



## **ERIE INDEMNITY COMPANY**

### **Investor Supplement Fourth Quarter 2012**

This report is for informational purposes only and includes consolidated 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 2012.

**Erie Indemnity Company**  
**Investor Supplement - Fourth Quarter 2012**  
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**Erie Indemnity Company**  
**Investor Supplement - Fourth Quarter 2012**  
**Basis of Presentation**

**Entity Definitions**

- The accompanying consolidated financial statements of Erie Indemnity Company reflect the consolidated results of Indemnity and the Erie Insurance Exchange ("Exchange"), which we refer to collectively as "Erie Insurance Group."
  - **Indemnity** is a publicly held Pennsylvania business corporation that since 1925 has been the managing Attorney-in-Fact for the subscribers (policyholders) of Exchange. Indemnity shareholder interest represents the Class A and Class B shareholders.
  - **Exchange** is a subscriber (policyholder) owned Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance. Exchange refers to the noncontrolling interest held for the interest of the subscribers (policyholders) and includes its interests in Erie Insurance Company ("EIC"), Erie Insurance Company of New York ("ENY"), Erie Insurance Property and Casualty Company ("EPC"), Flagship City Insurance Company ("Flagship") and Erie Family Life Insurance Company ("EFL").
- The Property and Casualty Group ("P&C Group") is a regional insurance group operating in 11 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.
- EFL is an affiliated life insurance company that underwrites and sells individual and group life insurance policies and fixed annuities. Through March 31, 2011 Indemnity and the Exchange owned 21.6% and 78.4% of EFL, respectively. On March 31, 2011, Indemnity sold its 21.6% ownership interest in EFL to the Exchange.
- Operating income (loss) is net income (loss) excluding the after-tax impact of the net realized investment gains (losses) and impairment losses.

**Property and Casualty Group**

- 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, insurance 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. The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.
- GAAP combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and, where applicable, the ratio of policyholder dividends to net earned premiums. For GAAP, the loss and loss expense ratio is the ratio of incurred losses and loss expenses to net earned premiums. The underwriting expense ratio is the ratio of policy acquisition and other underwriting costs to net earned premiums. A GAAP combined ratio under 100% generally indicates an underwriting profit. A GAAP combined ratio over 100% generally indicates an underwriting loss.
- 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 given group of claims. Loss reserve development may be related to one or more prior years. In the opinion of the Company's management, discussion of loss reserve development is useful to investors as it allows them to assess the impact between prior year development on incurred claims and claim adjustment expenses, net income, and changes in claims and claim adjustment expense reserve levels from period to period.

Erie Insurance Group's Quarterly Operations by Interest (Unaudited)									
(dollars in millions, except per share data)									
	Indemnity shareholder interest		Noncontrolling interest (Exchange)			Eliminations of related party transactions		Erie Insurance Group	
	Three months ended December 31,		Three months ended December 31,			Three months ended December 31,		Three months ended December 31,	
	Percent	2012	2011	Percent	2012	2011	2012	2011	2011
<b>Management operations:</b>									
Management fee revenue, net	100.0%	\$ 275	\$ 251		\$ -	\$ -	\$ (275)	\$ (251)	\$ -
Service agreement revenue	100.0%	8	8		-	-	-	-	8
Total revenue from management operations		283	259		-	-	(275)	(251)	8
Cost of management operations	100.0%	249	225		-	-	(249)	(225)	-
<b>Income from management operations before taxes</b>		34	34		-	-	(26)	(26)	8
<b>Property and casualty insurance operations:</b>									
Net premiums earned		-	-	100.0%	1,143	1,060	-	-	1,143
Losses and loss expenses		-	-	100.0%	883	696	(1)	(1)	882
Policy acquisition and other underwriting expenses		-	-	100.0%	321	296	(29)	(29)	292
<b>(Loss) income from property and casualty insurance operations before taxes</b>		-	-		(61)	68	30	30	(31)
<b>Life insurance operations:<sup>(1)</sup></b>									
Total revenue		-	-	100.0%	45	43	(1)	(1)	44
Total benefits and expenses		-	-	100.0%	33	31	0	0	33
<b>Income from life insurance operations before taxes</b>		-	-		12	12	(1)	(1)	11
<b>Investment operations:</b>									
Net investment income		4	4		87	83	(3)	(3)	88
Net realized gains on investments		1	2		56	227	-	-	57
Net impairment losses recognized in earnings		0	0		0	(1)	-	-	0
Equity in earnings (losses) of limited partnerships		5	1		27	(5)	-	-	32
<b>Income from investment operations before taxes</b>		10	7		170	304	(3)	(3)	177
<b>Income from operations before income taxes and noncontrolling interest</b>		44	41		121	384	-	-	165
Provision for income taxes		14	15		32	129	-	-	46
<b>Net income</b>		\$ 30	\$ 26		\$ 89	\$ 255	\$ -	\$ -	\$ 119

