



## **ERIE INDEMNITY COMPANY**

### **Investor Supplement Second Quarter 2019**

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 2018.

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2019**  
**Table of Contents**

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

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2019**  
**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.

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2019 (Unaudited)**

*(dollars in thousands, except per share data)*

	<b>Indemnity</b>						
	<b>Income Statements</b>						
	Three months ended					Six months ended	
	<b>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Operating revenue</b>							
Management fee revenue - policy issuance and renewal services, net	\$ 480,513	\$ 430,983	\$ 407,656	\$ 451,361	\$ 454,572	\$ 911,496	\$ 860,550
Management fee revenue - administrative services, net	14,195	13,951	13,738	13,521	13,299	28,146	26,373
Administrative services reimbursement revenue	146,095	142,480	147,694	140,172	146,507	288,575	292,470
Service agreement revenue	6,907	6,692	7,380	7,072	7,080	13,599	14,225
Total operating revenue	647,710	594,106	576,468	612,126	621,458	1,241,816	1,193,618
<b>Operating expenses</b>							
Commissions	273,256	242,982	231,321	256,770	261,573	516,238	495,667
Non-commission operating expenses	131,749	122,522	122,695	118,489	118,055	254,271	232,591
Total cost of operations - policy issuance and renewal services	405,005	365,504	354,016	375,259	379,628	770,509	728,258
Cost of operations - administrative services	146,095	142,480	147,694	140,172	146,507	288,575	145,963
Total operating expenses	551,100	507,984	501,710	515,431	526,135	1,059,084	1,020,728
Operating income	96,610	86,122	74,758	96,695	95,323	182,732	172,890
<b>Investment income</b>							
Net investment income	8,030	8,517	8,626	7,659	7,104	16,547	13,924
Net realized investment gains (losses)	1,302	2,503	(1,513)	0	(32)	3,805	(497)
Net impairment losses recognized in earnings	(84)	(78)	(935)	0	(646)	(162)	(646)
Equity in (losses) earnings of limited partnerships	404	(1,147)	(1,183)	772	(219)	(743)	(411)
Total investment income	9,652	9,795	4,995	8,431	6,207	19,447	12,370
Interest expense, net	272	449	596	709	602	721	1,155
Other income	48	47	3,485	54	58	95	102
Income before income taxes	106,038	95,515	82,642	104,471	100,986	201,553	184,207
Income tax expense	18,284	20,204	20,328	24,025	21,280	38,488	38,743
Net income	\$ 87,754	\$ 75,311	\$ 62,314	\$ 80,446	\$ 79,706	\$ 163,065	\$ 145,464
Net income per share - diluted	\$ 1.68	\$ 1.44	\$ 1.19	\$ 1.54	\$ 1.52	\$ 3.12	\$ 2.78

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2019 (Unaudited)**

**Indemnity**  
**Balance Sheet Information**

(in thousands)

**Assets**

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Cash and cash equivalents	\$ 338,262	\$ 312,045	\$ 266,417	\$ 244,688	\$ 198,412
Receivables from Erie Insurance Exchange and affiliates	483,319	456,135	449,873	463,620	445,211
Investments	731,897	717,367	795,197	753,794	757,567
Note receivable from Erie Family Life Insurance Company	—	—	—	25,000	25,000
Other assets	336,169	313,909	266,840	272,401	226,085
<b>Total assets</b>	<b>\$ 1,889,647</b>	<b>\$ 1,799,456</b>	<b>\$ 1,778,327</b>	<b>\$ 1,759,503</b>	<b>\$ 1,652,275</b>

**Liabilities and shareholders' equity**

**Liabilities**

Commissions payable	\$ 267,403	\$ 253,002	\$ 241,573	\$ 257,015	\$ 253,328
Agent bonuses	51,357	26,129	103,462	79,308	56,482
Defined benefit pension plans <sup>(1)</sup>	129,674	123,270	116,866	154,736	145,667
Current and long-term borrowings	98,774	99,273	99,730	99,727	99,725
Contract liability	53,713	52,023	51,727	51,989	50,589
Other liabilities <sup>(1)</sup>	225,272	231,955	191,297	195,705	166,296
<b>Total liabilities</b>	<b>826,193</b>	<b>785,652</b>	<b>804,655</b>	<b>838,480</b>	<b>772,087</b>

**Shareholders' equity**

<b>Total liabilities and shareholders' equity</b>	<b>1,063,454</b>	<b>1,013,804</b>	<b>973,672</b>	<b>921,023</b>	<b>880,188</b>
	<b>\$ 1,889,647</b>	<b>\$ 1,799,456</b>	<b>\$ 1,778,327</b>	<b>\$ 1,759,503</b>	<b>\$ 1,652,275</b>

