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 June 30, 2022
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 July 22, 2022.

The number of shares outstanding of the registrant's Class B Common Stock as of the latest practicable date was 2,542 at July 22, 2022.

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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 June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Operating revenue				
Management fee revenue - policy issuance and renewal services	$ 544,555	$ 502,271	$ 1,032,547	$ 957,989
Management fee revenue - administrative services	14,476	14,667	28,789	29,514
Administrative services reimbursement revenue	160,675	157,190	324,002	310,723
Service agreement revenue	6,437	5,902	12,915	11,981
Total operating revenue	726,143	680,030	1,398,253	1,310,207
Operating expenses				
Cost of operations - policy issuance and renewal services	461,468	437,775	885,939	838,324
Cost of operations - administrative services	160,675	157,190	324,002	310,723
Total operating expenses	622,143	594,965	1,209,941	1,149,047
Operating income	104,000	85,065	188,312	161,160
Investment income				
Net investment income	8,268	13,650	18,772	30,747
Net realized and unrealized investment (losses) gains	(10,324)	2,769	(17,603)	3,573
Net impairment (losses) recoveries recognized in earnings	(38)	(1)	(254)	86
Total investment (loss) income	(2,094)	16,418	915	34,406
Interest expense	895	1,039	1,894	2,048
Other income (expense)	337	(548)	810	(1,067)
Income before income taxes	101,348	99,896	188,143	192,451
Income tax expense	21,201	20,867	39,377	39,856
Net income	**$ 80,147**	**$ 79,029**	**$ 148,766**	**$ 152,595**
Net income per share				
Class A common stock – basic	$ 1.72	$ 1.70	$ 3.19	$ 3.28
Class A common stock – diluted	**$ 1.53**	**$ 1.51**	**$ 2.84**	**$ 2.92**
Class B common stock – basic and diluted	$ 258	$ 255	$ 479	$ 491
Weighted average shares outstanding – Basic				
Class A common stock	46,188,845	46,188,289	46,188,803	46,188,573
Class B common stock	2,542	2,542	2,542	2,542
Weighted average shares outstanding – Diluted				
Class A common stock	52,296,139	52,302,370	52,298,321	52,309,163
Class B common stock	2,542	2,542	2,542	2,542
Dividends declared per share				
Class A common stock	$ 1.11	$ 1.035	$ 2.22	$ 2.070
Class B common stock	$ 166.50	$ 155.25	$ 333.00	$ 310.50

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 June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net income	$ 80,147	$ 79,029	$ 148,766	$ 152,595
Other comprehensive (loss) income, net of tax				
Change in unrealized holding (losses) gains on available-for-sale securities	(24,985)	2,676	(51,904)	(6,076)
Amortization of prior service costs and net actuarial loss on pension and other postretirement plans	1,737	3,463	3,467	6,926
Total other comprehensive (loss) income, net of tax	(23,248)	6,139	(48,437)	850
Comprehensive income	$ 56,899	$ 85,168	$ 100,329	$ 153,445

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)

	June 30, 2022	December 31, 2021
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 90,324	$ 183,702
Available-for-sale securities	57,150	38,396
Receivables from Erie Insurance Exchange and affiliates, net	538,283	479,123
Prepaid expenses and other current assets	50,508	56,206
Accrued investment income	6,839	6,303
Total current assets	743,104	763,730
Available-for-sale securities, net	832,577	907,689
Equity securities	71,448	87,743
Fixed assets, net	402,475	374,802
Agent loans, net	61,865	58,683
Deferred income taxes, net	20,491	145
Other assets	48,262	49,265
Total assets	**$ 2,180,222**	**$ 2,242,057**
Liabilities and shareholders' equity		
Current liabilities:		
Commissions payable	$ 305,984	$ 270,746
Agent bonuses	55,146	120,437
Accounts payable and accrued liabilities	141,861	138,317
Dividends payable	51,693	51,693
Contract liability	35,836	34,935
Deferred executive compensation	6,045	12,637
Short-term borrowings	40,000	—
Current portion of long-term borrowings	—	2,098
Total current liabilities	636,565	630,863
Defined benefit pension plans	148,078	130,383
Long-term borrowings	—	91,734
Contract liability	17,740	17,686
Deferred executive compensation	11,199	14,571
Other long-term liabilities	27,234	14,342
Total liabilities	840,816	899,579
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 $70 per share; 3,070 shares authorized; 2,542 shares issued and outstanding	178	178
Additional paid-in-capital	16,481	16,496
Accumulated other comprehensive loss	(73,725)	(25,288)
Retained earnings	2,540,570	2,495,190
Total contributed capital and retained earnings	2,485,496	2,488,568
Treasury stock, at cost; 22,110,132 shares held	(1,169,140)	(1,167,828)
Deferred compensation	23,050	21,738
Total shareholders' equity	**1,339,406**	**1,342,478**
Total liabilities and shareholders' equity	**$ 2,180,222**	**$ 2,242,057**

See accompanying notes to Financial Statements.

ERIE INDEMNITY COMPANY
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
Three and six months ended June 30, 2022 and 2021
(dollars in thousands, except per share data)

	Class A common stock	Class B common stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Treasury stock	Deferred compensation	Total shareholders' equity
Balance, December 31, 2021	$ 1,992	$ 178	$ 16,496	$ (25,288)	$ 2,495,190	$ (1,167,828)	$ 21,738	$ 1,342,478
Net income					68,619			68,619
Other comprehensive loss				(25,189)				(25,189)
Dividends declared:								
Class A $1.11 per share					(51,270)			(51,270)
Class B $166.50 per share					(423)			(423)
Net purchase of treasury stock [1]			(15)			0		(15)
Deferred compensation						(802)	802	0
Rabbi trust distribution [2]						298	(298)	0
Balance, March 31, 2022	$ 1,992	$ 178	$ 16,481	$ (50,477)	$ 2,512,116	$ (1,168,332)	$ 22,242	$ 1,334,200
Net income					80,147			80,147
Other comprehensive loss				(23,248)				(23,248)
Dividends declared:								
Class A $1.11 per share					(51,270)			(51,270)
Class B $166.50 per share					(423)			(423)
Net purchase of treasury stock [1]			0			0		0
Deferred compensation						(907)	907	0
Rabbi trust distribution [2]						99	(99)	0
Balance, June 30, 2022	$ 1,992	$ 178	$ 16,481	$ (73,725)	$ 2,540,570	$ (1,169,140)	$ 23,050	$ 1,339,406

	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
Net income					79,029			79,029
Other comprehensive income				6,139				6,139
Dividends declared:								
Class A $1.035 per share					(47,805)			(47,805)
Class B $155.25 per share					(394)			(394)
Net purchase of treasury stock [1]			0			0		0
Deferred compensation						(3,668)	3,668	0
Rabbi trust distribution [2]						97	(97)	0
Balance, June 30, 2021	$ 1,992	$ 178	$ 16,496	$ (77,293)	$ 2,449,819	$ (1,167,211)	$ 21,121	$ 1,245,102

(1) Net purchases of treasury stock in 2022 and 2021 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 two incentive compensation deferral plan participants in 2022 and to a retired director and an incentive compensation deferral plan participant in 2021.

See accompanying notes to Financial Statements.

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

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities		
Management fee received	$ 1,019,016	$ 985,317
Administrative services reimbursements received	317,819	301,509
Service agreement fee received	12,742	11,981
Net investment income received	18,595	18,735
Commissions paid to agents	(493,058)	(464,550)
Agents bonuses paid	(126,902)	(115,678)
Salaries and wages paid	(114,075)	(113,452)
Employee benefits paid	(21,108)	(16,567)
General operating expenses paid	(132,297)	(126,373)
Administrative services expenses paid	(333,532)	(310,617)
Income taxes paid	(38,989)	(40,503)
Interest paid	(1,937)	(2,082)
Net cash provided by operating activities	106,274	127,720
Cash flows from investing activities		
Purchase of investments:		
Available-for-sale securities	(211,492)	(168,671)
Equity securities	(7,157)	(28,408)
Other investments	(157)	(605)
Proceeds from investments:		
Available-for-sale securities sales	123,758	59,203
Available-for-sale securities maturities/calls	74,628	99,788
Equity securities	10,131	29,856
Other investments	429	869
Purchase of fixed assets	(28,021)	(28,197)
Proceeds from disposal of fixed assets	156	0
Loans to agents	(8,769)	(2,930)
Collections on agent loans	4,298	3,584
Net cash used in investing activities	(42,196)	(35,511)
Cash flows from financing activities		
Dividends paid to shareholders	(103,386)	(96,400)
Proceeds from short-term borrowings	55,000	—
Payments on short-term borrowings	(15,000)	—
Payments on long-term borrowings	(94,070)	(1,011)
Net cash used in financing activities	(157,456)	(97,411)
Net decrease in cash and cash equivalents	(93,378)	(5,202)
Cash and cash equivalents, beginning of period	183,702	161,240
Cash and cash equivalents, end of period	$ 90,324	$ 156,038
Supplemental disclosure of noncash transactions		
Liability incurred to purchase fixed assets	$ 24,833	$ 13,024
Operating lease assets obtained in exchange for new operating lease liabilities	$ 1,487	$ 977

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".

Coronavirus ("COVID-19") pandemic

In March 2020, the outbreak of the coronavirus ("COVID-19") was declared a global pandemic and pandemic conditions have created an inflationary environment which may impact estimated loss reserves and future premium rates of the Exchange. The uncertainty resulting from COVID-19 and subsequent resulting conditions continues to evolve and the ultimate impact and duration remains uncertain at this time. 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 impact 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 six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. For further information, refer to the financial statements and footnotes included in our Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on February 24, 2022.

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.

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 services reimbursement revenue, includes variable consideration and is allocated based on the estimated standalone selling prices developed using industry information and other available information for similar services. A constraining estimate of variable consideration exists related to the potential for management fees 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 premiums are refunded to them. The constraining estimate is determined using the expected value method, based on both historical and current information. The estimated transaction price, as reduced by the constraint, reflects consideration expected for performance of our services. We update the transaction price and the related allocation at least 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 a four-year period representing the time over which these services are provided. The portion of revenue not yet earned is recorded as a contract liability in the Statements of Financial Position. During the three and six months ending June 30, 2022, we recognized revenue of $10.0 million and $22.7 million, respectively, that was included in the contract liabilities balance as of December 31, 2021. During the three and six months ended June 30, 2021, we recognized revenue of $10.6 million and $23.9 million, respectively, that was included in the contract liabilities balance as of December 31, 2020. 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.

