



ERIE INDEMNITY COMPANY

Investor Supplement Third 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 - Third Quarter 2016
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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.

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

Indemnity
Income Statements

(dollars in thousands, except per share data)

	Three months ended				Nine months ended		
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	September 30, 2016	September 30, 2015
Operating revenue							
Management fee revenue, net	\$ 411,139	\$ 416,665	\$ 367,458	\$ 348,885	\$ 389,168	\$ 1,195,262	\$ 1,126,626
Service agreement fee revenue	7,267	7,219	7,270	7,495	7,469	21,756	22,502
Total operating revenue	418,406	423,884	374,728	356,380	396,637	1,217,018	1,149,128
Operating expenses							
Commissions	232,455	235,794	208,714	206,691	223,741	676,963	641,189
Salaries and employee benefits	53,265	55,025	53,289	55,998	58,342	161,579	170,715
All other operating expenses	50,431	47,306	45,060	51,852	46,265	142,797	146,522
Total operating expenses	336,151	338,125	307,063	314,541	328,348	981,339	958,426
Net revenue from operations	82,255	85,759	67,665	41,839	68,289	235,679	190,702
Investment income							
Net investment income	5,331	4,891	4,662	4,469	4,346	14,884	13,322
Net realized investment gains (losses)	718	399	(1,088)	617	(483)	29	(125)
Net impairment losses recognized in earnings	0	0	(345)	(923)	(480)	(345)	(635)
Equity in (losses) earnings of limited partnerships	(1,723)	2,114	(670)	81	3,837	(279)	16,902
Total investment income	4,326	7,404	2,559	4,244	7,220	14,289	29,464
Income before income taxes	86,581	93,163	70,224	46,083	75,509	249,968	220,166
Income tax expense	29,205	31,854	24,329	15,950	25,947	85,388	75,621
Net income	\$ 57,376	\$ 61,309	\$ 45,895	\$ 30,133	\$ 49,562	\$ 164,580	\$ 144,545

Key measures

Operating income ⁽¹⁾	\$ 56,910	\$ 61,049	\$ 46,827	\$ 30,332	\$ 50,188	\$ 164,786	\$ 145,039
Net income per share - diluted	\$ 1.09	\$ 1.17	\$ 0.87	\$ 0.57	\$ 0.94	\$ 3.14	\$ 2.75
Operating income per share - diluted	\$ 1.08	\$ 1.17	\$ 0.89	\$ 0.58	\$ 0.95	\$ 3.14	\$ 2.76

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

Erie Indemnity Company
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Indemnity
Balance Sheet Information

(in thousands)

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Assets					
Cash and cash equivalents	\$ 139,813	\$ 124,111	\$ 105,282	\$ 182,889	\$ 122,138
Receivables from Erie Insurance Exchange and affiliates	399,975	387,273	352,451	348,055	384,441
Investments	770,324	725,083	701,080	688,476	703,392
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	149,903	153,359	156,811	162,876	161,531
Total assets	\$ 1,485,015	\$ 1,414,826	\$ 1,340,624	\$ 1,407,296	\$ 1,396,502
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 218,267	\$ 217,203	\$ 202,816	\$ 195,542	\$ 208,906
Agent bonuses	84,805	58,235	31,940	106,752	76,707
Defined benefit pension plans and employee benefit obligations	179,008	171,529	164,053	173,934	202,995
Other liabilities	164,006	152,665	156,948	161,565	158,365
Total liabilities	646,086	599,632	555,757	637,793	646,973
Shareholders' equity	838,929	815,194	784,867	769,503	749,529
Total liabilities and shareholders' equity	\$ 1,485,015	\$ 1,414,826	\$ 1,340,624	\$ 1,407,296	\$ 1,396,502

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

Indemnity Management Fee

(dollars in thousands)

	Three months ended				Nine months ended		
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	September 30, 2016	September 30, 2015
Direct written premiums of the P&C Group							
Private passenger auto	\$ 732,688	\$ 707,442	\$ 638,214	\$ 594,455	\$ 675,411	\$ 2,078,344	\$ 1,921,330
Homeowners	451,628	450,054	338,899	378,389	438,955	1,240,581	1,196,257
Commercial multi-peril	185,370	207,756	200,174	176,138	180,787	593,300	572,322
Workers compensation	110,366	125,121	130,214	98,848	110,434	365,701	349,864
Commercial auto	114,674	131,725	120,210	104,217	105,762	366,609	337,383
All other lines of business	49,029	54,961	46,921	41,492	46,524	150,911	143,350
P&C Group direct written premiums - total	\$ 1,643,755	\$ 1,677,059	\$ 1,474,632	\$ 1,393,539	\$ 1,557,873	\$ 4,795,446	\$ 4,520,506
Indemnity operating revenue							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 410,939	\$ 419,265	\$ 368,658	\$ 348,385	\$ 389,468	\$ 1,198,862	\$ 1,130,126
Service agreement/other revenue	7,467	4,619	6,070	7,995	7,169	18,156	19,002
Total operating revenue	\$ 418,406	\$ 423,884	\$ 374,728	\$ 356,380	\$ 396,637	\$ 1,217,018	\$ 1,149,128

