UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2021
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from___to___
Commission file number 0-24000

ERIE INDEMNITY COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania	25-0466020
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
100 Erie Insurance Place, Erie, Pennsylvania	16530
(Address of principal executive offices)	(Zip Code)

814 870-2000
(Registrant’s telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Class A common stock, stated value $0.0292 per share	ERIE	NASDAQ Stock Market, LLC
(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant’s Class A Common Stock as of the latest practicable date was 46,189,068 at April 23, 2021.

The number of shares outstanding of the registrant’s Class B Common Stock as of the latest practicable date was 2,542 at April 23, 2021.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ERIE INDEMNITY COMPANY
STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars in thousands, except per share data)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Operating revenue		
Management fee revenue - policy issuance and renewal services, net	$ 455,718	$ 443,750
Management fee revenue - administrative services, net	14,847	14,771
Administrative services reimbursement revenue	153,533	151,554
Service agreement revenue	6,079	6,662
Total operating revenue	630,177	616,737
Operating expenses		
Cost of operations - policy issuance and renewal services	400,549	379,492
Cost of operations - administrative services	153,533	151,554
Total operating expenses	554,082	531,046
Operating income	76,095	85,691
Investment income		
Net investment income	17,097	4,664
Net realized investment gains (losses)	804	(10,806)
Net impairment recoveries (losses) recognized in earnings	87	(3,053)
Total investment income (loss)	17,988	(9,195)
Interest expense, net	1,009	3
Other expense	519	366
Income before income taxes	92,555	76,127
Income tax expense	18,989	16,801
Net income	**$ 73,566**	**$ 59,326**
Net income per share		
Class A common stock – basic	$ 1.58	$ 1.27
Class A common stock – diluted	**$ 1.41**	**$ 1.13**
Class B common stock – basic and diluted	$ 237	$ 191
Weighted average shares outstanding – Basic		
Class A common stock	46,188,860	46,188,789
Class B common stock	2,542	2,542
Weighted average shares outstanding – Diluted		
Class A common stock	52,315,958	52,324,350
Class B common stock	2,542	2,542
Dividends declared per share		
Class A common stock	$ 1.035	$ 0.965
Class B common stock	$ 155.25	$ 144.75

See accompanying notes to Financial Statements. See Note 11, "Accumulated Other Comprehensive Income (Loss)", for amounts reclassified out of accumulated other comprehensive income (loss) into the Statements of Operations.

ERIE INDEMNITY COMPANY
STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(in thousands)

	Three months ended March 31,	
	2021	2020
Net income	$ 73,566	$ 59,326
Other comprehensive loss, net of tax		
Change in unrealized holding losses on available-for-sale securities	(8,752)	(32,236)
Amortization of prior service costs and net actuarial loss on pension and other postretirement plans	3,463	2,660
Total other comprehensive loss, net of tax	(5,289)	(29,576)
Comprehensive income	$ 68,277	$ 29,750

See accompanying notes to Financial Statements. See Note 11, "Accumulated Other Comprehensive Income (Loss)", for amounts reclassified out of accumulated other comprehensive income (loss) into the Statements of Operations.

ERIE INDEMNITY COMPANY
STATEMENTS OF FINANCIAL POSITION
(dollars in thousands, except per share data)

	March 31, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 135,192	$ 161,240
Available-for-sale securities	16,847	17,697
Equity securities	146	19
Receivables from Erie Insurance Exchange and affiliates, net	481,481	494,637
Prepaid expenses and other current assets	62,401	52,561
Accrued investment income	5,860	6,146
Total current assets	701,927	732,300
Available-for-sale securities, net	901,475	910,539
Equity securities	92,785	94,071
Fixed assets, net	282,268	265,341
Agent loans, net	59,916	62,449
Deferred income taxes, net	16,454	12,341
Other assets	44,273	40,081
Total assets	**$ 2,099,098**	**$ 2,117,122**
Liabilities and shareholders' equity		
Current liabilities:		
Commissions payable	$ 272,670	$ 262,338
Agent bonuses	30,766	110,158
Accounts payable and accrued liabilities	168,127	150,706
Dividends payable	48,200	48,200
Contract liability	35,799	36,917
Deferred executive compensation	13,825	17,319
Current portion of long-term borrowings	2,053	2,031
Total current liabilities	571,440	627,669
Defined benefit pension plans	174,228	164,346
Long-term borrowings	93,311	93,833
Contract liability	18,276	18,878
Deferred executive compensation	16,648	14,904
Other long-term liabilities	17,062	9,444
Total liabilities	890,965	929,074
Shareholders' equity		
Class A common stock, stated value $0.0292 per share; 74,996,930 shares authorized; 68,299,200 shares issued; 46,189,068 shares outstanding	1,992	1,992
Class B common stock, convertible at a rate of 2,400 Class A shares for one Class B share, stated value $70 per share; 3,070 shares authorized; 2,542 shares issued and outstanding	178	178
Additional paid-in-capital	16,496	16,487
Accumulated other comprehensive loss	(83,432)	(78,143)
Retained earnings	2,418,989	2,393,624
Total contributed capital and retained earnings	2,354,223	2,334,138
Treasury stock, at cost; 22,110,132 shares held	(1,163,640)	(1,163,670)
Deferred compensation	17,550	17,580
Total shareholders' equity	**1,208,133**	**1,188,048**
Total liabilities and shareholders' equity	**$ 2,099,098**	**$ 2,117,122**

See accompanying notes to Financial Statements.

ERIE INDEMNITY COMPANY
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
Three months ended March 31, 2021 and 2020
(dollars in thousands, except per share data)

	Class A common stock	Class B common stock	Additional paid-in-capital	Accumulated other comprehensive (loss) income	Retained earnings	Treasury stock	Deferred compensation	Total shareholders' equity
Balance, December 31, 2020	$ 1,992	$ 178	$ 16,487	$ (78,143)	$ 2,393,624	$ (1,163,670)	$ 17,580	$ 1,188,048
Net income					73,566			73,566
Other comprehensive loss				(5,289)				(5,289)
Dividends declared:								
Class A $1.035 per share					(47,806)			(47,806)
Class B $155.25 per share					(395)			(395)
Net purchase of treasury stock (1)			9			0		9
Deferred compensation						(846)	846	0
Rabbi trust distribution (2)						876	(876)	0
Balance, March 31, 2021	$ 1,992	$ 178	$ 16,496	$ (83,432)	$ 2,418,989	$ (1,163,640)	$ 17,550	$ 1,208,133

	Class A common stock	Class B common stock	Additional paid-in-capital	Accumulated other comprehensive (loss) income	Retained earnings	Treasury stock	Deferred compensation	Total shareholders' equity
Balance, December 31, 2019	$ 1,992	$ 178	$ 16,483	$ (116,868)	$ 2,377,558	$ (1,158,910)	$ 12,820	$ 1,133,253
Cumulative effect adjustment (3)					(1,075)			(1,075)
Net income					59,326			59,326
Other comprehensive loss				(29,576)				(29,576)
Dividends declared:								
Class A $0.965 per share					(44,572)			(44,572)
Class B $144.75 per share					(368)			(368)
Net purchase of treasury stock (1)			4			0		4
Deferred compensation						(772)	772	0
Balance, March 31, 2020	$ 1,992	$ 178	$ 16,487	$ (146,444)	$ 2,390,869	$ (1,159,682)	$ 13,592	$ 1,116,992

(1) Net purchases of treasury stock in 2021 and 2020 include the repurchase of our Class A common stock in the open market that were subsequently distributed to satisfy stock based compensation awards.
(2) Distributions of our Class A shares were made from the rabbi trust to a retired director in 2021.
(3) The cumulative effect adjustment is related to the implementation of credit loss allowance accounting guidance effective January 1, 2020.

See accompanying notes to Financial Statements.

ERIE INDEMNITY COMPANY
STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash flows from operating activities		
Management fee received	$ 486,040	$ 453,635
Administrative services reimbursements received	157,692	140,300
Service agreement fee received	6,079	6,662
Net investment income received	9,873	9,618
Commissions paid to agents	(219,346)	(215,999)
Agents bonuses paid	(111,099)	(97,085)
Salaries and wages paid	(68,373)	(49,520)
Employee benefits paid	(8,152)	(9,738)
General operating expenses paid	(56,456)	(68,491)
Administrative services expenses paid	(161,731)	(149,666)
Income taxes (paid) recovered	(1)	375
Interest paid	(1,044)	(14)
Net cash provided by operating activities	33,482	20,077
Cash flows from investing activities		
Purchase of investments:		
Available-for-sale securities	(75,183)	(137,442)
Equity securities	(18,819)	(18,089)
Other investments	(349)	(13)
Proceeds from investments:		
Available-for-sale securities sales	31,238	44,562
Available-for-sale securities maturities/calls	45,145	35,405
Equity securities	16,326	13,446
Other investments	819	328
Purchase of fixed assets	(11,146)	(21,086)
Loans to agents	(997)	(1,803)
Collections on agent loans	2,138	1,943
Net cash used in investing activities	(10,828)	(82,749)
Cash flows from financing activities		
Dividends paid to shareholders	(48,200)	(44,940)
Net payments on long-term borrowings	(502)	(481)
Net cash used in financing activities	(48,702)	(45,421)
Net decrease in cash and cash equivalents	(26,048)	(108,093)
Cash and cash equivalents, beginning of period	161,240	336,739
Cash and cash equivalents, end of period	$ 135,192	$ 228,646
Supplemental disclosure of noncash transactions		
Operating lease assets obtained in exchange for new operating lease liabilities	$ 68	$ 1,333
Liability incurred to purchase fixed assets	$ 17,098	$ 767

See accompanying notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Nature of Operations

Erie Indemnity Company ("Indemnity", "we", "us", "our") 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"). The Exchange, which also commenced business in 1925, is a Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance.

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". Acting as attorney-in-fact in these two capacities is done in accordance with a subscriber's agreement (a limited power of attorney) executed individually by each subscriber (policyholder), which appoints us as their common attorney-in-fact to transact certain business on their behalf. Pursuant to the subscriber's agreement for acting as attorney-in-fact in these two capacities, we earn a management fee calculated as a percentage of the direct and affiliated assumed premiums written by the Exchange.

The policy issuance and renewal services we provide to the Exchange are related to the sales, underwriting and issuance of policies. The sales related services we provide include agent compensation and certain sales and advertising support services. Agent compensation includes scheduled commissions to agents based upon premiums written as well as additional commissions and bonuses to agents, which are earned by achieving targeted measures. The underwriting services we provide include underwriting and policy processing. The remaining services we provide include customer service and administrative support. We also provide information technology services that support all the functions listed above. Included in these expenses are allocations of costs for departments that support these policy issuance and renewal functions.

By virtue of its legal structure as a reciprocal insurer, the Exchange does not have any employees or officers. Therefore, it enters into contractual relationships by and through an attorney-in-fact. Indemnity serves as the attorney-in-fact on behalf of the Exchange with respect to its administrative services. The Exchange's insurance subsidiaries also utilize Indemnity for these services in accordance with the service agreements between each of the subsidiaries and Indemnity. Claims handling services include costs incurred in the claims process, including the adjustment, investigation, defense, recording and payment functions. Life insurance management services include costs incurred in the management and processing of life insurance business. Investment management services are related to investment trading activity, accounting and all other functions attributable to the investment of funds. Included in these expenses are allocations of costs for departments that support these administrative functions. The amounts incurred for these services are reimbursed to Indemnity at cost in accordance with the subscriber's agreement and the service agreements. State insurance regulations require that intercompany service agreements and any material amendments be approved in advance by the state insurance department.