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

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2019 (Unaudited)**

**Property and Casualty Group**  
**Direct Written Premium Growth Measures**

	Three months ended				Six months ended		
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	June 30, 2019	June 30, 2018
<i>(dollars in thousands)</i>							
<b>Direct written premiums of the P&amp;C Group</b>							
Private passenger auto	\$ 883,877	\$ 818,783	\$ 754,495	\$ 859,967	\$ 830,781	\$ 1,702,660	\$ 1,597,476
Homeowners	502,625	380,931	420,690	487,377	482,597	883,556	845,032
Commercial multi-peril	242,109	231,965	206,188	205,151	226,578	474,074	446,195
Workers compensation	130,936	139,909	112,040	119,587	135,424	270,845	276,548
Commercial auto	170,410	157,864	136,816	138,028	152,969	328,274	294,259
All other lines of business	63,636	55,068	47,897	53,817	59,650	118,704	111,283
<b>P&amp;C Group direct written premiums - total</b>	<b>\$ 1,993,593</b>	<b>\$ 1,784,520</b>	<b>\$ 1,678,126</b>	<b>\$ 1,863,927</b>	<b>\$ 1,887,999</b>	<b>\$ 3,778,113</b>	<b>\$ 3,570,793</b>

**Property and Casualty Group**  
**Direct Written Premium Growth Measures**

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
<b>12 month growth rate policies in force</b>					
Total all lines	2.7%	3.1%	3.3%	3.5%	3.5%
Total personal lines	2.7%	3.1%	3.4%	3.6%	3.7%
Total commercial lines	2.6%	2.7%	2.7%	2.5%	2.6%
<b>Retention trends <sup>(1)</sup></b>					
Total all lines	90.2%	90.2%	90.1%	89.9%	89.8%
Total personal lines	90.7%	90.7%	90.6%	90.4%	90.3%
Total commercial lines	86.8%	87.0%	86.6%	86.4%	86.5%
<b>12 month % change average premiums</b>					
Total all lines	3.4%	3.5%	3.5%	3.2%	2.8%
Total personal lines	3.1%	3.2%	3.3%	3.2%	3.1%
Total commercial lines	4.0%	4.4%	4.6%	3.8%	2.8%

*(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 - Second Quarter 2019 (Unaudited)

**Property and Casualty Group**  
**Statutory Basis Combined Ratio - Direct Business**

	Three months ended June 30, 2019				Three months ended June 30, 2018			
	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	113.0%	(1.5)%	5.6%	108.9%	108.7%	(0.3)%	1.1%	107.9%
Homeowners	152.6%	(0.8)%	72.4%	81.0%	115.8%	2.4%	33.0%	80.4%
Other personal lines	85.9%	(0.1)%	4.2%	81.8%	67.2%	(8.6)%	1.3%	74.5%
<b>Total personal lines</b>	<b>126.2%</b>	<b>(1.3)%</b>	<b>28.8%</b>	<b>98.7%</b>	<b>110.5%</b>	<b>0.5%</b>	<b>12.3%</b>	<b>97.7%</b>
Commercial multi-peril	95.6%	(1.4)%	17.4%	79.6%	81.2%	(2.8)%	8.0%	76.0%
Commercial auto	117.5%	6.0%	4.4%	107.1%	104.4%	0.8%	1.0%	102.6%
Workers compensation	101.2%	3.1%	0.0%	98.1%	70.3%	(31.7)%	0.0%	102.0%
Other commercial lines	65.0%	(32.8)%	4.6%	93.2%	103.8%	23.0%	1.3%	79.5%
<b>Total commercial lines</b>	<b>101.2%</b>	<b>0.4%</b>	<b>9.0%</b>	<b>91.8%</b>	<b>86.3%</b>	<b>(7.3)%</b>	<b>3.7%</b>	<b>89.9%</b>
<b>Grand total - direct business only</b>	<b>118.9%</b>	<b>(0.8)%</b>	<b>23.0%</b>	<b>96.7%</b>	<b>103.4%</b>	<b>(1.7)%</b>	<b>9.8%</b>	<b>95.3%</b>
	Six months ended June 30, 2019				Six months ended June 30, 2018			
	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	111.3%	0.5%	3.2%	107.6%	108.5%	0.2%	0.7%	107.6%
Homeowners	124.9%	0.1%	44.2%	80.6%	114.5%	2.1%	29.7%	82.7%
Other personal lines	72.0%	(12.6)%	2.9%	81.7%	66.2%	(8.4)%	1.2%	73.4%
<b>Total personal lines</b>	<b>115.4%</b>	<b>0.2%</b>	<b>17.4%</b>	<b>97.8%</b>	<b>109.9%</b>	<b>0.8%</b>	<b>10.9%</b>	<b>98.2%</b>
Commercial multi-peril	99.0%	2.5%	11.0%	85.5%	85.1%	(2.3)%	7.5%	79.9%
Commercial auto	114.5%	6.6%	2.5%	105.4%	102.5%	(1.3)%	0.6%	103.2%
Workers compensation	92.7%	(0.4)%	0.0%	93.1%	84.4%	(14.6)%	0.0%	99.0%
Other commercial lines	43.6%	(17.8)%	3.0%	58.4%	97.5%	12.0%	0.8%	84.7%
<b>Total commercial lines</b>	<b>98.4%</b>	<b>2.1%</b>	<b>5.6%</b>	<b>90.7%</b>	<b>90.4%</b>	<b>(4.2)%</b>	<b>3.4%</b>	<b>91.2%</b>
<b>Grand total - direct business only</b>	<b>110.4%</b>	<b>0.7%</b>	<b>14.0%</b>	<b>95.7%</b>	<b>104.3%</b>	<b>(0.7)%</b>	<b>8.7%</b>	<b>96.3%</b>