



April 28, 2016

Erie Indemnity Reports First Quarter 2016 Results

Earnings Up 18.2 percent, Net Income per Diluted Share Up 18.4 percent for the Quarter

ERIE, Pa., April 28, 2016 /PRNewswire/ -- Erie Indemnity Company (NASDAQ: ERIE) today announced financial results for the quarter ending March 31, 2016. Net income was \$45.9 million, or \$0.87 per diluted share, in the first quarter of 2016, compared to \$38.8 million, or \$0.74 per diluted share, in the first quarter of 2015. The growth in the first quarter of 2016 was driven by increased net revenue from operations.

"Strong topline growth together with prudent expense management resulted in solid earnings per share for the quarter," said Terry Cavanaugh, President and CEO.

1Q 2016				
(dollars in thousands)	1Q'15		1Q'16	
Net revenue from operations	\$	52,430	\$	67,665
Investment income		6,539		2,559
Income before income taxes		58,969		70,224
Income tax expense		20,136		24,329
Net income	\$	38,833	\$	45,895
Gross margin from operations		14.9 %		18.1 %

1Q 2016 Highlights

Net revenue from operations before taxes increased \$15.2 million, or 29.1 percent, in the first quarter of 2016 compared to the first quarter of 2015.

- Management fee revenue increased \$24.2 million, or 7.1 percent, in the first quarter of 2016 compared to the first quarter of 2015.
- Commissions increased \$15.0 million in the first quarter of 2016 compared to the first quarter of 2015, primarily as a result of the 7.1 percent increase in direct and assumed premiums written by the Exchange, while approximately one-quarter of the increase was due to higher agent incentive costs primarily related to profitable growth, compared to the prior year quarter.
- Non-commission expense decreased \$6.3 million in the first quarter of 2016 compared to the first quarter of 2015. Underwriting and policy processing costs increased \$1.0 million due to increased personnel costs. Information technology costs decreased \$4.7 million primarily due to decreased professional fees. Administrative and other costs decreased \$2.6 million primarily due to decreased personnel costs. Personnel costs in all expense categories were impacted by decreased pension costs primarily due to an increase in the pension discount rate.
- The gross margin in the first quarter of 2016 was 18.1 percent compared to 14.9 percent in the first quarter of 2015.

Income from investments before taxes totaled \$2.6 million in the first quarter of 2016 compared to \$6.5 million in the first quarter of 2015. Losses from limited partnerships were \$0.7 million in the first quarter of 2016 compared to earnings of \$2.4 million in the first quarter of 2015.

Webcast Information

Indemnity has scheduled a conference call and live audio broadcast on the Web for 10:00 AM ET on April 29, 2016. Investors may access the live audio broadcast by logging on to www.erieinsurance.com. Indemnity recommends visiting the website at least 15 minutes prior to the Webcast to download and install any necessary software. A Webcast audio replay will be available on the Investor Relations page of the Erie Insurance website by 12:30 PM ET.

Erie Insurance Group

According to A.M. Best Company, Erie Insurance Group, based in Erie, Pennsylvania, is the 10th largest homeowners insurer and 12th largest automobile insurer in the United States based on direct premiums written and the 16th largest property/casualty insurer in the United States based on total lines net premium written. The Group, rated A+ (Superior) by A.M. Best Company, has more than 5 million policies in force and operates in 12 states and the District of Columbia. Erie Insurance Group is a FORTUNE 500 company, a Barron's 500 company and has been recognized by Forbes as one of America's 50 Most Trustworthy Financial Companies.

News releases and more information about Erie Insurance Group are available at www.erieinsurance.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

Statements contained herein that are not historical fact are forward-looking statements and, as such, are subject to risks and uncertainties that could cause actual events and results to differ, perhaps materially, from those discussed herein. Forward-looking statements relate to future trends, events or results and include, without limitation, statements and assumptions on which such statements are based that are related to our plans, strategies, objectives, expectations, intentions, and adequacy of resources. Examples of forward-looking statements are discussions relating to premium and investment income, expenses, operating results, and compliance with contractual and regulatory requirements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Among the risks and uncertainties, in addition to those set forth in our filings with the Securities and Exchange Commission, that could cause actual results and future events to differ from those set forth or contemplated in the forward-looking statements include the following:

- | dependence upon our relationship with the Erie Insurance Exchange ("Exchange") and the management fee under the agreement with the subscribers at the Exchange;
- | costs of providing services to the Exchange under the subscriber's agreement;
- | credit risk from the Exchange;
- | dependence upon our relationship with the Exchange and the growth of the Exchange, including:
 - | general business and economic conditions;
 - | factors affecting insurance industry competition;
 - | dependence upon the independent agency system; and
 - | ability to maintain our reputation for customer service;
- | dependence upon our relationship with the Exchange and the financial condition of the Exchange, including:
 - | the Exchange's ability to maintain acceptable financial strength ratings;
 - | factors affecting the quality and liquidity of the Exchange's investment portfolio;
 - | changes in government regulation of the insurance industry;
 - | emerging claims and coverage issues in the industry; and
 - | severe weather conditions or other catastrophic losses, including terrorism;
- | ability to attract and retain talented management and employees;
- | ability to maintain uninterrupted business operations;
- | factors affecting the quality and liquidity of our investment portfolio;
- | our ability to meet liquidity needs and access capital; and
- | outcome of pending and potential litigation.