The following table disaggregates revenue by our two performance obligations:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Management fee revenue - policy issuance and renewal services	$ 544,555	$ 502,271	$ 1,032,547	$ 957,989
Management fee revenue - administrative services	14,476	14,667	28,789	29,514
Administrative services reimbursement revenue	160,675	157,190	324,002	310,723
Total administrative services revenue	$ 175,151	$ 171,857	$ 352,791	$ 340,237

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 June 30,					
	2022			2021		
(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	$ 79,491	46,188,845	$ 1.72	$ 78,382	46,188,289	$ 1.70
Dilutive effect of stock-based awards	0	6,494	—	0	13,281	—
Assumed conversion of Class B shares	656	6,100,800	—	647	6,100,800	—
Class A – Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	$ 80,147	52,296,139	$ 1.53	$ 79,029	52,302,370	$ 1.51
Class B – Basic and diluted EPS:						
Income available to Class B stockholders	$ 656	2,542	$ 258	$ 647	2,542	$ 255

	Six months ended June 30,					
	2022			2021		
(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	$ 147,548	46,188,803	$ 3.19	$ 151,346	46,188,573	$ 3.28
Dilutive effect of stock-based awards	0	8,718	—	0	19,790	—
Assumed conversion of Class B shares	1,218	6,100,800	—	1,249	6,100,800	—
Class A – Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	$ 148,766	52,298,321	$ 2.84	$ 152,595	52,309,163	$ 2.92
Class B – Basic and diluted EPS:						
Income available to Class B stockholders	$ 1,218	2,542	$ 479	$ 1,249	2,542	$ 491

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 June 30, 2022, 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:

	June 30, 2022			
(in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Corporate debt securities	$ 553,123	$ 0	$ 547,014	$ 6,109
Collateralized debt obligations	99,219	0	99,219	0
Commercial mortgage-backed securities	68,849	0	59,978	8,871
Residential mortgage-backed securities	137,003	0	94,454	42,549
Other debt securities	20,382	0	20,382	0
U.S. Treasury	11,151	0	11,151	0
Total available-for-sale securities	889,727	0	832,198	57,529
Equity securities:				
Financial services sector	57,841	512	55,463	1,866
Utilities sector	6,165	0	6,165	0
Energy sector	4,817	0	4,817	0
Consumer sector	2,625	0	2,625	0
Total equity securities	71,448	512	69,070	1,866
Total	$ 961,175	$ 512	$ 901,268	$ 59,395

	December 31, 2021			
(in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Corporate debt securities	$ 573,165	$ 0	$ 567,909	$ 5,256
Collateralized debt obligations	115,462	0	115,462	0
Commercial mortgage-backed securities	89,324	0	73,596	15,728
Residential mortgage-backed securities	139,922	0	131,108	8,814
Other debt securities	23,920	0	23,920	0
U.S. Treasury	4,292	0	4,292	0
Total available-for-sale securities	946,085	0	916,287	29,798
Equity securities:				
Financial services sector	71,722	1,624	68,015	2,083
Utilities sector	6,259	0	6,259	0
Energy sector	6,448	10	6,438	0
Consumer sector	3,314	0	3,314	0
Total equity securities	87,743	1,634	84,026	2,083
Total	$ 1,033,828	$ 1,634	$ 1,000,313	$ 31,881

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 – 2022 Quarterly Change:

(in thousands)	Beginning balance at March 31, 2022	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 June 30, 2022
Available-for-sale securities:								
Corporate debt securities	$ 10,927	$ (8)	$ (334)	$ 950	$ (2,611)	$ 2,225	$ (5,040)	$ 6,109
Commercial mortgage-backed securities	10,597	(588)	181	0	(2,665)	2,875	(1,529)	8,871
Residential mortgage-backed securities	212	(1)	2	4,887	(91)	37,540	0	42,549
Total available-for-sale securities	21,736	(597)	(151)	5,837	(5,367)	42,640	(6,569)	57,529
Equity securities	2,017	(151)	0	0	0	0	0	1,866
Total Level 3 securities	$ 23,753	$ (748)	$ (151)	$ 5,837	$ (5,367)	$ 42,640	$ (6,569)	$ 59,395

Level 3 Assets – 2022 Year-to-Date Change:

(in thousands)	Beginning balance at December 31, 2021	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 June 30, 2022
Available-for-sale securities:								
Corporate debt securities	$ 5,256	$ 5	$ (389)	$ 4,934	$ (3,119)	$ 5,774	$ (6,352)	$ 6,109
Commercial mortgage-backed securities	15,728	(704)	(658)	0	(3,165)	4,335	(6,665)	8,871
Residential mortgage-backed securities	8,814	24	(334)	4,887	(2,846)	37,540	(5,536)	42,549
Total available-for-sale securities	29,798	(675)	(1,381)	9,821	(9,130)	47,649	(18,553)	57,529
Equity securities	2,083	(217)	0	0	0	0	0	1,866
Total Level 3 securities	$ 31,881	$ (892)	$ (1,381)	$ 9,821	$ (9,130)	$ 47,649	$ (18,553)	$ 59,395

Level 3 Assets – 2021 Quarterly Change:

(in thousands)	Beginning balance at March 31, 2021	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 June 30, 2021
Available-for-sale securities:								
Corporate debt securities	$ 5,460	$ 14	$ 37	$ 1,476	$ (303)	$ 1,347	$ (1,953)	$ 6,078
Collateralized debt obligations	0	0	0	750	0	0	0	750
Commercial mortgage-backed securities	16,241	(102)	(10)	579	(961)	2,624	(1,238)	17,133
Residential mortgage-backed securities	473	(3)	1	0	(224)	3,030	(236)	3,041
Other debt securities	521	0	(4)	2,060	(33)	0	0	2,544
Total available-for-sale securities	22,695	(91)	24	4,865	(1,521)	7,001	(3,427)	29,546
Equity securities	1,090	5	0	1,000	0	0	(1,095)	1,000
Total Level 3 securities	$ 23,785	$ (86)	$ 24	$ 5,865	$ (1,521)	$ 7,001	$ (4,522)	$ 30,546

Level 3 Assets – 2021 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 June 30, 2021
Available-for-sale securities:								
Corporate debt securities	$ 5,825	$ 20	$ 79	$ 2,258	$ (673)	$ 2,549	$ (3,980)	$ 6,078
Collateralized debt obligations	0	0	0	750	0	0	0	750
Commercial mortgage-backed securities	19,462	(197)	(447)	2,844	(966)	3,854	(7,417)	17,133
Residential mortgage-backed securities	937	(6)	0	0	(476)	3,030	(444)	3,041
Other debt securities	0	0	(2)	2,588	(42)	0	0	2,544
Total available-for-sale securities	26,224	(183)	(370)	8,440	(2,157)	9,433	(11,841)	29,546
Equity securities	0	5	0	1,000	0	1,090	(1,095)	1,000
Total Level 3 securities	$ 26,224	$ (178)	$ (370)	$ 9,440	$ (2,157)	$ 10,523	$ (12,936)	$ 30,546

(1) These amounts are reported as net investment income and net realized and unrealized investment (losses) gains 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:

	June 30, 2022		December 31, 2021	
(in thousands)	Carrying value	Fair value	Carrying value	Fair value
Agent loans [1]	$ 70,839	$ 68,777	$ 66,368	$ 68,957
Long-term borrowings	—	—	94,070	103,981
Short-term borrowings [2]	40,000	40,000	—	—

(1) The discount rate used to calculate fair value at June 30, 2022 is reflective of an increase in the BB+ financial yield curve.

(2) The fair value reflects current market interest rates and approximates carrying value in our Statement of Financial Position at June 30, 2022.

Note 6. Investments

Available-for-sale securities

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

	June 30, 2022			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 586,857	$ 187	$ 33,921	$ 553,123
Collateralized debt obligations	102,868	52	3,701	99,219
Commercial mortgage-backed securities	74,778	49	5,978	68,849
Residential mortgage-backed securities	150,035	56	13,088	137,003
Other debt securities	21,771	17	1,406	20,382
U.S. Treasury	11,296	5	150	11,151
Total available-for-sale securities, net	$ 947,605	$ 366	$ 58,244	$ 889,727

	December 31, 2021			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 565,997	$ 9,663	$ 2,495	$ 573,165
Collateralized debt obligations	115,344	456	338	115,462
Commercial mortgage-backed securities	88,636	1,465	777	89,324
Residential mortgage-backed securities	140,217	1,007	1,302	139,922
Other debt securities	23,859	197	136	23,920
U.S. Treasury	4,226	73	7	4,292
Total available-for-sale securities, net	$ 938,279	$ 12,861	$ 5,055	$ 946,085

The amortized cost and estimated fair value of available-for-sale securities at June 30, 2022 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.

	June 30, 2022	
(in thousands)	Amortized cost	Estimated fair value
Due in one year or less	$ 57,501	$ 57,107
Due after one year through five years	408,070	389,070
Due after five years through ten years	193,835	180,451
Due after ten years	288,199	263,099
Total available-for-sale securities [1]	$ 947,605	$ 889,727

(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 Statement of Financial Position at June 30, 2022.*

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:

	June 30, 2022						
	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	$ 518,575	$ 30,975	$ 26,993	$ 2,946	$ 545,568	$ 33,921	1,006
Collateralized debt obligations	73,825	2,684	22,805	1,017	96,630	3,701	148
Commercial mortgage-backed securities	60,844	5,394	3,827	584	64,671	5,978	121
Residential mortgage-backed securities	127,928	11,922	6,696	1,166	134,624	13,088	147
Other debt securities	19,121	1,406	0	0	19,121	1,406	41
U.S. Treasury	8,560	150	0	0	8,560	150	3
Total available-for-sale securities	$ 808,853	$ 52,531	$ 60,321	$ 5,713	$ 869,174	$ 58,244	1,466
Quality breakdown of available-for-sale securities:							
Investment grade	$ 703,654	$ 41,032	$ 54,745	$ 5,033	$ 758,399	$ 46,065	719
Non-investment grade	105,199	11,499	5,576	680	110,775	12,179	747
Total available-for-sale securities	$ 808,853	$ 52,531	$ 60,321	$ 5,713	$ 869,174	$ 58,244	1,466

	December 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	$ 179,281	$ 1,912	$ 12,494	$ 583	$ 191,775	$ 2,495	441
Collateralized debt obligations	64,270	278	9,370	60	73,640	338	104
Commercial mortgage-backed securities	28,001	595	917	182	28,918	777	61
Residential mortgage-backed securities	89,460	1,278	441	24	89,901	1,302	98
Other debt securities	14,576	136	0	0	14,576	136	24
U.S. Treasury	388	7	0	0	388	7	1
Total available-for-sale securities	$ 375,976	$ 4,206	$ 23,222	$ 849	$ 399,198	$ 5,055	729
Quality breakdown of available-for-sale securities:							
Investment grade	$ 330,697	$ 3,801	$ 17,112	$ 434	$ 347,809	$ 4,235	366
Non-investment grade	45,279	405	6,110	415	51,389	820	363
Total available-for-sale securities	$ 375,976	$ 4,206	$ 23,222	$ 849	$ 399,198	$ 5,055	729

Credit loss allowance on investments

The current expected credit loss allowance on agent loans was $1.0 million at both June 30, 2022 and December 31, 2021. The current expected credit loss allowance on available-for-sale securities was $0.1 million at June 30, 2022 and less than $0.1 million at December 31, 2021.

Net investment income

Investment income (loss), net of expenses, was generated from the following portfolios:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Available-for-sale securities	$ 7,015	$ 5,790	$ 13,373	$ 11,987
Equity securities	975	1,116	1,963	2,318
Limited partnerships [1]	(290)	6,151	2,485	15,197
Cash equivalents and other	865	935	1,650	1,912
Total investment income	8,565	13,992	19,471	31,414
Less: investment expenses	297	342	699	667
Net investment income	$ 8,268	$ 13,650	$ 18,772	$ 30,747

(1) *Equity in (losses) earnings 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. We have made no new significant limited partnership commitments since 2006, and the balance of limited partnership investments is expected to decline over time as additional distributions are received.*

Realized and unrealized investment gains (losses)

Realized and unrealized gains (losses) on investments were as follows:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Available-for-sale securities:				
Gross realized gains	$ 418	$ 1,075	$ 909	$ 2,998
Gross realized losses	(2,840)	(678)	(5,411)	(1,118)
Net realized (losses) gains on available-for-sale securities	(2,422)	397	(4,502)	1,880
Equity securities	(7,902)	2,371	(13,103)	1,692
Miscellaneous	0	1	2	1
Net realized and unrealized investment (losses) gains	$ (10,324)	$ 2,769	$ (17,603)	$ 3,573

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:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Equity securities:				
Net (losses) gains recognized during the period	$ (7,902)	$ 2,371	$ (13,103)	$ 1,692
Less: net (losses) gains recognized on securities sold	(51)	128	(409)	(293)
Net unrealized (losses) gains recognized on securities held at reporting date	$ (7,851)	$ 2,243	$ (12,694)	$ 1,985

Net impairment (losses) recoveries recognized in earnings

Impairments on available-for-sale securities were as follows:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Available-for-sale securities:				
Intent to sell	$ (31)	$ —	$ (101)	$ —
Credit (impaired) recovered	(7)	(1)	(153)	86
Net impairment (losses) recoveries recognized in earnings	$ (38)	$ (1)	$ (254)	$ 86

Note 7. Borrowing Arrangements

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 now serves 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. In May 2022, we repaid the remaining $93.2 million balance on the term loan. In conjunction with the payoff, pledged collateral was released and we accelerated amortization of $0.2 million related to unamortized loan origination and commitment fees which is included in interest expense in the Statements of Operations for the three and six months ended June 30, 2022, respectively.

