



ERIE INDEMNITY COMPANY

Investor Supplement Third Quarter 2020

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 2019.

Erie Indemnity Company
Investor Supplement - Third Quarter 2020
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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, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Operating revenue							
Management fee revenue - policy issuance and renewal services, net	\$ 484,551	\$ 483,795	\$ 443,750	\$ 424,534	\$ 474,427	\$ 1,412,096	\$ 1,385,923
Management fee revenue - administrative services, net	14,910	14,813	14,771	14,628	14,430	44,494	42,576
Administrative services reimbursement revenue	147,710	151,965	151,554	150,705	142,730	451,229	431,305
Service agreement revenue	6,310	6,446	6,662	6,873	7,155	19,418	20,754
Total operating revenue	<u>653,481</u>	<u>657,019</u>	<u>616,737</u>	<u>596,740</u>	<u>638,742</u>	<u>1,927,237</u>	<u>1,880,558</u>
Operating expenses							
Commissions	273,184	278,478	251,996	241,433	266,983	803,658	783,221
Non-commission operating expenses	136,362	135,387	127,496	135,902	123,122	399,245	377,393
Total cost of operations - policy issuance and renewal services	409,546	413,865	379,492	377,335	390,105	1,202,903	1,160,614
Cost of operations - administrative services	147,710	151,965	151,554	150,705	142,730	451,229	431,305
Total operating expenses	<u>557,256</u>	<u>565,830</u>	<u>531,046</u>	<u>528,040</u>	<u>532,835</u>	<u>1,654,132</u>	<u>1,591,919</u>
Operating income	96,225	91,189	85,691	68,700	105,907	273,105	288,639
Investment income							
Net investment income	7,030	7,373	8,369	8,200	8,652	22,772	25,199
Net realized investment gains (losses)	5,915	6,526	(10,806)	602	1,696	1,635	5,501
Net impairment losses recognized in earnings	(122)	(17)	(3,053)	(2)	(31)	(3,192)	(193)
Equity in earnings (losses) of limited partnerships	3,615	(2,329)	(3,705)	(1,886)	3,289	(2,419)	2,546
Total investment income (loss)	<u>16,438</u>	<u>11,553</u>	<u>(9,195)</u>	<u>6,914</u>	<u>13,606</u>	<u>18,796</u>	<u>33,053</u>
Interest expense, net	3	2	3	24	111	8	832
Other (expense) income	(964)	(258)	(366)	60	100	(1,588)	195
Income before income taxes	111,696	102,482	76,127	75,650	119,502	290,305	321,055
Income tax expense	22,480	20,505	16,801	16,063	25,333	59,786	63,821
Net income	<u>\$ 89,216</u>	<u>\$ 81,977</u>	<u>\$ 59,326</u>	<u>\$ 59,587</u>	<u>\$ 94,169</u>	<u>\$ 230,519</u>	<u>\$ 257,234</u>
Net income per share - diluted	<u>\$ 1.71</u>	<u>\$ 1.57</u>	<u>\$ 1.13</u>	<u>\$ 1.14</u>	<u>\$ 1.80</u>	<u>\$ 4.41</u>	<u>\$ 4.92</u>

Erie Indemnity Company
Investor Supplement - Third Quarter 2020 (Unaudited)

Indemnity
Balance Sheet Information

(in thousands)

Assets

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Cash and cash equivalents	\$ 216,355	\$ 257,738	\$ 228,646	\$ 336,739	\$ 344,872
Receivables from Erie Insurance Exchange and affiliates, net	501,192	506,690	482,238	468,636	497,985
Investments	1,012,495	895,677	832,159	824,609	767,856
Fixed assets, net ⁽¹⁾	254,908	246,572	238,296	221,379	194,170
Agent loans, net ⁽¹⁾	64,852	65,450	66,574	67,696	68,660
Other assets ⁽¹⁾	109,540	110,734	109,580	97,181	101,037
Total assets	\$ 2,159,342	\$ 2,082,861	\$ 1,957,493	\$ 2,016,240	\$ 1,974,580

Liabilities and shareholders' equity

Liabilities

Commissions payable	\$ 275,594	\$ 282,436	\$ 270,328	\$ 262,963	\$ 272,932
Agent bonuses	85,709	60,264	29,661	96,053	73,921
Defined benefit pension plans	169,358	161,458	153,558	145,659	136,078
Current and long-term borrowings	96,358	96,847	97,342	97,821	98,305
Contract liability	56,560	55,451	54,271	54,373	54,966
Other liabilities	228,546	232,266	235,341	226,118	219,107
Total liabilities	912,125	888,722	840,501	882,987	855,309

Shareholders' equity

Total liabilities and shareholders' equity	1,247,217	1,194,139	1,116,992	1,133,253	1,119,271
	\$ 2,159,342	\$ 2,082,861	\$ 1,957,493	\$ 2,016,240	\$ 1,974,580

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

Erie Indemnity Company
Investor Supplement - Third Quarter 2020 (Unaudited)

Property and Casualty Group
Direct Written Premium Growth Measures

Three months ended

Nine months ended

(dollars in thousands)