Our results of operations are tied to the growth and financial condition of the Exchange. If any events occurred that impaired the Exchange’s ability to grow or sustain its financial condition, including but not limited to reduced financial strength ratings, disruption in the independent agency relationships, significant catastrophe losses, or products not meeting customer demands, the Exchange could find it more difficult to retain its existing business and attract new business. A decline in the business of the Exchange almost certainly would have as a consequence a decline in the total premiums paid and a correspondingly adverse effect on the amount of the management fees we receive. We also have an exposure to a concentration of credit risk related to the unsecured receivables due from the Exchange for its management fee and cost reimbursements. See Note 12, "Concentrations of Credit Risk".

<u>Coronavirus ("COVID-19") pandemic</u>

In March 2020, the outbreak of the coronavirus ("COVID-19") was declared a global pandemic. The uncertainty resulting from COVID-19 continues to evolve and the pandemic’s ultimate impact and duration remain uncertain at this time. The Exchange’s previously announced rate reductions that became effective in the second half of 2020 will likely continue to constrain the Exchange’s premium growth in the short-term which will impact our management fee revenue.

The economic conditions resulting from the COVID-19 pandemic may negatively impact the collectability of the Exchange's premiums receivable, however no significant impact has been noted through the date of this report. We are unable to predict the duration or extent of the business disruption or the financial impact given the ongoing development of the pandemic and its impacts on the economy and financial markets.

Note 2. Significant Accounting Policies

Basis of presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. For further information, refer to the financial statements and footnotes included in our Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

Use of estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts previously reported have been reclassified for comparative purposes to conform to the current period’s presentation. "Federal income taxes recoverable" is now included in "Prepaid expenses and other current assets" in the Statements of Financial Position. “Equity in earnings (losses) of limited partnerships” is now included in “Net investment income” in the Statements of Operations. The reclassifications had no effect on previously reported net income.

Note 3. Revenue

The majority of our revenue is derived from the subscriber's agreement between us and the subscribers (policyholders) at the Exchange. Pursuant to the subscriber's agreement, we earn a management fee calculated as a percentage, not to exceed 25%, of all direct and affiliated assumed written premiums of the Exchange.

We allocate a portion of our management fee revenue, currently 25% of the direct and affiliated assumed written premiums of the Exchange, between the two performance obligations we have under the subscriber's agreement. The first performance obligation is to provide policy issuance and renewal services to the subscribers (policyholders) at the Exchange, and the second is to act as attorney-in-fact on behalf of the Exchange, as well as the service provider for its insurance subsidiaries, with respect to all administrative services. The transaction price, including management fee revenue and administrative service reimbursement revenue, is allocated based on the estimated standalone selling prices developed using industry information and other available information for similar services. We update the transaction price allocation annually based upon the most recent information available or more frequently if there have been significant changes in any components considered in the transaction price.

The first performance obligation is to provide policy issuance and renewal services that result in executed insurance policies between the Exchange or one of its insurance subsidiaries and the subscriber (policyholder). The subscriber (policyholder), receives economic benefits when substantially all the policy issuance or renewal services are complete and an insurance policy is issued or renewed by the Exchange or one of its insurance subsidiaries. It is at the time of policy issuance or renewal that the allocated portion of revenue is recognized.

The Exchange, by virtue of its legal structure as a reciprocal insurer, does not have any employees or officers. Therefore, it enters into contractual relationships by and through an attorney-in-fact. Indemnity serves as the attorney-in-fact on behalf of the Exchange with respect to its administrative services in accordance with the subscriber's agreement. The Exchange's insurance subsidiaries also utilize Indemnity for these services in accordance with the service agreements between each of the subsidiaries and Indemnity. Collectively, these services represent a second performance obligation under the subscriber's agreement and the service agreements. The revenue allocated to this performance obligation is recognized over time as these services are provided. The portion of revenue not yet earned is recorded as a contract liability in the Statements of Financial Position. The administrative services expenses we incur and the related reimbursements we receive are recorded gross in the Statements of Operations.

Indemnity records a receivable from the Exchange for management fee revenue when the premium is written or assumed by the Exchange. Indemnity collects the management fee from the Exchange when the Exchange collects the premiums from the subscribers (policyholders). As the Exchange issues policies with annual terms only, cash collections generally occur within one year.

A constraining estimate exists around the management fee received as consideration related to the potential for management fee to be returned if a policy were to be cancelled mid-term. Management fees are returned to the Exchange when policyholders cancel their insurance coverage mid-term and unearned premiums are refunded to them. We maintain an estimated allowance to reduce the management fee to its estimated net realizable value to account for the potential of mid-term policy cancellations based on historical cancellation rates. Our historical cancellation rates were adjusted for each of the three months ended March 31, 2021 and 2020 to include the potential for increased cancellations given the current economic conditions related to the COVID-19 pandemic. This estimated allowance has been allocated between the two performance obligations consistent with the revenue allocation proportions.

The following table disaggregates revenue by our two performance obligations:

	Three months ended March 31,	
(in thousands)	2021	2020
Management fee revenue - policy issuance and renewal services, net	$ 455,718	$ 443,750
Management fee revenue - administrative services, net	14,847	14,771
Administrative services reimbursement revenue	153,533	151,554
Total administrative services	$ 168,380	$ 166,325

Note 4. Earnings Per Share

Class A and Class B basic earnings per share and Class B diluted earnings per share are calculated under the two-class method. The two-class method allocates earnings to each class of stock based upon its dividend rights. Class B shares are convertible into Class A shares at a conversion ratio of 2,400 to 1. See Note 10, "Capital Stock".

Class A diluted earnings per share are calculated under the if-converted method, which reflects the conversion of Class B shares to Class A shares. Diluted earnings per share calculations include the dilutive effect of assumed issuance of stock-based awards under compensation plans that have the option to be paid in stock using the treasury stock method.

A reconciliation of the numerators and denominators used in the basic and diluted per-share computations is presented as follows for each class of common stock:

	Three months ended March 31,					
	2021			2020		
(dollars in thousands, except per share data)	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount
Class A – Basic EPS:						
Income available to Class A stockholders	$ 72,964	46,188,860	$ 1.58	$ 58,840	46,188,789	$ 1.27
Dilutive effect of stock-based awards	0	26,298	—	0	34,761	—
Assumed conversion of Class B shares	602	6,100,800	—	486	6,100,800	—
Class A – Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	$ 73,566	52,315,958	$ 1.41	$ 59,326	52,324,350	$ 1.13
Class B – Basic and diluted EPS:						
Income available to Class B stockholders	$ 602	2,542	$ 237	$ 486	2,542	$ 191

Note 5. Fair Value

Financial instruments carried at fair value

Our available-for-sale and equity securities are recorded at fair value, which is the price that would be received to sell the asset in an orderly transaction between willing market participants as of the measurement date.

Valuation techniques used to derive the fair value of our available-for-sale and equity securities are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect our own assumptions regarding fair market value for these securities. Financial instruments are categorized based upon the following characteristics or inputs to the valuation techniques:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 – Unobservable inputs for the asset or liability.

Estimates of fair values for our investment portfolio are obtained primarily from a nationally recognized pricing service. Our Level 1 securities are valued using an exchange traded price provided by the pricing service. Pricing service valuations for Level 2 securities include multiple verifiable, observable inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. Pricing service valuations for Level 3 securities are based upon proprietary models and are used when observable inputs are not available or in illiquid markets.

Although virtually all of our prices are obtained from third party sources, we also perform internal pricing reviews, including evaluating the methodology and inputs used to ensure that we determine the proper classification level of the financial instrument and reviewing securities with price changes that vary significantly from current market conditions or independent price sources. Price variances are investigated and corroborated by market data and transaction volumes. We have reviewed the pricing methodologies of our pricing service as well as other observable inputs and believe that the prices adequately consider market activity in determining fair value.

In limited circumstances we adjust the price received from the pricing service when, in our judgment, a better reflection of fair value is available based upon corroborating information and our knowledge and monitoring of market conditions such as a disparity in price of comparable securities and/or non-binding broker quotes. In other circumstances, certain securities are internally priced because prices are not provided by the pricing service.

When a price from the pricing service is not available, values are determined by obtaining broker/dealer quotes and/or market comparables. When available, we obtain multiple quotes for the same security. The ultimate value for these securities is determined based upon our best estimate of fair value using corroborating market information. As of March 31, 2021, nearly all of our available-for-sale and equity securities were priced using a third party pricing service.

The following tables present our fair value measurements on a recurring basis by asset class and level of input as of:

	March 31, 2021			
(in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Corporate debt securities	$ 549,815	$ 3,165	$ 541,190	$ 5,460
Residential mortgage-backed securities	106,649	0	106,176	473
Commercial mortgage-backed securities	113,965	0	97,724	16,241
Collateralized debt obligations	115,207	0	115,207	0
Other debt securities	22,291	0	21,770	521
U.S. Treasury	10,395	0	10,395	0
Total available-for-sale securities	918,322	3,165	892,462	22,695
Equity securities - nonredeemable preferred and common stock:				
Financial services sector	73,520	22,274	50,156	1,090
Utilities sector	9,265	3,498	5,767	0
Consumer sector	3,620	1,110	2,510	0
Communications sector	3,124	3,124	0	0
Energy sector	2,508	863	1,645	0
Industrial sector	894	894	0	0
Total equity securities	92,931	31,763	60,078	1,090
Total	$ 1,011,253	$ 34,928	$ 952,540	$ 23,785

	December 31, 2020			
(in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Corporate debt securities	$ 566,425	$ 1,281	$ 559,319	$ 5,825
Residential mortgage-backed securities	112,179	0	111,242	937
Commercial mortgage-backed securities	120,201	0	100,739	19,462
Collateralized debt obligations	110,447	0	110,447	0
Other debt securities	18,984	0	18,984	0
Total available-for-sale securities	928,236	1,281	900,731	26,224
Equity securities - nonredeemable preferred and common stock:				
Financial services sector	76,575	24,981	51,594	0
Utilities sector	8,742	3,957	4,785	0
Consumer sector	3,068	576	2,492	0
Communications sector	2,699	2,699	0	0
Energy sector	2,206	676	1,530	0
Industrial sector	800	800	0	0
Total equity securities	94,090	33,689	60,401	0
Total	$ 1,022,326	$ 34,970	$ 961,132	$ 26,224

We review the fair value hierarchy classifications each reporting period. Transfers between hierarchy levels may occur due to changes in available market observable inputs.