Bank line of credit

In October 2021, we entered into a new credit agreement with PNC Bank National Association to provide for a $100 million bank revolving line of credit with a $25 million letter of credit sublimit that expires on October 29, 2026. In May 2022, we borrowed on the line of credit to support the payoff of the term loan. As of June 30, 2022, outstanding borrowings on the line of credit totaled $40 million and outstanding letters of credit totaled $0.9 million, which reduces availability under the line of credit and letters of credit to $59.1 million and $24.1 million, respectively. The outstanding borrowings accrue interest at the rate of 1.92% per annum and are expected to be repaid by September 30, 2022. Investments with a fair value of $108.7 million were pledged as collateral on the line at June 30, 2022. The investments pledged as collateral have no trading restrictions and are reported as available-for-sale securities and cash and cash equivalents on our Statement of Financial Position as of June 30, 2022. The bank requires compliance with certain covenants, which include leverage ratios and debt restrictions, for our line of credit. We are in compliance with all covenants at June 30, 2022.

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.

Our funding policy is generally to contribute an amount equal to the greater of the target normal cost for the plan year, or the amount necessary to fund the plan to 100%. Accordingly, we plan to make a $25 million contribution during the third quarter of 2022.

The cost of our pension plans are as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Service cost for benefits earned	$ 12,561	$ 13,260	$ 25,121	$ 26,520
Interest cost on benefits obligation	9,941	9,206	19,882	18,412
Expected return on plan assets	(13,639)	(12,568)	(27,278)	(25,137)
Prior service cost amortization	360	357	721	714
Net actuarial loss amortization	1,830	4,026	3,660	8,053
Pension plan cost [1]	$ 11,053	$ 14,281	$ 22,106	$ 28,562

(1) The components of pension plan costs other than the service cost component are included in the line item "Other income (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. For the three months ended June 30, 2022 and 2021, our effective tax rate was 20.9%. For the six months ended June 30, 2022 and 2021, our effective tax rate was 20.9% and 20.7%, respectively.

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 six months ended June 30, 2022 and the year ended December 31, 2021. 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 six months ended June 30, 2022 and the year ended December 31, 2021. We had approximately $17.8 million of repurchase authority remaining under this program at June 30, 2022.

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 June 30, 2022			Three months ended June 30, 2021		
(in thousands)	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Investment securities:						
AOCI (loss), beginning of period	$ (26,353)	$ (5,535)	$ (20,818)	$ 18,306	$ 3,845	$ 14,461
OCI (loss) before reclassifications	(34,087)	(7,158)	(26,929)	3,783	795	2,988
Realized investment losses (gains)	2,422	508	1,914	(397)	(84)	(313)
Impairment losses	38	8	30	1	0	1
OCI (loss)	(31,627)	(6,642)	(24,985)	3,387	711	2,676
AOCI (loss), end of period	$ (57,980)	$ (12,177)	$ (45,803)	$ 21,693	$ 4,556	$ 17,137
Pension and other postretirement plans:						
AOCI (loss), beginning of period	$ (37,543)	$ (7,884)	$ (29,659)	$ (123,917)	$ (26,024)	$ (97,893)
Amortization of prior service costs	360	75	285	357	75	282
Amortization of net actuarial loss	1,837	385	1,452	4,027	846	3,181
OCI	2,197	460	1,737	4,384	921	3,463
AOCI (loss), end of period	$ (35,346)	$ (7,424)	$ (27,922)	$ (119,533)	$ (25,103)	$ (94,430)
Total						
AOCI (loss), beginning of period	$ (63,896)	$ (13,419)	$ (50,477)	$ (105,611)	$ (22,179)	$ (83,432)
Investment securities	(31,627)	(6,642)	(24,985)	3,387	711	2,676
Pension and other postretirement plans	2,197	460	1,737	4,384	921	3,463
OCI (loss)	(29,430)	(6,182)	(23,248)	7,771	1,632	6,139
AOCI (loss), end of period	$ (93,326)	$ (19,601)	$ (73,725)	$ (97,840)	$ (20,547)	$ (77,293)

	Six months ended June 30, 2022			Six months ended June 30, 2021		
(in thousands)	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Investment securities:						
AOCI, beginning of period	$ 7,722	$ 1,621	$ 6,101	$ 29,384	$ 6,171	$ 23,213
OCI (loss) before reclassifications	(70,458)	(14,796)	(55,662)	(5,725)	(1,202)	(4,523)
Realized investment losses (gains)	4,502	945	3,557	(1,880)	(395)	(1,485)
Impairment losses (recoveries)	254	53	201	(86)	(18)	(68)
OCI (loss)	(65,702)	(13,798)	(51,904)	(7,691)	(1,615)	(6,076)
AOCI (loss), end of period	$ (57,980)	$ (12,177)	$ (45,803)	$ 21,693	$ 4,556	$ 17,137
Pension and other postretirement plans:						
AOCI (loss), beginning of period	$ (39,734)	$ (8,345)	$ (31,389)	$ (128,300)	$ (26,944)	$ (101,356)
Amortization of prior service costs	721	151	570	714	150	564
Amortization of net actuarial loss	3,667	770	2,897	8,053	1,691	6,362
OCI	4,388	921	3,467	8,767	1,841	6,926
AOCI (loss), end of period	$ (35,346)	$ (7,424)	$ (27,922)	$ (119,533)	$ (25,103)	$ (94,430)
Total						
AOCI (loss), beginning of period	$ (32,012)	$ (6,724)	$ (25,288)	$ (98,916)	$ (20,773)	$ (78,143)
Investment securities	(65,702)	(13,798)	(51,904)	(7,691)	(1,615)	(6,076)
Pension and other postretirement plans	4,388	921	3,467	8,767	1,841	6,926
OCI (loss)	(61,314)	(12,877)	(48,437)	1,076	226	850
AOCI (loss), end of period	$ (93,326)	$ (19,601)	$ (73,725)	$ (97,840)	$ (20,547)	$ (77,293)

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 $538.3 million and $479.1 million at June 30, 2022 and December 31, 2021, respectively, which includes a current expected credit loss allowance of $0.5 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 June 30, 2022, loans executed under this agreement totaled $47.3 million, of which our portion of the loans is $16.3 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 June 30, 2022, our maximum potential amount of future payments on the guaranteed portion is $5.9 million. All loan payments under the participation program are current as of June 30, 2022.

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, 2021, as contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2022.

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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;
  - emergence of significant unexpected events, including pandemics;
  - emerging claims and coverage issues in the industry; and
  - severe weather conditions or other catastrophic losses, including terrorism;
- 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;
- 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 70% of the 2021 direct and affiliated assumed written premiums and commercial lines comprising the remaining 30%. 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 and Economic Uncertainty

Uncertainty resulting from current events, including but not limited to, the ongoing coronavirus ("COVID-19") pandemic, resulting continued supply chain disruptions and certain geopolitical concerns, have influenced various economic factors, including an elevated inflationary environment and rising interest rates in recent months. As these events continue to evolve, the ultimate impact and duration remain uncertain at this time.

While we were not required to close our physical locations under the state mandated closure of nonessential services during the COVID-19 pandemic, out of concern for the health and safety of our employees, over 90% of our workforce had been working remotely from March 2020 through April 2022. 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 responsible for the development and implementation of a return to office plan. We began a phased return of our workforce in April 2022 and expect to continue reopening our offices through the remainder of 2022. Consistent with our process from the beginning of the COVID-19 pandemic, we will prioritize the health and safety of our employees and adjust when and where appropriate.

Financial Overview

(dollars in thousands, except per share data)	Three months ended June 30, 2022	Three months ended June 30, 2021	% Change	Six months ended June 30, 2022	Six months ended June 30, 2021	% Change
	(Unaudited)			(Unaudited)		
Operating income	$ 104,000	$ 85,065	22.3 %	$ 188,312	$ 161,160	16.8 %
Total investment (loss) income	(2,094)	16,418	NM	915	34,406	(97.3)
Interest expense	895	1,039	(13.9)	1,894	2,048	(7.6)
Other income (expense)	337	(548)	NM	810	(1,067)	NM
Income before income taxes	101,348	99,896	1.5	188,143	192,451	(2.2)
Income tax expense	21,201	20,867	1.6	39,377	39,856	(1.2)
Net income	$ 80,147	$ 79,029	1.4 %	$ 148,766	$ 152,595	(2.5) %
Net income per share – diluted	$ 1.53	$ 1.51	1.4 %	$ 2.84	$ 2.92	(2.5) %

NM = not meaningful

Operating income increased in both the second quarter and six months ended June 30, 2022, compared to the same periods in 2021, as growth in operating revenue outpaced the growth in operating expenses. Management fee revenue for policy issuance and renewal services increased 8.4% to $544.6 million in the second quarter of 2022 and 7.8% to $1.0 billion for the six months ended June 30, 2022. 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 2022 and 2021. The direct and affiliated assumed premiums written by the Exchange increased 8.6% to $2.2 billion in the second quarter of 2022 and increased 7.8% to $4.3 billion for the six months ended June 30, 2022 compared to the same periods in 2021.

Cost of operations for policy issuance and renewal services increased 5.4% to $461.5 million and 5.7% to $885.9 million in the second quarter and six months ended June 30, 2022, compared to the same periods in 2021, primarily due to higher scheduled commissions driven by direct and affiliated assumed written premium growth, as well as increased professional fees and technology investments.

Management fee revenue for administrative services decreased 1.3% to $14.5 million and 2.5% to $28.8 million in the second quarter and six months ended June 30, 2022, compared to the same periods in 2021. The administrative services reimbursement revenue and corresponding cost of operations increased both total operating revenue and total operating expenses by $160.7 million in the second quarter of 2022 and $324.0 million for the six months ended June 30, 2022, but had no net impact on operating income.

Total investment income decreased $18.5 million and $33.5 million in the second quarter and six months ended June 30, 2022, compared to the same periods in 2021. The results from both periods were primarily due to net realized and unrealized investment losses in 2022 and a decrease in net investment income.

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. Further, pandemic conditions and government responses to these conditions have created an inflationary environment in recent months. In particular, unanticipated increased inflation costs including medical cost inflation, building material cost inflation, auto repair and replacement cost inflation, and tort issues may impact estimated loss reserves and future premium rates of the Exchange. The extent and duration of the impact to economic conditions remain uncertain as the COVID-19 pandemic and subsequent resulting conditions continue to evolve. If any of these items impacted the financial condition or operations of the Exchange, it could have an impact on our financial results. See Financial Condition and Liquidity and Capital Resources contained within this report, as well as Part I. Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on February 24, 2022 for a discussion of the potential impacts to our operations or those of the Exchange, including pandemics.

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 occur 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. Response to the COVID-19 pandemic and various recent geopolitical events have had a significant impact on the global financial markets. The value of our invested assets could be adversely impacted and there is potential for future losses and/or impairments on our investment portfolio due to continued supply chain disruptions and the resulting conditions including further inflationary pressures and rising interest rates.