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

Operating income	\$ 29	\$ 25
Net income per share - diluted	\$ 0.56	\$ 0.49
Operating income per share - diluted	\$ 0.54	\$ 0.47

**Key measures**

Gross margin % - Indemnity	12.2%	13.0%
GAAP combined ratio	105.5%	93.5%

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Erie Insurance Group's Year to Date Operations by Interest										
(dollars in millions, except per share data)										
	Indemnity shareholder interest			Noncontrolling interest (Exchange)			Eliminations of related party transactions		Erie Insurance Group	
	Years Ended December 31,			Years Ended December 31,			Years Ended December 31,		Years Ended December 31,	
	Percent	2012	2011	Percent	2012	2011	2012	2011	2012	2011
<b>Management operations:</b>										
Management fee revenue, net	100.0%	\$ 1,157	\$ 1,067		\$ -	\$ -	\$ (1,157)	\$ (1,067)	\$ -	\$ -
Service agreement revenue	100.0%	31	33		-	-	-	-	31	33
Total revenue from management operations		1,188	1,100		-	-	(1,157)	(1,067)	31	33
Cost of management operations	100.0%	983	892		-	-	(983)	(892)	-	-
<b>Income from management operations before taxes</b>		205	208		-	-	(174)	(175)	31	33
<b>Property and casualty insurance operations:</b>										
Net premiums earned		-	-	100.0%	4,422	4,149	-	-	4,422	4,149
Losses and loss expenses		-	-	100.0%	3,384	3,349	(5)	(5)	3,379	3,344
Policy acquisition and other underwriting expenses		-	-	100.0%	1,284	1,178	(182)	(183)	1,102	995
<b>Loss from property and casualty insurance operations before taxes</b>		-	-		(246)	(378)	187	188	(59)	(190)
<b>Life insurance operations:</b> <sup>(1) (2)</sup>										
Total revenue	21.6% <sup>(2)</sup>	-	10	78.4% <sup>(2)</sup>	178	167	(2)	(2)	176	175
Total benefits and expenses	21.6% <sup>(2)</sup>	-	7	78.4% <sup>(2)</sup>	132	120	0	0	132	127
<b>Income from life insurance operations before taxes</b>		-	3		46	47	(2)	(2)	44	48
<b>Investment operations:</b>										
Net investment income		16	16		338	335	(11)	(11)	343	340
Net realized gains (losses) on investments		5	3		404	(20)	-	-	409	(17)
Net impairment losses recognized in earnings		0	0		0	(1)	-	-	0	(1)
Equity in earnings of limited partnerships		15	26		116	119	-	-	131	145
<b>Income from investment operations before taxes</b>		36	45		858	433	(11)	(11)	883	467
<b>Income from operations before income taxes and noncontrolling interest</b>		241	256		658	102	-	-	899	358
Provision for income taxes		81	87		199	3	-	-	280	90
<b>Net income</b>		\$ 160	\$ 169		\$ 459	\$ 99	\$ -	\$ -	\$ 619	\$ 268

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

(2) Prior to and through March 31, 2011, Indemnity retained a 21.6% ownership interest in EFL, which accrued to the Indemnity shareholder interest, and the Exchange retained a 78.4% ownership interest in EFL, which accrued to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest. Due to the sale of Indemnity's 21.6% ownership interest in EFL to the Exchange on March 31, 2011, 100% of EFL's life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest, after March 31, 2011.

