

2019 ANNUAL SHAREHOLDER MEETING REMARKS – Greg Gutting

Good morning everyone.

It is an honor to be standing before you once again this year, to deliver a very solid 2018 financial report for your Erie Indemnity Company and for Erie Insurance Exchange, the insurance operations that we manage.

Both organizations enjoyed another year of positive results, making my story an easy one to tell. But I would be remiss if I didn't first give credit to the countless hours of dedicated service exhibited by our nearly 5,600 Employees and almost 13,000 Agents before I make my report. Without their efforts, ERIE's financial story might well be very different than the one I tell here today.

2018 was a year where we challenged our processes, procedures, and our commitment to be Above All in Service. We pushed ourselves and our Agents to do more -- to go the extra mile and make the ERIE experience even better.

We leveraged investments in technology to add game changing capabilities to our policy quoting process in commercial lines. And we are on the cusp of delivering true straight through policy processing, renewal, and endorsement capability in that space. That's a huge win for our Agents and for our Home Office Employees who will realize greater efficiency in the service they provide our Customers --- and policies will be issued faster than ever.

We also launched a significant new benefit for our Customers and claimants to assist them in recovering from a loss. Following a personal lines loss, Customers can now choose to have an electronic payment delivered directly to their bank account—in one hour or less.

Partnering with PNC Bank and VISA, ERIE is one of just a handful of carriers offering E-payments for claims settlement, helping our Customers get back to life quickly and as seamlessly as possible. We have really come a long way over the years as we strive to be Above All in Service.

When I started here in the Policyholder Record's Department back in 1982 as a college student, all of our Customer information was preserved on microfiche. For those of you younger than 50, microfiche at ERIE was a collection of tiny pictures that captured Customer information.

When an operating area, claims for example, needed access to a Customer's information, a request was submitted to my department, the relevant microfiche was pulled, and then sent back through interoffice mail. With that information, the claim was processed and then finally settled.

Only after all of that, was a paper check requested, printed and mailed to the Customer and that could take up to a week. As you can imagine, this process was really slow and cumbersome, but worse, it was largely susceptible to error, including lost or misplaced information.

Now, with E-payment, we're using technology to make our Personal Lines Customers whole again in less than an hour's time. This is a great example of leveraging technology to make a very real, very human, difference for our Customers. And it's the kind of service that helps us retain our current customers and attract new ones.

So let's look at the 2018 financial results that this kind of stellar service delivered, starting with the insurance operations.

The direct and assumed premiums written by the Exchange grew 7% over 2017 to \$7 Billion, marking the 11th consecutive year of growth and another year of outperforming Conning's industry forecast of 5.6% for the year.

These results demonstrate steady gains in market share across our territory and reflect a solid combination of strong retention, higher average premium per policy, and growth in new business.

In contrast to 2017, weather played a bigger part in the performance of the Exchange in 2018. The reported combined ratio of 103.1 reflects the sheer number of snow, wind, and hail losses suffered by Customers throughout our footprint during the year.

Still, by year end, policyholder surplus for the Exchange was a healthy

\$8.6 Billion, down slightly from 2017, but in line with the increased level of weather-related claims and the downturn in the investment markets in the fourth quarter.

Both in terms of operations and finances, Erie Insurance Exchange remains solid, maintaining an A+ Superior rating for the property and casualty group and an A Excellent rating for Erie Family Life from the renowned AM Best insurance rating company.

Once again, Erie Indemnity, your company, benefitted from the solid performance of the Exchange. Indemnity reported a significant increase in net income over 2017, closing the year at \$288 Million. The increase was driven primarily by the lower corporate income tax rate in 2018 and a significant increase in operating income.

In 2018, Operating income before taxes increased \$54 million or 18.6% compared to the prior year.

Management fee revenue from policy issuance and renewal services combined with management fee revenue from administrative services increased \$110 million over 2017. The combined increase in management fee revenue outpaced the 2018 increase in Indemnity's expenses.

Income from investments totaled \$26 million for the year, down slightly from 2017.

Together, Indemnity's income from operations and investments resulted in earnings of \$5.51 per diluted share for 2018.

We remain committed to our disciplined capital management practices and our above all in service promise.

As a result, our balance sheet is robust, enabling Indemnity to pay you, our shareholders, \$156 Million in dividends last year. And, with full confidence, our Board of Directors approved a 7.1% increase in the regular quarterly cash dividend for both Class A and Class B shares for 2019.

As your Chief Financial Officer, it is my privilege to stand before you and report on another excellent year for both Erie Insurance Exchange and Erie Indemnity Company. Once again, I want to thank you for that opportunity, and I also want to thank all the ERIE Employees and Agents who work tirelessly throughout the year to make sure the story is a great one.

Thank you.