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 2022 and 2021. Changes in the management fee rate can affect our revenue and net income significantly. The transaction price, including management fee revenue and administrative services reimbursement revenue, includes variable consideration and 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 and the related allocation at least 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 most recent transaction price allocation review resulted in a minor change in the allocation percentages between the two performance obligations, but does 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 June 30,			Six months ended June 30,		
(dollars in thousands)	2022	2021	% Change	2022	2021	% Change
	(Unaudited)			(Unaudited)		
Policy issuance and renewal services						
Direct and affiliated assumed premiums written by the Exchange	$ 2,247,766	$ 2,070,557	8.6 %	$ 4,257,963	$ 3,948,739	7.8 %
Management fee rate	24.3 %	24.3 %		24.3 %	24.3 %	
Management fee revenue	546,207	503,146	8.6	1,034,685	959,544	7.8
Change in estimate for management fee returned on cancelled policies [1]	(1,652)	(875)	(88.9)	(2,138)	(1,555)	(37.5)
Management fee revenue - policy issuance and renewal services	$ 544,555	$ 502,271	8.4 %	$ 1,032,547	$ 957,989	7.8 %
Administrative services						
Direct and affiliated assumed premiums written by the Exchange	$ 2,247,766	$ 2,070,557	8.6 %	$ 4,257,963	$ 3,948,739	7.8 %
Management fee rate	0.7 %	0.7 %		0.7 %	0.7 %	
Management fee revenue	15,735	14,494	8.6	29,806	27,641	7.8
Change in contract liability [2]	(1,266)	168	NM	(1,028)	1,875	NM
Change in estimate for management fee returned on cancelled policies [1]	7	5	30.9	11	(2)	NM
Management fee revenue - administrative services	14,476	14,667	(1.3)	28,789	29,514	(2.5)
Administrative services reimbursement revenue	160,675	157,190	2.2	324,002	310,723	4.3
Total revenue from administrative services	$ 175,151	$ 171,857	1.9 %	$ 352,791	$ 340,237	3.7 %

NM = not meaningful

(1) *A constraining estimate of variable consideration exists related to the potential for management fees to be returned if a policy were to be cancelled mid-term. Management fees are returned to the Exchange when policies are cancelled mid-term and unearned premiums are refunded.*

(2) *Management fee revenue - administrative services is recognized over time as the services are provided. 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 8.6% to $2.2 billion in the second quarter of 2022 compared to the second quarter of 2021, primarily driven by increased personal lines and commercial multi-peril premiums written. Year-over-year policies in force for all lines of business increased 3.1% in the second quarter of 2022 compared to 3.6% in the second quarter of 2021. The year-over-year average premium per policy for all lines of business increased 2.9% at June 30, 2022 compared to a decrease of 1.5% at June 30, 2021. The year-over-year average premium per policy at June 30, 2021 was impacted by the rate reductions for personal and commercial auto policies written between July 1, 2020 and June 30, 2021, in response to lower driving activity as a result of the COVID-19 pandemic.

New business premiums increased 10.7% to $291 million in the second quarter of 2022 compared to the same period in 2021, primarily driven by increased premiums written in the commercial multi-peril and personal auto lines. Contributing to this change was a 7.2% increase in year-over-year average premium per policy on new business and a 1.7% increase in new business policies written in the second quarter of 2022. New business premiums increased 38.4% to $263 million in the second quarter of 2021 compared to the same period in 2020 due primarily to increased personal lines premiums written. In the second quarter of 2021, new business policies written increased 33.4%, partially offset by a 2.7% decrease in year-over-year average premium per policy.

Premiums generated from renewal business increased 8.3% to $2.0 billion in the second quarter of 2022 compared to the second quarter of 2021 and decreased 0.3% to $1.8 billion in the second quarter of 2021 compared to the second quarter of 2020. Underlying the trend in renewal business premiums was a slight increase in the policy retention ratio and a 2.3% increase in year-over-year average premium per policy at June 30, 2022, compared to a 1.2% decrease in year-over-year average premium per policy at June 30, 2021.

Personal lines – Total personal lines premiums written increased 7.8% to $1.6 billion in the second quarter of 2022, compared to 2.0% in the second quarter of 2021, driven by a 3.1% increase in total personal lines policies in force and a 1.9% increase in total personal lines year-over-year average premium per policy.

Commercial lines – Total commercial lines premiums written increased 10.3% to $683 million in the second quarter of 2022, compared to 6.8% in the second quarter of 2021, driven by a 5.2% increase in total commercial lines year-over-year average premium per policy and a 3.0% increase in total commercial lines policies in force.

Future trends-premium revenue – 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.

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. Future premiums could be impacted by changes resulting from the continued inflationary trends and potential regulatory changes resulting from the COVID-19 pandemic, among others. Longer-term, increased driving activity may result in future rate increases due to higher claims frequency and severity. See also Part I. Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on February 24, 2022.

Policy issuance and renewal services

(dollars in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	% Change	Six months ended June 30, 2022	Six months ended June 30, 2021	% Change
	(Unaudited)			(Unaudited)		
Management fee revenue - policy issuance and renewal services	$ 544,555	$ 502,271	8.4 %	$ 1,032,547	$ 957,989	7.8 %
Service agreement revenue	6,437	5,902	9.0	12,915	11,981	7.8
	550,992	508,173	8.4	1,045,462	969,970	7.8
Cost of policy issuance and renewal services	461,468	437,775	5.4	885,939	838,324	5.7
Operating income - policy issuance and renewal services	$ 89,524	$ 70,398	27.2 %	$ 159,523	$ 131,646	21.2 %

Policy issuance and renewal services

The management fee revenue allocated for providing policy issuance and renewal services was 24.3% of the direct and affiliated assumed premiums written by the Exchange for both three and six month periods ended June 30, 2022 and 2021. 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 primarily consists of service charges we collect from subscribers/policyholders for providing multiple payment plans on policies written by the Exchange and its property and casualty subsidiaries and also includes late payment and policy reinstatement fees. The service charges are fixed dollar amounts per billed installment. In July 2021, we also began receiving service agreement revenue from the Exchange for the use of shared office space. The increase in service agreement revenue for the three and six month periods ended June 30, 2022 compared to the same periods in 2021 is primarily due to the new shared office space agreement.

Cost of policy issuance and renewal services

(dollars in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	% Change	Six months ended June 30, 2022	Six months ended June 30, 2021	% Change
	(Unaudited)			(Unaudited)		
Commissions:						
Total commissions	$ 307,483	$ 293,220	4.9 %	$ 588,618	$ 554,601	6.1 %
Non-commission expense:						
Underwriting and policy processing	$ 42,802	$ 43,181	(0.9) %	$ 83,856	$ 83,769	0.1 %
Information technology	51,106	46,076	10.9	96,772	92,481	4.6
Sales and advertising	14,271	14,590	(2.2)	26,996	25,533	5.7
Customer service	8,738	9,131	(4.3)	17,085	17,929	(4.7)
Administrative and other	37,068	31,577	17.4	72,612	64,011	13.4
Total non-commission expense	153,985	144,555	6.5	297,321	283,723	4.8
Total cost of policy issuance and renewal services	$ 461,468	$ 437,775	5.4 %	$ 885,939	$ 838,324	5.7 %

Commissions – Commissions increased $14.3 million in the second quarter of 2022 and $34.0 million for the six months ended June 30, 2022 compared to the same periods in 2021, primarily driven by the growth in direct and affiliated assumed written premium, partially offset by a decrease in agent incentive compensation. The estimated agent incentive payouts at June 30, 2022 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 2022. The profitability component of agent incentive compensation decreased due to higher claims severity and related loss expense in 2022 compared to 2021.

Non-commission expense – Non-commission expense increased $9.4 million in the second quarter of 2022 compared to the second quarter of 2021. Information technology costs increased $5.0 million primarily due to increased hardware and software costs and increased professional fees. Administrative and other costs increased $5.5 million primarily due to an increase in professional fees and increased personnel costs related to compensation compared to the same period in 2021. Personnel costs

in all expense categories were also impacted by lower estimated costs for incentive plan awards related to underwriting performance.

Non-commission expense increased $13.6 million in the six months ended June 30, 2022 compared to the same period in 2021. Information technology costs increased $4.3 million primarily due to increased hardware and software costs. Administrative and other costs increased $8.6 million primarily driven by increased professional fees compared to the same period in 2021. Personnel costs in all expense categories were also impacted by lower estimated costs for incentive plan awards related to underwriting performance.

Administrative services

(dollars in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	% Change	Six months ended June 30, 2022	Six months ended June 30, 2021	% Change
	(Unaudited)			(Unaudited)		
Management fee revenue - administrative services	$ 14,476	$ 14,667	(1.3) %	$ 28,789	$ 29,514	(2.5) %
Administrative services reimbursement revenue	160,675	157,190	2.2	324,002	310,723	4.3
Total revenue allocated to administrative services	175,151	171,857	1.9	352,791	340,237	3.7
Administrative services expenses						
Claims handling services	138,890	135,192	2.7	281,386	267,662	5.1
Investment management services	9,100	9,689	(6.1)	18,991	19,403	(2.1)
Life management services	12,685	12,309	3.1	23,625	23,658	(0.1)
Operating income - administrative services	$ 14,476	$ 14,667	(1.3) %	$ 28,789	$ 29,514	(2.5) %

Administrative services

The management fee revenue allocated to administrative services was 0.7% of the direct and affiliated assumed premiums written by the Exchange for both three and six month periods ended June 30, 2022 and 2021. 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:

(dollars in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	% Change	Six months ended June 30, 2022	Six months ended June 30, 2021	% Change
	(Unaudited)			(Unaudited)		
Net investment income	$ 8,268	$ 13,650	(39.4) %	$ 18,772	$ 30,747	(38.9) %
Net realized and unrealized investment (losses) gains	(10,324)	2,769	NM	(17,603)	3,573	NM
Net impairment (losses) recoveries recognized in earnings	(38)	(1)	NM	(254)	86	NM
Total investment (loss) income	$ (2,094)	$ 16,418	NM %	$ 915	$ 34,406	(97.3) %

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 decreased $5.4 million in the second quarter of 2022 and $12.0 million for the six months ended June 30, 2022, compared to the same periods in 2021, primarily due to lower equity in earnings of limited partnerships. Included in net investment income is $0.3 million of limited partnership losses in the second quarter of 2022 compared to earnings of $6.2 million for the same period in 2021 and $2.5 million of limited partnership earnings for the six months ended June 30, 2022 compared to earnings of $15.2 million for the same period in 2021.

Net realized and unrealized investment (losses) gains

A breakdown of our net realized and unrealized investment (losses) gains is as follows:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Securities sold:	(Unaudited)		(Unaudited)	
Available-for-sale securities	$ (2,422)	$ 397	$ (4,502)	$ 1,880
Equity securities	(51)	128	(409)	(293)
Equity securities change in fair value	(7,851)	2,243	(12,694)	1,985
Miscellaneous	0	1	2	1
Net realized and unrealized investment (losses) gains	$ (10,324)	$ 2,769	$ (17,603)	$ 3,573

Net realized and unrealized losses during the three and six months ended June 30, 2022 and net realized and unrealized gains for the same periods in 2021 were primarily due to market value adjustments on equity securities and disposals of available-for-sale securities.

Net impairment (losses) recoveries recognized in earnings

Net impairment (losses) recoveries during the three and six months ended June 30, 2022 and 2021 were primarily related to 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 27, 2021, the outlook for the financial strength rating was affirmed as stable. As of December 31, 2021, 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 7.8% to $4.3 billion in the first six months of 2022 compared to the first six months of 2021. 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 $10.6 billion at June 30, 2022 and $11.7 billion at December 31, 2021. The Exchange and its wholly owned property and casualty subsidiaries' year-over-year policy retention ratio continues to be high at 90.3% at June 30, 2022, 90.1% at December 31, 2021 and 89.9% at June 30, 2021.