Level 3 Assets – Year-to-Date Change:

(in thousands)	Beginning balance at December 31, 2020	Included in earnings[1]	Included in other comprehensive income	Purchases	Sales	Transfers into Level 3[2]	Transfers out of Level 3[2]	Ending balance at March 31, 2021
Available-for-sale securities:								
Corporate debt securities	$ 5,825	$ 6	$ 42	$ 782	$ (370)	$ 1,202	$ (2,027)	$ 5,460
Residential mortgage-backed securities	937	(3)	(1)	0	(252)	0	(208)	473
Commercial mortgage-backed securities	19,462	(95)	(437)	2,265	(5)	1,230	(6,179)	16,241
Other debt securities	0	0	2	528	(9)	0	0	521
Total available-for-sale securities	26,224	(92)	(394)	3,575	(636)	2,432	(8,414)	22,695
Nonredeemable preferred stock	0	0	0	0	0	1,090	0	1,090
Total Level 3 securities	$ 26,224	$ (92)	$ (394)	$ 3,575	$ (636)	$ 3,522	$ (8,414)	$ 23,785

Level 3 Assets – Year-to-Date Change:

(in thousands)	Beginning balance at December 31, 2019	Included in earnings[1]	Included in other comprehensive income	Purchases	Sales	Transfers into Level 3[2]	Transfers out of Level 3[2]	Ending balance at March 31, 2020
Available-for-sale securities:								
Corporate debt securities	$ 8,324	$ 7	$ (1,378)	$ 1,718	$ (427)	$ 6,895	$ (3,083)	$ 12,056
Commercial mortgage-backed securities	3,321	(8)	(148)	312	(86)	4,557	(565)	7,383
Total Level 3 available-for-sale securities	$ 11,645	$ (1)	$ (1,526)	$ 2,030	$ (513)	$ 11,452	$ (3,648)	$ 19,439

(1) *These amounts are reported as net investment income and net realized investment gains (losses) for each of the periods presented above.*

(2) *Transfers into and/or (out) of Level 3 are primarily attributable to the availability of market observable information and the re-evaluation of the observability of pricing inputs.*

Financial instruments not carried at fair value

The following table presents the carrying values and fair values of financial instruments categorized as Level 3 in the fair value hierarchy that are recorded at carrying value as of:

	March 31, 2021		December 31, 2020	
(in thousands)	Carrying value	Fair value	Carrying value	Fair value
Agent loans [1]	$ 68,071	$ 69,980	$ 69,212	$ 73,854
Long-term borrowings [2]	95,610	99,657	96,113	113,054

(1) *The discount rate used to calculate fair value at March 31, 2021 is reflective of a decrease in the BB+ financial yield curve.*

(2) *The discount rate used to calculate fair value at March 31, 2021 is reflective of an increase in U.S. Treasury bond yields.*

Note 6. Investments

Available-for-sale securities

See Note 5, "Fair Value" for additional fair value disclosures. The following tables summarize the cost and fair value, net of credit loss allowance, of our available-for-sale securities as of:

	March 31, 2021			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 535,737	$ 16,149	$ 2,071	$ 549,815
Residential mortgage-backed securities	104,937	2,123	411	106,649
Commercial mortgage-backed securities	112,028	2,413	476	113,965
Collateralized debt obligations	114,819	634	246	115,207
Other debt securities	21,912	435	56	22,291
U.S. Treasury	10,509	13	127	10,395
Total available-for-sale securities, net	$ 899,942	$ 21,767	$ 3,387	$ 918,322

	December 31, 2020			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 546,096	$ 21,843	$ 1,514	$ 566,425
Residential mortgage-backed securities	108,840	3,373	34	112,179
Commercial mortgage-backed securities	115,346	5,090	235	120,201
Collateralized debt obligations	110,121	657	331	110,447
Other debt securities	18,387	606	9	18,984
Total available-for-sale securities, net	$ 898,790	$ 31,569	$ 2,123	$ 928,236

The amortized cost and estimated fair value of available-for-sale securities at March 31, 2021 are shown below by remaining contractual term to maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2021	
(in thousands)	Amortized cost	Estimated fair value
Due in one year or less	$ 16,625	$ 16,813
Due after one year through five years	421,401	433,929
Due after five years through ten years	187,492	189,327
Due after ten years	274,424	278,253
Total available-for-sale securities [(1)]	$ 899,942	$ 918,322

(1) The contractual maturities of our available-for-sale securities are included in the table. However, given our intent to sell certain impaired securities, these securities are classified as current assets in our Statements of Financial Position at March 31, 2021.

The below securities have been evaluated and determined to be temporary declines in fair value for which we expect to recover our entire principal plus interest. The following tables present available-for-sale securities based on length of time in a gross unrealized loss position as of:

	March 31, 2021						
	Less than 12 months		12 months or longer		Total		
(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Corporate debt securities	$ 123,931	$ 1,345	$ 11,703	$ 726	$ 135,634	$ 2,071	399
Residential mortgage-backed securities	31,246	411	0	0	31,246	411	41
Commercial mortgage-backed securities	23,116	463	1,186	13	24,302	476	60
Collateralized debt obligations	34,317	126	24,958	120	59,275	246	62
Other debt securities	7,330	56	0	0	7,330	56	10
U.S. Treasury	6,276	127	0	0	6,276	127	2
Total available-for-sale securities	$ 226,216	$ 2,528	$ 37,847	$ 859	$ 264,063	$ 3,387	574
Quality breakdown of available-for-sale securities:							
Investment grade	$ 194,135	$ 2,165	$ 26,334	$ 135	$ 220,469	$ 2,300	220
Non-investment grade	32,081	363	11,513	724	43,594	1,087	354
Total available-for-sale securities	$ 226,216	$ 2,528	$ 37,847	$ 859	$ 264,063	$ 3,387	574

	December 31, 2020						
	Less than 12 months		12 months or longer		Total		
(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	No. of holdings
Corporate debt securities	$ 39,693	$ 644	$ 7,952	$ 870	$ 47,645	$ 1,514	257
Residential mortgage-backed securities	8,163	34	0	0	8,163	34	13
Commercial mortgage-backed securities	16,582	235	0	0	16,582	235	31
Collateralized debt obligations	50,036	232	10,899	99	60,935	331	65
Other debt securities	1,019	9	0	0	1,019	9	4
Total available-for-sale securities	$ 115,493	$ 1,154	$ 18,851	$ 969	$ 134,344	$ 2,123	370
Quality breakdown of available-for-sale securities:							
Investment grade	$ 86,807	$ 561	$ 10,899	$ 99	$ 97,706	$ 660	119
Non-investment grade	28,686	593	7,952	870	36,638	1,463	251
Total available-for-sale securities	$ 115,493	$ 1,154	$ 18,851	$ 969	$ 134,344	$ 2,123	370

Credit loss allowance on investments

As of March 31, 2021 and December 31, 2020, the current expected credit loss allowance on agent loans was $1.1 million in both periods. The current expected credit loss on available-for-sale securities was less than $0.1 million at March 31, 2020, and $0.2 million at December 31, 2020.

Net investment income

Investment income (loss), net of expenses, was generated from the following portfolios for the three months ended March 31:

(in thousands)	2021	2020
Available-for-sale securities	$ 6,197	$ 5,788
Equity securities	1,202	856
Limited partnerships[(1)]	9,046	(3,705)
Cash equivalents and other	977	1,974
Total investment income	17,422	4,913
Less: investment expenses	325	249
Investment income, net of expenses	$ 17,097	$ 4,664

(1) Equity in earnings (losses) of limited partnerships includes both realized gains (losses) and unrealized valuation changes. Our limited partnership investments are included in the line item "Other assets" in the Statements of Financial Position.

Realized investment gains (losses)

Realized gains (losses) on investments were as follows for the three months ended March 31:

(in thousands)	2021	2020
Available-for-sale securities:		
Gross realized gains	$ 1,923	$ 1,074
Gross realized losses	(440)	(459)
Net realized gains on available-for-sale securities	1,483	615
Equity securities[(1)]	(679)	(11,422)
Miscellaneous	0	1
Net realized investment gains (losses)	$ 804	$ (10,806)

(1) The increase in net losses recognized on equity securities in the first quarter of 2020 is primarily due to the financial market volatility resulting from the COVID-19 pandemic.

The portion of net unrealized gains and losses recognized during the reporting period related to equity securities held at the reporting date is calculated as follows for the three months ended March 31:

(in thousands)	2021	2020
Equity securities:		
Net losses recognized during the period[(1)]	$ (679)	$ (11,422)
Less: net losses recognized on securities sold	(289)	(37)
Net unrealized losses recognized on securities held at reporting date	$ (390)	$ (11,385)

(1) The increase in net losses recognized on equity securities in the first quarter of 2020 is primarily due to the financial market volatility resulting from the COVID-19 pandemic.

Net impairment recoveries (losses) recognized in earnings

Impairments on available-for-sale securities and agent loans were as follows for the three months ended March 31:

(in thousands)	2021	2020
Available-for-sale securities:		
Intent to sell	$ —	$ (2,242)
Credit impaired	87	(641)
Total available-for-sale securities	87	(2,883)
Agent loans - expected credit losses	—	(170)
Net impairment recoveries (losses) recognized in earnings	$ 87	$ (3,053)

Note 7. Borrowing Arrangements

Bank line of credit
As of March 31, 2021, we have access to a $100 million bank revolving line of credit with a $25 million letter of credit sublimit that expires on October 30, 2023. As of March 31, 2021, a total of $99.1 million remains available under the facility due to $0.9 million outstanding letters of credit, which reduce the availability for letters of credit to $24.1 million. We had no borrowings outstanding on our line of credit as of March 31, 2021. Investments with a fair value of $123.4 million were pledged as collateral on the line at March 31, 2021. The investments pledged as collateral have no trading restrictions and are reported as available-for-sale securities and cash and cash equivalents as of March 31, 2021. The banks require compliance with certain covenants, which include leverage ratios and debt restrictions, for our line of credit. We are in compliance with all covenants at March 31, 2021.

Term loan credit facility
In 2016, we entered into a credit agreement for a $100 million senior secured draw term loan credit facility ("Credit Facility") for the acquisition of real property and construction of an office building that will serve as part of our principal headquarters. On January 1, 2019, the Credit Facility converted to a fully-amortized term loan with monthly payments of principal and interest at a fixed rate of 4.35% over a period of 28 years. Investments with a fair value of $125.1 million were pledged as collateral for the facility and are reported as available-for-sale securities and cash and cash equivalents as of March 31, 2021. The bank requires compliance with certain covenants, which include leverage ratios, debt restrictions and minimum net worth, for our Credit Facility. We are in compliance with all covenants at March 31, 2021.

The remaining unpaid balance from the Credit Facility is reported at carrying value, net of unamortized loan origination and commitment fees, as long-term borrowings on our Statements of Financial Position. See Note 5, "Fair Value" for the estimated fair value of these borrowings.

Annual principal payments
The following table sets forth future principal payments:

(in thousands)

Year	Principal payments	
2021	$	1,529
2022		2,109
2023		2,226
2024		2,302
2025		2,448
Thereafter		84,996

Note 8. Postretirement Benefits

Pension plans

Our pension plans consist of a noncontributory defined benefit pension plan covering substantially all employees and an unfunded supplemental employee retirement plan for certain members of executive and senior management. Although we are the sponsor of these postretirement plans and record the funded status of these plans, the Exchange and its subsidiaries reimburse us for approximately 58% of the annual benefit expense of these plans, which represents pension benefits for employees performing administrative services and their allocated share of costs for employees in departments that support the administrative functions.

