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 September 30, 2021
OR

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

ERIE INDEMNITY COMPANY
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

The number of shares outstanding of the registrant's Class A Common Stock as of the latest practicable date was 46,189,068 at October 22, 2021.

The number of shares outstanding of the registrant's Class B Common Stock as of the latest practicable date was 2,542 at October 22, 2021.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Operating revenue				
Management fee revenue - policy issuance and renewal services	$ 504,891	$ 484,551	$ 1,462,880	$ 1,412,096
Management fee revenue - administrative services	14,471	14,910	43,985	44,494
Administrative services reimbursement revenue	162,410	147,710	473,133	451,229
Service agreement revenue	6,067	6,310	18,048	19,418
Total operating revenue	687,839	653,481	1,998,046	1,927,237
Operating expenses				
Cost of operations - policy issuance and renewal services	430,326	409,546	1,268,650	1,202,903
Cost of operations - administrative services	162,410	147,710	473,133	451,229
Total operating expenses	592,736	557,256	1,741,783	1,654,132
Operating income	95,103	96,225	256,263	273,105
Investment income				
Net investment income	18,858	10,645	49,605	20,353
Net realized investment gains	1,610	5,915	5,183	1,635
Net impairment recoveries (losses) recognized in earnings	130	(122)	216	(3,192)
Total investment income	20,598	16,438	55,004	18,796
Interest expense, net	1,034	3	3,082	8
Other expense	541	964	1,608	1,588
Income before income taxes	114,126	111,696	306,577	290,305
Income tax expense	23,903	22,480	63,759	59,786
Net income	**$ 90,223**	**$ 89,216**	**$ 242,818**	**$ 230,519**
Net income per share				
Class A common stock – basic	$ 1.94	$ 1.92	$ 5.21	$ 4.95
Class A common stock – diluted	**$ 1.72**	**$ 1.71**	**$ 4.64**	**$ 4.41**
Class B common stock – basic and diluted	$ 291	$ 287	$ 782	$ 742
Weighted average shares outstanding – Basic				
Class A common stock	46,189,035	46,189,030	46,188,729	46,188,544
Class B common stock	2,542	2,542	2,542	2,542
Weighted average shares outstanding – Diluted				
Class A common stock	52,305,245	52,310,429	52,307,859	52,312,588
Class B common stock	2,542	2,542	2,542	2,542
Dividends declared per share				
Class A common stock	$ 1.035	$ 0.965	$ 3.105	$ 2.895
Class B common stock	$ 155.25	$ 144.75	$ 465.75	$ 434.25

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 September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net income	$ 90,223	$ 89,216	$ 242,818	$ 230,519
Other comprehensive (loss) income, net of tax				
Change in unrealized holding (losses) gains on available-for-sale securities	(3,732)	6,143	(9,808)	11,358
Amortization of prior service costs and net actuarial loss on pension and other postretirement plans	3,463	2,659	10,389	7,979
Total other comprehensive (loss) income, net of tax	(269)	8,802	581	19,337
Comprehensive income	$ 89,954	$ 98,018	$ 243,399	$ 249,856

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)

	September 30, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 235,996	$ 161,240
Available-for-sale securities	30,627	17,697
Equity securities	10	19
Receivables from Erie Insurance Exchange and affiliates, net	503,413	494,637
Prepaid expenses and other current assets	55,003	52,561
Accrued investment income	6,104	6,146
Total current assets	831,153	732,300
Available-for-sale securities, net	906,877	910,539
Equity securities	86,270	94,071
Fixed assets, net	277,939	265,341
Agent loans, net	59,462	62,449
Deferred income taxes, net	17,153	12,341
Other assets	57,704	40,081
Total assets	**$ 2,236,558**	**$ 2,117,122**
Liabilities and shareholders' equity		
Current liabilities:		
Commissions payable	$ 280,540	$ 262,338
Agent bonuses	88,556	110,158
Accounts payable and accrued liabilities	148,282	150,706
Dividends payable	48,200	48,200
Contract liability	35,853	36,917
Deferred executive compensation	10,757	17,319
Current portion of long-term borrowings	2,075	2,031
Total current liabilities	614,263	627,669
Defined benefit pension plans	192,808	164,346
Long-term borrowings	92,273	93,833
Contract liability	18,098	18,878
Deferred executive compensation	14,477	14,904
Other long-term liabilities	17,783	9,444
Total liabilities	949,702	929,074
Shareholders' equity		
Class A common stock, stated value $0.0292 per share; 74,996,930 shares authorized; 68,299,200 shares issued; 46,189,068 shares outstanding	1,992	1,992
Class B common stock, convertible at a rate of 2,400 Class A shares for one Class B share, stated value $70 per share; 3,070 shares authorized; 2,542 shares issued and outstanding	178	178
Additional paid-in-capital	16,496	16,487
Accumulated other comprehensive loss	(77,562)	(78,143)
Retained earnings	2,491,842	2,393,624
Total contributed capital and retained earnings	2,432,946	2,334,138
Treasury stock, at cost; 22,110,132 shares held	(1,167,490)	(1,163,670)
Deferred compensation	21,400	17,580
Total shareholders' equity	**1,286,856**	**1,188,048**
Total liabilities and shareholders' equity	**$ 2,236,558**	**$ 2,117,122**

See accompanying notes to Financial Statements.

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

	Class A common stock	Class B common stock	Additional paid-in-capital	Accumulated other comprehensive (loss) income	Retained earnings	Treasury stock	Deferred compensation	Total shareholders' equity
Balance, December 31, 2020	$ 1,992	$ 178	$ 16,487	$ (78,143)	$ 2,393,624	$ (1,163,670)	$ 17,580	$ 1,188,048
Net income					73,566			73,566
Other comprehensive loss				(5,289)				(5,289)
Dividends declared:								
Class A $1.035 per share					(47,806)			(47,806)
Class B $155.25 per share					(395)			(395)
Net purchase of treasury stock (1)			9			0		9
Deferred compensation						(846)	846	0
Rabbi trust distribution (2)						876	(876)	0
Balance, March 31, 2021	$ 1,992	$ 178	$ 16,496	$ (83,432)	$ 2,418,989	$ (1,163,640)	$ 17,550	$ 1,208,133
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
Net income					90,223			90,223
Other comprehensive loss				(269)				(269)
Dividends declared:								
Class A $1.035 per share					(47,805)			(47,805)
Class B $155.25 per share					(395)			(395)
Net purchase of treasury stock (1)			0			0		0
Deferred compensation						(279)	279	0
Balance, September 30, 2021	$ 1,992	$ 178	$ 16,496	$ (77,562)	$ 2,491,842	$ (1,167,490)	$ 21,400	$ 1,286,856

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

ERIE INDEMNITY COMPANY
STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
Three and nine months ended September 30, 2020
(dollars in thousands, except per share data)

	Class A common stock	Class B common stock	Additional paid-in-capital	Accumulated other comprehensive (loss) income	Retained earnings	Treasury stock	Deferred compensation	Total shareholders' equity
Balance, December 31, 2019	$ 1,992	$ 178	$ 16,483	$ (116,868)	$ 2,377,558	$ (1,158,910)	$ 12,820	$ 1,133,253
Cumulative effect adjustment (1)					(1,075)			(1,075)
Net income					59,326			59,326
Other comprehensive loss				(29,576)				(29,576)
Dividends declared:								
Class A $0.965 per share					(44,572)			(44,572)
Class B $144.75 per share					(368)			(368)
Net purchase of treasury stock (2)			4			0		4
Deferred compensation						(772)	772	0
Balance, March 31, 2020	$ 1,992	$ 178	$ 16,487	$ (146,444)	$ 2,390,869	$ (1,159,682)	$ 13,592	$ 1,116,992
Net income					81,977			81,977
Other comprehensive income				40,111				40,111
Dividends declared:								
Class A $0.965 per share					(44,573)			(44,573)
Class B $144.75 per share					(368)			(368)
Net purchase of treasury stock (2)			0			0		0
Deferred compensation						(3,568)	3,568	0
Rabbi trust distribution (3)						704	(704)	0
Balance, June 30, 2020	$ 1,992	$ 178	$ 16,487	$ (106,333)	$ 2,427,905	$ (1,162,546)	$ 16,456	$ 1,194,139
Net income					89,216			89,216
Other comprehensive income				8,802				8,802
Dividends declared:								
Class A $0.965 per share					(44,572)			(44,572)
Class B $144.75 per share					(368)			(368)
Net purchase of treasury stock (2)			0			0		0
Deferred compensation						(371)	371	0
Balance, September 30, 2020	$ 1,992	$ 178	$ 16,487	$ (97,531)	$ 2,472,181	$ (1,162,917)	$ 16,827	$ 1,247,217

(1) The cumulative effect adjustment is related to the implementation of credit loss allowance accounting guidance effective January 1, 2020.

(2) Net purchases of treasury stock in 2020 include the repurchase of our Class A common stock in the open market that were subsequently distributed to satisfy stock based compensation awards.

(3) Distributions of our Class A shares were made from the rabbi trust to a retired director in 2020.

See accompanying notes to Financial Statements.

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

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash flows from operating activities		
Management fee received	$ 1,496,372	$ 1,434,070
Administrative services reimbursements received	471,395	432,133
Service agreement fee received	18,048	19,418
Net investment income received	27,957	26,817
Commissions paid to agents	(726,411)	(696,447)
Agents bonuses paid	(119,778)	(104,301)
Salaries and wages paid	(160,784)	(146,420)
Employee benefits paid	(24,592)	(24,067)
General operating expenses paid	(180,028)	(193,613)
Administrative services expenses paid	(471,523)	(440,531)
Income taxes paid	(63,504)	(72,576)
Interest paid	(3,114)	(5)
Net cash provided by operating activities	264,038	234,478
Cash flows from investing activities		
Purchase of investments:		
Available-for-sale securities	(267,067)	(338,093)
Equity securities	(45,654)	(66,847)
Other investments	(605)	(788)
Proceeds from investments:		
Available-for-sale securities sales	108,869	89,264
Available-for-sale securities maturities/calls	142,614	92,731
Equity securities	54,303	55,000
Other investments	903	589
Purchase of fixed assets	(38,097)	(52,289)
Loans to agents	(5,648)	(3,773)
Collections on agent loans	7,224	5,635
Net cash used in investing activities	(43,158)	(218,571)
Cash flows from financing activities		
Dividends paid to shareholders	(144,600)	(134,821)
Net payments on long-term borrowings	(1,524)	(1,470)
Net cash used in financing activities	(146,124)	(136,291)
Net increase (decrease) in cash and cash equivalents	74,756	(120,384)
Cash and cash equivalents, beginning of period	161,240	336,739
Cash and cash equivalents, end of period	$ 235,996	$ 216,355
Supplemental disclosure of noncash transactions		
Transfer of investments from limited partnerships to equity securities	$ 0	$ 13,041
Operating lease assets obtained in exchange for new operating lease liabilities	$ 2,379	$ 4,107
Liability incurred to purchase fixed assets	$ 13,102	$ 496

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. The uncertainty resulting from COVID-19 continues to evolve and the pandemic’s ultimate impact and duration remain 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 impacts on the economy and financial markets.

