1) % | 8.4 % | 79.2 % |
| Commercial auto | 112.4 % | 3.1 % | 2.1 % | 107.2 % | 103.5 % | (1.4) % | 0.8 % | 104.1 % |
| Workers compensation | 89.2 % | (6.7) % | 0.0 % | 95.9 % | 65.0 % | (32.5) % | 0.0 % | 97.5 % |
| Other commercial lines | 55.1 % | (15.9) % | 1.8 % | 69.2 % | 118.9 % | 27.9 % | 2.2 % | 88.8 % |
| Total commercial lines | 96.5 % | (0.9) % | 4.9 % | 92.5 % | 87.9 % | (7.1) % | 3.9 % | 91.1 % |
| Grand total - direct business only | 105.7 % | (0.6) % | 11.4 % | 94.9 % | 102.1 % | (1.5) % | 9.0 % | 94.6 % |

(1) Catastrophe losses for prior periods have been restated to conform to the current period revised catastrophe classifications.