The cost of our pension plans are as follows:

	Three months ended March 31,	
(in thousands)	2021	2020
Service cost for benefits earned	$ 13,260	$ 10,873
Interest cost on benefits obligation	9,206	9,395
Expected return on plan assets	(12,569)	(12,353)
Prior service cost amortization	357	336
Net actuarial loss amortization	4,027	3,031
Pension plan cost (1)	$ 14,281	$ 11,282

(1) The components of pension plan costs other than the service cost component are included in the line item "Other expense" in the Statements of Operations after reimbursements from the Exchange and its subsidiaries.

Note 9. Income Taxes

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. Our effective tax rate was 20.5% and 22.1% for the three months ended March 31, 2021 and 2020, respectively. Impacting our effective tax rate in the first quarter of 2020 was a valuation allowance generated by the financial market volatility resulting from the COVID-19 pandemic, which increased our effective tax rate by 1.2%.

Note 10. Capital Stock

Class A and B common stock

Holders of Class B shares may, at their option, convert their shares into Class A shares at the rate of 2,400 Class A shares per Class B share. There were no shares of Class B common stock converted into Class A common stock during the three months ended March 31, 2021 and the year ended December 31, 2020. There is no provision for conversion of Class A shares to Class B shares, and Class B shares surrendered for conversion cannot be reissued.

Stock repurchases

In 2011, our Board of Directors approved a continuation of the current stock repurchase program of $150 million, with no time limitation. There were no shares repurchased under this program during the three months ended March 31, 2021 and the year ended December 31, 2020. We had approximately $17.8 million of repurchase authority remaining under this program at March 31, 2021.

Note 11. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income ("AOCI") (loss) by component, including amounts reclassified to other comprehensive income ("OCI") (loss) and the related line item in the Statements of Operations where net income is presented, are as follows:

	Three months ended March 31, 2021			Three months ended March 31, 2020		
(in thousands)	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Investment securities:						
AOCI, beginning of period	$ 29,384	$ 6,171	$ 23,213	$ 5,664	$ 1,189	$ 4,475
OCI (loss) before reclassifications (1)	(9,508)	(1,997)	(7,511)	(35,693)	(1,665)	(34,028)
Realized investment gains	(1,483)	(311)	(1,172)	(615)	(129)	(486)
Impairment (recoveries) losses	(87)	(18)	(69)	2,883	605	2,278
OCI (loss)	(11,078)	(2,326)	(8,752)	(33,425)	(1,189)	(32,236)
AOCI (loss), end of period (1)	$ 18,306	$ 3,845	$ 14,461	$ (27,761)	$ 0	$ (27,761)
Pension and other postretirement plans:						
AOCI (loss), beginning of period	$ (128,300)	$ (26,944)	$ (101,356)	$ (153,600)	$ (32,257)	$ (121,343)
Amortization of prior service costs	357	75	282	336	71	265
Amortization of net actuarial loss	4,026	845	3,181	3,031	636	2,395
OCI	4,383	920	3,463	3,367	707	2,660
AOCI (loss), end of period	$ (123,917)	$ (26,024)	$ (97,893)	$ (150,233)	$ (31,550)	$ (118,683)
Total						
AOCI (loss), beginning of period	$ (98,916)	$ (20,773)	$ (78,143)	$ (147,936)	$ (31,068)	$ (116,868)
Investment securities	(11,078)	(2,326)	(8,752)	(33,425)	(1,189)	(32,236)
Pension and other postretirement plans	4,383	920	3,463	3,367	707	2,660
OCI (loss)	(6,695)	(1,406)	(5,289)	(30,058)	(482)	(29,576)
AOCI (loss), end of period	$ (105,611)	$ (22,179)	$ (83,432)	$ (177,994)	$ (31,550)	$ (146,444)

(1) At March 31, 2020 a valuation allowance was recognized on the deferred tax asset primarily related to unrealized losses on our investments.

Note 12. Concentrations of Credit Risk

Financial instruments could potentially expose us to concentrations of credit risk, including unsecured receivables from the Exchange. A large majority of our revenue and receivables are from the Exchange and its affiliates. See also Note 1, "Nature of Operations". Net management fee amounts and other reimbursements due from the Exchange and its affiliates were $481.5 million and $494.6 million at March 31, 2021 and December 31, 2020, respectively, which includes a current expected credit loss allowance of $0.6 million in both periods.

Note 13. Commitments and Contingencies

In 2020, we entered into an agreement with a bank for the establishment of a loan participation program for agent loans. The maximum amount of loans to be funded through this program is $100 million. We have committed to fund a minimum of 30% of each loan executed through this program. As of March 31, 2021, the total loans executed under this agreement totaled $15.1 million, of which our portion of the loans is $6.5 million. Additionally, we have agreed to guarantee a portion of the funding provided by the other participants in the program in the event of default. As of March 31, 2021, our maximum potential amount of future payments on the guaranteed portion is $1.5 million. All loan payments under the participation program are current as of March 31, 2021.

We are involved in litigation arising in the ordinary course of conducting business. In accordance with current accounting standards for loss contingencies and based upon information currently known to us, we establish reserves for litigation when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss or range of loss can be reasonably estimated. When no amount within the range of loss is a better estimate than any other amount, we accrue the minimum amount of the estimable loss. To the extent that such litigation against us may have an exposure to a loss in excess of the amount we have accrued, we believe that such excess would not be material to our financial condition, results of operations, or cash flows. Legal fees are expensed as incurred. We believe that our accruals for legal proceedings are appropriate and, individually and in the aggregate, are not expected to be material to our financial condition, results of operations, or cash flows.

We review all litigation on an ongoing basis when making accrual and disclosure decisions. For certain legal proceedings, we cannot reasonably estimate losses or a range of loss, if any, particularly for proceedings that are in their early stages of development or where the plaintiffs seek indeterminate damages. Various factors, including, but not limited to, the outcome of potentially lengthy discovery and the resolution of important factual questions, may need to be determined before probability can be established or before a loss or range of loss can be reasonably estimated. If the loss contingency in question is not both probable and reasonably estimable, we do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. In the event that a legal proceeding results in a substantial judgment against, or settlement by, us, there can be no assurance that any resulting liability or financial commitment would not have a material adverse effect on the financial condition, results of operations, or cash flows.

Note 14. Subsequent Events

No items were identified in this period subsequent to the financial statement date that required adjustment or additional disclosure.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of financial condition and results of operations highlights significant factors influencing Erie Indemnity Company ("Indemnity", "we", "us", "our"). This discussion should be read in conjunction with the historical financial statements and the related notes thereto included in Part I, Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q, and with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2020, as contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2021.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

"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;
- 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;
  - litigation and regulatory actions;
  - emerging claims and coverage issues in the industry; and
  - severe weather conditions or other catastrophic losses, including terrorism;
- potential impacts of the COVID-19 pandemic on the growth and financial condition of the Exchange;
- costs of providing policy issuance and renewal services to the Exchange under the subscriber's agreement;
- ability to attract and retain talented management and employees;
- ability to ensure system availability and effectively manage technology initiatives;
- difficulties with technology or data security breaches, including cyber attacks;
- ability to maintain uninterrupted business operations;
- outcome of pending and potential litigation;
- potential impacts of the COVID-19 pandemic on our operations, the business operations of our customers and/or independent agents, or our third-party vendor operations;

- factors affecting the quality and liquidity of our investment portfolio; and
- our ability to meet liquidity needs and access capital.

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.

OPERATING OVERVIEW

Overview

We serve as the attorney-in-fact for the subscribers (policyholders) at the Exchange, a reciprocal insurer that writes property and casualty insurance. 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, as well as the service provider for its insurance subsidiaries, with respect to all administrative services.

The Exchange is a reciprocal insurance exchange, which is an unincorporated association of individuals, partnerships and corporations that agree to insure one another. Each applicant for insurance to the Exchange signs a subscriber's agreement, which contains an appointment of Indemnity as their attorney-in-fact to transact the business of the Exchange on their behalf. Pursuant to the subscriber's agreement for acting as attorney-in-fact in these two capacities, we earn a management fee calculated as a percentage of the direct and affiliated assumed premiums written by the Exchange.

Our earnings are primarily driven by the management fee revenue generated for the services we provide to the Exchange. The policy issuance and renewal services we provide to the Exchange are related to the sales, underwriting and issuance of policies. The sales related services we provide include agent compensation and certain sales and advertising support services. Agent compensation includes scheduled commissions to agents based upon premiums written as well as additional commissions and bonuses to agents, which are earned by achieving targeted measures. Agent compensation generally comprises approximately two-thirds of our policy issuance and renewal expenses. The underwriting services we provide include underwriting and policy processing. The remaining services we provide include customer service and administrative support. We also provide information technology services that support all the functions listed above. Included in these expenses are allocations of costs for departments that support these policy issuance and renewal functions.

By virtue of its legal structure as a reciprocal insurer, the Exchange does not have any employees or officers. Therefore, it enters into contractual relationships by and through an attorney-in-fact. Indemnity serves as the attorney-in-fact on behalf of the Exchange with respect to its administrative services. The Exchange's insurance subsidiaries also utilize Indemnity for these services in accordance with the service agreements between each of the subsidiaries and Indemnity. Claims handling services include costs incurred in the claims process, including the adjustment, investigation, defense, recording and payment functions. Life insurance management services include costs incurred in the management and processing of life insurance business. Investment management services are related to investment trading activity, accounting and all other functions attributable to the investment of funds. Included in these expenses are allocations of costs for departments that support these administrative functions. The amounts incurred for these services are reimbursed to Indemnity at cost in accordance with the subscriber's agreement and the service agreements. State insurance regulations require that intercompany service agreements and any material amendments be approved in advance by the state insurance department.

Our results of operations are tied to the growth and financial condition of the Exchange as the Exchange is our sole customer, and our earnings are largely generated from management fees based on the direct and affiliated assumed premiums written by the Exchange. The Exchange generates revenue by insuring preferred and standard risks, with personal lines comprising 71% of the 2020 direct and affiliated assumed written premiums and commercial lines comprising the remaining 29%. The principal personal lines products are private passenger automobile and homeowners. The principal commercial lines products are commercial multi-peril, commercial automobile and workers compensation.

Coronavirus ("COVID-19") pandemic

In March 2020, the outbreak of the coronavirus ("COVID-19") was declared a global pandemic. The uncertainty resulting from the COVID-19 pandemic continues to evolve and the pandemic's ultimate impact and duration remain uncertain at this time.