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 resulting from the COVID-19 pandemic and current economic environment on an ongoing basis and believe that the Exchange falls within defined risk tolerances. However, see Part I. Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on February 24, 2022 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)	June 30, 2022	% to total	December 31, 2021	% to total
	(Unaudited)			
Fixed maturities	$ 889,727	83 %	$ 946,085	83 %
Equity securities	71,448	7	87,743	8
Agent loans [1]	70,839	7	66,368	6
Other investments	38,298	3	36,846	3
Total investments	$ 1,070,312	100 %	$ 1,137,042	100 %

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

Fixed maturities

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 losses on fixed maturities, net of deferred taxes, totaled $45.7 million at June 30, 2022, compared to net unrealized gains of $6.2 million at December 31, 2021.

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

(in thousands)	June 30, 2022 [1]					
	AAA	AA	A	BBB	Non-investment grade	Fair value
	(Unaudited)					
Basic materials	$ 0	$ 0	$ 3,021	$ 0	$ 6,974	$ 9,995
Communications	0	8,261	7,957	12,831	14,524	43,573
Consumer	0	2,985	15,468	68,705	34,787	121,945
Diversified	0	0	0	0	1,405	1,405
Energy	0	3,937	7,223	20,132	7,118	38,410
Financial	0	0	84,231	118,118	14,133	216,482
Industrial	0	0	9,314	15,942	19,871	45,127
Structured securities [2]	117,557	171,493	22,519	13,885	0	325,454
Technology	4,898	0	5,410	21,610	11,658	43,576
U.S. Treasury	0	11,151	0	0	0	11,151
Utilities	0	0	3,466	24,891	4,252	32,609
Total	$ 122,455	$ 197,827	$ 158,609	$ 296,114	$ 114,722	$ 889,727

(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 primarily include nonredeemable preferred stocks 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 equity securities by sector as of:

(in thousands)	June 30, 2022	December 31, 2021
	(Unaudited)	
Consumer	$ 2,625	$ 3,314
Energy	4,817	6,448
Financial services	57,841	71,722
Utilities	6,165	6,259
Total	$ 71,448	$ 87,743

LIQUIDITY AND CAPITAL RESOURCES

We continue to monitor the sufficiency of our liquidity and capital resources given the potential impact of the ongoing COVID-19 pandemic and recent geopolitical events and resulting conditions, including rising interest rates and inflationary costs. While we did not see a significant impact on our sources or uses of cash in the first half of 2022, 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 bank revolving line of credit that does not expire until October 2026. See broader discussions of potential risks to our operations in the Operating Overview contained within this report and Part I. Item 1A. "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on February 24, 2022.

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, the purchase and development of information technology, and other capital expenditures. The funding policy for our pension plan is generally to contribute an amount equal to the greater of the target normal cost for the plan year, or the amount necessary to fund the plan to 100%. Accordingly, we plan to make a $25 million contribution to our pension plan during the third quarter of 2022. We expect that our operating cash needs will be met by funds generated from operations. Cash in excess of our operating needs is primarily invested in investment grade fixed maturities. As part of our liquidity review, we regularly evaluate our capital needs based on current and projected results and consider the potential impacts to our liquidity, borrowing capacity, financial covenants and capital availability.

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.

Cash flow activities

The following table provides condensed cash flow information as follows:

(in thousands)	Six months ended June 30, 2022	2021
	(Unaudited)	
Net cash provided by operating activities	$ 106,274	$ 127,720
Net cash used in investing activities	(42,196)	(35,511)
Net cash used in financing activities	(157,456)	(97,411)
Net decrease in cash and cash equivalents	$ (93,378)	$ (5,202)

Net cash provided by operating activities was $106.3 million in the first six months of 2022, compared to $127.7 million for the same period in 2021. Decreased cash provided by operating activities was primarily due to an increase in cash paid for agent commissions of $28.5 million due to higher scheduled commissions driven by premium growth, an increase in administrative services expenses paid of $22.9 million and an increase in agent bonuses paid of $11.2 million. Partially offsetting this decrease in cash provided by operating activities was an increase in management fees received of $33.7 million driven by growth in direct and affiliated assumed premiums written by the Exchange, and an increase in administrative services reimbursements received of $16.3 million.

Net cash used in investing activities was $42.2 million in the first six months of 2022, compared to $35.5 million for the same period in 2021. Net cash used in investing activities was primarily driven by an increase in loans to agents of $5.8 million. The increase in purchases of investments was mostly offset by a similar increase in proceeds from sales and maturities/calls.

Net cash used in financing activities totaled $157.5 million in the first six months of 2022, compared to $97.4 million for the same period in 2021. The increase in cash used was primarily due to the repayment of the remaining $93.2 million balance on the term loan in May 2022, partially offset by $40 million in net proceeds from our bank revolving line of credit.

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 $90.3 million at June 30, 2022, 2) $59.1 million available on our 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 $744.1 million at June 30, 2022. 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.

In October 2021, we entered into a new credit agreement with PNC Bank National Association to provide for a $100 million bank revolving line of credit with a $25 million letter of credit sublimit that expires on October 29, 2026. As of June 30, 2022, outstanding borrowings on the line of credit totaled $40 million and outstanding letters of credit totaled $0.9 million, which reduces availability under the line of credit and letters of credit to $59.1 million and $24.1 million, respectively. The outstanding borrowings accrue interest at the rate of 1.92% per annum and are expected to be repaid by September 30, 2022. Investments with a fair value of $108.7 million were pledged as collateral on the line at June 30, 2022. The investments pledged as collateral have no trading restrictions and are reported as available-for-sale securities and cash and cash equivalents in the Statement 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 June 30, 2022.

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, 2021 of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 24, 2022. 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, 2021 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 24, 2022.

The current inflationary environment and rising interest rates may create future volatility; however, there have been no material changes that impacted our portfolio or reshaped our periodic investment reviews of asset allocations during the six months ended June 30, 2022. 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 six months ended June 30, 2022 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

Erie Indemnity Company ("Indemnity") was named as a defendant in a complaint filed on August 24, 2021, by alleged subscribers of the Erie Insurance Exchange (the "Exchange") in the Court of Common Pleas Civil Division of Allegheny County, Pennsylvania captioned TROY STEPHENSON, CHRISTINA STEPHENSON, SUSAN RUBEL, and STEVEN BARNETT, individually and on behalf of all others similarly situated (Plaintiffs) v. Erie Indemnity Company (Defendant).

The complaint seeks relief for alleged breaches of fiduciary duty by Indemnity in connection with the setting of the management fee it receives, pursuant to the terms of the Subscribers Agreement executed between Indemnity and all policyholders of the Exchange, as compensation for acting as the attorney-in-fact in the management of the Exchange. The relief sought is for the period beginning two years prior to the date of the filing of the complaint and continuing through 2021.

The complaint seeks (i) a finding that Indemnity has breached its fiduciary duties; (ii) an award of damages in an amount to be determined at trial; and (iii) such other relief, including disgorgement of profits or other injunctive relief, that the Court deems just and proper.

Service of the complaint was effectuated on September 20, 2021. A Notice of Removal to the United States District Court for the Western District of Pennsylvania was filed on October 20, 2021. On November 2, 2021, Plaintiffs filed a Notice of Voluntary Dismissal. As a result, the action was dismissed without prejudice.

On December 6, 2021, another Complaint was filed in the Court of Common Pleas of Allegheny County, Pennsylvania captioned ERIE INSURANCE EXCHANGE, an unincorporated association, by TROY STEPHENSON, CHRISTINA STEPHENSON, and STEVEN BARNETT, trustees ad litem, and alternatively, ERIE INSURANCE EXCHANGE, by TROY STEPHENSON, CHRISTINA STEPHENSON, and STEVEN BARNETT, (Plaintiff), v. ERIE INDEMNITY COMPANY, (Defendant).

This most recent complaint has essentially the same allegation of breach of fiduciary duty by Indemnity in connection with the setting of the management fee it receives, pursuant to the terms of the Subscribers Agreement executed between Indemnity and all policyholders of the Exchange, as compensation for acting as the attorney-in-fact in the management of the Exchange.

This most recent complaint seeks essentially the same relief, specifically, (i) a finding that Indemnity has breached its fiduciary duties; (ii) an award of damages in an amount to be determined at trial; and (iii) such other relief, including disgorgement of profits or other injunctive relief, that the Court deems just and proper.

A Notice of Removal to the United States District Court for the Western District of Pennsylvania was filed on January 27, 2022. On February 25, 2022, Plaintiffs filed a Motion to Remand the matter to state court. The Motion has been fully briefed and is now pending before the Court.

Indemnity intends to vigorously defend against all of the allegations and requests for relief in the complaint.

Separately, Indemnity filed a Complaint in Federal Court to invoke certain provisions of the “All Writs Act” and the “Anti-Injunction Act.” By filing this complaint, Indemnity seeks to protect the federal court’s prior binding, final judgments in the Sullivan, Beltz and Ritz actions and thereby foreclose further litigation of the claims and issues pertaining to the compensation practices that were the subject of the prior judgments.

For additional information on contingencies, see Part I, Item 1. "Financial Statements - Note 13, Commitment 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, 2021 as filed with the Securities and Exchange Commission on February 24, 2022.

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.

The following table presents the number and average price of our outstanding Class A nonvoting common stock shares purchased during the quarter ending June 30, 2022:

(dollars in thousands, except per share data)

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Dollar value of shares that may yet be purchased under the program
April 1-30, 2022	—	$ —	—	$ 17,754
May 1-31, 2022 (1)	1,778	166.62	—	17,754
June 1-30, 2022 (1)	3,353	174.02	—	17,754
Total	5,131	171.46	—	

(1) Represents shares purchased on the open market to fund the rabbi trust for both the outside director deferred stock compensation plan (1,405 shares at an average price of $166.62 per share) and the incentive compensation deferral plan (3,726 shares at an average price of $173.28 per share).

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1	Form of Indemnification Agreement by and between Erie Indemnity Company and Jorie L. Novacek. Such exhibit is incorporated by reference to the like titled exhibit in the Registrant's Form 10-K that was filed with the Commission on February 26, 2009.
10.2*	Erie Indemnity Company Equity Compensation Plan (As Amended and Restated April 26, 2022), dated June 28, 2022.
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: July 28, 2022

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

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

ERIE INDEMNITY COMPANY

EQUITY COMPENSATION PLAN

(As Amended and Restated April 26, 2022)

1. Introduction. Erie Indemnity Company (the "Company") originally established this Equity Compensation Plan (the "Plan"), by action of its Board of Directors on February 21, 2013, and the Company's shareholders approved the Plan at the Annual Meeting of Shareholders on April 17, 2013. The Company's Board of Directors adopted the First Amendment to Erie Indemnity Company Equity Compensation Plan effective January 1, 2014. The Company hereby amends and restates the Plan effective April 26, 2022, subject to shareholder approval as provided in Section 13.

2. Purposes. The purpose of the Plan is to attract and retain employees of outstanding competence and ability. Additional purposes of the Plan are (a) to enhance the growth and profitability of the Company and its subsidiaries and affiliates, including Erie Family Life Insurance Company, and the Erie Insurance Exchange by providing incentives to key employees who are capable of having a significant impact on the performance of the Company and its subsidiaries and affiliates, and (b) to further align the interests of such employees with those of the shareholders of the Company. To serve these purposes, the Plan offers equity-based incentive awards.