Note 2. Significant Accounting Policies

Basis of presentation
The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. For further information, refer to the financial statements and footnotes included in our Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

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

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

Note 3. Revenue

The majority of our revenue is derived from the subscriber’s agreement between us and the subscribers (policyholders) at the Exchange. Pursuant to the subscriber’s agreement, we earn a management fee calculated as a percentage, not to exceed 25%, of all direct and affiliated assumed written premiums of the Exchange. We allocate a portion of our management fee revenue, currently 25% of the direct and affiliated assumed written premiums of the Exchange, between the two performance obligations we have under the subscriber’s agreement. The first performance obligation is to provide policy issuance and renewal services to the subscribers (policyholders) at the Exchange, and the second is to act as attorney-in-fact on behalf of the Exchange, as well as the service provider for its insurance subsidiaries, with respect to all administrative services.

The transaction price, including management fee revenue and administrative service reimbursement revenue, 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 nine months ending September 30, 2021, we recognized revenue of $7.8 million and $31.7 million, respectively, that was included in the contract liabilities balance as of December 31, 2020. During the three and nine months ending September 30, 2020, we recognized revenue of $7.6 million and $31.0 million, respectively, that was included in the contract liabilities balance as of December 31, 2019. 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 September 30,		Nine months ended September 30,	
(in thousands)	2021	2020	2021	2020
Management fee revenue - policy issuance and renewal services	$ 504,891	$ 484,551	$ 1,462,880	$ 1,412,096
Management fee revenue - administrative services	14,471	14,910	43,985	44,494
Administrative services reimbursement revenue	162,410	147,710	473,133	451,229
Total administrative services	$ 176,881	$ 162,620	$ 517,118	$ 495,723

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 September 30,					
	2021			2020		
(dollars in thousands, except per share data)	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount
Class A – Basic EPS:						
Income available to Class A stockholders	$ 89,484	46,189,035	$ 1.94	$ 88,486	46,189,030	$ 1.92
Dilutive effect of stock-based awards	0	15,410	—	0	20,599	—
Assumed conversion of Class B shares	739	6,100,800	—	730	6,100,800	—
Class A – Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	$ 90,223	52,305,245	$ 1.72	$ 89,216	52,310,429	$ 1.71
Class B – Basic and diluted EPS:						
Income available to Class B stockholders	$ 739	2,542	$ 291	$ 730	2,542	$ 287

	Nine months ended September 30,					
	2021			2020		
(dollars in thousands, except per share data)	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount	Allocated net income (numerator)	Weighted shares (denominator)	Per-share amount
Class A – Basic EPS:						
Income available to Class A stockholders	$ 240,830	46,188,729	$ 5.21	$ 228,632	46,188,544	$ 4.95
Dilutive effect of stock-based awards	0	18,330	—	0	23,244	—
Assumed conversion of Class B shares	1,988	6,100,800	—	1,887	6,100,800	—
Class A – Diluted EPS:						
Income available to Class A stockholders on Class A equivalent shares	$ 242,818	52,307,859	$ 4.64	$ 230,519	52,312,588	$ 4.41
Class B – Basic and diluted EPS:						
Income available to Class B stockholders	$ 1,988	2,542	$ 782	$ 1,887	2,542	$ 742

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 September 30, 2021, nearly all of our available-for-sale and equity securities were priced using a third party pricing service.

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

(in thousands)	September 30, 2021			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities:				
Corporate debt securities	$ 567,966	$ 555	$ 561,214	$ 6,197
Collateralized debt obligations	114,004	0	114,004	0
Commercial mortgage-backed securities	96,827	0	87,133	9,694
Residential mortgage-backed securities	127,231	0	122,943	4,288
Other debt securities	25,727	0	25,273	454
U.S. Treasury	5,749	0	5,749	0
Total available-for-sale securities	937,504	555	916,316	20,633
Equity securities - nonredeemable preferred and common stock:				
Financial services sector	70,432	4,850	63,476	2,106
Utilities sector	7,046	1,210	5,836	0
Energy sector	5,316	10	5,306	0
Consumer sector	2,218	0	2,218	0
Communications sector	1,013	0	1,013	0
Industrial sector	255	255	0	0
Total equity securities	86,280	6,325	77,849	2,106
Total	$ 1,023,784	$ 6,880	$ 994,165	$ 22,739

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

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

Level 3 Assets – 2021 Quarterly Change:

(in thousands)	Beginning balance at June 30, 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 September 30, 2021
Available-for-sale securities:								
Corporate debt securities	$ 6,078	$ 7	$ 3	$ 1,995	$ (1,213)	$ 1,129	$ (1,802)	$ 6,197
Collateralized debt obligations	750	0	0	0	0	0	(750)	0
Commercial mortgage-backed securities	17,133	(90)	(143)	229	(2,912)	0	(4,523)	9,694
Residential mortgage-backed securities	3,041	(5)	(26)	0	(366)	4,288	(2,644)	4,288
Other debt securities	2,544	0	1	0	(757)	0	(1,334)	454
Total available-for-sale securities	29,546	(88)	(165)	2,224	(5,248)	5,417	(11,053)	20,633
Nonredeemable preferred stock	1,000	13	0	0	0	1,093	0	2,106
Total Level 3 securities	$ 30,546	$ (75)	$ (165)	$ 2,224	$ (5,248)	$ 6,510	$ (11,053)	$ 22,739

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 September 30, 2021
Available-for-sale securities:								
Corporate debt securities	$ 5,825	$ 27	$ 82	$ 4,253	$ (1,886)	$ 3,678	$ (5,782)	$ 6,197
Collateralized debt obligations	0	0	0	750	0	0	(750)	0
Commercial mortgage-backed securities	19,462	(287)	(590)	3,073	(3,878)	3,854	(11,940)	9,694
Residential mortgage-backed securities	937	(11)	(26)	0	(842)	7,318	(3,088)	4,288
Other debt securities	0	0	(1)	2,588	(799)	0	(1,334)	454
Total available-for-sale securities	26,224	(271)	(535)	10,664	(7,405)	14,850	(22,894)	20,633
Nonredeemable preferred stock	0	18	0	1,000	0	2,183	(1,095)	2,106
Total Level 3 securities	$ 26,224	$ (253)	$ (535)	$ 11,664	$ (7,405)	$ 17,033	$ (23,989)	$ 22,739

Level 3 Assets – 2020 Quarterly Change:

(in thousands)	Beginning balance at June 30, 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 September 30, 2020
Available-for-sale securities:								
Corporate debt securities	$ 4,916	$ 4	$ 157	$ 2,258	$ (198)	$ 1,644	$ (1,751)	$ 7,030
Collateralized debt obligations	259	0	(9)	0	0	0	(250)	0
Commercial mortgage-backed securities	18,066	(47)	351	2,077	0	29,786	0	50,233
Residential mortgage-backed securities	0	0	0	287	0	10,559	0	10,846
Total available-for-sale securities	23,241	(43)	499	4,622	(198)	41,989	(2,001)	68,109
Nonredeemable preferred stock	795	194	0	2,016	0	0	0	3,005
Total Level 3 securities	$ 24,036	$ 151	$ 499	$ 6,638	$ (198)	$ 41,989	$ (2,001)	$ 71,114

Level 3 Assets – 2020 Year-to-Date Change:

(in thousands)	Beginning balance at December 31, 2019	Included in earnings[(1)]	Included in other comprehensive income	Purchases	Sales	Transfers into Level 3[(2)]	Transfers out of Level 3[(2)]	Ending balance at September 30, 2020
Available-for-sale securities:								
Corporate debt securities	$ 8,324	$ 9	$ (354)	$ 4,759	$ (740)	$ 9,681	$ (14,649)	$ 7,030
Collateralized debt obligations	0	0	3	247	0	0	(250)	0
Commercial mortgage-backed securities	3,321	(89)	471	9,281	(287)	38,677	(1,141)	50,233
Residential mortgage-backed securities	0	0	0	287	0	10,559	0	10,846
Total available-for-sale securities	11,645	(80)	120	14,574	(1,027)	58,917	(16,040)	68,109
Nonredeemable preferred stock	0	169	0	2,836	0	0	0	3,005
Total Level 3 securities	$ 11,645	$ 89	$ 120	$ 17,410	$ (1,027)	$ 58,917	$ (16,040)	$ 71,114

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

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

Financial instruments not carried at fair value

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

	September 30, 2021		December 31, 2020	
(in thousands)	Carrying value	Fair value	Carrying value	Fair value
Agent loans [(1)]	$ 67,789	$ 69,805	$ 69,212	$ 73,854
Long-term borrowings [(2)]	94,589	103,283	96,113	113,054

(1) The discount rate used to calculate fair value at September 30, 2021 is reflective of a decrease in the BB+ financial yield curve.

(2) The discount rate used to calculate fair value at September 30, 2021 is reflective of an increase in U.S. Treasury bond yields.

Note 6. Investments

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

	September 30, 2021			
(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Corporate debt securities	$ 554,572	$ 14,537	$ 1,143	$ 567,966
Collateralized debt obligations	113,701	538	235	114,004
Commercial mortgage-backed securities	94,972	2,306	451	96,827
Residential mortgage-backed securities	126,276	1,660	705	127,231
Other debt securities	25,399	345	17	25,727
U.S. Treasury	5,479	314	44	5,749
Total available-for-sale securities, net	$ 920,399	$ 19,700	$ 2,595	$ 937,504

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

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2021 are shown below by remaining contractual term to maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2021	
(in thousands)	Amortized cost	Estimated fair value
Due in one year or less	$ 30,255	$ 30,627
Due after one year through five years	420,007	430,590
Due after five years through ten years	183,979	186,450
Due after ten years	286,158	289,837
Total available-for-sale securities	$ 920,399	$ 937,504

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:

	September 30, 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	$ 96,735	$ 741	$ 10,396	$ 402	$ 107,131	$ 1,143	345
Collateralized debt obligations	52,441	189	12,194	46	64,635	235	81
Commercial mortgage-backed securities	13,237	326	974	125	14,211	451	31
Residential mortgage-backed securities	63,636	691	299	14	63,935	705	56
Other debt securities	3,163	17	0	0	3,163	17	9
U.S. Treasury	1,339	44	0	0	1,339	44	1
Total available-for-sale securities	$ 230,551	$ 2,008	$ 23,863	$ 587	$ 254,414	$ 2,595	523
Quality breakdown of available-for-sale securities:							
Investment grade	$ 196,591	$ 1,727	$ 16,711	$ 257	$ 213,302	$ 1,984	215
Non-investment grade	33,960	281	7,152	330	41,112	611	308
Total available-for-sale securities	$ 230,551	$ 2,008	$ 23,863	$ 587	$ 254,414	$ 2,595	523

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

Credit loss allowance on investments

As of September 30, 2021, the current expected credit loss allowance on agent loans was $1.0 million compared to $1.1 million at December 31, 2020. The current expected credit loss on available-for-sale securities was less than $0.1 million at September 30, 2021, and $0.2 million at December 31, 2020.