	Three months ended				Nine months ended		
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	September 30, 2016	September 30, 2015
Indemnity operating expenses							
Commissions	\$ 232,455	\$ 235,794	\$ 208,714	\$ 206,691	\$ 223,741	\$ 676,963	\$ 641,189
Non-commission operating expenses	103,696	102,331	98,349	107,850	104,607	304,376	317,237
Total operating expenses	\$ 336,151	\$ 338,125	\$ 307,063	\$ 314,541	\$ 328,348	\$ 981,339	\$ 958,426

	Three months ended				Nine months ended		
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	September 30, 2016	September 30, 2015
Gross margin from operations							
Net revenue from operations	\$ 82,255	\$ 85,759	\$ 67,665	\$ 41,839	\$ 68,289	\$ 235,679	\$ 190,702
Gross margin %	19.7%	20.2%	18.1%	11.7%	17.2%	19.4%	16.6%

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Property and Casualty Group					
Direct Written Premium Growth Measures					
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
12 month growth rate policies in force					
Total all lines	3.3%	3.4%	3.6%	3.6%	3.8%
Total personal lines	3.4%	3.6%	3.7%	3.7%	3.9%
Total commercial lines	2.3%	2.3%	2.7%	2.9%	3.4%
Retention trends ⁽¹⁾					
Total all lines	89.8%	89.8%	89.9%	89.9%	90.0%
Total personal lines	90.3%	90.4%	90.5%	90.5%	90.6%
Total commercial lines	86.1%	86.1%	86.3%	86.0%	86.1%
12 month % change average premiums					
Total all lines	2.7%	3.1%	3.4%	3.5%	3.9%
Total personal lines	2.9%	2.8%	2.8%	2.7%	2.8%
Total commercial lines	3.1%	4.6%	5.5%	6.0%	7.0%

(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, 2016				Three months ended September 30, 2015			
	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	112.6 %	(0.5) %	0.5 %	112.6 %	106.6 %	0.7 %	1.1 %	104.8 %
Homeowners	80.1 %	0.5 %	7.7 %	71.9 %	76.3 %	(1.5) %	14.7 %	63.1 %
Other personal lines	27.9 %	(25.8) %	(0.7) %	54.4 %	99.5 %	(2.4) %	0.0 %	101.9 %
Total personal lines	99.1 %	(0.5) %	3.2 %	96.4 %	95.0 %	(0.2) %	6.2 %	89.0 %
Commercial multi-peril	73.4 %	(3.9) %	1.1 %	76.2 %	71.0 %	(6.2) %	6.8 %	70.4 %
Commercial auto	106.5 %	1.9 %	1.2 %	103.4 %	98.0 %	(12.4) %	(0.2) %	110.6 %
Workers compensation	97.7 %	(1.6) %	0.0 %	99.3 %	78.1 %	(8.8) %	0.0 %	86.9 %
Other commercial lines	32.0 %	(29.3) %	0.5 %	60.8 %	55.5 %	(3.3) %	4.0 %	54.8 %
Total commercial lines	85.4 %	(3.5) %	0.8 %	88.1 %	78.5 %	(8.2) %	3.1 %	83.6 %
Grand total - direct business only	95.0 %	(1.4) %	2.5 %	93.9 %	90.0 %	(2.6) %	5.3 %	87.3 %
	Nine months ended September 30, 2016				Nine months ended September 30, 2015			
	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	105.1 %	(2.2) %	1.1 %	106.2 %	106.3 %	(0.8) %	0.7 %	106.4 %
Homeowners	84.7 %	0.5 %	11.2 %	73.0 %	88.6 %	(1.7) %	14.2 %	76.1 %
Other personal lines	66.5 %	(10.2) %	0.5 %	76.2 %	59.1 %	(20.9) %	0.1 %	79.9 %
Total personal lines	96.8 %	(1.3) %	4.9 %	93.2 %	98.8 %	(1.5) %	5.8 %	94.5 %
Commercial multi-peril	74.4 %	(7.6) %	3.9 %	78.1 %	83.4 %	(5.4) %	5.9 %	82.9 %
Commercial auto	100.0 %	(1.3) %	1.8 %	99.5 %	99.6 %	(3.7) %	1.6 %	101.7 %
Workers compensation	93.8 %	(1.3) %	0.0 %	95.1 %	84.2 %	(5.7) %	0.0 %	89.9 %
Other commercial lines	66.3 %	(8.7) %	0.5 %	74.5 %	69.8 %	(5.3) %	2.7 %	72.4 %
Total commercial lines	85.3 %	(4.5) %	2.1 %	87.7 %	86.7 %	(5.1) %	3.1 %	88.7 %
Grand total - direct business only	93.4 %	(2.3) %	4.1 %	91.6 %	95.2 %	(2.5) %	5.0 %	92.7 %