3. Definitions. As used in this Plan:

(a) "Award Agreement" means a written or electronic agreement entered into between the Company and a Participant or other documentation issued by the Company, in either case setting forth the terms and conditions applicable to an award granted under the Plan. An Award Agreement shall be subject to the terms of the Plan.

(b) "Board of Directors" or "Board" means the Board of Directors of the Company.

(c) "Committee" means the Executive Compensation and Development Committee of the Board of Directors or another committee appointed by the Board, which shall be composed of not less than two members of the Board, each of whom at the time of appointment to the Committee and at all times during service as a member of the Committee shall be both (i) a "non-employee director" as then defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule and (ii) a director meeting the standards of independence set forth in (1) the rules of the Nasdaq Stock Market, (2) the Pennsylvania Insurance Holding Companies Act, and (3) the rules and regulations of the Securities and Exchange Commission. If at any time there is no committee authorized or properly constituted to administer the Plan, the Board shall exercise the powers of the Committee. Furthermore, the Board may, in its discretion, assume any or all of the powers of the Committee. Where appropriate, the term "Committee" shall include any delegate of the Committee pursuant to Section 4.

(d) "Common Stock" or "Shares" means the shares of Class A (non-voting) common stock of the Company.

(e) "Director" means a member of the Board of Directors of the Company.

(f) "Employee" means an employee of the Company or a subsidiary or affiliate of the Company.

(g) "Employer" means a member of the Erie Insurance Group that employs the Participant.

(h) "Erie Insurance Group" means the Company and its subsidiaries and affiliates.

(i) "Fair Market Value" of a Share means, on a given date, (i) if the Shares are traded on a national securities exchange, the average of the high and low prices of a Share as reported on such exchange or under any composite transaction report of such exchange on that date, or, if no prices are so reported on that date, on the next preceding date on which such prices are so reported, or (ii) if the Shares are traded in the over-the-counter market, the mean between the closing bid and asked prices of a Share on that date, or, if no prices are so quoted on that date, on the next preceding date on which such prices are so quoted.

(j) "Internal Revenue Code" or "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(k) "Misconduct" means conduct of a Participant that, in the Committee's judgment, constitutes:

(i) a commission of an act of theft, embezzlement, fraud, dishonesty, or other criminal act, harmful to the Company or a subsidiary or affiliate of the Company,

(ii) a breach of a fiduciary duty owed to the Company or a subsidiary or affiliate of the Company,

(iii) a deliberate and serious disregard of rules of the Company or a subsidiary or affiliate of the Company,

(iv) an unauthorized disclosure of any of the trade secrets or confidential information of the Company or a subsidiary or affiliate of the Company, or

(v) competition with the Company or a subsidiary or affiliate of the Company.

(l) "Participant" means an Employee who holds an outstanding award under the Plan.

(m) [Intentionally Omitted]

(n) "Permanent Disability" means a medically determinable physical or mental impairment that may be expected to result in death or to last at least a year and that renders an Employee incapable of performing the Employee's duties with the Employer. A determination of disability shall be made by the Committee in a uniform, nondiscriminatory manner on the basis of medical evidence. Notwithstanding the foregoing, in the case of a determination that would accelerate payment of Restricted Share Units or other awards or amounts that are deferred compensation subject to Code Section 409A, a Participant shall be considered to have a "Permanent Disability" only if the Participant is "disabled" within the meaning of Code Section 409A or the regulations issued under that section.

(o) "Restricted Period" means the period described in Section 8(b)(i) or Section 9(b)(i).

(p) "Restricted Share" means an award granted pursuant to Section 8.

(q) "Restricted Share Unit" or "Unit" means an award granted pursuant to Section 9.

4. Administration. The Committee shall administer the Plan. The Committee shall have all the powers and authority vested in it by the terms of the Plan. The Committee shall have full power and authority to interpret the Plan and Award Agreements, to prescribe, amend, and rescind rules and regulations relating to the Plan, and to make any determinations it finds necessary or advisable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award Agreement in the manner and to the extent the Committee in its discretion deems desirable. The Committee shall have complete discretion in the exercise of its powers and authority under the Plan, and the Committee's interpretations, determinations, and decisions in the administration of the Plan shall be final and conclusive.

The Committee may act only by a majority of its members in office, except that:

(a) The Committee may authorize any one or more of its members or any officer of the Company to execute and deliver documents on behalf of the Committee.

(b) The Committee may delegate to the Chief Executive Officer of the Company or his or her delegate ministerial duties and authority to interpret the Plan and respond to claims, provided that the Committee may not delegate authority with respect to nonministerial actions affecting Participants subject to the reporting requirements of the Exchange Act.

(c) The Committee may delegate to the Chief Executive Officer or his or her delegate some or all of the Committee's discretion and authority with respect to the granting of specified forms of awards and with respect to the granting of awards to specified categories of Employees, subject to paragraph (b) above and to any limits the Committee may provide. By way of example, the Committee may delegate to the Chief Executive Officer discretion and authority to determine when and under what terms the Company shall grant Restricted Stock Units to newly-hired or newly-promoted officers selected by the Chief Executive Officer, and the Committee may provide that such a grant may not cover more than 5,000 (Five Thousand) Shares.

No Committee member and no delegate of the Committee shall be liable for any determination made in good faith with respect to the Plan, an award, or a Participant.

5. Shares Subject to Plan and Limits on Awards.

(a) Share Available. Subject to adjustment pursuant to Section 11, the maximum number of Shares with respect to which awards may be granted under the Plan is 100,000 (One Hundred Thousand).

(b) Limits on Awards. Subject to adjustment pursuant to Section 11, the following additional limits shall apply to awards under the Plan:

(i) The aggregate number of Shares that may be made subject to Restricted Shares, Restricted Share Units, and any other awards granted under the Plan to any individual Participant during any one calendar year may not exceed 10,000 (Ten Thousand), aggregating all such awards. This limit shall apply regardless of whether awards are to be or may be paid in cash rather than Shares.

(c) Cancellation or Expiration of Awards; Payment in Shares.

(i) General. If all or a portion of an award under the Plan is cancelled or expires for any reason before having been fully vested or paid out, is settled in cash in lieu of Shares, or is exchanged for other awards, all Shares covered by the portion of any such award that is cancelled or expires, is settled in cash, or is exchanged for other awards shall again become available for award under the Plan.

(ii) Payments in Shares. Shares tendered in payment of a purchase price or tendered or withheld to satisfy the Company's tax withholding obligation shall again become available for award under the Plan.

6. Eligibility. All Employees shall be eligible to receive awards under the Plan, provided that no Employee shall be entitled to an award except as determined by the Committee.

7. Awards.

(a) Types of Awards. Awards under the Plan may be in the form of: Restricted Shares, Restricted Share Units, and other Share based awards as described in Section 10.

(b) Award Agreements. The Committee shall set forth the terms of each award in an Award Agreement. An Award Agreement may contain any provision approved by the Committee, subject to the terms of the Plan. An Award Agreement may make provision for any matter that is within the discretion of the Committee or may reserve for the Committee discretion to approve or authorize any action with respect to the award.

(c) Nonuniform Determinations. The Committee's determinations under the Plan or Award Agreements, including, without limitation, the selection of Participants to receive awards, the form, amount, and timing of awards, and the terms of specific Award Agreements, need not be uniform, regardless of whether Participants are similarly situated.

(d) [Intentionally Omitted]

(e) Discretion. The Committee shall have no discretion to increase the amount of an outstanding award but may reserve discretion to decrease the amount of an outstanding award or the extent to which it is exercisable or payable.

(f) Provisions Governing All Awards. All awards shall be subject to the following provisions:

(i) Transferability. An award shall not be transferable other than by will or the laws of descent and distribution. During the lifetime of a Participant, any action to be taken with respect to an award shall be taken only by the Participant or, in the event the Participant becomes legally incompetent, by the Participant's guardian or legal representative.

(ii) Employment Rights. Neither the adoption of the Plan nor the grant of an award shall confer on a Participant the right to continue employment with the Employer, nor shall it interfere with the right of the Employer to terminate a Participant's employment at any time for any reason, with or without cause.

(g) Misconduct. Should the Committee determine that a Participant has committed Misconduct, the Participant shall forfeit all rights under outstanding awards and all further benefits under or attributable to the Plan, so neither the Participant nor his or her estate or successors shall be entitled to become vested in Restricted Shares and Restricted Share Units, be paid any Shares or amounts remaining to be paid upon settlement of an award or due under a deferred payment arrangement with respect to an award, or otherwise be entitled to any further benefit under or attributable to the Plan. Before making such a determination, the Committee shall give the Participant a reasonable opportunity to be heard.

(h) Recoupment of Awards. The Committee may provide in an Award Agreement or in a policy applicable to an award under this Plan that, under conditions specified in the Award Agreement or policy, as they may be amended or superseded from time to time, the Participant shall forfeit all rights under the award and all further benefits under or attributable to the award or the Plan, and the Participant shall be obliged to pay back or

return to the Company amounts or Shares previously paid, distributed, or vested under the award, including dividends and dividend equivalents. Such conditions may include, by way of illustration and not by way of limitation, the occurrence of an error in financial statements that results in the payment of a greater amount of performance-based compensation than would have been paid based on correct financial statements. This paragraph and Section 7(g) shall be construed independently of each other; one shall not limit the application of the other.

(i) Retention of Shares. The Committee may provide in an Award Agreement or in a policy applicable to an award under this Plan that, under the terms specified in the Award Agreement or policy, as they may be amended or superseded from time to time, the Participant shall retain Shares awarded under this Plan.

8. Restricted Shares.

(a) Grant of Restricted Shares. The Company shall grant Restricted Shares to Participants under the Plan at such times, in such numbers, and upon such terms as the Committee shall determine.

(b) Terms of Restricted Shares. The Award Agreement for a grant of Restricted Shares shall set forth such terms, conditions, restrictions, and limits on the Restricted Shares as the Committee shall determine and as are consistent with the Plan, including the following:

(i) Conditions on Vesting. The Participant's interest in a Restricted Share award shall be forfeitable when the award is granted. In the Award Agreement, the Committee shall prescribe conditions that must be satisfied and the time by which, or time period during which, the conditions must be satisfied, in order for the Participant's interest to become vested. The conditions may include one or more of the following:

(1) the satisfaction of specified performance goals by a specified time or during a specified period,

(2) the continuance of the Participant's employment for a specified period, or

(3) the satisfaction of other specified conditions.

The Award Agreement may provide that the extent of the Participant's vested interest shall be determined by the extent to which a condition is satisfied. The limited period of time provided for the satisfaction of the conditions on an award shall be referred to as the "Restricted Period."

(ii) Vesting. Upon the satisfaction, within the Restricted Period, of the conditions established by the Committee, or as provided in paragraph (vi), the Participant's interest in the Restricted Shares shall become vested to the extent provided in the Award Agreement. The restrictions applicable to those vested Restricted Shares shall lapse at that time, and the Company shall deliver a certificate for those vested Shares to the Participant or the Participant's estate or the person to whom the Participant's rights are transferred by will or under the laws of descent and distribution, as the case may be, free of all restrictions, subject to the satisfaction of the Company's withholding obligations as described in Section 17(b).

(iii) Forfeiture. Except as provided under paragraph (vi) or by the Committee, the Participant shall forfeit Restricted Shares:

(1) upon the expiration of the Restricted Period, to the extent the conditions prescribed by the Committee have not been satisfied, or, if earlier,

(2) upon the termination of the Participant's employment, including by retirement.

Upon forfeiture, all of the Participant's interest in the forfeited Restricted Shares shall automatically revert to the Company.

(iv) Retention of Certificate. The Company shall issue, for the benefit of the Participant, the number of Shares subject to a Restricted Shares award, but the Company shall retain custody of any certificate for such Shares during the Restricted Period.

