



ERIE INDEMNITY COMPANY

Investor Supplement Fourth Quarter 2015

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 - Fourth Quarter 2015
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 - Fourth Quarter 2015
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 - Fourth Quarter 2015

Indemnity
Income Statements

(dollars in thousands, except per share data)

Three Months Ended

Twelve Months Ended

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Unaudited)						
Operating revenue							
Management fee revenue, net	\$ 348,885	\$ 389,168	\$ 394,224	\$ 343,234	\$ 329,382	\$ 1,475,511	\$ 1,376,190
Service agreement fee revenue	7,495	7,469	7,436	7,597	7,874	29,997	30,929
Total operating revenue	356,380	396,637	401,660	350,831	337,256	1,505,508	1,407,119
Operating expenses							
Commissions	206,691	223,741	223,731	193,717	195,499	847,880	783,017
Salaries and employee benefits	55,998	58,342	57,354	55,019	53,417	226,713	206,690
All other operating expenses	51,852	46,265	50,592	49,665	52,927	198,374	194,565
Total operating expenses	314,541	328,348	331,677	298,401	301,843	1,272,967	1,184,272
Net revenue from operations	41,839	68,289	69,983	52,430	35,413	232,541	222,847
Investment income							
Net investment income	4,469	4,346	4,435	4,541	4,312	17,791	16,536
Net realized investment gains (losses)	617	(483)	598	(240)	(237)	492	1,057
Net impairment losses recognized in earnings	(923)	(480)	(35)	(120)	0	(1,558)	(105)
Equity in earnings (losses) of limited partnerships	81	3,837	10,707	2,358	(1,733)	16,983	10,929
Total investment income	4,244	7,220	15,705	6,539	2,342	33,708	28,417
Income before income taxes	46,083	75,509	85,688	58,969	37,755	266,249	251,264
Income tax expense	15,950	25,947	29,538	20,136	12,459	91,571	83,759
Net income	\$ 30,133	\$ 49,562	\$ 56,150	\$ 38,833	\$ 25,296	\$ 174,678	\$ 167,505

Key measures

Operating income ⁽¹⁾	\$ 30,332	\$ 50,188	\$ 55,784	\$ 39,067	\$ 25,449	\$ 175,371	\$ 166,886
Net income per share - diluted	\$ 0.57	\$ 0.94	\$ 1.07	\$ 0.74	\$ 0.48	\$ 3.33	\$ 3.18
Operating income per share - diluted	\$ 0.58	\$ 0.95	\$ 1.07	\$ 0.74	\$ 0.48	\$ 3.34	\$ 3.17

(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 - Fourth Quarter 2015

Indemnity					
Balance Sheet Information					
<i>(in thousands)</i>					
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
	<i>(Unaudited)</i>				
Assets					
Cash and cash equivalents	\$ 182,889	\$ 122,138	\$ 76,580	\$ 57,607	\$ 91,747
Receivables from Erie Insurance Exchange and affiliates	348,055	384,441	368,877	337,062	335,220
Investments	688,476	703,392	684,441	680,974	702,387
Note receivable from Erie Family Life Insurance Company	25,000	25,000	25,000	25,000	25,000
Other assets	162,876	161,531	167,265	165,411	164,844
Total assets	<u>\$ 1,407,296</u>	<u>\$ 1,396,502</u>	<u>\$ 1,322,163</u>	<u>\$ 1,266,054</u>	<u>\$ 1,319,198</u>
Liabilities and shareholders' equity					
Liabilities					
Commissions payable	\$ 195,542	\$ 208,906	\$ 209,157	\$ 197,403	\$ 189,918
Agent bonuses	106,752	76,707	48,880	24,997	88,228
Defined benefit pension plans and employee benefit obligations	173,934	202,995	193,380	183,545	190,709
Other liabilities	161,565	158,365	138,543	149,757	147,209
Total liabilities	<u>637,793</u>	<u>646,973</u>	<u>589,960</u>	<u>555,702</u>	<u>616,064</u>
Shareholders' equity	<u>769,503</u>	<u>749,529</u>	<u>732,203</u>	<u>710,352</u>	<u>703,134</u>
Total liabilities and shareholders' equity	<u>\$ 1,407,296</u>	<u>\$ 1,396,502</u>	<u>\$ 1,322,163</u>	<u>\$ 1,266,054</u>	<u>\$ 1,319,198</u>

