



ERIE INDEMNITY COMPANY

Investor Supplement Fourth 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 2014.

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Investor Supplement - Fourth 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 12 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 a wholly owned subsidiary of the Exchange 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 December 31,		Three months ended December 31,		Three months ended December 31,		Three months ended December 31,		
2014	2013	2014	2013	2014	2013	2014	2013	
Management operations:								
Management fee revenue, net	\$ 329	\$ 301	\$ —	\$ —	\$ (329)	\$ (301)	\$ —	\$ —
Service agreement revenue	8	8	—	—	—	—	8	8
Total revenue from management operations	337	309	—	—	(329)	(301)	8	8
Cost of management operations	302	268	—	—	(302)	(268)	—	—
<i>Income from management operations before taxes</i>	35	41	—	—	(27)	(33)	8	8
Property and casualty insurance operations:								
Net premiums earned	—	—	1,361	1,247	—	—	1,361	1,247
Losses and loss expenses	—	—	843	870	(2)	(1)	841	869
Policy acquisition and underwriting expenses	—	—	370	355	(31)	(36)	339	319
<i>Income from property and casualty insurance operations before taxes</i>	—	—	148	22	33	37	181	59
Life insurance operations: ⁽¹⁾								
Total revenue	—	—	48	53	(1)	0	47	53
Total benefits and expenses	—	—	32	39	0	0	32	39
<i>Income from life insurance operations before taxes</i>	—	—	16	14	(1)	0	15	14
Investment operations: ⁽¹⁾								
Net investment income	4	4	87	82	(5)	(4)	86	82
Net realized gains on investments	0	0	88	261	—	—	88	261
Net impairment losses recognized in earnings	0	0	(3)	(3)	—	—	(3)	(3)
Equity in (losses) earnings of limited partnerships	(2)	9	4	40	—	—	2	49
<i>Income from investment operations before taxes</i>	2	13	176	380	(5)	(4)	173	389
Income from operations before income taxes and noncontrolling interest	37	54	340	416	—	—	377	470
Provision for income taxes	11	18	113	138	—	—	124	156
Net income	\$ 26	\$ 36	\$ 227	\$ 278	\$ —	\$ —	\$ 253	\$ 314

(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	\$ 26	\$ 36
Net income per share - diluted	\$ 0.48	\$ 0.67
Operating income per share - diluted	\$ 0.48	\$ 0.67

Key measures

Gross margin % - Indemnity	10.5%	13.2%
GAAP combined ratio	89.2%	98.1%

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Erie Insurance Group's Year to Date Operations by Interest

(dollars in millions, except per share data)

	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Twelve months ended December 31,		Twelve months ended December 31,		Twelve months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013	2014	2013	2014	2013
Management operations:								
Management fee revenue, net	\$ 1,376	\$ 1,266	\$ —	\$ —	\$ (1,376)	\$ (1,266)	\$ —	\$ —
Service agreement revenue	31	31	—	—	—	—	31	31
Total revenue from management operations	1,407	1,297	—	—	(1,376)	(1,266)	31	31
Cost of management operations	1,184	1,088	—	—	(1,184)	(1,088)	—	—
<i>Income from management operations before taxes</i>	223	209	—	—	(192)	(178)	31	31
Property and casualty insurance operations:								
Net premiums earned	—	—	5,260	4,820	—	—	5,260	4,820
Losses and loss expenses	—	—	3,859	3,365	(6)	(5)	3,853	3,360
Policy acquisition and underwriting expenses	—	—	1,502	1,387	(204)	(187)	1,298	1,200
<i>(Loss) income from property and casualty insurance operations before taxes</i>	—	—	(101)	68	210	192	109	260
Life insurance operations: ⁽¹⁾								
Total revenue	—	—	192	192	(2)	(2)	190	190
Total benefits and expenses	—	—	143	144	0	0	143	144
<i>Income from life insurance operations before taxes</i>	—	—	49	48	(2)	(2)	47	46
Investment operations: ⁽¹⁾								
Net investment income	16	15	350	325	(16)	(12)	350	328
Net realized gains on investments	1	1	183	753	—	—	184	754
Net impairment losses recognized in earnings	0	0	(3)	(12)	—	—	(3)	(12)
Equity in earnings of limited partnerships	11	22	101	138	—	—	112	160
<i>Income from investment operations before taxes</i>	28	38	631	1,204	(16)	(12)	643	1,230
Income from operations before income taxes and noncontrolling interest	251	247	579	1,320	—	—	830	1,567
Provision for income taxes	83	84	174	435	—	—	257	519
Net income	<u>\$ 168</u>	<u>\$ 163</u>	<u>\$ 405</u>	<u>\$ 885</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 573</u>	<u>\$ 1,048</u>