(v) Shareholder Rights. Unless otherwise provided by the Committee in the Award Agreement, the Participant to whom Restricted Shares have been granted shall be entitled, during the Restricted Period, to receive the dividends payable with respect to those Shares and to have the same voting rights, if any, as would a holder of those Shares outside the Plan. If the vesting of an award is conditioned on the satisfaction of a performance goal or other performance-related condition, the Committee shall provide in the Award Agreement that no dividends shall be payable with respect to the Restricted Shares during the Restricted Period, but the Committee may make provision for dividend equivalents under Section 8(b)(vii).

(vi) Death or Disability. With respect to the termination of the Participant's employment during the Restricted Period by reason of death or Permanent Disability:

(1) Unless the Committee provides otherwise, if the only condition to be satisfied during the Restricted Period is the continuance of the Participant's employment, then, upon the termination of the Participant's employment during the Restricted Period by reason of death or Permanent Disability, the conditions and restrictions on a pro rata portion of the Restricted Shares (as described in the following sentence) shall lapse and the Participant's interest in those Shares shall become vested. The pro rata portion shall be determined by (A) multiplying the number of Restricted Shares subject to the award by a fraction the numerator of which is the number of full months from the date of the award through the date of termination of employment, and the denominator of which is the number of full months in the original Restricted Period for those Shares, and (B) rounding the product up or down to the closest number of whole Shares.

(2) If there is any condition to be satisfied during the Restricted Period other than the continuance of the Participant's employment, the Committee may provide that upon the termination of the Participant's employment during the Restricted Period by reason of death or Permanent Disability, the conditions and restrictions on all or a portion of the Restricted Shares shall lapse and the Participant's interest in those Shares shall become vested.

(vii) Dividend Equivalents. The Committee may provide in the Award Agreement that the Participant shall receive, rather than the dividends payable with respect to specified Restricted Shares, a credit equivalent to the amount of such dividends, which shall be payable to the Participant only if the Participant's interest in the specified Restricted Shares becomes vested; if the Employee forfeits the specified Restricted Shares, the Employee shall simultaneously forfeit the dividend equivalents attributable to such Restricted Shares. The Award Agreement shall specify the time for payment of dividend equivalents, which shall not be later than March 15th following the calendar year in which the Restricted Shares to which the dividend equivalents are attributable become vested.

9. Restricted Share Units.

(a) Grant of Restricted Share Units. A Restricted Share Unit shall entitle a Participant to a Share, the Fair Market Value of a Share in cash, or a combination of the two, at a future date, subject to the satisfaction of any terms and conditions specified by the Committee. The Company shall grant Restricted Share Units to Participants under the Plan at such times, in such numbers, and upon such terms as the Committee shall determine.

(b) Terms of Restricted Share Units. The Award Agreement for Restricted Share Units shall set forth such terms, conditions, restrictions, and limits on the Units as the Committee shall determine and as are consistent with the provisions of the Plan, including the following:

(i) Conditions on Vesting. The Participant's interest in a Restricted Share Unit award shall be forfeitable when the award is granted. In the Award Agreement, the Committee shall prescribe conditions that must be satisfied and the time by which, or time period during which, the conditions must be satisfied, in order for the Participant's interest to become vested. The conditions may include one or more of the following:

(1) the satisfaction of specified performance goals by a specified time or during a specified period,

(2) the continuance of the Participant's employment for a specified period, or

(3) the satisfaction of other specified conditions.

The Award Agreement may provide that the extent of the Participant's vested interest shall be determined by the extent to which a condition is satisfied. The limited period of time provided for the satisfaction of the conditions on an award shall be referred to as the "Restricted Period."

(ii) Vesting. Upon the satisfaction, within the Restricted Period, of the conditions established by the Committee, or as provided in paragraph (v), the Participant's interest in the Restricted Share Units shall become vested to the extent provided in the Award Agreement.

(iii) Forfeiture. Except as provided under paragraph (v) or by the Committee, the Participant shall forfeit Restricted Share Units:

(1) upon the expiration of the Restricted Period, to the extent the conditions prescribed by the Committee have not been satisfied, or, if earlier,

(2) upon the termination of the Participant's employment, including by retirement.

Upon forfeiture, all of the Participant's interest in the forfeited Restricted Share Units shall automatically revert to the Company.

(iv) No Shareholder Rights. A Restricted Share Unit shall carry with it no dividend or voting or other rights associated with Common Stock ownership.

(v) Death or Disability. With respect to the termination of the Participant's employment during the Restricted Period by reason of death or Permanent Disability:

(1) Unless the Committee provides otherwise, if the only condition to be satisfied during the Restricted Period is the continuance of the Participant's employment, then, upon the termination of the Participant's employment during the Restricted Period by reason of death or Permanent Disability, the conditions and restrictions on a pro rata portion of the Restricted Share Units (as described in the following sentence) shall lapse and the Participant's interest in those Shares shall become vested. The pro rata portion shall be determined by (A) multiplying the number of Restricted Share Units subject to the award by a fraction the numerator of which is the number of full months from the date of the award through the date of termination of employment, and the denominator of which is the number of full months in the original Restricted Period for those Restricted Share Units, and (B) rounding the product up or down to the closest number of whole Restricted Share Units.

(2) If there is any condition to be satisfied during the Restricted Period other than the continuance of the Participant's employment, the Committee may provide that upon the termination of the Participant's employment during the Restricted Period by reason of death or Permanent Disability, the conditions and restrictions on all or a portion of the Restricted Share Units shall lapse and the Restricted Period with respect to those Units shall expire.

(vi) Dividend Equivalents. Notwithstanding paragraph (iv), the Committee may, but it need not, provide for dividend equivalents with respect to an award of Restricted Share Units. If the Committee provides for dividend equivalents, it shall specify as the terms and conditions of payment either those described in subparagraph (1) or those described in subparagraph (2):

(1) Under the first alternative, as of each Class A Share dividend payment date, there shall be credited to a bookkeeping account established for a Participant an amount equal to the dividends that would be payable on that date with respect to the number of Shares covered by the Restricted Share Units outstanding on that date under the Participant's award. The Committee may provide for the crediting of interest on any dividend equivalents credited to a Participant's account or may provide that the dividend equivalent credit be adjusted for hypothetical investment experience in such manner as the Committee may determine. If the Participant forfeits his or her interest in Restricted Share Units, the Participant shall simultaneously forfeit any dividend equivalents (as adjusted) attributable to those Restricted Share Units. Amounts credited to a Participant's account that are vested and not forfeited shall be payable in accordance with Section 9(c).

(2) Under the second alternative, for each Class A Share dividend payment date, the Company shall pay to a Participant, or in the event of the Participant's death to his or her beneficiary, an amount equal to the dividends that would be payable on that date with respect to the number of Shares covered by the Restricted Share Units outstanding on that date under the Participant's award. The Company shall pay the dividend equivalents on or as soon as practicable after the payment date of the dividends to which they relate, and not later than December 31 of the year of that payment date.

(c) Payment of Vested Restricted Share Units.

(i) Payment of vested Restricted Share Units and other amounts credited to a Participant's account shall be made at such time or times after the expiration of the Restricted Period as the Committee may establish. The Committee may but need not provide that a Participant may elect to defer payment until such time or times as the Committee may allow. The Committee may provide for payments in lump sums or installments or both. The Committee shall establish procedures for its establishment of the time of payment and for the form and timing of a Participant's deferral and payment elections. All elections shall conform to the Committee's procedures. The Committee's procedures shall conform to the requirements of Code Section 409A for the deferral (until payment) of the inclusion of compensation in gross income.

(ii) The Company shall not establish any special fund with respect to a Participant's account. Any credit entries made to a Participant's account shall constitute a mere promise by the Company to make payments to the Participant, subject to and in accordance with the Plan, from the general assets of the Company, when the payments become due.

(iii) To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

10. Other Awards. The Committee may determine, subject to the terms of the Plan, that the Company shall grant awards that are not described in Section 8 or 9, but that provide for the issuance of Shares, or that are denominated in or measured by the Fair Market Value of a Share, or that provide for payment in the form of Shares rather than cash under any Company compensation, bonus, or incentive program. The Committee shall determine the terms and conditions of any such other awards and the Participants to whom and the numbers in which such other awards shall be granted. The Committee may condition the exercisability, vesting, and payment of such other awards upon the satisfaction of performance goals.

11. Required Adjustments in Authorized Shares. In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as a merger, consolidation, separation, including a spin off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368), or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares available for awards under Section 5, in the number of Shares subject to outstanding awards, in the purchase price under outstanding awards, and in the limits on awards and the issuance of Shares set forth in Section 5, as determined by the Committee to be appropriate and equitable to prevent dilution or enlargement of the benefits available under the Plan and of the rights of Participants, provided, however, that the number of Shares subject to an award shall always be a whole number. In a stock-for-stock acquisition of the Company, the Committee may, in its discretion, substitute securities of another issuer for any Shares subject to outstanding awards.

Except as expressly provided in this Section, the issuance by the Company of shares of any class or securities convertible into shares of any class, for cash, property, labor, or services, upon direct sale, upon the exercise of rights or warrants, or upon the conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment shall be made with respect to, the number of Shares subject to awards previously granted or the purchase price per Share under outstanding awards.

12. Change in Control.

(a) Impact of Event. Notwithstanding any provision of the Plan to the contrary, in the event of a Change in Control, the provisions of this Section shall apply except to the extent an Award Agreement provides for a different treatment (in which case the Award Agreement shall govern and this Section shall not be applicable).

(i) If and to the extent that outstanding awards under the Plan (A) are continued or assumed by the successor corporation (or an affiliate of the successor) or (B) are replaced with equity awards that preserve the existing value of the awards at the time of the Change in Control and provide for subsequent payout in accordance with a vesting schedule and performance goals, as applicable, that are the same or more favorable to the Participants than the vesting schedule and performance goals applicable to the awards, then all such awards or such substitutes for them shall remain outstanding and be governed by their respective terms and the provisions of the Plan subject to Section 12(a)(v).

(ii) If and to the extent that outstanding awards under the Plan are not continued, assumed, or replaced in accordance with Section 12(a)(i), then upon the Change in Control the following treatment (referred to as “Change-in-Control Treatment”) shall apply to such awards: the restrictions and other conditions applicable to outstanding Restricted Shares, Restricted Share Units, and other Share-based Awards, including vesting requirements, shall immediately lapse, and any performance goals relevant to such awards shall be deemed to have been achieved at the target performance level; such awards shall be free of all restrictions and fully vested; and, with respect to Restricted Share Units, shall be payable immediately in accordance with their terms or, if later, as of the earliest date permissible under Code Section 409A.

(iii) However, unless the Change in Control is a change in the ownership or effective control or of ownership of a substantial portion of the assets of the Company (within the meaning of Code Section 409A), a Change in Control shall not accelerate the time of payment of Restricted Share Units and other awards and amounts payable under the Plan that are deferred compensation subject to Code Section 409A.

(iv) If and to the extent that outstanding awards under the Plan are not continued, assumed, or replaced in accordance with Section 12(a)(i) above, then in connection with the application of the Change-in-Control Treatment set forth in Section 12(a)(ii) above, the Board may, in its sole discretion, provide for cancellation of such outstanding awards at the time of the Change in Control in which case a payment of cash, property, or a combination of cash and property shall be made to each such Participant upon the consummation of the Change in Control that is determined by the Board in its sole discretion and that is at least equal to the excess (if any) of the value of the consideration that would be received in such Change in Control by the holders of the Company’s securities relating to such awards over the purchase price (if any) for such awards (except that such payment shall limited as necessary to prevent the award from being subject to Code Section 409A).