Erie Indemnity Company
Investor Supplement - Fourth Quarter 2015

Indemnity Management Fee

(dollars in thousands)

	Three Months Ended					Twelve Months Ended	
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Unaudited)						
<u>Direct written premiums of the P&C Group</u>							
Private passenger auto	\$ 594,455	\$ 675,411	\$ 653,827	\$ 592,092	\$ 555,357	\$ 2,515,785	\$ 2,362,811
Homeowners	378,389	438,955	434,871	322,431	360,082	1,574,646	1,480,197
Commercial multi-peril	176,138	180,787	201,287	190,248	169,687	748,460	699,221
Workers compensation	98,848	110,434	120,740	118,690	93,068	448,712	401,632
Commercial auto	104,217	105,762	121,801	109,820	94,989	441,600	400,555
All other lines of business	41,492	46,524	52,769	44,057	39,145	184,842	169,546
P&C Group direct written premiums - total	\$ 1,393,539	\$ 1,557,873	\$ 1,585,295	\$ 1,377,338	\$ 1,312,328	\$ 5,914,045	\$ 5,513,962
<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	\$ 348,385	\$ 389,467	\$ 396,324	\$ 344,335	\$ 328,082	\$ 1,478,511	\$ 1,378,490
Service agreement/other revenue	7,995	7,170	5,336	6,496	9,174	26,997	28,629
Total operating revenue	\$ 356,380	\$ 396,637	\$ 401,660	\$ 350,831	\$ 337,256	\$ 1,505,508	\$ 1,407,119

	Three Months Ended					Twelve Months Ended	
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Unaudited)						
<u>Indemnity operating expenses</u>							
Commissions	\$ 206,691	\$ 223,741	\$ 223,731	\$ 193,717	\$ 195,499	\$ 847,880	\$ 783,017
Non-commission operating expenses	107,850	104,607	107,946	104,684	106,344	425,087	401,255
Total operating expenses	\$ 314,541	\$ 328,348	\$ 331,677	\$ 298,401	\$ 301,843	\$ 1,272,967	\$ 1,184,272

	Three Months Ended					Twelve Months Ended	
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Unaudited)						
<u>Gross margin from operations</u>							
Net revenue from operations	\$ 41,839	\$ 68,289	\$ 69,983	\$ 52,430	\$ 35,413	\$ 232,541	\$ 222,847
Gross margin %	11.7%	17.2%	17.4%	14.9%	10.5%	15.4%	15.8%

Erie Indemnity Company
Investor Supplement - Fourth Quarter 2015 (Unaudited)

P&C Group					
Direct Written Premium Growth Measures					
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
12 month growth rate policies in force					
Total all lines	3.6%	3.8%	4.1%	4.2%	4.3%
Total personal lines	3.7%	3.9%	4.1%	4.2%	4.3%
Total commercial lines	2.9%	3.4%	4.1%	4.4%	4.4%
Retention trends ⁽¹⁾					
Total all lines	89.9%	90.0%	90.1%	90.2%	90.3%
Total personal lines	90.5%	90.6%	90.7%	90.8%	90.9%
Total commercial lines	86.0%	86.1%	86.3%	86.7%	86.5%
12 month % change average premiums					
Total all lines	3.5%	3.9%	3.9%	4.2%	4.2%
Total personal lines	2.7%	2.8%	3.0%	3.3%	3.5%
Total commercial lines	6.0%	7.0%	6.3%	6.3%	5.7%

(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 - Fourth Quarter 2015 (Unaudited)