Net investment income

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2021	2020	2021	2020
Available-for-sale securities	$ 5,786	$ 5,353	$ 17,773	$ 16,811
Equity securities	1,030	1,178	3,348	2,935
Limited partnerships [(1)]	11,504	3,615	26,701	(2,419)
Cash equivalents and other	862	1,009	2,774	4,098
Total investment income	19,182	11,155	50,596	21,425
Less: investment expenses	324	510	991	1,072
Investment income, net of expenses	$ 18,858	$ 10,645	$ 49,605	$ 20,353

(1) Equity in earnings (losses) of limited partnerships includes both realized gains (losses) and unrealized valuation changes. Our limited partnership investments are included in the line item "Other assets" in the Statements of Financial Position. We have made no new limited partnership commitments since 2006, and the balance of limited partnership investments is expected to decline over time as additional distributions are received.

Realized investment gains (losses)

Realized gains (losses) on investments were as follows:

(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Available-for-sale securities:				
Gross realized gains	$ 2,424	$ 604	$ 5,422	$ 3,399
Gross realized losses	(235)	(467)	(1,353)	(2,292)
Net realized gains on available-for-sale securities	2,189	137	4,069	1,107
Equity securities	(579)	5,777	1,113	525
Miscellaneous	0	1	1	3
Net realized investment gains	$ 1,610	$ 5,915	$ 5,183	$ 1,635

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 September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Equity securities:				
Net (losses) gains recognized during the period	$ (579)	$ 5,777	$ 1,113	$ 525
Less: net (losses) gains recognized on securities sold	(267)	1,796	5	(1,009)
Net unrealized (losses) gains recognized on securities held at reporting date	$ (312)	$ 3,981	$ 1,108	$ 1,534

Net impairment recoveries (losses) recognized in earnings

Impairments on available-for-sale securities and agent loans were as follows:

(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Available-for-sale securities:				
Intent to sell	$ (10)	$ (37)	$ (10)	$ (2,279)
Credit (impaired) recovered	(13)	(85)	73	(743)
Total available-for-sale securities	(23)	(122)	63	(3,022)
Agent loans - expected credit recoveries (losses)	153	—	153	(170)
Net impairment recoveries (losses) recognized in earnings	$ 130	$ (122)	$ 216	$ (3,192)

Note 7. Borrowing Arrangements

Bank line of credit
As of September 30, 2021, we have access to a $100 million bank revolving line of credit with a $25 million letter of credit sublimit that expires on October 30, 2023. As of September 30, 2021, a total of $99.1 million remains available under the facility due to $0.9 million outstanding letters of credit, which reduce the availability for letters of credit to $24.1 million. We had no borrowings outstanding on our line of credit as of September 30, 2021. Investments with a fair value of $122.6 million were pledged as collateral on the line at September 30, 2021. The investments pledged as collateral have no trading restrictions and are reported as available-for-sale securities and cash and cash equivalents as of September 30, 2021. The banks require compliance with certain covenants, which include leverage ratios and debt restrictions, for our line of credit. We are in compliance with all covenants at September 30, 2021.

Term loan credit facility
In 2016, we entered into a credit agreement for a $100 million senior secured draw term loan credit facility ("Credit Facility") for the acquisition of real property and construction of an office building that 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. Investments with a fair value of $121.9 million were pledged as collateral for the facility and are reported as available-for-sale securities and cash and cash equivalents as of September 30, 2021. The bank requires compliance with certain covenants, which include leverage ratios, debt restrictions and minimum net worth, for our Credit Facility. We are in compliance with all covenants at September 30, 2021.

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

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

(in thousands)

Year		Principal payments
2021	$	507
2022		2,109
2023		2,226
2024		2,302
2025		2,449
Thereafter		84,996

Note 8. Postretirement Benefits

Pension plans

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

The cost of our pension plans are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2021	2020	2021	2020
Service cost for benefits earned	$ 13,260	$ 10,873	$ 39,780	$ 32,620
Interest cost on benefits obligation	9,206	9,395	27,618	28,184
Expected return on plan assets	(12,569)	(12,353)	(37,706)	(37,059)
Prior service cost amortization	357	336	1,071	1,007
Net actuarial loss amortization	4,027	3,031	12,080	9,093
Pension plan cost (1)	$ 14,281	$ 11,282	$ 42,843	$ 33,845

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

Note 9. Income Taxes

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. For the three months ended September 30, 2021 and 2020, our effective tax rate was 20.9% and 20.1%, respectively, and for the nine months ended September 30, 2021 and 2020, our effective tax rate was 20.8% and 20.6%, 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 nine months ended September 30, 2021 and the year ended December 31, 2020. There is no provision for conversion of Class A shares to Class B shares, and Class B shares surrendered for conversion cannot be reissued.

Stock repurchases

In 2011, our Board of Directors approved a continuation of the current stock repurchase program of $150 million, with no time limitation. There were no shares repurchased under this program during the nine months ended September 30, 2021 and the year ended December 31, 2020. We had approximately $17.8 million of repurchase authority remaining under this program at September 30, 2021.

Note 11. Accumulated Other Comprehensive Income (Loss)

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

	Three months ended September 30, 2021			Three months ended September 30, 2020		
(in thousands)	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Investment securities:						
AOCI, beginning of period	$ 21,693	$ 4,556	$ 17,137	$ 12,265	$ 2,575	$ 9,690
OCI (loss) before reclassifications	(2,557)	(537)	(2,020)	7,792	1,636	6,156
Realized investment gains	(2,189)	(459)	(1,730)	(137)	(28)	(109)
Impairment losses	23	5	18	122	26	96
OCI (loss)	(4,723)	(991)	(3,732)	7,777	1,634	6,143
AOCI, end of period	$ 16,970	$ 3,565	$ 13,405	$ 20,042	$ 4,209	$ 15,833
Pension and other postretirement plans:						
AOCI (loss), beginning of period	$ (119,533)	$ (25,103)	$ (94,430)	$ (146,866)	$ (30,843)	$ (116,023)
Amortization of prior service costs	357	75	282	335	70	265
Amortization of net actuarial loss	4,027	846	3,181	3,031	637	2,394
OCI	4,384	921	3,463	3,366	707	2,659
AOCI (loss), end of period	$ (115,149)	$ (24,182)	$ (90,967)	$ (143,500)	$ (30,136)	$ (113,364)
Total						
AOCI (loss), beginning of period	$ (97,840)	$ (20,547)	$ (77,293)	$ (134,601)	$ (28,268)	$ (106,333)
Investment securities	(4,723)	(991)	(3,732)	7,777	1,634	6,143
Pension and other postretirement plans	4,384	921	3,463	3,366	707	2,659
OCI (loss)	(339)	(70)	(269)	11,143	2,341	8,802
AOCI (loss), end of period	$ (98,179)	$ (20,617)	$ (77,562)	$ (123,458)	$ (25,927)	$ (97,531)

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
(in thousands)	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Investment securities:						
AOCI, beginning of period	$ 29,384	$ 6,171	$ 23,213	$ 5,664	$ 1,189	$ 4,475
OCI (loss) before reclassifications	(8,282)	(1,739)	(6,543)	12,463	2,617	9,846
Realized investment gains	(4,069)	(854)	(3,215)	(1,107)	(232)	(875)
Impairment (recoveries) losses	(63)	(13)	(50)	3,022	635	2,387
OCI (loss)	(12,414)	(2,606)	(9,808)	14,378	3,020	11,358
AOCI, end of period	$ 16,970	$ 3,565	$ 13,405	$ 20,042	$ 4,209	$ 15,833
Pension and other postretirement plans:						
AOCI (loss), beginning of period	$ (128,300)	$ (26,944)	$ (101,356)	$ (153,600)	$ (32,257)	$ (121,343)
Amortization of prior service costs	1,071	225	846	1,007	211	796
Amortization of net actuarial loss	12,080	2,537	9,543	9,093	1,910	7,183
OCI	13,151	2,762	10,389	10,100	2,121	7,979
AOCI (loss), end of period	$ (115,149)	$ (24,182)	$ (90,967)	$ (143,500)	$ (30,136)	$ (113,364)
Total						
AOCI (loss), beginning of period	$ (98,916)	$ (20,773)	$ (78,143)	$ (147,936)	$ (31,068)	$ (116,868)
Investment securities	(12,414)	(2,606)	(9,808)	14,378	3,020	11,358
Pension and other postretirement plans	13,151	2,762	10,389	10,100	2,121	7,979
OCI	737	156	581	24,478	5,141	19,337
AOCI (loss), end of period	$ (98,179)	$ (20,617)	$ (77,562)	$ (123,458)	$ (25,927)	$ (97,531)

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 $503.4 million and $494.6 million at September 30, 2021 and December 31, 2020, respectively, which includes a current expected credit loss allowance of $0.6 million in both periods.

Note 13. Commitments and Contingencies

In 2020, we entered into an agreement with a bank for the establishment of a loan participation program for agent loans. The maximum amount of loans to be funded through this program is $100 million. We have committed to fund a minimum of 30% of each loan executed through this program. As of September 30, 2021, the total loans executed under this agreement totaled $25.8 million, of which our portion of the loans is $9.6 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 September 30, 2021, our maximum potential amount of future payments on the guaranteed portion is $3.0 million. All loan payments under the participation program are current as of September 30, 2021.