The impact the COVID-19 pandemic has on the premiums written by the Exchange, our sole customer, affects our management fee revenue. The uncertainty of the ongoing impacts of the COVID-19 pandemic will likely continue until such time as the spread of the virus is contained. In response to reduced driving conditions in 2020 resulting from the COVID-19 pandemic, the Exchange implemented $200 million in personal and commercial auto rate reductions, which became effective in the third quarter of 2020, resulting in a decrease of approximately $55 million in the Exchange's written premiums and a corresponding decrease of approximately $14 million in our management fee revenue in the first quarter of 2021. The remaining impact of the rate reductions will reduce the Exchange's written premiums by approximately $55 million and our management fee revenue by approximately $14 million in the second quarter of 2021. There may also be other market and/or regulatory pressures that could impact the Exchange’s operations. While financial markets remained stable in the first quarter of 2021, we could experience future losses and/or impairments to the portfolio given the pandemic’s impact on market conditions. Additionally, we continue to incur increased agent incentive costs as lower claim frequency from the pandemic resulted in improved agent profitability the first quarter of 2021 and may continue to persist as the full extent and duration of the pandemic’s impacts on driving conditions remain uncertain. We have provided additional disclosure of these impacted areas throughout our Management’s Discussion and Analysis that follows. A broader discussion of the potential future impacts has also been disclosed in Financial Condition and Liquidity and Capital Resources contained within this report, as well as Part I. Item 1A. "Risk Factors" related to COVID-19 as included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

We have a dedicated internal committee comprised of management from various finance disciplines reviewing our risk positions and emerging trends on an ongoing basis as circumstances are evolving. The committee is reviewing risk scenarios and performing stress tests, including the review of cash flow trends, liquidity requirements and other forms of risk quantification. This provides tools for management, as well as our Risk Committee of the Board of Directors, to assess risks and prioritize key issues.

While we were not required to close our physical locations under the state mandated closure of nonessential services, out of concern for the health and safety of our employees, over 90% of our workforce has been working remote since March 2020. We have had no significant interruption to our core business processes or systems to date. We have had no significant changes to our financial close or reporting processes or related internal controls, nor do we anticipate any significant future challenges at this time. We have a dedicated team developing a return to the office plan that will be implemented when it becomes feasible and safe.

Financial Overview

(dollars in thousands, except per share data)	Three months ended March 31, 2021	2020	% Change
	(Unaudited)		
Operating income	$ 76,095	$ 85,691	(11.2) %
Total investment income (loss)	17,988	(9,195)	NM
Interest expense, net	1,009	3	NM
Other expense	519	366	41.7
Income before income taxes	92,555	76,127	21.6
Income tax expense	18,989	16,801	13.0
Net income	$ 73,566	$ 59,326	24.0 %
Net income per share – diluted	$ 1.41	$ 1.13	24.0 %

NM = not meaningful

Operating income decreased in the first quarter of 2021, compared to the first quarter of 2020, as growth in operating expenses outpaced the growth in operating revenues. Management fee revenue for policy issuance and renewal services increased 2.7% to $455.7 million in the first quarter of 2021. Management fee revenue is based upon the management fee rate we charge, and the direct and affiliated assumed premiums written by the Exchange. The management fee rate was 25% for both 2021 and 2020. The direct and affiliated assumed premiums written by the Exchange increased 1.7% to $1.9 billion in the first quarter of 2021, compared to the same period in 2020.

Cost of operations for policy issuance and renewal services increased 5.5% to $400.5 million in the first quarter of 2021, compared to the same period in 2020, due to higher commissions driven by direct and affiliated assumed written premium growth, as well as higher information technology and administrative costs.

Management fee revenue for administrative services increased 0.5% to $14.8 million in the first quarter of 2021, compared to the same period in 2020. The administrative services reimbursement revenue and corresponding cost of operations increased both total operating revenue and total operating expenses by $153.5 million in the first quarter of 2021, but had no net impact on operating income.

Total investment income was $18.0 million in the first quarter of 2021, primarily driven by net investment income of $17.1 million. Total investment losses were $9.2 million in the first quarter of 2020, largely driven by the significant financial market volatility resulting from the COVID-19 pandemic.

General Conditions and Trends Affecting Our Business

Economic conditions

Unfavorable changes in economic conditions, including declining consumer confidence, inflation, high unemployment, and the threat of recession, among others, may lead the Exchange's customers to modify coverage, not renew policies, or even cancel policies, which could adversely affect the premium revenue of the Exchange, and consequently our management fee. The extent to which economic conditions could impact the Exchange's operations and our management fee was exacerbated with the COVID-19 pandemic. The extent and duration of the impacts to economic conditions remain uncertain as the pandemic continues to evolve. See Financial Condition and Liquidity and Capital Resources contained within this report, as well as Part I. Item 1A. "Risk Factors" related to COVID-19 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021 for a discussion of the potential impacts of the COVID-19 pandemic on our operations.

Financial market volatility

Our portfolio of fixed maturity and equity security investments is subject to market volatility especially in periods of instability in the worldwide financial markets. Over time, net investment income could also be impacted by volatility and by the general level of interest rates, which impact reinvested cash flow from the portfolio and business operations. Depending upon market conditions, which are unpredictable and remain uncertain, considerable fluctuation could exist in the fair value of our investment portfolio and reported total investment income, which could have an adverse impact on our financial condition, results of operations, and cash flows. Significant volatility was seen in the global financial markets at the onset of the COVID-19 pandemic and pandemic related events may create future volatility. The extent of the impact on our invested assets cannot be estimated with a high degree of certainty at this time given the ongoing developments of this pandemic and the related impacts on the financial markets.

RESULTS OF OPERATIONS

Management fee revenue

We have two performance obligations in the subscriber's agreement, providing policy issuance and renewal services and acting as attorney-in-fact for the Exchange, as well as the service provider for its insurance subsidiaries, with respect to all administrative services. We earn management fees for acting as the attorney-in-fact for the subscribers at the Exchange in these two capacities, and allocate our revenues between our performance obligations.

The management fee is calculated by multiplying all direct and affiliated assumed premiums written by the Exchange by the management fee rate, which is determined by our Board of Directors at least annually. The management fee rate was set at 25%, the maximum rate, for both 2021 and 2020. Changes in the management fee rate can affect our revenue and net income significantly. The transaction price, including management fee revenue and administrative service reimbursement revenue, is allocated based on the estimated standalone selling prices developed using industry information and other available information for similar services. We update the transaction price allocation annually based upon the most recent information available or more frequently if there have been significant changes in any components considered in the transaction price. Our current transaction price allocation review resulted in a minor change in the allocation percentages between the two performance obligations. The change in allocation will not have a material impact on our financial statements.

The following table presents the allocation and disaggregation of revenue for our two performance obligations:

	Three months ended March 31,		
(dollars in thousands)	2021	2020	% Change
	(Unaudited)		
Policy issuance and renewal services			
Direct and affiliated assumed premiums written by the Exchange	$ 1,878,182	$ 1,847,678	1.7 %
Management fee rate	24.3 %	24.2 %	
Management fee revenue	456,398	447,138	2.1
Change in allowance for management fee returned on cancelled policies (1)	(680)	(3,388)	NM
Management fee revenue - policy issuance and renewal services, net	$ 455,718	$ 443,750	2.7 %
Administrative services			
Direct and affiliated assumed premiums written by the Exchange	$ 1,878,182	$ 1,847,678	1.7 %
Management fee rate	0.7 %	0.8 %	
Management fee revenue	13,147	14,781	(11.1)
Change in contract liability (2)	1,707	1	NM
Change in allowance for management fee returned on cancelled policies (1)	(7)	(11)	34.6
Management fee revenue - administrative services, net	14,847	14,771	0.5
Administrative services reimbursement revenue	153,533	151,554	1.3
Total revenue from administrative services	$ 168,380	$ 166,325	1.2 %

NM = not meaningful

(1) *Management fees are returned to the Exchange when policies are cancelled mid-term and unearned premiums are refunded. We record an estimated allowance for management fees returned on mid-term policy cancellations. This estimated allowance has been allocated between the two performance obligations consistent with the revenue allocation proportion. The potential for a greater number of mid-term cancellations as a result of the COVID-19 pandemic was taken into consideration in the determination of this allowance in both periods presented.*

(2) *Management fee revenue - administrative services is recognized over time as the services are performed. See Part I, Item 1. "Financial Statements - Note 3, Revenue, of Notes to Financial Statements" contained within this report.*

Direct and affiliated assumed premiums written by the Exchange

Direct and affiliated assumed premiums include premiums written directly by the Exchange and premiums assumed from its wholly owned property and casualty subsidiaries. Direct and affiliated assumed premiums written by the Exchange increased 1.7% to $1.9 billion in the first quarter of 2021 compared to the first quarter of 2020, primarily driven by increases in homeowners and commercial multi-peril premiums written. Year-over-year policies in force for all lines of business increased 2.8% in the first quarter of 2021 compared to 1.4% in the first quarter of 2020. The year-over-year average premium per policy for all lines of business decreased 1.5% at March 31, 2021 compared to an increase of 3.1% at March 31, 2020. The year-over-year average premium per policy at March 31, 2021 was impacted by the rate reductions for our personal and commercial auto policies that became effective in the third quarter of 2020.

Premiums generated from new business increased 19.7% to $239 million in the first quarter of 2021 primarily driven by increases in personal lines premiums written compared to the same period in 2020. While year-over-year average premium per policy on new business decreased 5.8% at March 31, 2021, new business policies written increased 22.4% in the first quarter of 2021. Premiums generated from new business decreased 5.7% to $200 million in the first quarter of 2020. While year-over-year average premium per policy on new business increased 3.2% at March 31, 2020, new business policies written decreased 4.6% in the first quarter of 2020. Premiums generated from renewal business decreased 0.5% to $1.6 billion in the first quarter of 2021 compared to the first quarter of 2020. Underlying the trend in renewal business premiums was a decrease in year-over-year average premium per policy of 0.8% at March 31, 2021, driven by the rate reductions for our personal and commercial auto policies that became effective in the third quarter of 2020, compared to an increase of 3.1% at March 31, 2020.

Personal lines – Total personal lines premiums written increased 1.3% to $1.3 billion in the first quarter of 2021, compared to 2.4% in the first quarter of 2020. While total personal lines year-over-year average premium per policy decreased 1.7% at March 31, 2021, total personal lines policies in force increased 2.9% in the first quarter of 2021.

Commercial lines – Total commercial lines premiums written increased 2.4% to $612 million in the first quarter of 2021, compared to 5.9% in the first quarter of 2020. While total commercial lines year-over-year average premium per policy decreased 0.4% at March 31, 2021, total commercial lines policies in force increased 2.1% in the first quarter of 2021.

Future trends-premium revenue – Changes in premium levels attributable to the growth in policies in force and rate changes directly affect the profitability of the Exchange and have a direct bearing on our management fee. The impact of the previously announced auto rate reductions resulting from reduced driving conditions will result in a decrease of approximately $55 million in the Exchange written premiums and a corresponding decrease of approximately $14 million in our management fee revenue in the second quarter of 2021. Future premiums could also be impacted by potential regulatory changes resulting from the COVID-19 pandemic. Longer-term, increased driving activity may result in increased claims frequencies and future rate increases.

Through a careful agency selection process, the Exchange plans to continue its effort to expand the size of its agency force to increase market penetration in existing operating territories to contribute to future growth. While our agents initially experienced business declines resulting from disruptions created by the COVID-19 pandemic, there have been no significant long-term disruptions in their operations.