Direct written premiums of the P&C Group

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Private passenger auto	\$ 904,457	\$ 885,364	\$ 839,908	\$ 783,242	\$ 902,405	\$ 2,629,729	\$ 2,605,065
Homeowners ⁽¹⁾	527,249	511,300	389,956	431,374	506,110	1,428,505	1,392,908
Commercial multi-peril ⁽¹⁾	239,046	253,306	254,727	228,280	228,883	747,079	722,434
Workers compensation	109,148	118,123	140,474	110,199	121,102	367,745	391,947
Commercial auto	167,904	180,667	174,167	152,256	155,155	522,738	483,429
All other lines of business ⁽¹⁾	51,270	53,993	48,446	42,125	46,786	153,709	142,771
P&C Group direct written premiums - total	\$ 1,999,074	\$ 2,002,753	\$ 1,847,678	\$ 1,747,476	\$ 1,960,441	\$ 5,849,505	\$ 5,738,554

Property and Casualty Group
Direct Written Premium Growth Measures

12 month growth rate policies in force

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total all lines	1.7 %	1.1 %	1.4 %	1.8 %	2.2 %
Total personal lines	1.8 %	1.1 %	1.3 %	1.8 %	2.1 %
Total commercial lines	1.4 %	1.2 %	2.2 %	2.4 %	2.5 %

Retention trends ⁽²⁾

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total all lines	89.9 %	89.9 %	89.8 %	90.0 %	90.1 %
Total personal lines	90.3 %	90.3 %	90.2 %	90.4 %	90.5 %
Total commercial lines	87.3 %	87.2 %	87.1 %	86.9 %	86.9 %

12 month % change average premiums

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total all lines	0.8 %	2.2 %	3.1 %	3.2 %	3.4 %
Total personal lines	0.3 %	1.7 %	2.6 %	2.9 %	3.1 %
Total commercial lines	2.1 %	3.3 %	3.9 %	3.6 %	4.0 %

(1) Premiums for prior periods have been restated to conform to revised line of business classifications.

(2) 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, 2020					Three months ended September 30, 2019			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	(Redundancy)	(Redundancy)	Excluding		(Redundancy)	(Redundancy)	Excluding	
	Calendar	Catastrophe	Year		Calendar	Catastrophe	Year	
	Year	Losses	Catastrophes		Year	Losses ⁽¹⁾	Catastrophes	
	[Direct business]				[Direct business]			
Private passenger auto	93.2 %	(1.2) %	0.7 %	93.7 %	100.3 %	(4.1) %	(0.5) %	104.9 %
Homeowners	97.6 %	(0.7) %	21.5 %	76.8 %	94.0 %	1.1 %	12.0 %	80.9 %
Other personal lines	40.7 %	(27.5) %	0.6 %	67.6 %	96.9 %	18.5 %	(1.2) %	79.6 %
Total personal lines	93.9 %	(1.5) %	7.9 %	87.5 %	98.1 %	(1.9) %	3.8 %	96.2 %
Commercial multi-peril	82.6 %	(4.4) %	1.8 %	85.2 %	90.8 %	(1.1) %	3.9 %	88.0 %
Commercial auto	93.4 %	(8.9) %	0.2 %	102.1 %	108.4 %	(3.5) %	1.1 %	110.8 %
Workers compensation	66.1 %	(50.7) %	0.0 %	116.8 %	82.3 %	(18.9) %	0.0 %	101.2 %
Other commercial lines	4.5 %	(65.8) %	0.0 %	70.3 %	77.3 %	(12.2) %	0.0 %	89.5 %
Total commercial lines	78.6 %	(18.4) %	0.9 %	96.1 %	92.9 %	(6.5) %	2.0 %	97.4 %
Grand total - direct business only	89.4 %	(6.4) %	5.8 %	90.0 %	96.6 %	(3.3) %	3.3 %	96.6 %
Nine months ended September 30, 2020					Nine months ended September 30, 2019			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	(Redundancy)	(Redundancy)	Excluding		(Redundancy)	(Redundancy)	Excluding	
	Calendar	Catastrophe	Year		Calendar	Catastrophe	Year	
	Year	Losses	Catastrophes		Year	Losses ⁽¹⁾	Catastrophes	
	[Direct business]				[Direct business]			
Private passenger auto	96.4 %	(0.2) %	0.8 %	95.8 %	107.6 %	(1.1) %	2.0 %	106.7 %
Homeowners	102.3 %	0.6 %	27.5 %	74.2 %	114.5 %	0.5 %	36.9 %	77.1 %
Other personal lines	68.5 %	(6.1) %	0.7 %	73.9 %	80.4 %	(2.0) %	0.1 %	82.3 %
Total personal lines	98.0 %	0.0 %	10.0 %	88.0 %	109.5 %	(0.6) %	14.1 %	96.0 %
Commercial multi-peril	82.0 %	(3.6) %	9.3 %	76.3 %	96.2 %	1.3 %	9.9 %	85.0 %
Commercial auto	90.6 %	(4.4) %	1.0 %	94.0 %	112.4 %	3.1 %	2.1 %	107.2 %
Workers compensation	69.9 %	(21.9) %	0.0 %	91.8 %	89.2 %	(6.7) %	0.0 %	95.9 %
Other commercial lines	67.9 %	(21.1) %	0.0 %	89.0 %	55.1 %	(15.9) %	0.0 %	71.0 %
Total commercial lines	81.2 %	(8.6) %	4.4 %	85.4 %	96.5 %	(0.9) %	4.9 %	92.5 %
Grand total - direct business only	93.1 %	(2.5) %	8.4 %	87.2 %	105.7 %	(0.6) %	11.4 %	94.9 %

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