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

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

Note 14. Subsequent Events

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

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:
Statements contained herein that are not historical fact are forward-looking statements and, as such, are subject to risks and uncertainties that could cause actual events and results to differ, perhaps materially, from those discussed herein. Forward-looking statements relate to future trends, events or results and include, without limitation, statements and assumptions on which such statements are based that are related to our plans, strategies, objectives, expectations, intentions, and adequacy of resources. Examples of forward-looking statements are discussions relating to premium and investment income, expenses, operating results, and compliance with contractual and regulatory requirements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Among the risks and uncertainties, in addition to those set forth in our filings with the Securities and Exchange Commission, that could cause actual results and future events to differ from those set forth or contemplated in the forward-looking statements include the following:

- dependence upon our relationship with the Erie Insurance Exchange ("Exchange") and the management fee under the agreement with the subscribers at the Exchange;
- dependence upon our relationship with the Exchange and the growth of the Exchange, including:
    - general business and economic conditions;
    - factors affecting insurance industry competition;
    - dependence upon the independent agency system; and
    - ability to maintain our reputation for customer service;
- dependence upon our relationship with the Exchange and the financial condition of the Exchange, including:
    - the Exchange's ability to maintain acceptable financial strength ratings;
    - factors affecting the quality and liquidity of the Exchange's investment portfolio;
    - changes in government regulation of the insurance industry;
    - litigation and regulatory actions;
    - emerging claims and coverage issues in the industry; and
    - severe weather conditions or other catastrophic losses, including terrorism;
- potential impacts of the COVID-19 pandemic on the growth and financial condition of the Exchange;
- costs of providing policy issuance and renewal services to the Exchange under the subscriber's agreement;
- ability to attract and retain talented management and employees;
- ability to ensure system availability and effectively manage technology initiatives;
- difficulties with technology or data security breaches, including cyber attacks;
- ability to maintain uninterrupted business operations;
- outcome of pending and potential litigation;
- potential impacts of the COVID-19 pandemic on our operations, the business operations of our customers and/or independent agents, or our third-party vendor operations;

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

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

OPERATING OVERVIEW

Overview

We serve as the attorney-in-fact for the subscribers (policyholders) at the Exchange, a reciprocal insurer that writes property and casualty insurance. Our primary function as attorney-in-fact is to perform policy issuance and renewal services on behalf of the subscribers at the Exchange. We also act as attorney-in-fact on behalf of the Exchange, as well as the service provider for its insurance subsidiaries, with respect to all administrative services.

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

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

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

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

Coronavirus ("COVID-19") pandemic

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

The impact the COVID-19 pandemic has on the premiums written by the Exchange, our sole customer, affects our management fee revenue. The uncertainty of the ongoing impacts of the COVID-19 pandemic will likely continue until such time as the spread of the virus is contained. In response to reduced driving conditions in 2020 resulting from the COVID-19 pandemic, the Exchange implemented $200 million in personal and commercial auto rate reductions on policies written between July 1, 2020 and June 30, 2021. For the nine months ended September 30, 2021, these rate reductions resulted in a decrease to Exchange's written premiums of approximately $110 million and a corresponding decrease in our management fee revenue of approximately $28 million. There may also be other market and/or regulatory pressures that could impact the Exchange's operations. While financial markets remained generally strong in the first nine months of 2021, we could experience future losses and/or impairments to the portfolio if future development of the pandemic impacts market conditions. Additionally, we continued to incur increased agent incentive costs as claim frequency, while increasing in 2021, remains lower than pre-pandemic levels resulting in improved agent profitability the first nine months of 2021. We have provided additional disclosure of these impacted areas throughout our Management's Discussion and Analysis that follows. A broader discussion of the potential future impacts has also been disclosed in Financial Condition and Liquidity and Capital Resources contained within this report, as well as Part I. Item 1A. "Risk Factors" related to COVID-19 as included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

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

While we were not required to close our physical locations under the state mandated closure of nonessential services, out of concern for the health and safety of our employees, over 90% of our workforce has been working remote since March 2020. We have had no significant interruption to our core business processes or systems to date. We have had no significant changes to our financial close or reporting processes or related internal controls, nor do we anticipate any significant future challenges at this time. We have a dedicated team responsible for the development and implementation of a return to office plan. We began returning some employees to our offices in July 2021, but paused as a result of the national increase in infections. We plan to resume returning employees to our offices in phases when we consider it appropriate.

Financial Overview

(dollars in thousands, except per share data)	Three months ended September 30, 2021	2020	% Change	Nine months ended September 30, 2021	2020	% Change
	(Unaudited)			(Unaudited)		
Operating income	$ 95,103	$ 96,225	(1.2) %	$ 256,263	$ 273,105	(6.2) %
Total investment income	20,598	16,438	25.3	55,004	18,796	NM
Interest expense, net	1,034	3	NM	3,082	8	NM
Other expense	541	964	(43.7)	1,608	1,588	1.3
Income before income taxes	114,126	111,696	2.2	306,577	290,305	5.6
Income tax expense	23,903	22,480	6.3	63,759	59,786	6.6
Net income	$ 90,223	$ 89,216	1.1 %	$ 242,818	$ 230,519	5.3 %
Net income per share – diluted	$ 1.72	$ 1.71	1.1 %	$ 4.64	$ 4.41	5.3 %

NM = not meaningful

Operating income decreased in both the third quarter and nine months ended September 30, 2021, compared to the same periods in 2020, as growth in operating expenses outpaced the growth in operating revenues. Management fee revenue for policy issuance and renewal services increased 4.2% to $504.9 million in the third quarter of 2021 and 3.6% to $1.5 billion for the nine months ended September 30, 2021, respectively. Management fee revenue is based upon the management fee rate we charge, and the direct and affiliated assumed premiums written by the Exchange. The management fee rate was 25% for both 2021 and 2020. The direct and affiliated assumed premiums written by the Exchange increased 3.8% to $2.1 billion in the third quarter of 2021 and increased 3.0% to $6.0 billion for the nine months ended September 30, 2021 compared to the same periods in 2020.

Cost of operations for policy issuance and renewal services increased 5.1% to $430.3 million and 5.5% to $1.3 billion in the third quarter and nine months ended September 30, 2021, compared to the same periods in 2020, due to higher commissions driven by direct and affiliated assumed written premium growth, technology investments and personnel costs.

Management fee revenue for administrative services decreased 2.9% to $14.5 million and 1.1% to $44.0 million in the third quarter and nine months ended September 30, 2021, compared to the same periods in 2020. The administrative services reimbursement revenue and corresponding cost of operations increased both total operating revenue and total operating expenses by $162.4 million in the third quarter of 2021 and $473.1 million for the nine months ended September 30, 2021, but had no net impact on operating income.

Total investment income increased $4.2 million and $36.2 million in the third quarter and nine months ended September 30, 2021, compared to the same periods in 2020. The results from both periods were primarily due to increases in net investment income which were driven by favorable results in our limited partnership portfolio.

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. As the COVID-19 pandemic continues to evolve, the extent and duration of the impacts to economic conditions remain uncertain. See Financial Condition and Liquidity and Capital Resources contained within this report, as well as Part I. Item 1A. "Risk Factors" related to COVID-19 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021 for a discussion of the potential impacts of the COVID-19 pandemic on our operations.

Financial market volatility

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

RESULTS OF OPERATIONS

Management fee revenue

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

The management fee is calculated by multiplying all direct and affiliated assumed premiums written by the Exchange by the management fee rate, which is determined by our Board of Directors at least annually. The management fee rate was set at 25%, the maximum rate, for both 2021 and 2020. Changes in the management fee rate can affect our revenue and net income significantly. The transaction price, including management fee revenue and administrative service reimbursement revenue, 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 current transaction price allocation review resulted in a minor change in the allocation percentages between the two performance obligations. The change in allocation will not have a material impact on our financial statements.

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

(dollars in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	% Change	Nine months ended September 30, 2021	Nine months ended September 30, 2020	% Change
	(Unaudited)			(Unaudited)		
Policy issuance and renewal services						
Direct and affiliated assumed premiums written by the Exchange	$ 2,075,745	$ 1,999,074	3.8 %	$ 6,024,484	$ 5,849,505	3.0 %
Management fee rate	24.3 %	24.2 %		24.3 %	24.2 %	
Management fee revenue	504,406	483,776	4.3	1,463,950	1,415,580	3.4
Change in estimate for management fee returned on cancelled policies (1)	485	775	(37.2)	(1,070)	(3,484)	69.3
Management fee revenue - policy issuance and renewal services	$ 504,891	$ 484,551	4.2 %	$ 1,462,880	$ 1,412,096	3.6 %
Administrative services						
Direct and affiliated assumed premiums written by the Exchange	$ 2,075,745	$ 1,999,074	3.8 %	$ 6,024,484	$ 5,849,505	3.0 %
Management fee rate	0.7 %	0.8 %		0.7 %	0.8 %	
Management fee revenue	14,530	15,993	(9.1)	42,171	46,796	(9.9)
Change in contract liability (2)	(67)	(1,064)	93.6	1,808	(2,247)	NM
Change in estimate for management fee returned on cancelled policies (1)	8	(19)	NM	6	(55)	NM
Management fee revenue - administrative services	14,471	14,910	(2.9)	43,985	44,494	(1.1)
Administrative services reimbursement revenue	162,410	147,710	10.0	473,133	451,229	4.9
Total revenue from administrative services	$ 176,881	$ 162,620	8.8 %	$ 517,118	$ 495,723	4.3 %

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 3.8% to $2.1 billion in the third quarter of 2021 compared to the third quarter of 2020, primarily driven by increases in homeowners and commercial multi-peril premiums written. Year-over-year policies in force for all lines of business increased 3.2% in the third quarter of 2021 compared to 1.7% in the third quarter of 2020. The year-over-year average premium per policy for all lines of business decreased 0.7% at September 30, 2021 compared to an increase of 0.8% at September 30, 2020. The year-over-year average premium per policy at September 30, 2021 was impacted by the rate reductions for our 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.

Premiums generated from new business decreased 2.4% to $239 million in the third quarter of 2021. While year-over-year average premium per policy on new business increased 2.0% at September 30, 2021, new business policies written decreased 8.9% in the third quarter of 2021. Premiums generated from new business increased 10.4% to $244 million in the third quarter of 2020. While year-over-year average premium per policy on new business decreased 4.6% at September 30, 2020, new business policies written increased 19.7% in the third quarter of 2020. Premiums generated from renewal business increased 4.7% to $1.8 billion in the third quarter of 2021 compared to the third quarter of 2020. Underlying the trend in renewal business premiums was steady policy retention ratios, partially offset by a 1.0% decrease in year-over-year average premium per policy at September 30, 2021, compared to an increase of 1.5% at September 30, 2020.

Personal lines – Total personal lines premiums written increased 2.6% to $1.5 billion in the third quarter of 2021, compared to 1.8% in the third quarter of 2020. While total personal lines year-over-year average premium per policy decreased 1.5% at September 30, 2021, total personal lines policies in force increased 3.1% in the third quarter of 2021.

Commercial lines – Total commercial lines premiums written increased 7.2% to $582 million in the third quarter of 2021, compared to 2.5% in the third quarter of 2020, driven by a 3.7% increase in total commercial lines policies in force and a 0.9% increase in total commercial lines year-over-year average premium per policy.