A forward-looking statement speaks only as of the date on which it is made and reflects our analysis only as of that date. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changes in assumptions, or otherwise.

(ERIE-F)

Erie Indemnity Company Statements of Operations

(dollars in thousands, except per share data)

	Three months ended March 31,	
	2016	2015
	(Unaudited)	
Operating revenue		
Management fee revenue, net	\$ 367,458	\$ 343,234
Service agreement revenue	7,270	7,597
Total operating revenue	374,728	350,831

Operating expenses

Commissions	208,714	193,717
Salaries and employee benefits	53,289	55,019
All other operating expenses	45,060	49,665
Total operating expenses	307,063	298,401
Net revenue from operations	67,665	52,430

Investment income

Net investment income	4,662	4,541
Net realized investment losses	(1,088)	(240)
Net impairment losses recognized in earnings	(345)	(120)
Equity in (losses) earnings of limited partnerships	(670)	2,358
Total investment income	2,559	6,539
Income before income taxes	70,224	58,969
Income tax expense	24,329	20,136
Net income	\$ 45,895	\$ 38,833

Earnings Per Share**Net income per share**

Class A common stock - basic	\$ 0.99	\$ 0.83
Class A common stock - diluted	\$ 0.87	\$ 0.74
Class B common stock - basic and diluted	\$ 148	\$ 125

Weighted average shares outstanding - Basic

Class A common stock	46,189,068	46,189,068
Class B common stock	2,542	2,542

Weighted average shares outstanding - Diluted

Class A common stock	52,523,927	52,634,752
Class B common stock	2,542	2,542

Dividends declared per share

Class A common stock	\$ 0.730	\$ 0.681
Class B common stock	\$ 109.500	\$ 102.150

Erie Indemnity Company
Reconciliation of Operating Income to Net Income
Reconciliation of operating income to net income

We disclose operating income, a non-GAAP financial measure, to enhance our investors' understanding of our performance. Our method of calculating this measure may differ from those used by other companies, and therefore comparability may be limited.

We define operating income as net income excluding realized capital gains and losses, impairment losses, and related federal income taxes.

We use operating income to evaluate the results of our operations. It reveals trends that may be obscured by the net effects of realized capital gains and losses including impairment losses. Realized capital gains and losses, including impairment losses, may vary significantly between periods and are generally driven by business decisions and economic developments such as capital market conditions which are not related to our ongoing operations. We are aware that the price to earnings multiple commonly used by investors as a forward-looking valuation technique uses operating income as the denominator. Operating income should not be considered as a substitute for net income prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and does not reflect our overall profitability.

The following table reconciles operating income and net income:

	Three months ended March 31,	
(in thousands, except per share data)	2016	2015

	(Unaudited)	
Operating income	\$ 46,827	\$ 39,067
Net realized losses and impairments on investments	(1,433)	(360)
Income tax benefit	501	126
Realized losses and impairments, net of income taxes	(932)	(234)
Net income	\$ 45,895	\$ 38,833

Per Class A common share-diluted:

Operating income	\$ 0.89	\$ 0.74
Net realized losses and impairments on investments	(0.03)	0.00
Income tax benefit	0.01	0.00
Realized losses and impairments, net of income taxes	(0.02)	0.00
Net income	\$ 0.87	\$ 0.74

Erie Indemnity Company
Statements of Financial Position

(in thousands)

	March 31, 2016	December 31, 2015
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 105,282	\$ 182,889
Available for sale securities	54,285	62,067
Trading securities	2,955	—
Receivables from Erie Insurance Exchange and affiliates	352,451	348,055
Prepaid expenses and other current assets	37,164	24,697
Federal income taxes recoverable	0	11,947
Accrued investment income	5,832	5,491
Total current assets	557,969	635,146
Available-for-sale securities	560,928	537,874
Limited partnership investments	82,912	88,535
Fixed assets, net	58,918	59,087
Deferred income taxes, net	35,250	40,686
Note receivable from Erie Family Life Insurance Company	25,000	25,000
Other assets	19,647	20,968
Total assets	\$ 1,340,624	\$ 1,407,296
Liabilities and shareholders' equity		
Current liabilities:		
Commissions payable	\$ 202,816	\$ 195,542
Agent bonuses	31,940	106,752
Accounts payable and accrued liabilities	79,333	88,532
Dividends payable	33,996	33,996
Deferred executive compensation	15,132	20,877
Federal income taxes payable	8,541	0
Total current liabilities	371,758	445,699
Defined benefit pension plans	162,981	172,700
Employee benefit obligations	1,072	1,234
Deferred executive compensation	18,446	16,580
Other long-term liabilities	1,500	1,580
Total liabilities	555,757	637,793
Shareholders' equity	784,867	769,503
Total liabilities and shareholders' equity	\$ 1,340,624	\$ 1,407,296

To view the original version on PR Newswire, visit:<http://www.prnewswire.com/news-releases/erie-indemnity-reports-first-quarter-2016-results-300259742.html>

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