The extent of the impact to the Exchange's premiums and our management fee cannot be estimated with a high degree of certainty at this time given the ongoing developments related to this pandemic. See also Part I. Item 1A. "Risk Factors" related to COVID-19 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

Policy issuance and renewal services

(dollars in thousands)	Three months ended March 31, 2021	2020	% Change
	(Unaudited)		
Management fee revenue - policy issuance and renewal services, net	$ 455,718	$ 443,750	2.7 %
Service agreement revenue	6,079	6,662	(8.7)
	461,797	450,412	2.5
Cost of policy issuance and renewal services	400,549	379,492	5.5
Operating income - policy issuance and renewal services	$ 61,248	$ 70,920	(13.6) %

Policy issuance and renewal services
The management fee revenue allocated for providing policy issuance and renewal services was 24.3% in the first quarter of 2021 and 24.2% in the first quarter of 2020, of the direct and affiliated assumed premiums written by the Exchange. This portion of the management fee is recognized as revenue when the policy is issued or renewed because it is at that time that the services we provide are substantially complete and the executed insurance policy is transferred to the customer. The increase in management fee revenue for policy issuance and renewal services was driven by the increase in the direct and affiliated assumed premiums written by the Exchange discussed previously.

Service agreement revenue
Service agreement revenue includes service charges we collect from subscribers/policyholders for providing extended payment terms on policies written and assumed by the Exchange, and late payment and policy reinstatement fees. The service charges are fixed dollar amounts per billed installment. The decrease in service agreement revenue reflects the continued shift to payment plans that do not incur service charges or offer a premium discount for certain payment methods.

Cost of policy issuance and renewal services

(dollars in thousands)	Three months ended March 31, 2021	2020	% Change
	(Unaudited)		
Commissions:			
Total commissions	$ 261,381	$ 251,996	3.7 %
Non-commission expense:			
Underwriting and policy processing	$ 40,588	$ 41,352	(1.8) %
Information technology	46,405	42,158	10.1
Sales and advertising	10,943	11,475	(4.6)
Customer service	8,798	8,579	2.6
Administrative and other	32,434	23,932	35.5
Total non-commission expense	139,168	127,496	9.2
Total cost of policy issuance and renewal services	$ 400,549	$ 379,492	5.5 %

Commissions – Commissions increased $9.4 million in the first quarter of 2021 compared to the first quarter of 2020 driven by the growth in direct and affiliated assumed written premium, primarily in lines of business that pay a higher commission rate. To a lesser extent, there was also an increase in agent incentive compensation for the first quarter of 2021 compared to the first quarter of 2020. The estimated agent incentive payouts at March 31, 2021 are based on actual underwriting results for the two prior years and current year-to-date actual results and forecasted results for the remainder of 2021. Lower auto claims frequency and related loss expense since the onset of the COVID-19 pandemic impacted agent compensation related to the profitability component in both periods.

Non-commission expense – Non-commission expense increased $11.7 million in the first quarter of 2021 compared to the first quarter of 2020. Underwriting and policy processing expense decreased $0.8 million primarily due to lower personnel costs. Information technology costs increased $4.2 million primarily due to increased hardware and software costs and professional fees. Administrative and other costs increased $8.5 million primarily driven by increased professional fees and higher incentive plan award accruals due to improved performance in the first quarter of 2021 compared to the same period in 2020.

Administrative services

(dollars in thousands)	Three months ended March 31, 2021	2020	% Change
	(Unaudited)		
Management fee revenue - administrative services, net	$ 14,847	$ 14,771	0.5 %
Administrative services reimbursement revenue	153,533	151,554	1.3
Total revenue allocated to administrative services	168,380	166,325	1.2
Administrative services expenses			
Claims handling services	132,470	132,303	0.1
Investment management services	9,714	9,057	7.3
Life management services	11,349	10,194	11.3
Operating income - administrative services	$ 14,847	$ 14,771	0.5 %

Administrative services

The management fee revenue allocated to administrative services was 0.7% in the first quarter of 2021 and 0.8% in the first quarter of 2020, of the direct and affiliated assumed premiums written by the Exchange. This portion of the management fee is recognized as revenue over a four-year period representing the time over which the services are provided. We also report reimbursed costs as revenues, which are recognized monthly as services are provided. The administrative services expenses we incur and the related reimbursements we receive are recorded gross in the Statements of Operations.

Cost of administrative services

By virtue of its legal structure as a reciprocal insurer, the Exchange does not have any employees or officers. Therefore, it enters into contractual relationships by and through an attorney-in-fact. Indemnity serves as the attorney-in-fact on behalf of the Exchange with respect to its administrative services in accordance with the subscriber's agreement. The Exchange's insurance subsidiaries also utilize Indemnity for these services in accordance with the service agreements between each of the subsidiaries and Indemnity. The amounts incurred for these services are reimbursed to Indemnity at cost in accordance with the subscriber's agreement and the service agreements. We record these reimbursements due from the Exchange and its insurance subsidiaries as a receivable.

Total investment income

A summary of the results of our investment operations is as follows for the three months ended March 31:

(dollars in thousands)	2021	2020	% Change
	(Unaudited)		
Net investment income	$ 17,097	$ 4,664	NM
Net realized investment gains (losses)	804	(10,806)	NM
Net impairment recoveries (losses) recognized in earnings	87	(3,053)	NM
Total investment income (loss)	$ 17,988	$ (9,195)	NM

NM = not meaningful

Net investment income

Net investment income includes interest and dividends on our fixed maturity and equity security portfolios and the results of our limited partnership investments, net of investment expenses. Net investment income increased $12.4 million in the first quarter of 2021, primarily due to equity in earnings of limited partnerships of $9.0 million recorded in the first quarter of 2021 compared to equity in losses of limited partnerships of $3.7 million recorded in the first quarter of 2020.

Net realized investment gains (losses)

A breakdown of our net realized investment gains (losses) is as follows for the three months ended March 31:

(in thousands)	2021	2020
Securities sold:	(Unaudited)	
Available-for-sale securities	$ 1,483	$ 615
Equity securities	507	(688)
Equity securities change in fair value	(1,186)	(10,734)
Miscellaneous	0	1
Net realized investment gains (losses)	$ 804	$ (10,806)

Net realized gains during the first quarter of 2021 were primarily due to disposals of available-for-sale securities. Net realized losses during the first quarter of 2020 were primarily driven by decreases in the fair value of equity securities due to the significant financial market volatility resulting from the COVID-19 pandemic.

Net impairment recoveries (losses) recognized in earnings

Net impairment recoveries recognized during the first quarter of 2021 were on credit impaired available-for-sale securities. Net impairment losses in 2020 were primarily due to the COVID-19 pandemic's impact on financial markets on our available-for-sale securities.

Financial condition of Erie Insurance Exchange

Serving in the capacity of attorney-in-fact for the Exchange, we are dependent on the growth and financial condition of the Exchange, who is our sole customer. The strength of the Exchange and its wholly owned subsidiaries is rated annually by A.M. Best Company through assessing its financial stability and ability to pay claims. The ratings are generally based upon factors relevant to policyholders and are not directed toward return to investors. The Exchange and each of its property and casualty subsidiaries are rated A+ "Superior", the second highest financial strength rating, which is assigned to companies that have achieved superior overall performance when compared to the standards established by A.M. Best and have a superior ability to meet obligations to policyholders over the long term. On July 8, 2020, the outlook for the financial strength rating was affirmed as stable. As of December 31, 2020, only approximately 12% of insurance groups, in which the Exchange is included, are rated A+ or higher.

The financial statements of the Exchange are prepared in accordance with statutory accounting principles prescribed by the Commonwealth of Pennsylvania. Financial statements prepared under statutory accounting principles focus on the solvency of the insurer and generally provide a more conservative approach than under U.S. generally accepted accounting principles. Statutory direct written premiums of the Exchange and its wholly owned property and casualty subsidiaries grew 1.7% to $1.9 billion in the first quarter of 2021 compared to the first quarter of 2020. These premiums, along with investment income, are the major sources of cash that support the operations of the Exchange. Policyholders' surplus determined under statutory accounting principles was $11.3 billion at March 31, 2021, $10.7 billion at December 31, 2020, and $8.8 billion at March 31, 2020. The Exchange and its wholly owned property and casualty subsidiaries' year-over-year policy retention ratio continues to be high at 90.0% at March 31, 2021, 89.9% at December 31, 2020, and 89.8% at March 31, 2020.

We have prepared our financial statements considering the financial strength of the Exchange based on its A.M. Best rating and strong level of surplus. We are monitoring risks related to the COVID-19 pandemic on an ongoing basis and believe that the Exchange falls within defined risk tolerances. However, see Part I. Item 1A. "Risk Factors" related to COVID-19 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021 for possible outcomes that could impact that determination.

FINANCIAL CONDITION

Investments

Our investment portfolio is managed with the objective of maximizing after-tax returns on a risk-adjusted basis. The following table presents the carrying value of our investments as of:

(dollars in thousands)	March 31, 2021 (Unaudited)	% to total	December 31, 2020	% to total
Fixed maturities	$ 918,322	83 %	$ 928,236	84 %
Equity securities:				
Preferred stock	92,785	9	94,071	9
Common stock	146	0	19	0
Agent loans [(1)]	68,071	6	69,212	6
Other investments	22,586	2	14,325	1
Total investments	$ 1,101,910	100 %	$ 1,105,863	100 %

(1) The current portion of agent loans is included with prepaid expenses and other current assets in the Statements of Financial Position.

<u>Fixed maturities</u>

Under our investment strategy, we maintain a fixed maturity portfolio that is of high quality and well diversified within each market sector. This investment strategy also achieves a balanced maturity schedule. Our fixed maturity portfolio is managed with the goal of achieving reasonable returns while limiting exposure to risk.

Fixed maturities are carried at fair value with unrealized gains and losses, net of deferred taxes, included in shareholders' equity. Net unrealized gains on fixed maturities, net of deferred taxes, totaled $14.5 million at March 31, 2021, compared to net unrealized gains of $23.3 million at December 31, 2020.

The following table presents a breakdown of the fair value of our fixed maturity portfolio by industry sector and rating as of:

(in thousands)	March 31, 2021 [(1)]					
	AAA	AA	A	BBB	Non-investment grade	Fair value
			(Unaudited)			
Basic materials	$ 0	$ 0	$ 3,252	$ 4,019	$ 9,014	$ 16,285
Communications	0	8,783	8,534	17,655	18,313	53,285
Consumer	0	3,219	23,524	64,123	38,586	129,452
Diversified	0	0	0	1,055	422	1,477
Energy	0	4,179	7,871	18,643	11,982	42,675
Financial	0	1,010	61,002	113,924	13,118	189,054
Industrial	0	0	10,062	14,434	18,773	43,269
Structured securities [(2)]	153,933	152,874	36,612	14,692	0	358,111
Technology	0	5,227	7,893	22,426	10,987	46,533
U.S. Treasury	0	10,395	0	0	0	10,395
Utilities	0	0	4,879	19,384	3,523	27,786
Total	$ 153,933	$ 185,687	$ 163,629	$ 290,355	$ 124,718	$ 918,322

(1) Ratings are supplied by S&P, Moody's, and Fitch. The table is based upon the lowest rating for each security.

(2) Structured securities include residential and commercial mortgage-backed securities, collateralized debt obligations, and asset-backed securities.

Equity securities

Equity securities consist of nonredeemable preferred and common stock and are carried at fair value in the Statements of Financial Position with all changes in unrealized gains and losses reflected in the Statements of Operations.

