



ERIE INDEMNITY COMPANY

Investor Supplement First Quarter 2014

This report is for informational purposes only and includes consolidated financial statements and financial exhibits that are unaudited. This report should be read in conjunction with documents filed with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K for 2013.

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Investor Supplement - First Quarter 2014
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Basis of Presentation

Entity Definitions

The accompanying consolidated financial statements of Erie Indemnity Company reflect the consolidated results of Indemnity and the Erie Insurance Exchange ("Exchange"), which we refer to collectively as "Erie Insurance Group."

Indemnity is a publicly held Pennsylvania business corporation that since 1925 has been the managing Attorney-in-Fact for the subscribers (policyholders) of Exchange. Indemnity shareholder interest represents the Class A and Class B shareholders. All management operations accrue to the Indemnity shareholder interest.

Exchange is a subscriber (policyholder) owned Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance. Exchange refers to the noncontrolling interest held for the interest of the subscribers (policyholders) and includes its interests in Erie Insurance Company ("EIC"), Erie Insurance Company of New York ("ENY"), Erie Insurance Property and Casualty Company ("EPC"), Flagship City Insurance Company ("Flagship") and Erie Family Life Insurance Company ("EFL"). All property and casualty and life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest.

The Property and Casualty Group ("P&C Group") is a regional insurance group operating in 11 Midwestern, Mid-Atlantic, and Southeastern states and the District of Columbia. The P&C Group is comprised of Exchange and its wholly owned property and casualty subsidiaries.

EFL is an affiliated life insurance company that underwrites and sells individual and group life insurance policies and fixed annuities.

Operating income (loss) is net income (loss) excluding the after-tax impact of the net realized investment gains (losses) and impairment losses.

Property and Casualty Group

Certain operating and statistical measures have been incorporated herein to provide supplemental data that indicate current trends in the P&C Group's business. These measures include revenue, policies in-force and policyholder retention. Policyholder retention is defined as renewal policies in the current period divided by total policies in the prior period.

The P&C Group, along with others in the property and casualty insurance industry, use statutory underwriting ratios as measures of performance. The loss and loss expense ratio is the ratio of losses and loss expenses to earned premiums. The statutory underwriting expense ratio is the ratio of underwriting expenses to written premiums. The combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and the policyholder dividend ratio. A combined ratio below 100% demonstrates underwriting profit; a combined ratio above 100% demonstrates underwriting losses. The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.

GAAP combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and, where applicable, the ratio of policyholder dividends to net earned premiums. For GAAP, the loss and loss expense ratio is the ratio of incurred losses and loss expenses to net earned premiums. The underwriting expense ratio is the ratio of policy acquisition and other underwriting costs to net earned premiums. A GAAP combined ratio under 100% generally indicates an underwriting profit. A GAAP combined ratio over 100% generally indicates an underwriting loss.

Loss reserve development is the increase or decrease in incurred losses and loss expenses as a result of the re-estimation of loss and loss expense reserves at successive valuation dates for a given group of claims. Loss reserve development may be related to one or more prior years. In the opinion of the Company's management, discussion of loss reserve development is useful to investors as it allows them to assess the impact between prior year development on incurred claims and claim adjustment expenses, net income, and changes in claims and claim adjustment expense reserve levels from period to period.

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Erie Insurance Group's Quarterly Operations by Interest (Unaudited)								
<i>(dollars in millions, except per share data)</i>								
Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group		
Three months ended March 31,		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,		
2014	2013	2014	2013	2014	2013	2014	2013	
Management operations:								
Management fee revenue, net	\$ 319	\$ 296	\$ —	\$ —	\$ (319)	\$ (296)	\$ —	\$ —
Service agreement revenue	7	7	—	—	—	—	7	7
Total revenue from management operations	326	303	—	—	(319)	(296)	7	7
Cost of management operations	268	254	—	—	(268)	(254)	—	—
<i>Income from management operations before taxes</i>	58	49	—	—	(51)	(42)	7	7
Property and casualty insurance operations:								
Net premiums earned	—	—	1,268	1,156	—	—	1,268	1,156
Losses and loss expenses	—	—	1,007	817	(1)	(1)	1,006	816
Policy acquisition and underwriting expenses	—	—	365	328	(53)	(44)	312	284
<i>(Loss) income from property and casualty insurance operations before taxes</i>	—	—	(104)	11	54	45	(50)	56
Life insurance operations: ⁽¹⁾								
Total revenue	—	—	50	46	0	0	50	46
Total benefits and expenses	—	—	37	35	0	0	37	35
<i>Income from life insurance operations before taxes</i>	—	—	13	11	0	0	13	11
Investment operations: ⁽¹⁾								
Net investment income	4	4	84	79	(3)	(3)	85	80
Net realized gains on investments	1	0	50	246	—	—	51	246
Net impairment losses recognized in earnings	0	0	0	0	—	—	0	0
Equity in earnings of limited partnerships	6	3	44	33	—	—	50	36
<i>Income from investment operations before taxes</i>	11	7	178	358	(3)	(3)	186	362
Income from operations before income taxes and noncontrolling interest	69	56	87	380	—	—	156	436
Provision for income taxes	23	19	24	127	—	—	47	146
Net income	\$ 46	\$ 37	\$ 63	\$ 253	\$ —	\$ —	\$ 109	\$ 290