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 COVID-19 pandemic, including potential regulatory changes and inflationary trends, among others. Longer-term, increased driving activity may result in future rate increases due to higher claims frequencies and severity. See also Part I. Item 1A. "Risk Factors" related to COVID-19 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

Policy issuance and renewal services

(dollars in thousands)	Three months ended September 30, 2021	2020	% Change	Nine months ended September 30, 2021	2020	% Change
	(Unaudited)			(Unaudited)		
Management fee revenue - policy issuance and renewal services	$ 504,891	$ 484,551	4.2 %	$ 1,462,880	$ 1,412,096	3.6 %
Service agreement revenue	6,067	6,310	(3.9)	18,048	19,418	(7.1)
	510,958	490,861	4.1	1,480,928	1,431,514	3.5
Cost of policy issuance and renewal services	430,326	409,546	5.1	1,268,650	1,202,903	5.5
Operating income - policy issuance and renewal services	$ 80,632	$ 81,315	(0.8) %	$ 212,278	$ 228,611	(7.1) %

Policy issuance and renewal services

The management fee revenue allocated for providing policy issuance and renewal services was 24.3% and 24.2% of the direct and affiliated assumed premiums written by the Exchange for both the three and nine months ended September 30, 2021 and 2020, respectively. This portion of the management fee is recognized as revenue when the policy is issued or renewed because it is at that time that the services we provide are substantially complete and the executed insurance policy is transferred to the customer. The increase in management fee revenue for policy issuance and renewal services was driven by the increase in the direct and affiliated assumed premiums written by the Exchange discussed previously.

Service agreement revenue

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

Cost of policy issuance and renewal services

(dollars in thousands)	Three months ended September 30, 2021	2020	% Change	Nine months ended September 30, 2021	2020	% Change
	(Unaudited)			(Unaudited)		
Commissions:						
Total commissions	$ 288,046	$ 273,184	5.4 %	$ 842,647	$ 803,658	4.9 %
Non-commission expense:						
Underwriting and policy processing	$ 40,731	$ 40,674	0.1 %	$ 124,500	$ 121,917	2.1 %
Information technology	46,693	42,940	8.7	139,174	128,253	8.5
Sales and advertising	13,422	12,111	10.8	38,955	39,356	(1.0)
Customer service	8,980	8,650	3.8	26,909	25,860	4.1
Administrative and other	32,454	31,987	1.5	96,465	83,859	15.0
Total non-commission expense	142,280	136,362	4.3	426,003	399,245	6.7
Total cost of policy issuance and renewal services	$ 430,326	$ 409,546	5.1 %	$ 1,268,650	$ 1,202,903	5.5 %

Commissions – Commissions increased $14.9 million in the third quarter of 2021 and $39.0 million for the nine months ended September 30, 2021 compared to the same periods in 2020, primarily driven by the growth in direct and affiliated assumed written premium, primarily in lines of business that pay a higher commission rate. To a lesser extent, there was also an increase in agent incentive compensation for the third quarter and nine months ended September 30, 2021 compared to the third quarter and nine months ending September 30, 2020. The estimated agent incentive payouts at September 30, 2021 are based on actual underwriting results for the two prior years and current year-to-date actual results and forecasted results for the remainder of 2021. For the nine months ended September 30, 2020, lower claims frequency and related loss expense due to the COVID-19 pandemic impacted agent compensation related to the profitability component.

Non-commission expense – Non-commission expense increased $5.9 million in the third quarter of 2021 compared to the third quarter of 2020. Information technology costs increased $3.8 million primarily due to increased hardware and software costs as well as increased personnel costs. Sales and advertising increased $1.3 million primarily due to personnel costs. Administrative and other costs increased $0.5 million primarily driven by increased building and equipment depreciation compared to the same period in 2020. Personnel costs in all expense categories for the third quarter of 2021 were impacted by higher medical costs compared to the prior year as the COVID-19 pandemic reduced elective procedures in 2020 and higher incentive plan award accruals due to increased direct written premium growth.

Non-commission expense increased $26.8 million in the nine months ended September 30, 2021 compared to the same period of 2020. Underwriting and policy processing expense increased $2.6 million primarily due to increased personnel costs and underwriting report costs. Information technology costs increased $10.9 million primarily due to increased hardware and software costs and personnel costs. Administrative and other costs increased $12.6 million primarily driven by increased building and equipment depreciation, professional fees and personnel costs compared to the same period in 2020. Personnel costs in all expense categories were impacted by higher medical costs compared to the prior year as the COVID-19 pandemic reduced elective procedures in 2020 and higher incentive plan award accruals due to increased direct written premium growth.

Administrative services

	Three months ended September 30,			Nine months ended September 30,		
(dollars in thousands)	2021	2020	% Change	2021	2020	% Change
	(Unaudited)			(Unaudited)		
Management fee revenue - administrative services	$ 14,471	$ 14,910	(2.9) %	$ 43,985	$ 44,494	(1.1) %
Administrative services reimbursement revenue	162,410	147,710	10.0	473,133	451,229	4.9
Total revenue allocated to administrative services	176,881	162,620	8.8	517,118	495,723	4.3
Administrative services expenses						
Claims handling services	140,100	127,055	10.3	407,762	390,832	4.3
Investment management services	9,884	9,373	5.4	29,287	26,783	9.3
Life management services	12,426	11,282	10.1	36,084	33,614	7.3
Operating income - administrative services	$ 14,471	$ 14,910	(2.9) %	$ 43,985	$ 44,494	(1.1) %

Administrative services

The management fee revenue allocated to administrative services was 0.7% and 0.8% of the direct and affiliated assumed premiums written by the Exchange for both the three and nine months ended September 30, 2021 and 2020, respectively. 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 September 30, 2021	Three months ended September 30, 2020	% Change	Nine months ended September 30, 2021	Nine months ended September 30, 2020	% Change
	(Unaudited)			(Unaudited)		
Net investment income	$ 18,858	$ 10,645	77.2 %	$ 49,605	$ 20,353	NM
Net realized investment gains	1,610	5,915	(72.8) %	5,183	1,635	NM
Net impairment recoveries (losses) recognized in earnings	130	(122)	NM	216	(3,192)	NM
Total investment income	$ 20,598	$ 16,438	25.3 %	$ 55,004	$ 18,796	NM

NM = not meaningful

Net investment income

Net investment income includes interest and dividends on our fixed maturity and equity security portfolios and the results of our limited partnership investments, net of investment expenses. Net investment income increased $8.2 million in the third quarter of 2021 and $29.3 million for the nine months ended September 30, 2021, compared to the same periods in 2020. The results from both periods were primarily due to equity in earnings of limited partnerships of $11.5 million and $26.7 million for the three and nine months ended September 30, 2021, respectively, compared to equity in earnings of limited partnerships of $3.6 million and equity in losses of limited partnerships $2.4 million, respectively, for the same periods in 2020. We have made no new limited partnership commitments since 2006, and the balance of limited partnership investments is expected to decline over time as additional distributions are received.

Net realized investment gains (losses)

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

(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
	(Unaudited)		(Unaudited)	
Securities sold:				
Available-for-sale securities	$ 2,189	$ 137	$ 4,069	$ 1,107
Equity securities	(267)	1,796	5	(1,009)
Equity securities change in fair value	(312)	3,981	1,108	1,534
Miscellaneous	0	1	1	3
Net realized investment gains	$ 1,610	$ 5,915	$ 5,183	$ 1,635

Net realized gains during the three and nine months ended September 30, 2021 were primarily due to disposals of available-for-sale securities. Net realized gains during the three and nine months ended September 30, 2020 were primarily due to market value adjustments on equity securities.

Net impairment recoveries (losses) recognized in earnings

Net impairment recoveries during the three and nine months ended September 30, 2021 were primarily a result of the change in the current expected credit loss allowance related to our agent loans. Net impairment losses for the nine months ended September 30, 2020 were primarily due to the COVID-19 pandemic's impact on financial markets on our available-for-sale securities.

Financial condition of Erie Insurance Exchange

Serving in the capacity of attorney-in-fact for the Exchange, we are dependent on the growth and financial condition of the Exchange, who is our sole customer. The strength of the Exchange and its wholly owned subsidiaries is rated annually by A.M. Best Company through assessing its financial stability and ability to pay claims. The ratings are generally based upon factors relevant to policyholders and are not directed toward return to investors. The Exchange and each of its property and casualty subsidiaries are rated A+ "Superior", the second highest financial strength rating, which is assigned to companies that have achieved superior overall performance when compared to the standards established by A.M. Best and have a superior ability to meet obligations to policyholders over the long term. On July 27, 2021, the outlook for the financial strength rating was affirmed as stable. As of December 31, 2020, only approximately 12% of insurance groups, in which the Exchange is included, are rated A+ or higher.

The financial statements of the Exchange are prepared in accordance with statutory accounting principles prescribed by the Commonwealth of Pennsylvania. Financial statements prepared under statutory accounting principles focus on the solvency of the insurer and generally provide a more conservative approach than under U.S. generally accepted accounting principles. Statutory direct written premiums of the Exchange and its wholly owned property and casualty subsidiaries grew 3.0% to $6.0 billion in the first nine months of 2021 compared to the first nine months of 2020. These premiums, along with investment income, are the major sources of cash that support the operations of the Exchange. Policyholders’ surplus determined under statutory accounting principles was $11.7 billion at September 30, 2021, $10.7 billion at December 31, 2020, and $10.0 billion at September 30, 2020. The Exchange and its wholly owned property and casualty subsidiaries' year-over-year policy retention ratio continues to be high at 90.0% at September 30, 2021 and 89.9% at both December 31, 2020 and September 30, 2020.

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

FINANCIAL CONDITION

Investments

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

(dollars in thousands)	September 30, 2021 (Unaudited)	% to total	December 31, 2020	% to total
Fixed maturities	$ 937,504	83 %	$ 928,236	84 %
Equity securities:				
Preferred stock	86,270	8	94,071	9
Common stock	10	0	19	0
Agent loans (1)	67,789	6	69,212	6
Other investments	40,009	3	14,325	1
Total investments	$ 1,131,582	100 %	$ 1,105,863	100 %

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

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 gains on fixed maturities, net of deferred taxes, totaled $13.5 million at September 30, 2021, compared to net unrealized gains of $23.3 million at December 31, 2020.

