



ERIE INDEMNITY COMPANY

Investor Supplement Second 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 2011.

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Investor Supplement - Second Quarter 2012
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Erie Indemnity Company
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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.

Combined Ratio

- 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 June 30, | | | Three months ended June 30, | | | Three months ended June 30, | | Three months ended June 30, | |
| | Percent | 2012 | 2011 | Percent | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Management operations: | | | | | | | | | | |
| Management fee revenue, net | 100.0% | \$ 308 | \$ 285 | | \$ - | \$ - | \$ (308) | \$ (285) | \$ - | \$ - |
| Service agreement revenue | 100.0% | 8 | 9 | | - | - | - | - | 8 | 9 |
| Total revenue from management operations | | 316 | 294 | | - | - | (308) | (285) | 8 | 9 |
| Cost of management operations | 100.0% | 257 | 230 | | - | - | (257) | (230) | - | - |
| Income from management operations before taxes | | 59 | 64 | | - | - | (51) | (55) | 8 | 9 |
| Property and casualty insurance operations: | | | | | | | | | | |
| Net premiums earned | | - | - | 100.0% | 1,092 | 1,030 | - | - | 1,092 | 1,030 |
| Losses and loss expenses | | - | - | 100.0% | 919 | 1,147 | (1) | (2) | 918 | 1,145 |
| Policy acquisition and other underwriting expenses | | - | - | 100.0% | 332 | 298 | (53) | (56) | 279 | 242 |
| Loss from property and casualty insurance operations before taxes | | - | - | | (159) | (415) | 54 | 58 | (105) | (357) |
| Life insurance operations:⁽¹⁾ | | | | | | | | | | |
| Total revenue | | - | - | 100.0% | 46 | 44 | (1) | (1) | 45 | 43 |
| Total benefits and expenses | | - | - | 100.0% | 33 | 32 | 0 | 0 | 33 | 32 |
| Income from life insurance operations before taxes | | - | - | | 13 | 12 | (1) | (1) | 12 | 11 |
| Investment operations: | | | | | | | | | | |
| Net investment income | | 4 | 4 | | 87 | 88 | (2) | (2) | 89 | 90 |
| Net realized (losses) gains on investments | | (1) | 6 | | (110) | 30 | - | - | (111) | 36 |
| Net impairment losses recognized in earnings | | 0 | 0 | | 0 | 0 | - | - | 0 | 0 |
| Equity in earnings of limited partnerships | | 3 | 7 | | 34 | 30 | - | - | 37 | 37 |
| Income from investment operations before taxes | | 6 | 17 | | 11 | 148 | (2) | (2) | 15 | 163 |
| Income (loss) from operations before income taxes and noncontrolling interest | | 65 | 81 | | (135) | (255) | - | - | (70) | (174) |
| Provision for income taxes | | 22 | 29 | | (54) | (96) | - | - | (32) | (67) |
| Net income (loss) | | \$ 43 | \$ 52 | | \$ (81) | \$ (159) | \$ - | \$ - | \$ (38) | \$ (107) |

(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 | \$ 44 | \$ 48 |
| Net income per share - diluted | \$ 0.80 | \$ 0.94 |
| Operating income per share - diluted | \$ 0.82 | \$ 0.87 |

Key measures

| | | |
|----------------------------|--------|--------|
| Gross margin % - Indemnity | 18.6% | 21.6% |
| GAAP combined ratio | 114.6% | 140.2% |