Operating income	\$ 157	\$ 167
Net income per share - diluted	\$ 2.99	\$ 3.08
Operating income per share - diluted	\$ 2.92	\$ 3.04

**Key measures**

Gross margin % - Indemnity	17.3%	18.9%
GAAP combined ratio	105.6%	109.1%

**Erie Indemnity Company**  
**Investor Supplement - Fourth Quarter 2012 (Unaudited)**

**Balance Sheet Information - Indemnity**

*(in millions)*

**Assets**

**Investments**

Available-for-sale securities, at fair value:

Fixed maturities

Equity securities

Trading securities, at fair value

Limited partnerships

Other invested assets

**Total investments**

Cash and cash equivalents

Deferred income taxes

Other assets

Reinsurance recoverables and receivables from Exchange and other affiliates

Note receivable from EFL

**Total assets**

**Liabilities and shareholders' equity**

**Liabilities**

Other liabilities

**Total liabilities**

**Shareholders' equity**

**Total liabilities and shareholders' equity**

Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011
\$ 452	\$ 547	\$ 510	\$ 494	\$ 548
55	29	26	26	25
-	30	28	29	27
180	195	199	204	208
1	1	1	1	1
<b>688</b>	<b>802</b>	<b>764</b>	<b>754</b>	<b>809</b>
12	12	13	28	11
37	16	21	18	19
117	115	115	115	119
281	286	277	256	254
25	25	25	25	25
<b>\$ 1,160</b>	<b>\$ 1,256</b>	<b>\$ 1,215</b>	<b>\$ 1,196</b>	<b>\$ 1,237</b>
\$ 518	\$ 474	\$ 449	\$ 420	\$ 456
<b>518</b>	<b>474</b>	<b>449</b>	<b>420</b>	<b>456</b>
<b>642</b>	<b>782</b>	<b>766</b>	<b>776</b>	<b>781</b>
<b>\$ 1,160</b>	<b>\$ 1,256</b>	<b>\$ 1,215</b>	<b>\$ 1,196</b>	<b>\$ 1,237</b>

**Erie Indemnity Company**  
**Investor Supplement - Fourth Quarter 2012 (Unaudited)**

**Indemnity Management Operations**

(dollars in millions)

**Direct written premiums of the P&C Group**

	Three Months Ended					Twelve months ended	
	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Private passenger auto	\$ 489	\$ 555	\$ 545	\$ 498	\$ 462	\$ 2,087	\$ 1,999
Homeowners	263	303	295	210	228	1,071	938
Commercial multi-peril	134	135	151	140	117	560	500
Commercial auto	75	80	90	84	71	329	310
Workers compensation	76	75	88	86	64	325	282
All other lines of business	62	67	70	60	58	259	242
P&C Group direct written premiums - total	1,099	1,215	1,239	1,078	1,000	4,631	4,271

**Indemnity management operations revenue**

Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 274	\$ 304	\$ 309	\$ 270	\$ 250	\$ 1,157	\$ 1,068
Service fee/other	9	9	7	6	9	31	32
Total revenue from management operations	\$ 283	\$ 313	\$ 316	\$ 276	\$ 259	\$ 1,188	\$ 1,100

**Indemnity cost of management operations**

	Three Months Ended					Twelve months ended	
	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Commissions	\$ 158	\$ 163	\$ 165	\$ 149	\$ 140	\$ 635	\$ 586
Non-commission expense	91	84	92	81	85	348	306
Total cost of management operations	\$ 249	\$ 247	\$ 257	\$ 230	\$ 225	\$ 983	\$ 892

**Gross margin from management operations**

	Three Months Ended					Twelve months ended	
	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Income from management operations	\$ 34	\$ 66	\$ 59	\$ 46	\$ 34	\$ 205	\$ 208
Gross margin %	12.2%	20.9%	18.6%	16.8%	13.0%	17.3%	18.9%

**Erie Indemnity Company**  
**Investor Supplement - Fourth Quarter 2012 (Unaudited)**

<b>P&amp;C Group</b> <b>Direct Written Premium Growth Measures</b>
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	<b>Dec. 31, 2012</b>	<b>Sept. 30, 2012</b>	<b>Jun. 30, 2012</b>	<b>Mar. 31, 2012</b>	<b>Dec. 31, 2011</b>
<b>12 month growth rate policies in force</b>					
Total all lines	3.9%	3.4%	3.1%	2.6%	2.5%
Total personal lines	3.8%	3.3%	2.9%	2.5%	2.3%
Total commercial lines	4.7%	4.3%	4.3%	3.6%	3.5%
<b>Retention trends</b>					
Total all lines	90.9%	90.8%	90.7%	90.7%	90.7%
Total personal lines	91.6%	91.5%	91.4%	91.4%	91.5%
Total commercial lines	86.2%	86.0%	85.9%	85.9%	85.5%
<b>12 month % change average premiums</b>					
Total all lines	4.3%	4.1%	3.7%	3.3%	3.3%
Total personal lines	3.6%	3.2%	2.8%	2.5%	2.5%
Total commercial lines	5.9%	6.0%	5.1%	5.0%	4.9%



