



ERIE INDEMNITY COMPANY

Investor Supplement Second Quarter 2017

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 2016.

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Investor Supplement - Second Quarter 2017
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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

(dollars in thousands, except per share data)

	Three months ended				Six months ended	
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	June 30, 2016
Operating revenue						
Management fee revenue, net	\$ 441,319	\$ 392,058	\$ 372,169	\$ 411,139	\$ 416,665	\$ 833,377
Service agreement fee revenue	7,245	7,258	7,444	7,267	7,219	14,503
Total operating revenue	448,564	399,316	379,613	418,406	423,884	847,880
Operating expenses						
Commissions	251,383	220,478	216,837	232,455	235,794	471,861
Salaries and employee benefits	60,774	59,740	51,777	53,265	55,025	120,514
All other operating expenses	53,363	52,564	54,314	50,431	47,306	105,927
Total operating expenses	365,520	332,782	322,928	336,151	338,125	698,302
Operating income	83,044	66,534	56,685	82,255	85,759	149,578
Investment income						
Net investment income	6,236	5,978	5,663	5,331	4,891	12,214
Net realized investment gains (losses)	124	516	643	718	399	640
Net impairment losses recognized in earnings	(61)	(121)	(71)	0	0	(182)
Equity in earnings (losses) of limited partnerships	149	213	7,304	(1,723)	2,114	362
Total investment income	6,448	6,586	13,539	4,326	7,404	13,034
Interest expense, net	257	166	101	—	—	423
Income before income taxes	89,235	72,954	70,123	86,581	93,163	162,189
Income tax expense	30,708	25,078	24,337	29,205	31,854	55,786
Net income	\$ 58,527	\$ 47,876	\$ 45,786	\$ 57,376	\$ 61,309	\$ 106,403
Net income per share - diluted	\$ 1.12	\$ 0.91	\$ 0.87	\$ 1.09	\$ 1.17	\$ 2.03
						\$ 2.04

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Indemnity					
Balance Sheet Information					
<i>(in thousands)</i>					
	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Assets					
Cash and cash equivalents	\$ 144,709	\$ 110,418	\$ 189,072	\$ 139,813	\$ 124,111
Receivables from Erie Insurance Exchange and affiliates	411,422	392,319	378,540	399,975	387,273
Investments	797,912	774,326	771,450	770,324	725,083
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	188,182	187,973	184,893	149,903	153,359
Total assets	\$ 1,567,225	\$ 1,490,036	\$ 1,548,955	\$ 1,485,015	\$ 1,414,826
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 232,905	\$ 219,256	\$ 210,559	\$ 218,267	\$ 217,203
Agent bonuses	62,845	32,882	114,772	84,805	58,235
Defined benefit pension plans and employee benefit obligations	220,434	212,020	222,583	179,008	171,529
Long-term borrowings	49,742	24,753	24,766	—	—
Other liabilities	148,085	171,267	159,365	164,006	152,665
Total liabilities	714,011	660,178	732,045	646,086	599,632
Shareholders' equity	853,214	829,858	816,910	838,929	815,194
Total liabilities and shareholders' equity	\$ 1,567,225	\$ 1,490,036	\$ 1,548,955	\$ 1,485,015	\$ 1,414,826

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Indemnity Management Fee

(dollars in thousands)

Three months ended

Six months ended

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	June 30, 2017	June 30, 2016
<u>Direct written premiums of the P&C Group</u>							
Private passenger auto	\$ 772,974	\$ 703,168	\$ 646,819	\$ 732,688	\$ 707,442	\$ 1,476,142	\$ 1,345,656
Homeowners	463,200	349,753	389,318	451,628	450,054	812,953	788,953
Commercial multi-peril	214,948	206,359	185,304	185,370	207,756	421,307	407,930
Workers compensation	124,742	135,514	103,613	110,366	125,121	260,256	255,335
Commercial auto	139,229	128,400	113,478	114,674	131,725	267,629	251,935
All other lines of business	57,784	49,837	44,148	49,029	54,961	107,621	101,882
P&C Group direct written premiums - total	\$ 1,772,877	\$ 1,573,031	\$ 1,482,680	\$ 1,643,755	\$ 1,677,059	\$ 3,345,908	\$ 3,151,691
<u>Indemnity operating revenue</u>							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 443,219	\$ 393,258	\$ 370,669	\$ 410,939	\$ 419,265	\$ 836,477	\$ 787,923
Service agreement/other revenue	5,345	6,058	8,944	7,467	4,619	11,403	10,689
Total operating revenue	\$ 448,564	\$ 399,316	\$ 379,613	\$ 418,406	\$ 423,884	\$ 847,880	\$ 798,612