The following table presents an analysis of the fair value of our nonredeemable preferred and common stock securities by sector as of:

(in thousands)	March 31, 2021		December 31, 2020	
	Preferred stock	Common stock	Preferred stock	Common stock
	(Unaudited)			
Communications	$ 3,124	$ 0	$ 2,699	$ 0
Consumer	3,620	0	3,068	0
Energy	2,362	146	2,187	19
Financial services	73,520	0	76,575	0
Industrial	894	0	800	0
Utilities	9,265	0	8,742	0
Total	$ 92,785	$ 146	$ 94,071	$ 19

LIQUIDITY AND CAPITAL RESOURCES

We continue to monitor the sufficiency of our liquidity and capital resources given the potential impact of the COVID-19 pandemic. We did not see a significant impact on our sources or uses of cash in the first quarter of 2021. However, we may experience future reductions in our management fee revenue if the Exchange's premium growth is constrained. Also, future disruptions in the markets could occur which may affect our liquidity position. If our normal operating and investing cash activities were to become insufficient to meet future funding requirements, we believe we have sufficient access to liquidity through our cash position, liquid marketable securities and our $100 million line of credit that does not expire until October 2023. See broader discussions of potential risks to our operations in the Operating Overview contained within this report and Part I. Item 1A. "Risk Factors" related to COVID-19 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

Sources and Uses of Cash

Liquidity is a measure of a company's ability to generate sufficient cash flows to meet the short- and long-term cash requirements of its business operations and growth needs. Our liquidity requirements have been met primarily by funds generated from management fee revenue and income from investments. Cash provided from these sources is used primarily to fund the costs of our management operations including commissions, salaries and wages, pension plans, share repurchases, dividends to shareholders, and the purchase and development of information technology. We expect that our operating cash needs will be met by funds generated from operations.

Volatility in the financial markets presents challenges to us as we do occasionally access our investment portfolio as a source of cash. Some of our fixed income investments, despite being publicly traded, may be illiquid. Volatility in these markets could impair our ability to sell certain fixed income securities or cause such securities to sell at deep discounts. We believe we have sufficient liquidity to meet our needs from sources other than the liquidation of securities, even if market volatility persists throughout 2021 and beyond.

Cash flow activities

The following table provides condensed cash flow information for the three months ended March 31:

(in thousands)	2021	2020
	(Unaudited)	(Unaudited)
Net cash provided by operating activities	$ 33,482	$ 20,077
Net cash used in investing activities	(10,828)	(82,749)
Net cash used in financing activities	(48,702)	(45,421)
Net decrease in cash and cash equivalents	$ (26,048)	$ (108,093)

Net cash provided by operating activities was $33.5 million in the first three months of 2021, compared to $20.1 million in the first three months of 2020. Increased cash provided by operating activities in the three months of 2021 was primarily due to an increase in management fees received driven by growth in direct and affiliated assumed premiums written by the Exchange of $32.4 million, offset by an increase in salaries and wages paid of $18.9 million in the first quarter of 2021 compared to the same period in 2020.

Net cash used in investing activities was $10.8 million in the first three months of 2021, compared to $82.7 million in the same period in 2020. In the first quarter of 2021, net cash used in investing activities was primarily driven by fixed asset purchases, as purchases of investments were offset by proceeds from sales and and maturities/calls of investments. Net cash used in investing activities in the first quarter of 2020 was primarily due to purchases of available-for-sale securities exceeding the proceeds generated from investment sales and maturities/calls of available-for-sale securities.

Net cash used in financing activities totaled $48.7 million in the first quarter of 2021, compared to $45.4 million in the first quarter of 2020. The increase in cash used in the first quarter of 2021, compared to the same period in 2020, was due to dividends paid to shareholders. We increased both our Class A and Class B shareholder regular quarterly dividends by 7.3% for 2021, compared to 2020. There are no regulatory restrictions on the payment of dividends to our shareholders.

There were no repurchases of our Class A nonvoting common stock in the first three months of 2021 and 2020 in conjunction with our stock repurchase program. In 2011, our Board of Directors approved a continuation of the current stock repurchase program of $150 million with no time limitation. This repurchase authority includes, and is not in addition to, any unspent amounts remaining under the prior authorization. We had approximately $17.8 million of repurchase authority remaining under this program at March 31, 2021, based upon trade date.

During the three months ended March 31, 2021, we purchased 4,520 shares of our outstanding Class A nonvoting common stock outside of our publicly announced share repurchase program at a total cost of $1.1 million. Of this amount, we purchased 978 shares for $0.2 million, or $242.01 per share, for stock-based awards in conjunction with our equity compensation plan. We purchased 1,157 shares for $0.3 million, or $244.75 per share, to fund the rabbi trust for the outside director deferred stock compensation plan. The remaining 2,385 shares were purchased at a total cost of $0.6 million, or $235.92 per share, to fund the rabbi trust for the incentive compensation deferral plan. All shares were delivered as of March 31, 2021.

During the three months ended March 31, 2020, we purchased 6,954 shares of our outstanding Class A nonvoting common stock outside of our publicly announced share repurchase program at a total cost of $1.0 million. Of this amount, we purchased 1,787 shares for $0.3 million, or $165.82 per share, for stock-based awards in conjunction with our equity compensation plan. We purchased 1,623 shares for $0.2 million, or $153.11 per share, to fund the rabbi trust for the outside director deferred stock compensation plan. The remaining 3,544 shares were purchased at a total cost of $0.5 million, or $147.86 per share, to fund the rabbi trust for the incentive compensation deferral plan. All shares were delivered as of March 31, 2020.

Capital Outlook

We regularly prepare forecasts evaluating the current and future cash requirements for both normal and extreme risk events, including the current COVID-19 pandemic. Should an extreme risk event result in a cash requirement exceeding normal cash flows, we have the ability to meet our future funding requirements through various alternatives available to us.

Outside of our normal operating and investing cash activities, future funding requirements could be met through: 1) cash and cash equivalents, which total approximately $135.2 million at March 31, 2021, 2) a $100 million bank revolving line of credit, and 3) liquidation of unpledged assets held in our investment portfolio, including preferred stock and investment grade bonds, which totaled approximately $643.8 million at March 31, 2021. Volatility in the financial markets could impair our ability to sell certain fixed income securities or cause such securities to sell at deep discounts. Additionally, we have the ability to curtail or modify discretionary cash outlays such as those related to shareholder dividends and share repurchase activities.

As of March 31, 2021, we have access to a $100 million bank revolving line of credit with a $25 million letter of credit sublimit that expires on October 30, 2023. As of March 31, 2021, a total of $99.1 million remains available under the facility due to $0.9 million outstanding letters of credit, which reduce the availability for letters of credit to $24.1 million. We had no borrowings outstanding on our line of credit as of March 31, 2021. Investments with a fair value of $123.4 million were pledged as collateral on the line at March 31, 2021. The investments pledged as collateral have no trading restrictions and are reported as available-for-sale securities and cash and cash equivalents in the Statements of Financial Position. The banks require compliance with certain covenants, which include leverage ratios and debt restrictions. We were in compliance with our bank covenants at March 31, 2021.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-balance sheet arrangements include those with unconsolidated entities that may have a material current or future effect on our financial condition or results of operations, including material variable interests in unconsolidated entities that conduct certain activities. We have no material off-balance sheet obligations. As of March 31, 2021, there were no material changes to our future contractual obligations as previously reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

CRITICAL ACCOUNTING ESTIMATES

We make estimates and assumptions that have a significant effect on the amounts and disclosures reported in the financial statements. The most significant estimates relate to investment valuation and retirement benefit plans for employees. While management believes its estimates are appropriate, the ultimate amounts may differ from estimates provided. Our most critical accounting estimates are described in Item 7. "Management’s Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2020 of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 25, 2021. See Part I, Item 1. "Financial Statements - Note 5, Fair Value, of Notes to Financial Statements" contained within this report for additional information on our valuation of investments.

ITEM 3.   QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is primarily related to fluctuations in prices and interest rates. Quantitative and qualitative disclosures about market risk resulting from changes in prices, interest rates, and other risk exposures for the year ended December 31, 2020 are included in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk", of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 25, 2021.

Significant volatility was seen in the global financial markets at the onset of the COVID-19 pandemic and pandemic related events may create future volatility; however, there have been no material changes that impact our portfolio or reshape our periodic investment reviews of asset allocations during the three months ended March 31, 2021. For a recent discussion of conditions surrounding our investment portfolio, see the "Operating Overview", "Results of Operations", and "Financial Condition" discussions contained in Part I, Item 2. "Management’s Discussion and Analysis of Financial Condition and Results of Operations" contained within this report.

ITEM 4.   CONTROLS AND PROCEDURES

We carried out an evaluation, with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Our management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, any change in our internal control over financial reporting and determined there has been no change in our internal control over financial reporting during the three months ended March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

State Court Lawsuit Against Erie Indemnity Company
Erie Indemnity Company ("Indemnity") was named as a defendant in a complaint filed on August 1, 2012 by alleged subscribers of the Erie Insurance Exchange (the "Exchange") in the Court of Common Pleas Civil Division of Fayette County, Pennsylvania captioned Erie Insurance Exchange, an unincorporated association, by Joseph S. Sullivan and Anita Sullivan, Patricia R. Beltz, and Jenna L. DeBord, trustees ad litem v. Erie Indemnity Co. (the "Sullivan" lawsuit).

As subsequently amended, the complaint alleges that, beginning on September 1, 1997, Indemnity retained "Service Charges" (installment fees) and "Added Service Charges" (late fees and policy reinstatement charges) on policies written by Exchange and its insurance subsidiaries, which allegedly should have been paid to Exchange, in the amount of approximately $308 million. In addition to their claim for monetary relief on behalf of Exchange, Plaintiffs seek an accounting of all so-called intercompany transactions between Indemnity and Exchange from 1996 to date. Plaintiffs allege that Indemnity breached its contractual, fiduciary, and equitable duties by retaining Service Charges and Added Service Charges that should have been retained by Exchange. Plaintiffs bring these same claims under three separate derivative-type theories. First, Plaintiffs purport to bring suit as members of Exchange on behalf of Exchange. Second, Plaintiffs purport to bring suit as trustees ad litem on behalf of Exchange. Third, Plaintiffs purport to bring suit on behalf of Exchange pursuant to Rule 1506 of the Pennsylvania Rules of Civil Procedure, which allows shareholders to bring suit derivatively on behalf of a corporation or similar entity.

Indemnity filed a motion in the state court in November 2012 seeking dismissal of the lawsuit. On December 19, 2013, the court granted Indemnity's motion in part, holding that the Pennsylvania Insurance Holding Company Act "provides the [Pennsylvania Insurance] Department with special competence to address the subject matter of plaintiff's claims" and referring "all issues" in the Sullivan lawsuit to the Pennsylvania Insurance Department (the "Department") for "its views and any determination." The court stayed all further proceedings and reserved decision on all other grounds for dismissal raised by Indemnity. Plaintiffs sought reconsideration of the court's order, and on January 13, 2014, the court entered a revised order affirming its prior order and clarifying that the Department "shall decide any and all issues within its jurisdiction." On January 30, 2014, Plaintiffs asked the court to certify its order to permit an immediate appeal to the Superior Court of Pennsylvania and to stay any proceedings in the Department pending completion of any appeal. On February 18, 2014, the court issued an order denying Plaintiffs' motion. On March 20, 2014, Plaintiffs filed a petition for review with the Superior Court, which was denied by the Superior Court on May 5, 2014.