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

(in thousands)	September 30, 2021 (1) (Unaudited)					
	AAA	AA	A	BBB	Non-investment grade	Fair value
Basic materials	$ 0	$ 0	$ 3,206	$ 0	$ 8,930	$ 12,136
Communications	0	8,742	8,456	17,550	18,715	53,463
Consumer	0	3,180	20,079	69,040	42,643	134,942
Diversified	0	0	0	1,033	1,004	2,037
Energy	0	4,160	7,835	18,554	11,863	42,412
Financial	0	1,015	67,054	113,215	16,850	198,134
Industrial	0	0	10,009	16,435	24,128	50,572
Structured securities (2)	151,952	164,822	30,168	16,846	0	363,788
Technology	5,213	0	7,814	22,137	13,317	48,481
U.S. Treasury	0	5,749	0	0	0	5,749
Utilities	0	0	3,800	17,045	4,945	25,790
Total	$ 157,165	$ 187,668	$ 158,421	$ 291,855	$ 142,395	$ 937,504

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

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

Equity securities

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

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

(in thousands)	September 30, 2021		December 31, 2020	
	Preferred stock	Common stock	Preferred stock	Common stock
	(Unaudited)			
Communications	$ 1,013	$ 0	$ 2,699	$ 0
Consumer	2,218	0	3,068	0
Energy	5,306	10	2,187	19
Financial services	70,432	0	76,575	0
Industrial	255	0	800	0
Utilities	7,046	0	8,742	0
Total	$ 86,270	$ 10	$ 94,071	$ 19

LIQUIDITY AND CAPITAL RESOURCES

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

Sources and Uses of Cash

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

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

Cash flow activities

The following table provides condensed cash flow information for the nine months ended September 30:

(in thousands)	2021	2020
	(Unaudited)	(Unaudited)
Net cash provided by operating activities	$ 264,038	$ 234,478
Net cash used in investing activities	(43,158)	(218,571)
Net cash used in financing activities	(146,124)	(136,291)
Net increase (decrease) in cash and cash equivalents	$ 74,756	$ (120,384)

Net cash provided by operating activities was $264.0 million in the first nine months of 2021, compared to $234.5 million in the first nine months of 2020. Increased cash provided by operating activities in the first nine months of 2021 was primarily due to an increase in management fees received driven by growth in direct and affiliated assumed premiums written by the Exchange of $62.3 million and an increase in administrative service reimbursements received of $39.3 million. Partially offsetting the increase in cash provided by operating activities was an increase in cash paid for agent commissions of $30.0 million, due to higher scheduled commission driven by premium growth, an increase in agent bonuses of $15.5 million and increases in administrative services expenses paid of $31.0 million, in the first nine months of 2021 compared to the same period in 2020.

Net cash used in investing activities was $43.2 million in the first nine months of 2021, compared to $218.6 million in the same period in 2020. In the first nine months of 2021, net cash used in investing activities was primarily driven by fixed asset purchases, as purchases of investments were offset by proceeds from sales and maturities/calls of investments. Net cash used in investing activities in the first nine months of 2020 was primarily due to purchases of available-for-sale securities exceeding the proceeds generated from investment sales and maturities/calls of available-for-sale securities.

Net cash used in financing activities totaled $146.1 million in the first nine months of 2021, compared to $136.3 million in the first nine months of 2020. The increase in cash used in the first nine months of 2021, compared to the same period in 2020, was due to dividends paid to shareholders. We increased both our Class A and Class B shareholder regular quarterly dividends by 7.3% for 2021, compared to 2020. There are no regulatory restrictions on the payment of dividends to our shareholders.

There were no repurchases of our Class A nonvoting common stock in the first nine months of 2021 and 2020 in conjunction with our stock repurchase program. In 2011, our Board of Directors approved a continuation of the current stock repurchase program of $150 million with no time limitation. This repurchase authority includes, and is not in addition to, any unspent amounts remaining under the prior authorization. We had approximately $17.8 million of repurchase authority remaining under this program at September 30, 2021, based upon trade date.

During the nine months ended September 30, 2021, we purchased 25,065 shares of our outstanding Class A nonvoting common stock outside of our publicly announced share repurchase program at a total cost of $5.0 million. Of this amount, we purchased 978 shares for $0.2 million, or $242.01 per share, for stock-based awards in conjunction with our equity compensation plan. We purchased 3,939 shares for $0.8 million, or $212.69 per share, to fund the rabbi trust for the outside director deferred stock compensation plan. The remaining 20,148 shares were purchased at a total cost of $4.0 million, or $196.25 per share, to fund the rabbi trust for the incentive compensation deferral plan. All shares were delivered as of September 30, 2021.

During the nine months ended September 30, 2020, we purchased 28,155 shares of our outstanding Class A nonvoting common stock outside of our publicly announced share repurchase program at a total cost of $5.0 million. Of this amount, we purchased 1,787 shares for $0.3 million, or $165.82 per share, for stock-based awards in conjunction with our equity compensation plan. We purchased 4,785 shares for $0.9 million, or $178.98 per share, to fund the rabbi trust for the outside director deferred stock compensation plan. The remaining 21,583 shares were purchased at a total cost of $3.8 million, or $178.62 per share, to fund the rabbi trust for the incentive compensation deferral plan. All shares were delivered as of September 30, 2020.

Capital Outlook

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

Outside of our normal operating and investing cash activities, future funding requirements could be met through: 1) cash and cash equivalents, which total approximately $236.0 million at September 30, 2021, 2) a $100 million bank revolving line of credit, and 3) liquidation of unpledged assets held in our investment portfolio, including preferred stock and investment grade bonds, which totaled approximately $644.2 million at September 30, 2021. Volatility in the financial markets could impair our ability to sell certain fixed income securities or cause such securities to sell at deep discounts. Additionally, we have the ability to curtail or modify discretionary cash outlays such as those related to shareholder dividends and share repurchase activities.

As of September 30, 2021, we have access to a $100 million bank revolving line of credit with a $25 million letter of credit sublimit that expires on October 30, 2023. As of September 30, 2021, a total of $99.1 million remains available under the facility due to $0.9 million outstanding letters of credit, which reduce the availability for letters of credit to $24.1 million. We had no borrowings outstanding on our line of credit as of September 30, 2021. Investments with a fair value of $122.6 million were pledged as collateral on the line at September 30, 2021. The investments pledged as collateral have no trading restrictions and are reported as available-for-sale securities and cash and cash equivalents in the Statements of Financial Position. The banks require compliance with certain covenants, which include leverage ratios and debt restrictions. We were in compliance with our bank covenants at September 30, 2021.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-balance sheet arrangements include those with unconsolidated entities that may have a material current or future effect on our financial condition or results of operations, including material variable interests in unconsolidated entities that conduct certain activities. We have no material off-balance sheet obligations. As of September 30, 2021, there were no material changes to our future contractual obligations as previously reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the Securities and Exchange Commission on February 25, 2021.

CRITICAL ACCOUNTING ESTIMATES

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Significant volatility was seen in the global financial markets at the onset of the COVID-19 pandemic and pandemic related events may create future volatility; however, there have been no material changes that impact our portfolio or reshape our periodic investment reviews of asset allocations during the nine months ended September 30, 2021. For a recent discussion of conditions surrounding our investment portfolio, see the "Operating Overview", "Results of Operations", and "Financial Condition" discussions contained in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this report.

ITEM 4. CONTROLS AND PROCEDURES

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

Our management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, any change in our internal control over financial reporting and determined there has been no change in our internal control over financial reporting during the nine months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

Issuer Purchases of Equity Securities

In 2011, our Board of Directors approved a continuation of the current stock repurchase program, authorizing repurchases for a total of $150 million with no time limitation. This repurchase authority included, and was not in addition to, any unspent amounts remaining under the prior authorization. There were no repurchases of our Class A common stock under this program during the nine months ending September 30, 2021. We had approximately $17.8 million of repurchase authority remaining under this program at September 30, 2021.

During the quarter ending September 30, 2021, we purchased 1,507 shares of our outstanding Class A nonvoting common stock outside of our publicly announced share repurchase program at a total cost of $0.3 million. We purchased 171 shares for $0.1 million, or $184.70 per share, in August 2021 to fund the rabbi trust for the incentive compensation deferral plan. The shares were transferred to the rabbi trust in August 2021. The remaining 1,336 shares were purchased in August 2021 at a total cost of $0.2 million, or $184.70 per share, to fund the rabbi trust for the outside director deferred stock compensation plan. The shares were transferred to the rabbi trust in August 2021.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
10.1*	Eleventh Amendment to Erie Insurance Group Retirement Plan for Employees (As Amended and Restated Effective December 31, 2014), dated July 7, 2021.
10.2*	Eighth Amendment to Erie Insurance Group Employee Savings Plan (As Amended and Restated Effective January 01, 2015), dated July 15, 2021.
10.3*	Agreement of Lease between Erie Insurance Exchange and Erie Indemnity Company for the Erie Insurance Home Office Campus, dated July 1, 2021.
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: October 28, 2021

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

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

ELEVENTH AMENDMENT TO
ERIE INSURANCE GROUP
RETIREMENT PLAN FOR EMPLOYEES

(As Amended and Restated effective December 31, 2014)

WHEREAS, Erie Indemnity Company (the "Company") maintains the Erie Insurance Group Retirement Plan for Employees (the "Plan") under an amendment and restatement effective December 31, 2014;

WHEREAS, the Plan provides that the Company may amend the Plan; and

WHEREAS, the Company wishes to amend the Plan to provide certain participants who terminated employment with the Company during the plan year beginning December 31, 2018 or the plan year beginning December 31, 2019 with deferred retirement and vested pension benefits, an ability to receive Plan benefits in the form of a lump sum during a prescribed period in 2021, and to offer a similar option to certain surviving spouses with Plan interests related to such a participant.

NOW, THEREFORE, effective July 8, 2021, the Company hereby amends the Plan as follows:

Article VII of the Plan is amended by adding a new section to the end thereof to read as follows:

7.15 2021 Lump Sum Payment Option Window. During the limited period defined herein, a 2021 Qualifying Person (as defined below) may elect to receive the Plan interest maintained on his behalf under the conditions set forth in this Section 7.15. The provisions of this Section 7.15 shall be an alternative method by which a 2021 Qualifying Person may receive his Plan interest and does not change or eliminate payment options otherwise available to a 2021 Qualifying Person under Plan provisions other than this Section 7.15.

(a) Definitions. For purposes of this Section 7.15, the terms set forth below shall have the meanings set forth below.

(i) The term "2021 Designated Period" shall mean the period beginning on December 31, 2018 and ending on December 30, 2020.

(ii) The term "2021 Lump Sum Payment Option Window" shall mean the special election period during which a 2021 Qualifying Person may elect to receive payment or commence to receive payment of the Plan interest maintained on his behalf, even if such 2021 Qualifying Person has not satisfied the eligibility conditions that would otherwise be required to commence payment of such Plan interest (determined without regard to this Section 7.15). The 2021 Lump Sum Payment Option Window shall begin on July 8, 2021 and shall end on August 20, 2021 or such later date established by the Administrator in a uniform and nondiscriminatory manner.