(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	\$ 167	\$ 162
Net income per share - diluted	\$ 3.18	\$ 3.08
Operating income per share - diluted	\$ 3.17	\$ 3.07

Key measures

Gross margin % - Indemnity	15.8%	16.1%
GAAP combined ratio	101.9%	98.6%

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Balance Sheet Information - Indemnity

(in millions)

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 564	\$ 563	\$ 497	\$ 502	\$ 526
Equity securities	25	25	26	35	50
Limited partnerships	113	134	141	145	146
Other invested assets	1	1	1	1	1
Total investments	703	723	665	683	723
Cash and cash equivalents	92	45	63	44	49
Deferred income taxes	37	2	1	—	2
Other assets	127	114	112	113	114
Receivables from Exchange and other affiliates	335	343	339	301	300
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,319	\$ 1,252	\$ 1,205	\$ 1,166	\$ 1,213
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 616	\$ 481	\$ 450	\$ 424	\$ 479
Total liabilities	616	481	450	424	479
Shareholders' equity	703	771	755	742	734
Total liabilities and shareholders' equity	\$ 1,319	\$ 1,252	\$ 1,205	\$ 1,166	\$ 1,213

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Indemnity Management Operations

(dollars in millions)

	Three Months Ended					Twelve Months Ended	
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<u>Direct written premiums of the P&C Group</u>							
Private passenger auto	\$ 555	\$ 634	\$ 616	\$ 557	\$ 521	\$ 2,362	\$ 2,219
Homeowners	360	413	406	301	330	1,480	1,343
Commercial multi-peril	170	169	185	176	150	699	635
Commercial auto	95	96	111	99	84	401	359
Workers compensation	93	94	109	106	83	402	366
All other lines of business	39	43	47	40	35	170	154
P&C Group direct written premiums - total	1,312	1,449	1,474	1,279	1,203	5,514	5,076
<u>Indemnity management operations revenue</u>							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 328	\$ 363	\$ 368	\$ 320	\$ 301	\$ 1,379	\$ 1,269
Service fee/other	9	7	6	6	8	28	28
Total revenue from management operations	\$ 337	\$ 370	\$ 374	\$ 326	\$ 309	\$ 1,407	\$ 1,297

	Three Months Ended					Twelve Months Ended	
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<u>Indemnity cost of management operations</u>							
Commissions	\$ 196	\$ 208	\$ 205	\$ 174	\$ 172	\$ 783	\$ 710
Non-commission expense	106	100	101	94	96	401	378
Total cost of management operations	\$ 302	\$ 308	\$ 306	\$ 268	\$ 268	\$ 1,184	\$ 1,088

	Three Months Ended					Twelve Months Ended	
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<u>Gross margin from management operations</u>							
Income from management operations	\$ 35	\$ 62	\$ 68	\$ 58	\$ 41	\$ 223	\$ 209
Gross margin %	10.5%	16.5%	18.2%	17.9%	13.2%	15.8%	16.1%