Three months ended

Six months ended

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	June 30, 2017	June 30, 2016
<u>Indemnity operating expenses</u>							
Commissions	\$ 251,383	\$ 220,478	\$ 216,837	\$ 232,455	\$ 235,794	\$ 471,861	\$ 444,508
Non-commission operating expenses	114,137	112,304	106,091	103,696	102,331	226,441	200,680
Total operating expenses	\$ 365,520	\$ 332,782	\$ 322,928	\$ 336,151	\$ 338,125	\$ 698,302	\$ 645,188

Three months ended

Six months ended

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016
<u>Gross margin from operations</u>							
Operating income	\$ 83,044	\$ 66,534	\$ 56,685	\$ 82,255	\$ 85,759	\$ 149,578	\$ 153,424
Gross margin %	18.5%	16.7%	14.9%	19.7%	20.2%	17.6%	19.2%

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Property and Casualty Group Direct Written Premium Growth Measures

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
12 month growth rate policies in force					
Total all lines	3.2%	3.2%	3.1%	3.3%	3.4%
Total personal lines	3.3%	3.3%	3.3%	3.4%	3.6%
Total commercial lines	2.6%	2.5%	2.3%	2.3%	2.3%
Retention trends ⁽¹⁾					
Total all lines	89.6%	89.8%	89.8%	89.8%	89.8%
Total personal lines	90.1%	90.3%	90.3%	90.3%	90.4%
Total commercial lines	86.2%	86.4%	86.2%	86.1%	86.1%
12 month % change average premiums					
Total all lines	2.7%	2.8%	2.9%	2.7%	3.1%
Total personal lines	3.4%	3.3%	3.1%	2.9%	2.8%
Total commercial lines	1.7%	2.1%	3.1%	3.1%	4.6%

(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 June 30, 2017				Three months ended June 30, 2016			
	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	107.0 %	(1.9)%	1.2 %	107.7 %	99.1 %	(5.4)%	2.4 %	102.1 %
Homeowners	90.5 %	(0.1)%	19.5 %	71.1 %	92.9 %	1.8 %	19.9 %	71.2 %
Other personal lines	97.5 %	15.8 %	0.0 %	81.7 %	85.2 %	(15.3)%	2.1 %	98.4 %
Total personal lines	100.8%	(0.9)%	7.8%	93.9%	96.5%	(2.9)%	9.0%	90.4%
Commercial multi-peril	72.5 %	(2.0)%	7.7 %	66.8 %	55.4 %	(18.4)%	4.6 %	69.2 %
Commercial auto	102.1 %	2.1 %	1.4 %	98.6 %	108.4 %	3.2 %	3.1 %	102.1 %
Workers compensation	95.5 %	(7.5)%	0.0 %	103.0 %	94.7 %	1.7 %	0.0 %	93.0 %
Other commercial lines	80.4 %	8.8 %	0.6 %	71.0 %	87.2 %	2.6 %	0.1 %	84.5 %
Total commercial lines	86.6%	(1.6)%	3.6%	84.6%	81.0%	(6.4)%	2.8%	84.6%
Grand total - direct business only	96.7%	(1.1)%	6.6%	91.2%	91.9%	(3.9)%	7.1%	88.7%
	Six months ended June 30, 2017				Six months ended June 30, 2016			
	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	105.7 %	(0.5)%	0.8 %	105.4 %	101.1 %	(3.1)%	1.4 %	102.8 %
Homeowners	96.3 %	0.9 %	20.8 %	74.6 %	87.0 %	0.4 %	13.0 %	73.6 %
Other personal lines	78.0 %	1.3 %	0.2 %	76.5 %	86.3 %	(2.2)%	1.2 %	87.3 %
Total personal lines	101.8%	0.0 %	8.1%	93.7%	95.6%	(1.7)%	5.7%	91.6%
Commercial multi-peril	83.8 %	(1.7)%	8.2 %	77.3 %	74.9 %	(9.4)%	5.3 %	79.0 %
Commercial auto	99.2 %	0.3 %	1.3 %	97.6 %	96.6 %	(3.0)%	2.1 %	97.5 %
Workers compensation	91.5 %	(10.9)%	0.0 %	102.4 %	91.8 %	(1.2)%	0.0 %	93.0 %
Other commercial lines	73.2 %	(1.2)%	0.4 %	74.0 %	83.9 %	1.9 %	0.5 %	81.5 %
Total commercial lines	89.1%	(3.5)%	3.8%	88.8%	85.3%	(4.9)%	2.8%	87.4%
Grand total - direct business only	98.1%	(1.0)%	6.8%	92.3%	92.5%	(2.7)%	4.9%	90.3%