



October 27, 2016

Erie Indemnity Reports Third Quarter 2016 Results

Earnings Up 15.8 percent, Net Income per Diluted Share Up 16.2 percent for the Quarter

ERIE, Pa., Oct. 27, 2016 /PRNewswire/ -- Erie Indemnity Company (NASDAQ: ERIE) today announced financial results for the quarter ending September 30, 2016. Net income was \$57.4 million, or \$1.09 per diluted share, in the third quarter of 2016, compared to \$49.6 million, or \$0.94 per diluted share, in the third quarter of 2015. Net income was \$164.6 million, or \$3.14 per diluted share, in the first nine months of 2016, compared to \$144.5 million, or \$2.75 per diluted share, in the first nine months of 2015.



"Revenue growth once again outpaced expense growth in the third quarter, resulting in an increase in earnings per share and an improved margin," said Tim NeCastro, CEO.

3Q and Nine Months 2016					
(dollars in thousands)	3Q'15	3Q'16	2015	2016	
Net revenue from operations	\$ 68,289	\$ 82,255	\$ 190,702	\$ 235,679	
Total investment income	7,220	4,326	29,464	14,289	
Income before income taxes	75,509	86,581	220,166	249,968	
Income tax expense	25,947	29,205	75,621	85,388	
Net income	\$ 49,562	\$ 57,376	\$ 144,545	\$ 164,580	
Gross margin from operations	17.2 %	19.7 %	16.6 %	19.4 %	

3Q 2016 Highlights

Net revenue from operations before taxes increased \$14.0 million, or 20.5 percent, in the third quarter of 2016 compared to the third quarter of 2015.

- Management fee revenue increased \$22.0 million, or 5.6 percent, in the third quarter of 2016 compared to the third quarter of 2015.
- Commissions increased \$8.7 million in the third quarter of 2016 compared to the third quarter of 2015, as a result of the 5.5 percent increase in direct and assumed premiums written by the Exchange.
- Non-commission expense decreased \$0.9 million in the third quarter of 2016 compared to the third quarter of 2015. Information technology costs increased \$3.2 million primarily due to increased professional fees somewhat offset by a decrease in personnel costs. Customer service costs decreased \$1.9 million primarily due to decreased credit card processing fees. Administrative and other costs decreased \$1.4 million primarily due to decreased personnel costs somewhat offset by an increase in professional fees. Personnel costs in all expense categories were impacted by

decreased pension costs primarily due to an increase in the pension discount rate.

- l The gross margin in the third quarter of 2016 was 19.7 percent compared to 17.2 percent in the third quarter of 2015.

Income from investments before taxes totaled \$4.3 million in the third quarter of 2016 compared to \$7.2 million in the third quarter of 2015. Losses from limited partnerships were \$1.7 million in the third quarter of 2016 compared to earnings of \$3.8 million in the third quarter of 2015, while net realized gains on investments were \$0.7 million in the third quarter of 2016 compared to realized losses of \$0.5 million in the third quarter of 2016.

Nine Months 2016 Highlights

Net revenue from operations before taxes increased \$45.0 million, or 23.6 percent, in the first nine months of 2016 compared to the first nine months 2015.

- l Management fee revenue increased \$68.6 million, or 6.1 percent, in the first nine months of 2016 compared to the first nine months 2015.
- l Commissions increased \$35.8 million in the first nine months of 2016 compared to the first nine months 2015, primarily as a result of the 6.1 percent increase in direct and assumed premiums written by the Exchange, while the remaining portion of the increase was due to higher agent incentive costs primarily related to profitable growth.
- l Non-commission expense decreased \$12.9 million in the first nine months of 2016 compared to the first nine months 2015. Information technology costs decreased \$6.4 million primarily due to decreased personnel costs and professional fees. Customer service costs decreased \$2.9 million primarily due to decreased credit card processing fees. Administrative and other expenses decreased \$3.8 million primarily due to decreased personnel costs somewhat offset by an increase in professional fees. Personnel costs in all expense categories were impacted by decreased pension costs primarily due to an increase in the pension discount rate.
- l The gross margin in the first nine months of 2016 was 19.4 percent compared to 16.6 percent in the first nine months 2015.

Income from investments before taxes totaled \$14.3 million in the first nine months of 2016 compared to \$29.5 million in the first nine months 2015. Losses from limited partnerships were \$0.3 million in the first nine months of 2016 compared to earnings of \$16.9 million in the first nine months 2015.

Webcast Information

Indemnity has scheduled a conference call and live audio broadcast on the Web for 10:00 AM ET on October 28, 2016. Investors may access the live audio broadcast by logging on to www.erieinsurance.com. Indemnity recommends visiting the website at least 15 minutes prior to the Webcast to download and install any necessary software. A Webcast audio replay will be available on the Investor Relations page of the Erie Insurance website by 12:30 PM ET.

Erie Insurance Group

According to A.M. Best Company, Erie Insurance Group, based in Erie, Pennsylvania, is the 10th largest homeowners insurer and 12th largest automobile insurer in the United States based on direct premiums written and the 15th largest property/casualty insurer in the United States based on total lines net premium written. The Group, rated A+ (Superior) by A.M. Best Company, has more than 5 million policies in force and operates in 12 states and the District of Columbia. Erie Insurance Group is a FORTUNE 500 company.