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

Operating income	\$ 45	\$ 37
Net income per share - diluted	\$ 0.88	\$ 0.69
Operating income per share - diluted	\$ 0.87	\$ 0.69

Key measures

Gross margin % - Indemnity	17.9%	16.1%
GAAP combined ratio	108.3%	99.0%

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Balance Sheet Information - Indemnity

(in millions)

	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 502	\$ 526	\$ 499	\$ 438	\$ 421
Equity securities	35	50	48	48	49
Limited partnerships	145	146	158	166	167
Other invested assets	1	1	1	1	1
Total investments	683	723	706	653	638
Cash and cash equivalents	44	49	33	39	41
Deferred income taxes	—	2	42	43	39
Other assets	113	114	107	115	115
Receivables from Exchange and other affiliates	301	300	320	309	287
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,166	\$ 1,213	\$ 1,233	\$ 1,184	\$ 1,145
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 424	\$ 479	\$ 576	\$ 537	\$ 509
Total liabilities	424	479	576	537	509
Shareholders' equity	742	734	657	647	636
Total liabilities and shareholders' equity	\$ 1,166	\$ 1,213	\$ 1,233	\$ 1,184	\$ 1,145

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Indemnity Management Operations

(dollars in millions)

	Three Months Ended				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
<u>Direct written premiums of the P&C Group</u>					
Private passenger auto	\$ 557	\$ 521	\$ 592	\$ 579	\$ 527
Homeowners	301	330	376	367	270
Commercial multi-peril	176	150	153	169	163
Commercial auto	99	84	86	99	90
Workers compensation	106	83	86	97	100
All other lines of business	40	35	39	43	37
P&C Group direct written premiums - total	1,279	1,203	1,332	1,354	1,187
<u>Indemnity management operations revenue</u>					
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 320	\$ 301	\$ 333	\$ 338	\$ 297
Service fee/other	6	8	8	6	6
Total revenue from management operations	\$ 326	\$ 309	\$ 341	\$ 344	\$ 303

	Three Months Ended				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
<u>Indemnity cost of management operations</u>					
Commissions	\$ 174	\$ 172	\$ 187	\$ 187	\$ 164
Non-commission expense	94	96	94	98	90
Total cost of management operations	\$ 268	\$ 268	\$ 281	\$ 285	\$ 254

	Three Months Ended				
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
<u>Gross margin from management operations</u>					
Income from management operations	\$ 58	\$ 41	\$ 60	\$ 59	\$ 49
Gross margin %	17.9%	13.2%	17.7%	17.3%	16.1%

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P&C Group Direct Written Premium Growth Measures					
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
12 month growth rate policies in force					
Total all lines	4.7%	4.8%	4.7%	4.4%	4.3%
Total personal lines	4.6%	4.8%	4.7%	4.4%	4.2%
Total commercial lines	4.9%	5.2%	5.0%	4.6%	4.9%
Retention trends					
Total all lines	90.6%	90.6%	90.7%	90.9%	91.0%
Total personal lines	91.1%	91.2%	91.3%	91.5%	91.6%
Total commercial lines	87.1%	86.7%	86.5%	86.4%	86.7%
12 month % change average premiums					
Total all lines	4.2%	4.5%	4.7%	4.8%	4.7%
Total personal lines	3.8%	3.8%	3.9%	3.9%	3.7%
Total commercial lines	5.2%	6.3%	6.7%	7.1%	7.0%

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P&C Group Reported Combined Ratio (Statutory Basis) - Direct Business								
Three Months ended March 31, 2014					Three Months ended March 31, 2013			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Deficiency	Year	Accident	Development	Deficiency	Year	Accident
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses	Catastrophes
Private passenger auto	104.3 %	1.6 %	0.5 %	102.2 %	101.1 %	0.8 %	0.6 %	99.7 %
Homeowners	118.6 %	(0.4) %	21.9 %	97.1 %	94.5 %	(2.0) %	6.5 %	90.0 %
Other personal lines	42.5 %	(29.6) %	1.5 %	70.6 %	90.0 %	15.2 %	0.9 %	73.9 %
Total personal lines	108.7%	0.4 %	8.5%	99.8%	98.6%	0.0 %	2.7%	95.9%
Commercial multi-peril	115.8 %	(4.5) %	9.3 %	111.0 %	86.5 %	(5.8) %	2.5 %	89.8 %
Commercial auto	115.2 %	13.9 %	0.6 %	100.7 %	94.7 %	(2.9) %	0.7 %	96.9 %
Workers compensation	69.5 %	(32.8) %	0.0 %	102.3 %	116.1 %	19.0 %	0.0 %	97.1 %
Other commercial lines	88.3 %	14.9 %	1.6 %	71.8 %	83.9 %	12.7 %	0.3 %	70.9 %
Total commercial lines	102.5%	(5.6)%	4.3%	103.8%	95.8%	2.3 %	1.3%	92.2%
Grand total - direct business only	107.0%	(1.3)%	7.3%	101.0%	97.8%	0.7 %	2.3%	94.8%