**Erie Indemnity Company**  
**Investor Supplement - Fourth Quarter 2012 (Unaudited)**

**P&C Group**  
**Reported Combined Ratio (Statutory Basis) - Direct Business**

	<b>Three Months ended December 31, 2012</b>				<b>Three Months ended December 31, 2011</b>			
	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	115.2%	(2.4)%	1.3%	116.3%	104.2%	(7.4)%	(0.3)%	111.9%
Homeowners	110.2%	(4.9)%	42.2%	72.9%	82.1%	0.9%	3.1%	78.1%
Other personal lines	84.9%	(5.3)%	3.9%	86.3%	87.6%	(0.1)%	1.9%	85.8%
<b>Total personal lines</b>	<b>112.9%</b>	<b>(3.3)%</b>	<b>15.9%</b>	<b>100.3%</b>	<b>96.5%</b>	<b>(4.5)%</b>	<b>0.8%</b>	<b>100.2%</b>
Commercial multi-peril	91.0%	(11.6)%	9.7%	92.9%	75.6%	(0.7)%	(5.5)%	81.8%
Commercial auto	97.8%	(8.3)%	1.9%	104.2%	122.7%	19.0%	(3.0)%	106.7%
Workers compensation	78.1%	(9.2)%	0.0%	87.3%	67.9%	(40.9)%	0.0%	108.8%
Other commercial lines	61.4%	(6.6)%	1.1%	66.9%	(46.5)%	(114.3)%	(0.8)%	68.6%
<b>Total commercial lines</b>	<b>87.4%</b>	<b>(9.8)%</b>	<b>4.7%</b>	<b>92.5%</b>	<b>77.5%</b>	<b>(13.2)%</b>	<b>(3.2)%</b>	<b>93.9%</b>
<b>Grand total - direct business only</b>	<b>105.7%</b>	<b>(5.1)%</b>	<b>12.7%</b>	<b>98.1%</b>	<b>91.3%</b>	<b>(6.9)%</b>	<b>(0.3)%</b>	<b>98.5%</b>
	<b>Twelve Months ended December 31, 2012</b>				<b>Twelve Months ended December 31, 2011</b>			
	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	106.3%	0.2%	2.2%	103.9%	98.3%	(6.3)%	3.5%	101.1%
Homeowners	109.5%	(4.6)%	33.7%	80.4%	144.8%	(1.4)%	61.5%	84.7%
Other personal lines	63.0%	(16.7)%	2.9%	76.8%	71.5%	(5.1)%	25.2%	51.4%
<b>Total personal lines</b>	<b>106.7%</b>	<b>(1.8)%</b>	<b>13.1%</b>	<b>95.4%</b>	<b>113.2%</b>	<b>(4.8)%</b>	<b>21.7%</b>	<b>96.3%</b>
Commercial multi-peril	92.7%	(8.4)%	10.5%	90.6%	105.3%	(5.0)%	21.1%	89.2%
Commercial auto	100.1%	(3.4)%	3.4%	100.1%	104.3%	2.9%	4.2%	97.2%
Workers compensation	103.4%	5.5%	0.0%	97.9%	65.7%	(34.9)%	0.0%	100.6%
Other commercial lines	76.8%	2.7%	1.3%	72.8%	45.5%	(25.6)%	2.8%	68.3%
<b>Total commercial lines</b>	<b>96.2%</b>	<b>(2.9)%</b>	<b>5.5%</b>	<b>93.6%</b>	<b>91.3%</b>	<b>(11.5)%</b>	<b>10.2%</b>	<b>92.6%</b>
<b>Grand total - direct business only</b>	<b>103.8%</b>	<b>(2.1)%</b>	<b>11.0%</b>	<b>94.9%</b>	<b>107.2%</b>	<b>(6.6)%</b>	<b>18.6%</b>	<b>95.2%</b>