(iii) The term “2021 Qualifying Person” shall mean an individual on whose behalf a benefit interest is maintained under the Plan and who satisfies (A), (B) and (C) below, as determined solely in the discretion of the Administrator:

(A) The individual is either:

(1) a Participant on whose behalf the Plan maintains a vested retirement benefit or deferred vested pension benefit and who satisfies each of the following:

(aa) has terminated employment with the Company and all Affiliates, for any reason other than death, during the 2021 Designated Period and who has not re-entered employment as an employee of the Company or an Affiliate; and

(bb) has not experienced an Annuity Starting Date or an actual or otherwise required beginning date under Section 7.10(b) of the Plan prior to the 2021 Window Election Commencement Date; or

(2) a surviving Spouse of a Participant who experiences his Date of Severance due to death during the 2021 Designated Period or of a Participant who both has terminated employment with the Company and all Affiliates during the 2021 Designated Period for a reason other than death and then dies before commencement and before the beginning of the 2021 Lump Sum Payment Option Window; and

(B) The actuarial equivalent present value of the vested Plan interest maintained on behalf of such individual, determined under this Section 7.15 as of the 2021 Window Election Commencement Date, is in excess of $5,000 and not in excess of $100,000; and

(C) As of the beginning of the 2021 Lump Sum Payment Option Window, or such other date of determination as determined by the Administrator, the individual’s Plan interest can reasonably be determined based on data available to the Administrator, the individual can be located by the Administrator after a diligent search and the individual has not commenced payment of his Plan interest under the provisions of the Plan other than this Section 7.15;

provided, however, that a 2021 Qualifying Person shall not include any individual whose participation in the 2021 Lump Sum Payment Option Window would administratively be impracticable, as the Administrator may advise the Company.

(iv) The term “2021 Section 417(e) Assumptions” shall mean the applicable interest rate promulgated by the Secretary of the Treasury under Section 417(e)(3)(C) of the Code for August 2020 and the mortality assumptions prescribed by the Secretary of the Treasury for the Plan Year beginning December 31, 2020 pursuant to Section 417(e)(3)(B) of the Code.

(v) The term “2021 Special Benefit Election” shall mean the written election made by a 2021 Qualifying Person, in accordance with such rules and procedures as the Administrator may apply, to receive or commence to receive his Plan interest under the terms of this Section 7.15. For a 2021 Special Benefit Election to be valid, the 2021 Special Benefit Election by any 2021 Qualifying Person who is a Participant must satisfy the requirements for spousal consent, if otherwise applicable under Section 7.6, the completed 2021 Special Benefit Election form must be signed and dated within the 2021 Lump Sum Payment Option Window and such election form must be received in good form by the Administrator or its delegate within an administratively feasible time period following the 2021 Lump Sum Payment Option Window, as determined by the Administrator. Notwithstanding the foregoing, any 2021 Qualifying Person who makes an election to receive payment or commence to receive payment pursuant to this Section 7.15 shall have the ability to revoke any such election by contacting the Administrator or its delegate on or before the 2021 Window Election Commencement Date in the means described in communications provided to the 2021 Qualifying Person.

(vi) The term “2021 Window Election Commencement Date” shall mean October 1, 2021, the date as of which any 2021 Qualifying Person who makes a valid 2021 Special Benefit Election (as determined by the Administrator) shall receive distribution of the Plan interest maintained on his behalf in the form of a lump sum or annuity (calculated as set forth below), although the actual payment may be delayed for administrative reasons.

(b) <u>Lump Sum Payment Determination</u>. For any 2021 Qualifying Person who makes a valid 2021 Special Benefit Election and elects to receive payment of the Plan interest maintained on his behalf in the form of a lump sum, the lump sum payment shall be determined as follows:

(i) Participants Otherwise Eligible for Immediate Commencement. With respect to a 2021 Qualifying Person who is a Participant and who is eligible for immediate commencement of payment as of the 2021 Window Election Commencement Date under the provisions of the Plan other than this Section 7.15, the lump sum payment shall be the greater of the actuarial equivalent present values of the following amounts, each determined by using the 2021 Section 417(e) Assumptions:

(A) the 2021 Qualifying Person's Plan interest, payable in the form of a single life annuity for the 2021 Qualifying Person's life, commencing as of the Normal Retirement Date of the Participant who is the 2021 Qualifying Person; and

(B) the 2021 Qualifying Person's Plan interest, payable in the form of a single life annuity for the 2021 Qualifying Person's life commencing as of the 2021 Window Election Commencement Date.

Notwithstanding the foregoing provisions, the lump sum payment with respect to a 2021 Qualifying Person who is a Participant and has attained Normal Retirement Date shall be the actuarial equivalent present value determined under subparagraph (b)(i)(A) above, increased by an amount equal to the product of such 2021 Qualifying Person's monthly normal retirement benefit and the number of months, if any, between such 2021 Qualifying Person's Normal Retirement Date and the 2021 Window Election Commencement Date.

(ii) Participants Not Otherwise Eligible for Immediate Commencement. With respect to a 2021 Qualifying Person who is a Participant and who is not eligible for immediate commencement of payment as of the 2021 Window Election Commencement Date under the provisions of the Plan other than this Section 7.15, the lump sum payment shall be the actuarial equivalent present value of the 2021 Qualifying Person's Plan interest, payable in the form of a single life annuity for the 2021 Qualifying Person's life, commencing as of the Normal Retirement Date of the Participant who is the 2021 Qualifying Person, determined by using the 2021 Section 417(e) Assumptions.

(iii) 2021 Qualifying Persons Who are Surviving Spouses. With respect to a 2021 Qualifying Person who is a surviving Spouse, the lump sum payment shall be the actuarial equivalent present value of such 2021 Qualifying Person's Plan interest, payable in the form of a survivor annuity commencing as of the earliest date commencement is permitted under Article VIII, determined by using the 2021 Section 417(e) Assumptions.

Any lump sum payment pursuant to this Section 7.15 shall fully settle the Plan's liability with respect to a 2021 Qualifying Person and no further benefit of any type shall be payable to, or on behalf of, such 2021 Qualifying Person hereunder with respect to the Plan interest paid as a lump sum.

(c) Immediate Annuity Payment. For any 2021 Qualifying Person who makes a valid 2021 Special Benefit Election and elects to receive payment of the Plan interest maintained on his behalf in a form other than a lump sum payment, the 2021 Qualifying Person shall be entitled to elect payment in an immediately commencing annuity in the following optional forms and determined in accordance with the following provisions:

(i) Participants Otherwise Eligible for Immediate Commencement. With respect to a 2021 Qualifying Person who is a Participant and who is eligible for immediate commencement of payment as of the 2021 Window Election Commencement Date under the provisions of the Plan other than this Section 7.15, such 2021 Qualifying Person's Plan interest shall be payable in one of the following optional annuity forms as such 2021 Qualifying Person may elect, and the following early reduction factors and actuarial factors shall apply in the determination of such payment:

(A) Forms. The optional forms from which such 2021 Qualifying Person may elect payment of his immediately commencing annuity shall be all of the annuity payment forms that would otherwise have been available to such 2021 Qualifying Person under the Plan had he made a valid election to commence payment of his Plan interest as of the 2021 Window Election Commencement Date (determined without regard to this Section 7.15).

(B) Reduction for Early Commencement and Actuarial Factors. To the extent otherwise applicable under the Plan, actuarial factors for determining the reduction of such 2021 Qualifying Person's Plan interest due to early commencement, and for determining actuarial equivalent benefits between available forms of annuity, shall be the factors that would have applied if such 2021 Qualifying Person had made a valid election to commence payment of his Plan interest, with a benefit commencement date of the 2021 Window Election Commencement Date, and had elected the same form of immediately commencing annuity elected by such 2021 Qualifying Person in his 2021 Special Benefit Election (all determined without regard to this Section 7.15).

(ii) Participants Not Otherwise Eligible for Immediate Commencement. With respect to a 2021 Qualifying Person who is a Participant and who is not eligible for immediate commencement of payment as of the 2021 Window Election Commencement Date under the provisions of the Plan other than this Section 7.15, such 2021 Qualifying Person's Plan interest shall be payable in one of the following optional annuity forms as such 2021 Qualifying Person may elect, and the following early reduction factors and actuarial factors shall apply in the determination of such payment:

(A) Forms. The optional forms from which such 2021 Qualifying Person may elect payment of his immediately commencing annuity shall be the Automatic Surviving Spouse's Pension described in Section 7.5 of the Plan, the 75% Joint and Survivor Option described in Section 7.7 with his Spouse as Beneficiary (provided, for both such options, such 2021 Qualifying Participant is married to a Spouse as of the 2021 Window Election Commencement Date) and the single life annuity described in Section 7.3 of the Plan.

(B) Early Reduction and Actuarial Factors. Actuarial factors for determining the reduction to be applied to such 2021 Qualifying Person's Plan interest payable at Normal Retirement Date to reflect early commencement, and for determining actuarial equivalent benefits between available forms of annuity, shall be based on the 2021 Section 417(e) Assumptions.

(iii) 2021 Qualifying Persons Who are Surviving Spouses. With respect to a 2021 Qualifying Person who is a surviving Spouse, such 2021 Qualifying Person may elect, in lieu of the lump sum benefit provided under subparagraph (b)(iii) above, to receive payment as a survivor annuity determined in accordance with Article VIII. If such 2021 Qualifying Person is not otherwise eligible to commence a survivor annuity as of the 2021 Window Election Commencement Date under Article VIII, such 2021 Qualifying Person may elect under this Section 7.15 to receive his Plan interest as a survivor annuity payable over such 2021 Qualifying Person's lifetime only, commencing as of the 2021 Window Election Commencement Date, which shall be the actuarial equivalent of such lump sum benefit determined by using the 2021 Section 417(e) Assumptions.

(d) Form and Validity of Elections. All 2021 Special Benefit Elections must be made in writing on a form and in a manner provided by the Administrator as set forth on such form, and must be received in good form by the Administrator or its delegate within an administratively feasible time period following the 2021 Lump Sum Payment Option

Window, as determined by the Administrator. The Administrator shall have the authority to determine the validity and sufficiency of any 2021 Special Benefit Election.