P&C Group									
Statutory Basis Combined Ratio - Direct Business									
Three months ended December 31, 2015					Three months ended December 31, 2014				
	Prior Year		Current			Prior Year		Current	
	Reserve		Accident			Reserve		Accident	
	Development		Year			Development		Year	
	Deficiency		Excluding			Deficiency		Excluding	
	Calendar	(Redundancy)	Catastrophe	Catastrophes		Calendar	(Redundancy)	Catastrophe	Catastrophes
	Year	[Direct business]	Losses			Year	[Direct business]	Losses	
Private passenger auto	114.0%	0.6 %	0.1 %	113.3%		109.7%	(3.5)%	0.0 %	113.2%
Homeowners	69.5%	(0.2)%	1.8 %	67.9%		66.7%	(1.5)%	2.5 %	65.7%
Other personal lines	46.9%	(10.5)%	0.3 %	57.1%		28.0%	(24.4)%	0.0 %	52.4%
Total personal lines	96.0%	0.1 %	0.7 %	95.2%		92.2%	(3.1)%	0.9 %	94.4%
Commercial multi-peril	88.9%	0.4 %	(1.2)%	89.7%		66.3%	(5.4)%	(1.4)%	73.1%
Commercial auto	90.3%	(9.1)%	(0.6)%	100.0%		102.0%	(0.3)%	(0.2)%	102.5%
Workers compensation ⁽¹⁾	163.9%	53.5 %	0.0 %	110.4%		81.0%	(15.1)%	0.0 %	96.1%
Other commercial lines	56.6%	(9.1)%	(4.4)%	70.1%		83.6%	(11.9)%	(0.2)%	95.7%
Total commercial lines	106.2%	10.9 %	(1.0)%	96.3%		80.0%	(7.1)%	(0.7)%	87.8%
Grand total - direct business only	99.0%	3.3 %	0.2 %	95.5%		88.6%	(4.2)%	0.5 %	92.3%
Twelve months ended December 31, 2015					Twelve months ended December 31, 2014				
	Prior Year		Current			Prior Year		Current	
	Reserve		Accident			Reserve		Accident	
	Development		Year			Development		Year	
	Deficiency		Excluding			Deficiency		Excluding	
	Calendar	(Redundancy)	Catastrophe	Catastrophes		Calendar	(Redundancy)	Catastrophe	Catastrophes
	Year	[Direct business]	Losses			Year	[Direct business]	Losses	
Private passenger auto	108.3%	(0.5)%	0.5 %	108.3%		107.4%	(1.4)%	3.2 %	105.6%
Homeowners	83.7%	(1.3)%	11.0 %	74.0%		94.9%	(1.0)%	18.4 %	77.5%
Other personal lines	55.9%	(18.2)%	0.1 %	74.0%		73.7%	(6.4)%	0.2 %	79.9%
Total personal lines	98.1%	(1.1)%	4.5 %	94.7%		102.1%	(1.4)%	8.9 %	94.6%
Commercial multi-peril	84.8%	(3.9)%	4.1 %	84.6%		96.2%	(4.2)%	8.1 %	92.3%
Commercial auto	97.2%	(5.1)%	1.0 %	101.3%		103.6%	0.6 %	1.7 %	101.3%
Workers compensation ⁽¹⁾	104.5%	9.4 %	0.0 %	95.1%		92.3%	(9.4)%	0.0 %	101.7%
Other commercial lines	66.4%	(6.3)%	0.9 %	71.8%		71.3%	(6.6)%	0.4 %	77.5%
Total commercial lines	91.7%	(1.0)%	2.1 %	90.6%		95.4%	(4.5)%	4.0 %	95.9%
Grand total - direct business only	96.2%	(1.0)%	3.8 %	93.4%		100.2%	(2.3)%	7.5 %	95.0%

(1) In December 2015, the workers compensation discount rate was reduced from 2.5% to 1% increasing workers compensation reserves \$45 million. This change contributed 40.8 points to the workers compensation combined ratio in the fourth quarter of 2015 and 10.4 points for the year ended December 31, 2015.