The Sullivan matter was assigned to an Administrative Judge within the Department for determination. The parties agreed that an evidentiary hearing was not required, entered into a stipulated record, and submitted briefing to the Department. Oral argument was held before the Administrative Judge on January 6, 2015. On April 29, 2015, the Department issued a declaratory opinion and order: (1) finding that the transactions between Exchange and Indemnity in which Indemnity retained or received revenue from installment and other service charges from Exchange subscribers complied with applicable insurance laws and regulations and that Indemnity properly retained charges paid by Exchange policyholders for certain installment premium payment plans, dishonored payments, policy cancellations, and policy reinstatements; and (2) returning jurisdiction over the matter to the Fayette County Court of Common Pleas.

On May 26, 2015, Plaintiffs appealed the Department's decision to the Pennsylvania Commonwealth Court. Oral argument was held before the Commonwealth Court en banc on December 9, 2015. On January 27, 2016, the Commonwealth Court issued an opinion vacating the Department's ruling and directing the Department to return the case to the Court of Common Pleas, essentially holding that the primary jurisdiction referral of the trial court was improper at this time because the allegations of the complaint do not implicate the special competency of the Department.

On February 26, 2016, Indemnity filed a petition for allowance of appeal to the Pennsylvania Supreme Court seeking further review of the Commonwealth Court opinion. On March 14, 2016, Plaintiffs filed an answer opposing Indemnity's petition for allowance of appeal; and, on March 28, 2016, Indemnity sought permission to file a reply brief in further support of its petition for allowance of appeal. On August 10, 2016, the Pennsylvania Supreme Court denied Indemnity's petition for allowance of appeal; and the Sullivan lawsuit returned to the Court of Common Pleas of Fayette County.

On September 12, 2016, Plaintiffs filed a motion to stay the Sullivan lawsuit pending the outcome of the Federal Court Lawsuit they filed against Indemnity and former and current Directors of Indemnity on July 8, 2016. (See below.) Indemnity filed an opposition to Plaintiff's motion to stay on September 19, 2016; and filed amended preliminary objections seeking dismissal of the Sullivan lawsuit on September 20, 2016. The motion to stay and the amended preliminary objections remain pending. On June 27, 2018, Plaintiffs filed a motion for a status conference in the Sullivan lawsuit.

On July 30, 2018, the Court held a status conference and thereafter lifted the stay of proceedings. On September 28, 2018, Indemnity filed a Motion to Enforce the Federal Judgment in the Beltz II lawsuit, seeking dismissal of the Sullivan lawsuit with prejudice. On October 26, 2018, Plaintiffs filed an opposition to that Motion; and Indemnity filed a reply in further support on November 5, 2018. Oral argument was held on Indemnity's Motion on November 20, 2018 and on July 30, 2019.

On December 2, 2020, the Court entered an order in the Sullivan lawsuit granting Indemnity's request for relief and dismissing Plaintiff's Second Amended Complaint with prejudice.

Federal Court Lawsuit Against Erie Indemnity Company and Directors

On February 6, 2013, a lawsuit was filed in the United States District Court for the Western District of Pennsylvania, captioned Erie Insurance Exchange, an unincorporated association, by members Patricia R. Beltz, Joseph S. Sullivan and Anita Sullivan, and Patricia R. Beltz, on behalf of herself and others similarly situate v. Richard L. Stover; J. Ralph Borneman, Jr.; Terrence W. Cavanaugh; Jonathan Hirt Hagen; Susan Hirt Hagen; Thomas B. Hagen; C. Scott Hartz; Claude C. Lilly, III; Lucian L. Morrison; Thomas W. Palmer; Martin P. Sheffield; Elizabeth H. Vorsheck; and Robert C. Wilburn (the "Beltz" lawsuit), by alleged policyholders of Exchange who are also the plaintiffs in the Sullivan lawsuit. The individuals named as defendants in the Beltz lawsuit were the then-current Directors of Indemnity.

As subsequently amended, the Beltz lawsuit asserts many of the same allegations and claims for monetary relief as in the Sullivan lawsuit. Plaintiffs purport to sue on behalf of all policyholders of Exchange, or, alternatively, on behalf of Exchange itself. Indemnity filed a motion to intervene as a Party Defendant in the Beltz lawsuit in July 2013, and the Directors filed a motion to dismiss the lawsuit in August 2013. On February 10, 2014, the court entered an order granting Indemnity's motion to intervene and permitting Indemnity to join the Directors' motion to dismiss; granting in part the Directors' motion to dismiss; referring the matter to the Department to decide any and all issues within its jurisdiction; denying all other relief sought in the Directors' motion as moot; and dismissing the case without prejudice. To avoid duplicative proceedings and expedite the Department's review, the Parties stipulated that only the Sullivan action would proceed before the Department and any final and non-appealable determinations made by the Department in the Sullivan action will be applied to the Beltz action.

On March 7, 2014, Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Third Circuit. Indemnity filed a motion to dismiss the appeal on March 26, 2014. On November 17, 2014, the Third Circuit deferred ruling on Indemnity's motion to dismiss the appeal and instructed the parties to address that motion, as well as the merits of Plaintiffs' appeal, in the parties' briefing. Briefing was completed on April 2, 2015. In light of the Department's April 29, 2015 decision in Sullivan, the Parties then jointly requested that the Beltz appeal be voluntarily dismissed as moot on June 5, 2015. The Third Circuit did not rule on the Parties' request for dismissal and instead held oral argument as scheduled on June 8, 2015. On July 16, 2015, the Third Circuit issued an opinion and judgment dismissing the appeal. The Third Circuit found that it lacked appellate jurisdiction over the appeal, because the District Court's February 10, 2014 order referring the matter to the Department was not a final, appealable order.

On July 8, 2016, the Beltz plaintiffs filed a new action labeled as a "Verified Derivative And Class Action Complaint" in the United States District Court for the Western District of Pennsylvania. The action is captioned Patricia R. Beltz, Joseph S. Sullivan, and Anita Sullivan, individually and on behalf of all others similarly situated, and derivatively on behalf of Nominal Defendant Erie Insurance Exchange v. Erie Indemnity Company; Kaj Ahlmann; John T. Baily; Samuel P. Black, III; J. Ralph Borneman, Jr.; Terrence W. Cavanaugh; Wilson C. Cooney; LuAnn Datesh; Patricia A. Goldman; Jonathan Hirt Hagen; Thomas B. Hagen; C. Scott Hartz; Samuel P. Katz; Gwendolyn King; Claude C. Lilly, III; Martin J. Lippert; George R. Lucore; Jeffrey A. Ludrof; Edmund J. Mehl; Henry N. Nassau; Thomas W. Palmer; Martin P. Sheffield; Seth E. Schofield; Richard L. Stover; Jan R. Van Gorder; Elizabeth A. Hirt Vorsheck; Harry H. Weil; and Robert C. Wilburn (the "Beltz II" lawsuit). The individual defendants are all present or former Directors of Indemnity (the "Directors").

The allegations of the Beltz II lawsuit arise from the same fundamental, underlying claims as the Sullivan and prior Beltz litigation, i.e., that Indemnity improperly retained Service Charges and Added Service Charges. The Beltz II lawsuit alleges that the retention of the Service Charges and Added Service Charges was improper because, for among other reasons, that retention constituted a breach of the Subscriber's Agreement and an Implied Covenant of Good Faith and Fair Dealing by Indemnity, breaches of fiduciary duty by Indemnity and the other defendants, conversion by Indemnity, and unjust enrichment by defendants Jonathan Hirt Hagen, Thomas B. Hagen, and Elizabeth A. Hirt Vorsheck, at the expense of Exchange. The Beltz II lawsuit requests, among other things, that a judgment be entered against the Defendants certifying the action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure; declaring Plaintiffs as representatives of the Class and Plaintiffs' counsel as counsel for the Class; declaring the conduct alleged as unlawful, including, but not limited to, Defendants' retention of the Service Charges and Added Service Charges; enjoining Defendants from continuing to retain the Service Charges and Added Service Charges; and awarding compensatory and punitive damages and interest.

On September 23, 2016, Indemnity filed a motion to dismiss the Beltz II lawsuit. On September 30, 2016, the Directors filed their own motions to dismiss the Beltz II lawsuit. On July 17, 2017, the Court granted Indemnity's and the Directors' motions to dismiss the Beltz II lawsuit, dismissing the case in its entirety. The Court ruled that "the Subscriber's Agreement does not govern the separate and additional charges at issue in the Complaint" and, therefore, dismissed the breach of contract claim against Indemnity for failure to state a claim. The Court also ruled that the remaining claims, including the claims for breach of fiduciary duty against Indemnity and the Directors, are barred by the applicable statutes of limitation or fail to state legally cognizable claims. On August 14, 2017, Plaintiffs filed a notice of appeal to the United States Court of Appeals for the Third Circuit.

On May 10, 2018, the United States Court of Appeals for the Third Circuit affirmed the District Court's dismissal of the Beltz II lawsuit. On May 24, 2018, Plaintiffs filed a petition seeking rehearing of their appeal before the Third Circuit. The Third Circuit denied that petition on June 14, 2018.

For additional information on contingencies, see Part I, Item 1. "Financial Statements - Note 13, Commitments and Contingencies, of Notes to Financial Statements".

ITEM 1A.   RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

ITEM 2.   UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In 2011, our Board of Directors approved a continuation of the current stock repurchase program, authorizing repurchases for a total of $150 million with no time limitation. This repurchase authority included, and was not in addition to, any unspent amounts remaining under the prior authorization. There were no repurchases of our Class A common stock under this program during the quarter ending March 31, 2021. We had approximately $17.8 million of repurchase authority remaining under this program at March 31, 2021.

During the quarter ending March 31, 2021, we purchased 4,520 shares of our outstanding Class A nonvoting common stock outside of our publicly announced share repurchase program at a total cost of $1.1 million. Of this amount, we purchased 978 shares for $0.2 million, or $242.01 per share, for stock-based awards in conjunction with our equity compensation plan, for which the shares were delivered to plan participants in January 2021. We purchased 1,157 shares for $0.3 million, or $244.75 per share, to fund the rabbi trust for the outside director deferred stock compensation plan. The shares were transferred to the rabbi trust in March 2021. The remaining 2,385 shares were purchased at a total cost of $0.6 million, or $235.92 per share, to fund the rabbi trust for the incentive compensation deferral plan. The shares were transferred to the rabbi trust in March 2021.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Erie Indemnity Company
(Registrant)

Date: April 29, 2021

By: /s/ Timothy G. NeCastro
Timothy G. NeCastro, President & CEO

By: /s/ Gregory J. Gutting
Gregory J. Gutting, Executive Vice President & CFO

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy G. NeCastro, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Erie Indemnity Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2021

/s/ Timothy G. NeCastro
Timothy G. NeCastro
President & CEO

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory J. Gutting, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Erie Indemnity Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2021

/s/ Gregory J. Gutting
Gregory J. Gutting
Executive Vice President & CFO

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

We, Timothy G. NeCastro, Chief Executive Officer of the Erie Indemnity Company (the "Company"), and Gregory J. Gutting, Chief Financial Officer of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy G. NeCastro
Timothy G. NeCastro
President & CEO

/s/ Gregory J. Gutting
Gregory J. Gutting
Executive Vice President & CFO

April 29, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.