(v) If and to the extent that (A) outstanding awards are continued, assumed, or replaced in accordance with Section 12(a)(i) above and (B) a Participant's employment with, or performance of services for, the Company is terminated by the Company for any reasons other than Cause or by such Participant for Good Reason, in each case, within the two-year period commencing on the Change in Control, then, as of the date of such Participant's termination, the Change-in-Control Treatment set forth in Section 12(a)(ii) above shall apply to all assumed or replaced awards of such Participant then outstanding.

(b) Definitions. As used in this Section 12:

(i) "Cause" shall have the meaning set forth in any unexpired employment or severance agreement between the Participant and the Employer, and, in the absence of any such agreement, means (A) the willful and continued failure of the Participant to substantially perform his or her duties with or for the Employer, (B) the engaging by the Participant in conduct that is significantly injurious to the Company or any subsidiary or affiliate, monetarily or otherwise, or (C) the Participant's conviction of a felony. Unless otherwise defined in the Participant's employment or severance agreement, an act or omission is "willful" for this purpose if such act or omission was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that such act or omission was in the best interest of the Company.

(ii) A "Change in Control" of the Company means a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirements; provided that, without limitation, such a Change in Control shall be deemed to have occurred if

(1) any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) is or becomes "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30 percent or more of the combined voting power of the Company's then outstanding securities; or

(2) during any period of two consecutive years, the following persons (the "Continuing Directors") cease for any reason to constitute a majority of the Board: individuals who at the beginning of such period constitute the Board and new Directors each of whose election to the Board or nomination for election to the Board by the Company's security holders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved; or

(3) the consummation of a merger or consolidation of the Company with any other entity, other than (1) a merger or consolidation that would result in the voting securities of the Company outstanding immediately before the merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of such surviving entity) more than 50 percent of the combined voting power of the voting securities of the Company or of such surviving entity outstanding immediately after such merger or consolidation or (2) a merger or consolidation that is approved by a Board having a majority of its members persons who are Continuing Directors, of which Continuing Directors not less than two-thirds have approved the merger or consolidation; or (D) the security holders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

Notwithstanding any contrary provision of this Plan, for the purposes of Section 12(b)(ii)(A), the term "person" shall not include (W) the Company, (X) any subsidiary or affiliate of the Company, (Y) any employee benefit plan of the Company or of any subsidiary or affiliate of the Company, or (Z) any entity holding shares of Shares organized, appointed, or established by the Company or any of its subsidiaries or affiliates for or pursuant to the terms of any such plan.

(iii) "Good Reason" shall have the meaning set forth in any unexpired employment or severance agreement between the Participant and the Employer, and, in the absence of any such agreement, means:

(1) the assignment to the Participant after the Change in Control of any duties materially inconsistent with the Participant's position (including status, offices, titles, and reporting requirements, authority, duties or responsibilities);

(2) a material reduction by the Company in the Participant's base salary in effect immediately before the Change in Control;

(3) a material reduction by the Company in the Participant's annual bonus opportunity or in the target level for such bonus or in the level of the Participant's long term equity incentive, as compared to such opportunity or level in effect immediately before the Change in Control; or

(4) the Company's requiring the Participant, without the Participant's written consent, to be based at any office or location materially distant from the Participant's office location immediately before the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities.

A termination for Good Reason must be communicated by the Participant to the Company by written notice that specifies the event or events claimed to provide a basis for termination for Good Reason; provided that the Participant's written notice must be tendered within 90 (ninety) days of the occurrence of such event or events and provided further that the Company shall have failed to remedy such act or omission within 30 (thirty) days following its receipt of such notice. A Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason if the Participant actually terminates employment within 14 (fourteen) days after the Company's failure to timely remedy or, if earlier, prior to the second anniversary of the Change in Control.

13. Term of Plan; Approval of Shareholders. The Plan, as amended and restated, shall take effect, subject to the approval of the shareholders of the Company, on April 26, 2022. Unless terminated earlier by the Board of Directors, the Plan shall terminate on December 31, 2031, provided that awards outstanding on that date shall survive in accordance with their terms.

14. Amendment of Awards. The Committee may at any time unilaterally amend any outstanding award to the extent the Committee determines necessary or desirable, provided, however, that an amendment that would be adverse to the interests of the Participant shall not be effective without the holder's consent.

15. Amendment and Termination of Plan. The Board may amend, suspend, or terminate the Plan or any portion of the Plan at any time, provided no amendment may be made without shareholder approval if such approval is required by applicable law or the requirements of an applicable stock exchange, or if such amendment would increase the Shares available under the Plan or the limits on awards provided under Section 5, except as provided in Section 11.

16. Restrictions on Acceleration of Payment Date; Deferrals; Delay of Payment to Specified Employee.

(a) Acceleration or Deferral. Notwithstanding any contrary provision of Section 14 or 15, an action by the Board or Committee shall not accelerate or defer a payment of an award that is deferred compensation within the meaning of Code Section 409A except as follows:

(i) An action may accelerate the payment of all or part of an award upon the following events: the termination and liquidation of the Plan or any other event the Commissioner of Internal Revenue may prescribe in generally applicable guidance under Code Section 409A, provided, in any event, that the terms and conditions of the acceleration would not cause the Plan to fail to meet the requirements of Section 409A and of any generally applicable guidance published by the Commissioner of Internal Revenue under Section 409A for the deferral (until payment) of the inclusion of awards in gross income.

(ii) An action may defer a payment date for all or a part of an award under the following circumstances:

(1) [Intentionally Omitted]

(2) The Board or Committee reasonably anticipates that the payment of an award as scheduled will violate federal securities laws or other applicable law; provided that the scheduled payment is then made at the earliest date on which the Board or Committee reasonably determines that making the scheduled payment will not cause such a violation.

(3) Such other events or conditions as the Commissioner of Internal Revenue may prescribe in generally applicable guidance that the Board or Committee, in its discretion, chooses to apply under the Plan; provided, however, that a Participant shall have no direct or indirect election as to the application of such events or conditions to his or her individual circumstances, and further provided, in any event under this paragraph (ii), that the terms and conditions of the deferral would not cause the Plan to fail to meet the requirements of Section 409A for the deferral (until payment) of the inclusion of awards in gross income.

(b) Delay of Payment to Specified Employee. If an award is deferred compensation subject to Code Section 409A and is payable to a Participant on account of separation from service (within the meaning of Code Section 409A), and the Participant is a specified employee, the payment may not be made before the date that is six months after the Participant's separation from service (or, if earlier, the Participant's death). "Specified employee" means, with respect to the relevant 12-month period beginning on an April 1 and during which the Company remains publicly traded, a Participant who was a "key employee" within the meaning of Code Section 416(i), without regard to Section 416(i)(5), at any time during the calendar year preceding the applicable

April 1. For the purpose of determining whether a Participant is a specified employee, the compensation to be used is “Test Compensation” as defined in the Erie Insurance Group Employee Savings Plan.

17. Miscellaneous.

(a) Beneficiary Designation. A Participant may, from time to time, name a beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of the Participant’s death before the Participant receives all of such benefit. A designation shall automatically revoke all prior designations by the same Participant with respect to such benefit and shall be effective only when filed by the Participant in writing with the Committee or its delegate during the Participant’s lifetime. In the absence of any such designation, any benefits remaining payable under the Plan at the Participant’s death shall be paid when due to the Participant’s estate or the person to whom the Participant’s rights are transferred by will or under the laws of descent and distribution, as the case may be.

(b) Satisfaction of Tax Liabilities. To the extent required by applicable federal, state, local, or foreign law, the Participant or his or her successor shall make arrangements satisfactory to the Company, in its discretion, for the satisfaction of any withholding tax obligations that arise in connection with an award. The Company shall not be required to pay any Shares of Common Stock or other payment under the Plan until such obligations are satisfied. The Company is authorized to withhold from any award granted or any payment due under the Plan, including from a distribution of Shares of Common Stock, amounts of withholding taxes due with respect to an award, or any payment under an award, and to take such other action as the Committee may deem necessary or advisable to enable the Company and Participants to satisfy obligations for the payment of such taxes. This authority shall include authority to withhold or receive previously owned shares to satisfy tax withholding obligations, provided that shares withheld or delivered to satisfy such obligations in excess of the minimum required statutory withholding rate must have been held for at least six months to the extent that the Committee so requires. Previously owned Shares delivered in payment for such taxes may be subject to such conditions as the Committee may require. The value of each Share withheld or delivered shall be the Fair Market Value of a Share on the date an award becomes taxable.

(c) No Alienation. Except to the extent required by law, the right of a Participant or beneficiary to payment under this Plan shall not be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or beneficiary.

(d) No Right to Awards; No Shareholder Rights. No Participant or Employee shall have any claim to be granted any award under the Plan, and there is no obligation for uniformity of treatment of Participants and Employees. No award shall confer on any Participant any of the rights of a shareholder of the Company unless and until Shares of Common Stock are in fact paid to such Participant in connection with such award.

(e) Indemnification. Each person who is or has been a member of the Committee or of the Board or who is a delegate of the Committee or Board under this Plan shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in a settlement approved by the Company, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person, provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company’s Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

18. Restrictions on Issuance of Shares.

(a) Certain Restrictions Under Rule 16b-3. Upon the effectiveness of any amendment to Rule 16b-3, this Plan and any Award Agreement for an outstanding award held by a Participant then subject to Section 16 of the Exchange Act shall be deemed to be amended, without further action on the part of the Committee, the Board, or the Participant, to the extent necessary for awards under the Plan or such Award Agreement to qualify for the exemption provided by Rule 16b-3, as so amended, except to the extent any such amendment requires shareholder approval.

(b) Registration and Listing Compliance. No award shall be paid and no Shares or other securities shall be distributed with respect to any award in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any state securities law and no award shall confer upon any Participant rights to such payment or distribution, until such laws shall have been complied with in all material respects. If such compliance requires a delay in a payment date, payment shall be made on the earliest date on which such laws have been complied with in all material respects. Before the payment date of an award and the distribution of any Shares or other securities subject to a listing requirement under any listing agreement between the Company and any national securities exchange, the contractual obligations of the Company shall have been complied with in all

material respects. Except to the extent required by an Award Agreement or another contract between the Company and the Participant, neither the grant of any award nor any provisions of this Plan shall obligate the Company to take any action to comply with any requirements of any such securities laws or contractual obligations relating to the registration (or exemption therefrom) or listing of any shares or other securities.

(c) Stock Certificates. All certificates for Shares delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under federal or state securities laws, rules, and regulations, and the rules of any national securities exchange or automated quotation system on which Shares of Common Stock are listed or quoted. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions or any other restrictions or limitations that may be applicable to Shares. In addition, during any period in which awards or Shares are subject to restrictions or limitations under the Plan or any Award Agreement, or during any period during which delivery or receipt of an award or Shares has been deferred by the Committee or a Participant, the Committee may require any Participant to enter into an agreement providing that certificates representing Shares payable or paid pursuant to an award shall remain in the physical custody of the Company or such other person as the Committee may designate.

19. Construction.

The Plan shall be construed in accordance with the law of the Commonwealth of Pennsylvania, without regard to its conflicts of law principles. With respect to awards granted under the Plan that provide for the payment of deferred compensation (within the meaning of Code Section 409A), the terms of the Plan and the Award Agreement shall be construed to conform to the requirements of Code Section 409A for the deferral (until payment) of the inclusion of the compensation in gross income.

IN WITNESS WHEREOF, the Board of Directors of the Company has caused this document to be executed as of the 28th day of June, 2022.

ERIE INDEMNITY
COMPANY

By: /s/ Brian W. Bolash

Brian W. Bolash
Executive Vice
President,
Secretary & General
Counsel

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: July 28, 2022

/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: July 28, 2022

/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 June 30, 2022 (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

July 28, 2022

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.