



ERIE INDEMNITY COMPANY

Investor Supplement First Quarter 2016

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 2015.

Erie Indemnity Company
Investor Supplement - First Quarter 2016
Table of Contents

	<u>Page</u>
Definitions	1
Indemnity Income Statements	2
Indemnity Balance Sheet Information	3
Indemnity Management Fee	4
Property and Casualty Group Direct Written Premium Growth Measures	5
Property and Casualty Group Statutory Basis Combined Ratio - Direct Business	6

Erie Indemnity Company
Investor Supplement - First Quarter 2016
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 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.

Erie Indemnity Company
Investor Supplement - First Quarter 2016 (Unaudited)

Indemnity					
Income Statements					
<i>(dollars in thousands, except per share data)</i>					
Three Months Ended					
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Operating revenue					
Management fee revenue, net	\$ 367,458	\$ 348,885	\$ 389,168	\$ 394,224	\$ 343,234
Service agreement fee revenue	7,270	7,495	7,469	7,436	7,597
Total operating revenue	374,728	356,380	396,637	401,660	350,831
Operating expenses					
Commissions	208,714	206,691	223,741	223,731	193,717
Salaries and employee benefits	53,289	55,998	58,342	57,354	55,019
All other operating expenses	45,060	51,852	46,265	50,592	49,665
Total operating expenses	307,063	314,541	328,348	331,677	298,401
Net revenue from operations	67,665	41,839	68,289	69,983	52,430
Investment income					
Net investment income	4,662	4,469	4,346	4,435	4,541
Net realized investment (losses) gains	(1,088)	617	(483)	598	(240)
Net impairment losses recognized in earnings	(345)	(923)	(480)	(35)	(120)
Equity in (losses) earnings of limited partnerships	(670)	81	3,837	10,707	2,358
Total investment income	2,559	4,244	7,220	15,705	6,539
Income before income taxes	70,224	46,083	75,509	85,688	58,969
Income tax expense	24,329	15,950	25,947	29,538	20,136
Net income	\$ 45,895	\$ 30,133	\$ 49,562	\$ 56,150	\$ 38,833
Key measures					
Operating income ⁽¹⁾	\$ 46,827	\$ 30,332	\$ 50,188	\$ 55,784	\$ 39,067
Net income per share - diluted	\$ 0.87	\$ 0.57	\$ 0.94	\$ 1.07	\$ 0.74
Operating income per share - diluted	\$ 0.89	\$ 0.58	\$ 0.95	\$ 1.07	\$ 0.74

(1) Operating income is net income excluding the after-tax impact of the net realized investment gains (losses) and impairment losses.

Erie Indemnity Company
Investor Supplement - First Quarter 2016 (Unaudited)

Indemnity
Balance Sheet Information

(in thousands)

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Assets					
Cash and cash equivalents	\$ 105,282	\$ 182,889	\$ 122,138	\$ 76,580	\$ 57,607
Receivables from Erie Insurance Exchange and affiliates	352,451	348,055	384,441	368,877	337,062
Investments	701,080	688,476	703,392	684,441	680,974
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	156,811	162,876	161,531	167,265	165,411
Total assets	\$ 1,340,624	\$ 1,407,296	\$ 1,396,502	\$ 1,322,163	\$ 1,266,054
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 202,816	\$ 195,542	\$ 208,906	\$ 209,157	\$ 197,403
Agent bonuses	31,940	106,752	76,707	48,880	24,997
Defined benefit pension plans and employee benefit obligations	164,053	173,934	202,995	193,380	183,545
Other liabilities	156,948	161,565	158,365	138,543	149,757
Total liabilities	555,757	637,793	646,973	589,960	555,702
Shareholders' equity	784,867	769,503	749,529	732,203	710,352
Total liabilities and shareholders' equity	\$ 1,340,624	\$ 1,407,296	\$ 1,396,502	\$ 1,322,163	\$ 1,266,054

Erie Indemnity Company
Investor Supplement - First Quarter 2016 (Unaudited)

Indemnity Management Fee

(dollars in thousands)