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| Erie Insurance Group's Year to Date 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 | |
| | Six months ended June 30, | | | Six months ended June 30, | | | Six months ended June 30, | | Six months ended June 30, | |
| | Percent | 2012 | 2011 | Percent | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Management operations: | | | | | | | | | | |
| Management fee revenue, net | 100.0% | \$ 577 | \$ 536 | | \$ - | \$ - | \$ (577) | \$ (536) | \$ - | \$ - |
| Service agreement revenue | 100.0% | 15 | 17 | | - | - | - | - | 15 | 17 |
| Total revenue from management operations | | 592 | 553 | | - | - | (577) | (536) | 15 | 17 |
| Cost of management operations | 100.0% | 487 | 441 | | - | - | (487) | (441) | - | - |
| Income from management operations before taxes | | 105 | 112 | | - | - | (90) | (95) | 15 | 17 |
| Property and casualty insurance operations: | | | | | | | | | | |
| Net premiums earned | | - | - | 100.0% | 2,161 | 2,044 | - | - | 2,161 | 2,044 |
| Losses and loss expenses | | - | - | 100.0% | 1,611 | 1,830 | (2) | (3) | 1,609 | 1,827 |
| Policy acquisition and other underwriting expenses | | - | - | 100.0% | 634 | 580 | (94) | (98) | 540 | 482 |
| (Loss) income from property and casualty insurance operations before taxes | | - | - | | (84) | (366) | 96 | 101 | 12 | (265) |
| Life insurance operations: ^{(1) (2)} | | | | | | | | | | |
| Total revenue | 21.6% ⁽²⁾ | - | 10 | 78.4% ⁽²⁾ | 89 | 78 | (1) | (1) | 88 | 87 |
| Total benefits and expenses | 21.6% ⁽²⁾ | - | 7 | 78.4% ⁽²⁾ | 67 | 56 | 0 | 0 | 67 | 63 |
| Income from life insurance operations before taxes | | - | 3 | | 22 | 22 | (1) | (1) | 21 | 24 |
| Investment operations: | | | | | | | | | | |
| Net investment income | | 8 | 8 | | 170 | 169 | (5) | (5) | 173 | 172 |
| Net realized gains on investments | | 2 | 7 | | 183 | 174 | - | - | 185 | 181 |
| Net impairment losses recognized in earnings | | 0 | 0 | | 0 | 0 | - | - | 0 | 0 |
| Equity in earnings of limited partnerships | | 4 | 18 | | 54 | 91 | - | - | 58 | 109 |
| Income from investment operations before taxes | | 14 | 33 | | 407 | 434 | (5) | (5) | 416 | 462 |
| Income from operations before income taxes and noncontrolling interest | | | | | | | | | | |
| | | 119 | 148 | | 345 | 90 | - | - | 464 | 238 |
| Provision for income taxes | | 40 | 52 | | 108 | 19 | - | - | 148 | 71 |
| Net income | | \$ 79 | \$ 96 | | \$ 237 | \$ 71 | \$ - | \$ - | \$ 316 | \$ 167 |

(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 | \$ 78 | \$ 91 |
| Net income per share - diluted | \$ 1.47 | \$ 1.72 |
| Operating income per share - diluted | \$ 1.45 | \$ 1.64 |

Key measures

| | | |
|----------------------------|--------|--------|
| Gross margin % - Indemnity | 17.8% | 20.2% |
| GAAP combined ratio | 103.9% | 117.9% |

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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

Deferred income taxes

Other liabilities

Total liabilities

Shareholders' equity

Total liabilities and shareholders' equity

| Jun. 30, 2012 | Mar. 31, 2012 | Dec. 31, 2011 | Sept. 30, 2011 | Jun. 30, 2011 |
|------------------|------------------|------------------|-------------------|------------------|
| | | | | |
| \$ 510 | \$ 494 | \$ 548 | \$ 517 | \$ 525 |
| 26 | 26 | 25 | 22 | 20 |
| 28 | 29 | 27 | 26 | 30 |
| 199 | 204 | 208 | 223 | 224 |
| 1 | 1 | 1 | 1 | 1 |
| 764 | 754 | 809 | 789 | 800 |
| | | | | |
| 13 | 28 | 11 | 34 | 48 |
| 21 | 18 | 19 | - | - |
| 115 | 115 | 119 | 109 | 111 |
| 277 | 256 | 254 | 269 | 265 |
| 25 | 25 | 25 | 25 | 25 |
| \$ 1,215 | \$ 1,196 | \$ 1,237 | \$ 1,226 | \$ 1,249 |
| | | | | |
| | | | | |
| \$ - | \$ - | \$ - | \$ 6 | \$ 1 |
| 449 | 420 | 456 | 375 | 382 |
| 449 | 420 | 456 | 381 | 383 |
| | | | | |
| 766 | 776 | 781 | 845 | 866 |
| \$ 1,215 | \$ 1,196 | \$ 1,237 | \$ 1,226 | \$ 1,249 |