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P&C Group Direct Written Premium Growth Measures					
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
12 month growth rate policies in force					
Total all lines	4.3%	4.5%	4.5%	4.7%	4.8%
Total personal lines	4.3%	4.4%	4.5%	4.6%	4.8%
Total commercial lines	4.4%	4.6%	4.7%	4.9%	5.2%
Retention trends					
Total all lines	90.3%	90.5%	90.6%	90.6%	90.6%
Total personal lines	90.9%	91.0%	91.1%	91.1%	91.2%
Total commercial lines	86.5%	86.7%	86.9%	87.1%	86.7%
12 month % change average premiums					
Total all lines	4.2%	4.1%	4.2%	4.2%	4.5%
Total personal lines	3.5%	3.6%	3.7%	3.8%	3.8%
Total commercial lines	5.7%	5.2%	5.4%	5.2%	6.3%

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P&C Group								
Reported Combined Ratio (Statutory Basis) - Direct Business								
Three Months ended December 31, 2014					Three Months ended December 31, 2013			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses	Catastrophes
Private passenger auto	109.7 %	(3.5) %	0.0 %	113.2 %	114.5 %	(1.4) %	0.2 %	115.7 %
Homeowners	66.7 %	(1.5) %	2.5 %	65.7 %	75.0 %	(0.4) %	7.3 %	68.1 %
Other personal lines	28.0 %	(24.4) %	0.0 %	52.4 %	69.7 %	(2.1) %	(0.3) %	72.1 %
Total personal lines	92.2 %	(3.1) %	0.9 %	94.4 %	99.2 %	(1.0) %	2.8 %	97.4 %
Commercial multi-peril	66.3 %	(5.4) %	(1.4) %	73.1 %	78.2 %	8.9 %	(2.9) %	72.2 %
Commercial auto	102.0 %	(0.3) %	(0.2) %	102.5 %	106.7 %	(0.6) %	(0.1) %	107.4 %
Workers compensation	81.0 %	(15.1) %	0.0 %	96.1 %	120.4 %	18.6 %	0.0 %	101.8 %
Other commercial lines	83.6 %	(11.9) %	(0.2) %	95.7 %	52.6 %	(10.3) %	(0.1) %	63.0 %
Total commercial lines	80.0 %	(7.1) %	(0.7) %	87.8 %	94.2 %	7.7 %	(1.3) %	87.8 %
Grand total - direct business only	88.6 %	(4.2) %	0.5 %	92.3 %	97.8 %	1.5 %	1.6 %	94.7 %
Twelve Months ended December 31, 2014					Twelve Months ended December 31, 2013			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses	Catastrophes
Private passenger auto	107.4 %	(1.4) %	3.2 %	105.6 %	104.3 %	(0.6) %	0.6 %	104.3 %
Homeowners	94.9 %	(1.0) %	18.4 %	77.5 %	88.0 %	(0.9) %	11.0 %	77.9 %
Other personal lines	73.7 %	(6.4) %	0.2 %	79.9 %	62.1 %	(13.8) %	0.6 %	75.3 %
Total personal lines	102.1 %	(1.4) %	8.9 %	94.6 %	97.7 %	(0.9) %	4.4 %	94.2 %
Commercial multi-peril	96.2 %	(4.2) %	8.1 %	92.3 %	87.5 %	2.3 %	1.5 %	83.7 %
Commercial auto	103.6 %	0.6 %	1.7 %	101.3 %	102.7 %	0.3 %	0.1 %	102.3 %
Workers compensation	92.3 %	(9.4) %	0.0 %	101.7 %	109.1 %	4.4 %	0.0 %	104.7 %
Other commercial lines	71.3 %	(6.6) %	0.4 %	77.5 %	72.1 %	2.2 %	0.2 %	69.7 %
Total commercial lines	95.4 %	(4.5) %	4.0 %	95.9 %	95.6 %	2.3 %	0.7 %	92.6 %
Grand total - direct business only	100.2 %	(2.3) %	7.5 %	95.0 %	97.1 %	0.0 %	3.3 %	93.8 %