Three months ended

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
<u>Direct written premiums of the P&C Group</u>					
Private passenger auto	\$ 638,214	\$ 594,455	\$ 675,411	\$ 653,827	\$ 592,092
Homeowners	338,899	378,389	438,955	434,871	322,431
Commercial multi-peril	200,174	176,138	180,787	201,287	190,248
Workers compensation	130,214	98,848	110,434	120,740	118,690
Commercial auto	120,210	104,217	105,762	121,801	109,820
All other lines of business	46,921	41,492	46,524	52,769	44,057
P&C Group direct written premiums - total	\$ 1,474,632	\$ 1,393,539	\$ 1,557,873	\$ 1,585,295	\$ 1,377,338
<u>Indemnity operating revenue</u>					
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 368,658	\$ 348,385	\$ 389,468	\$ 396,324	\$ 344,334
Service agreement/other revenue	6,070	7,995	7,169	5,336	6,497
Total operating revenue	\$ 374,728	\$ 356,380	\$ 396,637	\$ 401,660	\$ 350,831

Three months ended

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
<u>Indemnity operating expenses</u>					
Commissions	\$ 208,714	\$ 206,691	\$ 223,741	\$ 223,731	\$ 193,717
Non-commission operating expenses	98,349	107,850	104,607	107,946	104,684
Total operating expenses	\$ 307,063	\$ 314,541	\$ 328,348	\$ 331,677	\$ 298,401

Three months ended

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
<u>Gross margin from operations</u>					
Net revenue from operations	\$ 67,665	\$ 41,839	\$ 68,289	\$ 69,983	\$ 52,430
Gross margin %	18.1%	11.7%	17.2%	17.4%	14.9%

Erie Indemnity Company
Investor Supplement - First Quarter 2016 (Unaudited)

P&C Group					
Direct Written Premium Growth Measures					
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
12 month growth rate policies in force					
Total all lines	3.6%	3.6%	3.8%	4.1%	4.2%
Total personal lines	3.7%	3.7%	3.9%	4.1%	4.2%
Total commercial lines	2.7%	2.9%	3.4%	4.1%	4.4%
Retention trends ⁽¹⁾					
Total all lines	89.9%	89.9%	90.0%	90.1%	90.2%
Total personal lines	90.5%	90.5%	90.6%	90.7%	90.8%
Total commercial lines	86.3%	86.0%	86.1%	86.3%	86.7%
12 month % change average premiums					
Total all lines	3.4%	3.5%	3.9%	3.9%	4.2%
Total personal lines	2.8%	2.7%	2.8%	3.0%	3.3%
Total commercial lines	5.5%	6.0%	7.0%	6.3%	6.3%

(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.

Erie Indemnity Company
Investor Supplement - First Quarter 2016 (Unaudited)

P&C Group								
Statutory Basis Combined Ratio - Direct Business								
Three Months ended March 31, 2016					Three Months ended March 31, 2015			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses	Catastrophes
Private passenger auto	103.3 %	(0.7)%	0.3 %	103.7 %	105.4 %	(0.7)%	0.1 %	106.0 %
Homeowners	81.1 %	(0.9)%	6.1 %	75.9 %	95.1 %	(2.6)%	15.3 %	82.4 %
Other personal lines	87.5 %	11.1 %	0.2 %	76.2 %	22.3 %	(46.0)%	0.0 %	68.3 %
Total personal lines	94.6%	(0.6)%	2.5%	92.7%	100.1%	(2.1)%	5.8%	96.4%
Commercial multi-peril	94.7 %	(0.3)%	5.9 %	89.1 %	121.0 %	(0.3)%	14.6 %	106.7 %
Commercial auto	84.4 %	(9.3)%	1.1 %	92.6 %	98.7 %	0.4 %	0.1 %	98.2 %
Workers compensation	88.8 %	(4.0)%	0.0 %	92.8 %	92.9 %	(4.3)%	0.0 %	97.2 %
Other commercial lines	80.5 %	1.2 %	0.8 %	78.5 %	70.6 %	(5.4)%	5.6 %	70.4 %
Total commercial lines	89.7%	(3.4)%	2.8%	90.3%	105.1%	(1.4)%	6.7%	99.8%
Grand total - direct business only	93.2%	(1.4)%	2.6%	92.0%	101.6%	(1.9)%	6.1%	97.4%