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Indemnity Management Operations

(dollars in millions)

Direct written premiums of the P&C Group

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Private passenger auto | \$ 545 | \$ 498 | \$ 462 | \$ 532 | \$ 524 |
| Homeowners | 295 | 210 | 228 | 265 | 259 |
| Commercial multi-peril | 151 | 140 | 117 | 121 | 135 |
| Commercial auto | 90 | 84 | 71 | 75 | 85 |
| Workers compensation | 88 | 86 | 64 | 64 | 76 |
| All other lines of business | 70 | 60 | 58 | 62 | 65 |
| P&C Group direct written premiums - total | 1,239 | 1,078 | 1,000 | 1,119 | 1,144 |

Indemnity management operations revenue

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Management fee rate | 25.00% | 25.00% | 25.00% | 25.00% | 25.00% |
| Management fee revenue, gross | \$ 309 | \$ 270 | \$ 250 | \$ 280 | \$ 286 |
| Service fee/other | 7 | 6 | 9 | 8 | 8 |
| Total revenue from management operations | \$ 316 | \$ 276 | \$ 259 | \$ 288 | \$ 294 |

Six months ended

| Jun. 30, 2012 | Jun. 30, 2011 |
|------------------|------------------|
| \$ 1,043 | \$ 1,005 |
| 505 | 445 |
| 291 | 262 |
| 174 | 164 |
| 174 | 154 |
| 130 | 122 |
| 2,317 | 2,152 |

25.00% 25.00%

| | |
|--------|--------|
| \$ 579 | \$ 538 |
| 13 | 15 |
| \$ 592 | \$ 553 |

Indemnity cost of management operations

| | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| Commissions | \$ 165 | \$ 149 | \$ 140 | \$ 151 | \$ 157 |
| Non-commission expense | 92 | 81 | 85 | 75 | 73 |
| Total cost of management operations | \$ 257 | \$ 230 | \$ 225 | \$ 226 | \$ 230 |

Six months ended

| Jun. 30, 2012 | Jun. 30, 2011 |
|------------------|------------------|
| \$ 314 | \$ 295 |
| 173 | 146 |
| \$ 487 | \$ 441 |

Gross margin from management operations

| | | | | | |
|-----------------------------------|-------|-------|-------|-------|-------|
| Income from management operations | \$ 59 | \$ 46 | \$ 34 | \$ 62 | \$ 64 |
| Gross margin % | 18.6% | 16.8% | 13.0% | 21.7% | 21.6% |

Six months ended

| Jun. 30, 2012 | Jun. 30, 2011 |
|------------------|------------------|
| \$ 105 | \$ 112 |
| 17.8% | 20.2% |

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| |
|---|
| P&C Group Direct Written Premium Growth Measures |
|---|