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

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

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

looking statements include the following:

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

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

(ERIE-F)

Erie Indemnity Company
Statements of Operations

(dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
Operating revenue				
Management fee revenue, net	\$ 411,139	\$ 389,168	\$ 1,195,262	\$ 1,126,626
Service agreement revenue	7,267	7,469	21,756	22,502
Total operating revenue	418,406	396,637	1,217,018	1,149,128
Operating expenses				
Commissions	232,455	223,741	676,963	641,189
Salaries and employee benefits	53,265	58,342	161,579	170,715
All other operating expenses	50,431	46,265	142,797	146,522
Total operating expenses	336,151	328,348	981,339	958,426
Net revenue from operations	82,255	68,289	235,679	190,702
Investment income				
Net investment income	5,331	4,346	14,884	13,322
Net realized investment gains (losses)	718	(483)	29	(125)
Net impairment losses recognized in earnings	0	(480)	(345)	(635)
Equity in (losses) earnings of limited partnerships	(1,723)	3,837	(279)	16,902
Total investment income	4,326	7,220	14,289	29,464
Income before income taxes	86,581	75,509	249,968	220,166
Income tax expense	29,205	25,947	85,388	75,621
Net income	\$ 57,376	\$ 49,562	\$ 164,580	\$ 144,545

Earnings Per Share

Net income per share

Class A common stock - basic	\$ 1.23	\$ 1.06	\$ 3.53	\$ 3.10
Class A common stock - diluted	\$ 1.09	\$ 0.94	\$ 3.14	\$ 2.75
Class B common stock - basic	\$ 185	\$ 160	\$ 530	\$ 466
Class B common stock - diluted	\$ 185	\$ 159	\$ 529	\$ 465

Weighted average shares outstanding - Basic

Class A common stock	46,188,980	46,189,068	46,188,971	46,189,068
Class B common stock	2,542	2,542	2,542	2,542

Weighted average shares outstanding - Diluted

Class A common stock	52,411,303	52,602,083	52,442,697	52,599,783
Class B common stock	2,542	2,542	2,542	2,542

Dividends declared per share

Class A common stock	\$ 0.730	\$ 0.681	\$ 2.190	\$ 2.043
Class B common stock	\$ 109.500	\$ 102.150	\$ 328.500	\$ 306.450

Erie Indemnity Company
Reconciliation of Operating Income to Net Income

Reconciliation of Operating Income to Net Income

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

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

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

The following table reconciles operating income and net income:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<i>(in thousands, except per share data)</i>				
	(Unaudited)		(Unaudited)	
Operating income	\$ 56,910	\$ 50,188	\$ 164,786	\$ 145,039
Net realized gains (losses) and impairments on investments	718	(963)	(316)	(760)
Income tax (expense) benefit	(252)	337	110	266
Realized gains (losses) and impairments, net of income taxes	466	(626)	(206)	(494)
Net income	\$ 57,376	\$ 49,562	\$ 164,580	\$ 144,545
 Per Class A common share-diluted:				
Operating income	\$ 1.08	\$ 0.95	\$ 3.14	\$ 2.76
Net realized gains (losses) and impairments on investments	0.01	(0.01)	0.00	(0.01)
Income tax (expense) benefit	0.00	0.00	0.00	0.00
Realized gains (losses) and impairments, net of income taxes	0.01	(0.01)	0.00	(0.01)
Net income	\$ 1.09	\$ 0.94	\$ 3.14	\$ 2.75

Erie Indemnity Company
Statements of Financial Position
(in thousands)

	September 30, 2016	December 31, 2015
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 139,813	\$ 182,889
Available-for-sale securities	52,108	62,067
Receivables from Erie Insurance Exchange and affiliates	399,975	348,055
Prepaid expenses and other current assets	29,593	24,697
Federal income taxes recoverable	0	11,947
Accrued investment income	6,261	5,491
Total current assets	627,750	635,146
Available-for-sale securities	652,267	537,874
Limited partnership investments	65,949	88,535
Fixed assets, net	58,311	59,087
Deferred income taxes, net	36,161	40,686
Note receivable from Erie Family Life Insurance Company	25,000	25,000
Other assets	19,577	20,968
Total assets	\$ 1,485,015	\$ 1,407,296
Liabilities and shareholders' equity		
Current liabilities:		
Commissions payable	\$ 218,267	\$ 195,542
Agent bonuses	84,805	106,752
Accounts payable and accrued liabilities	94,504	88,532
Dividends payable	33,996	33,996
Deferred executive compensation	16,873	20,877
Federal income taxes payable	4,813	0
Total current liabilities	453,258	445,699
Defined benefit pension plans	178,257	172,700
Employee benefit obligations	751	1,234
Deferred executive compensation	12,057	16,580
Other long-term liabilities	1,763	1,580
Total liabilities	646,086	637,793
Shareholders' equity	838,929	769,503
Total liabilities and shareholders' equity	\$ 1,485,015	\$ 1,407,296

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