| | Jun. 30, 2012 | Mar. 31, 2012 | Dec. 31, 2011 | Sept. 30, 2011 | Jun. 30, 2011 |
|---|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| 12 month growth rate policies in force | | | | | |
| Total all lines | 3.1% | 2.6% | 2.5% | 2.6% | 2.9% |
| Total personal lines | 2.9% | 2.5% | 2.3% | 2.5% | 2.7% |
| Total commercial lines | 4.3% | 3.6% | 3.5% | 3.6% | 3.9% |
| Retention trends | | | | | |
| Total all lines | 90.7% | 90.7% | 90.7% | 90.8% | 90.8% |
| Total personal lines | 91.4% | 91.4% | 91.5% | 91.6% | 91.6% |
| Total commercial lines | 85.9% | 85.9% | 85.5% | 85.3% | 85.5% |
| 12 month % change average premiums | | | | | |
| Total all lines | 3.7% | 3.3% | 3.3% | 2.9% | 2.7% |
| Total personal lines | 2.8% | 2.5% | 2.5% | 2.6% | 2.7% |
| Total commercial lines | 5.1% | 5.0% | 4.9% | 3.1% | 1.9% |

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

| | Three Months ended June 30, 2012 | | | | Three Months ended June 30, 2011 | | | |
|---|---|---|-----------------------|--|---|---|-----------------------|--|
| | 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 | 106.2% | 4.7% | 2.8% | 98.7% | 97.0% | (8.1)% | 9.9% | 95.2% |
| Homeowners | 139.5% | (7.9)% | 62.3% | 85.1% | 244.1% | 1.2% | 159.8% | 83.1% |
| Other personal lines | 37.1% | (37.8)% | 2.5% | 72.4% | 147.4% | (6.3)% | 73.0% | 80.7% |
| Total personal lines | 116.6% | (0.3)% | 23.3% | 93.6% | 142.6% | (5.3)% | 57.0% | 90.9% |
| Commercial multi-peril | 86.2% | (7.7)% | 13.1% | 80.8% | 167.1% | (5.6)% | 84.7% | 88.0% |
| Commercial auto | 94.1% | (7.7)% | 2.4% | 99.4% | 104.8% | (3.0)% | 14.0% | 93.8% |
| Workers compensation | 112.9% | 14.8% | 0.0% | 98.1% | 86.0% | (11.4)% | 0.0% | 97.4% |
| Other commercial lines | 116.4% | 42.8% | 0.4% | 73.2% | 103.2% | 31.7% | 6.4% | 65.1% |
| Total commercial lines | 96.9% | 1.3% | 6.3% | 89.3% | 126.6% | (3.6)% | 40.0% | 90.2% |
| Grand total - direct business only | 111.1% | 0.2% | 18.6% | 92.3% | 138.2% | (4.8)% | 52.3% | 90.7% |
| | Six Months ended June 30, 2012 | | | | Six Months ended June 30, 2011 | | | |
| | 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 | 100.7% | 1.3% | 1.9% | 97.5% | 94.4% | (6.8)% | 5.7% | 95.5% |
| Homeowners | 112.3% | (5.8)% | 34.5% | 83.6% | 179.8% | (1.6)% | 90.9% | 90.5% |
| Other personal lines | 44.3% | (29.2)% | 1.6% | 71.9% | 117.6% | (5.7)% | 40.0% | 83.3% |
| Total personal lines | 103.8% | (1.6)% | 13.0% | 92.4% | 120.5% | (5.2)% | 32.3% | 93.4% |
| Commercial multi-peril | 85.7% | (7.4)% | 7.7% | 85.4% | 125.3% | (10.4)% | 45.3% | 90.4% |
| Commercial auto | 98.6% | (1.4)% | 2.6% | 97.4% | 97.1% | (1.0)% | 7.5% | 90.6% |
| Workers compensation | 112.1% | 16.3% | 0.0% | 95.8% | 86.8% | (7.9)% | 0.0% | 94.7% |
| Other commercial lines | 83.8% | 12.0% | 0.2% | 71.6% | 79.4% | 9.7% | 3.4% | 66.3% |
| Total commercial lines | 95.4% | 1.3% | 4.0% | 90.1% | 105.3% | (5.8)% | 21.4% | 89.7% |
| Grand total - direct business only | 101.5% | (0.8)% | 10.5% | 91.8% | 116.3% | (5.4)% | 29.3% | 92.4% |