(e) Death of 2021 Qualifying Person After Valid Election and Before Commencement. Subject to the provisions of Article VIII, in the event a 2021 Qualifying Person who is a Participant and who has made a valid 2021 Special Benefit Election dies before the 2021 Window Election Commencement Date, the Participant's surviving Spouse shall be paid the lump sum to which such Participant was otherwise eligible under this Section 7.15 or, in lieu thereof, such Spouse may elect to receive a survivor annuity payable over such Spouse's lifetime only, commencing as of the 2021 Window Election Commencement Date, which shall be the actuarial equivalent of such lump sum benefit using the 2021 Section 417(e) Assumptions. If such deceased Participant has no surviving Spouse, the lump sum shall be paid to such Participant's estate. Any such payment shall be made as soon as administratively practicable following the 2021 Window Election Commencement Date. In the event a 2021 Qualifying Person who is a a surviving Spouse and who has made a valid 2021 Special Benefit Election dies before the 2021 Window Election Commencement Date, the 2021 Qualifying Person's 2021 Special Benefit Election shall become null and void and such 2021 Qualifying Person shall be entitled to such Plan interest as may be provided under the provisions of the Plan other than this Section 7.15.

(f) Administration. The Administrator shall have the authority to make and enforce all such rules and procedures as it deems necessary or proper for the administration of this Section 7.15.

* * * * * * *

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed this 7th day of July, 2021.

ERIE INDEMNITY COMPANY

ATTEST:

/s/ Douglas Smith

By: /s/ Brian W. Bolash

Title: SVP, Secretary & General Counsel

EIGHTH AMENDMENT TO

ERIE INSURANCE GROUP EMPLOYEE SAVINGS PLAN

(As Amended and Restated Effective January 1, 2015)

WHEREAS, Erie Indemnity Company (the "Company") maintains the Erie Insurance Group Employee Savings Plan (the "Plan") under an amendment and restatement effective as of January 1, 2015;

WHEREAS, the Plan provides that the Company may amend the Plan; and

WHEREAS, the Company desires to amend the Plan to clarify provisions relating to eligibility for Plan loans.

NOW, THEREFORE, effective as of January 1, 2021, Section 7.7 of the Plan is deleted in its entirety and the following shall be inserted in lieu thereof:

7.7 Availability of Loans

Subject to the provisions of Sections 7.7, 7.8 and 7.9, an Eligible Applicant may apply for a loan from the Plan. Any such application shall be approved or denied by the Administrator in accordance with a uniform, non-discriminatory policy and such action by the Administrator shall be final. Plan loans shall be available for the purpose of enabling an Eligible Applicant to meet one of the following unusual or special financial needs of the Eligible Applicant and the Administrator must be satisfied that any loan hereunder is not in excess of the amount necessary to meet the unusual or special financial need:

(a) purchase or construction of the Eligible Applicant's principal residence;

(b) substantial capital improvements to the Eligible Applicant's principal residence;

(c) payment of tuition, related educational fees and room and board expenses, for the next 12 months of post-secondary education for the Eligible Applicant, his Spouse, his children, or his dependents (as defined in Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B));

(d) unreimbursed expenses for medical care described in Code Section 213(d) incurred by the Eligible Applicant, his Spouse, his children, or his dependents as defined in Code Section 152, or necessary for these persons to obtain medical care described in Section 213(d) of the Code;

(e) unreimbursed expenses related to the upcoming adoption of a child who will become the Eligible Applicant's dependent; or

(f) payment of burial or funeral expenses for the Eligible Applicant's deceased parent, his Spouse, his children, or his dependents as defined in Code Section 152, without regard to Code Section 152(d)(1)(B).

All loans approved shall be effective as of the "loan effective date" (as hereinafter defined) provided the loan application was submitted to the Administrator within a reasonable time (as determined by the Administrator) prior to the loan effective date. All loans shall be made only in consideration of adequate security. For purposes hereof the term "loan effective date" shall mean the date, mutually agreed upon by the Participant and the Administrator, on which the loan shall be considered effective.

The Administrator may establish rules governing the granting of loans, provided (i) that such rules are not inconsistent with the provisions of Sections 7.7, 7.8 and 7.9, (ii) that any such rules adopted by the Administrator shall be described in the documents supporting the loan transaction and (iii) that loans are made available to all Eligible Applicants on a reasonably equivalent basis and are not made available to Eligible Applicants who are Highly Compensated in an amount greater than the amount made available to other Eligible Applicants.

* * * * * * *

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed this 15th day of July, 2021.

ERIE INDEMNITY COMPANY

ATTEST:

/s/ James G. Nealon III

By: /s/ Brian W. Bolash

Title: SVP, Secretary & General Counsel

HOME OFFICE
AGREEMENT OF LEASE

This is an Agreement of Lease (the "Lease") dated July 1, 2021 between ERIE INSURANCE EXCHANGE ("Tenant"), a reciprocal insurance exchange organized under the laws of Pennsylvania with principal offices and place of business at 100 Erie Insurance Place, Erie, PA 16530, acting by and through its attorney-in-fact, ERIE INDEMNITY COMPANY; and ERIE INDEMNITY COMPANY ("Landlord"), a Pennsylvania business corporation, with its principal offices and place of business also at 100 Erie Insurance Place, Erie, PA 16530.

BACKGROUND

The Erie Insurance Home Office Campus (collectively, the "Property") is used or occupied by Landlord, for itself or for the benefit of the Tenant, and Erie Family Life Insurance Company ("EFL"), a wholly owned subsidiary of Tenant. "Leased Premises" means those portions of the Property actually under use or occupancy by Tenant, for itself and EFL as determined monthly. Appendix A sets forth the buildings and their respective size for Base Rent and other calculation purposes ("Buildings"), and Appendix B sets forth parking garages and parking lots ("Parking") that constitute the Property of which the Leased Premises is a part.

The parties have determined to: (a) memorialize the basis for calculating, allocating, and providing for the payment of “Base Rent”, "Operating Expenses", and “Leasehold Improvements”; and (b) comply with the rules and procedural requirements for insurance holding company systems as set forth in Pennsylvania Code Title 31, "Insurance," Chapter 25.

Therefore, intending to be legally bound hereby, the parties agree as follows:

1. PREMISES. Landlord leases to Tenant, and Tenant leases from Landlord, the Leased Premises.

2. SUPPLEMENTS OR AMENDMENTS. The parties agree to supplement this Lease as new or additional properties are either acquired or constructed and made subject to, or are removed from the terms of this Lease (e.g., by consent of the parties, condemnation or casualty loss). Supplement(s) to the Lease will be made as frequently as circumstances and applicable law may require and on terms mutually agreeable to the Landlord and Tenant. Amendments to this Lease may be made at any time the parties so agree.

3. TERM & HOLDOVER.

A. TERM. This Lease will be effective July 1, 2021, and the term shall end on the 30th day of June 2031, unless both Landlord and Tenant agree to an earlier termination.

B. HOLDOVER. If Tenant holds over and continues in possession of the Leased Premises after expiration of the term of this Lease, Tenant will be occupying the Leased Premises on a month-to-month tenancy basis, subject to all of the other terms and conditions of this Lease.

4. **BASE RENT**. Tenant will pay Base Rent which shall be calculated monthly and payable in arrears.

A. **BUILDINGS.** Base Rent for buildings is outlined in Appendix A for each structure. The Base Rent will increase 1% per year using the base year as listed in Appendix A.

B. **PARKING.** Base Rent for parking in surface lots will be included within Base Rent. However, Base Rent for parking within any parking ramps is outlined in Appendix B. The Base Rent will increase 1% per year using the base year as listed in Appendix B.

C. **ALLOCATION**. Base Rent charged to Tenant and EFL shall be calculated monthly based on the square footage occupied by or for the benefit of Tenant and EFL, including their share of the square footage occupied by service departments and their share of common space, in accordance with the responsibilities of the parties as set forth by the Subscribers' Agreement (Appendix C) and the Erie Family Life Insurance Company Services Agreement ("EFL Services Agreement") (Appendix D). Base Rent for Parking changed to Tenant and EFL shall be calculated monthly based on the number of Home Office personnel employed by or for the benefit of each party, in accordance with the responsibilities of the parties as set forth by the Subscribers' Agreement and the EFL Services Agreement.

D. **PAYMENT**. Base Rent payments are due within thirty (30) days of the end of each month.

5. **OPERATING EXPENSES**.

A. **OPERATING EXPENSE**. Subject to reimbursement allocations set forth in Section 5B. below, Tenant and EFL shall reimburse all "Operating Expenses" of any sort related or incident to the Leased Premises. "Operating Expenses" means and includes all expenses associated with respect to the ownership, use and enjoyment, maintenance, replacements and operation of the Property of any sort whatsoever, known or unknown, presently existing or arising hereafter, including, but not limited to, the following: maintenance, repair and replacement costs; electricity, fuel, water, sewer, gas, and other utility or essential service charges; security, window washing and janitorial services; trash and snow removal; landscaping and pest control, wages, benefits, and other operating expenses related to employees whose duties are directly connected with the operation and maintenance of the Leased Premises or related facilities; all services, supplies, repairs, replacement or other expenses for maintaining and operating the building(s) including parking and common and other areas within the Property; cost(s), including interest, amortized over the useful life of any capital improvement made to the building(s) by Landlord and related charges during the term of or in connection with this Lease which is required under any governmental law or regulation over its useful life; the installation of any devise or other equipment which improves the operating efficiency of any system within the Leased Premises and thereby reduces operating expenses; all other expenses and which would generally be regarded as operating and maintenance expenses which would reasonably be amortized over a period not to exceed five (5) years; all real property taxes and installments of special assessments; and all insurance premiums Landlord is required to pay or deems necessary to pay, including public liability insurance, with respect to the Building(s) and the Property. The term "Operating Expenses" does not include the following: repairs, restoration or other work occasioned by fire, wind, the elements or other casualty for which insurance proceeds are received or any depreciation allowance or similar expense.

B. **ALLOCATION**. The actual Operating Expenses shall be allocated monthly among the Landlord, Tenant and EFL based on the square footage occupied by or for the benefit of each party, including their share of the square footage occupied by service departments and their share of common space, based upon their respective responsibilities as set forth in the Subscriber's Agreement and the EFL Services Agreement.

6. **LEASEHOLD IMPROVEMENTS**.

A. **LEASEHOLD IMPROVEMENTS.** Subject to reimbursement allocations set forth in Section 6B. below, Landlord will make and pay for all acquisitions, alterations, additions, or other Leasehold Improvements to or of the Leased Premises.

B. **ALLOCATION**. The actual Leasehold Improvement expenses shall be allocated monthly among the Landlord, Tenant and EFL based on the square footage occupied by or for the benefit of each party, including their share of the square footage occupied by service departments and their share of common space, based upon their respective responsibilities as set forth in the Subscriber's Agreement and the EFL Services Agreement.

7. **BOOKS AND RECORDS; Chapter 25 Matters**. Landlord shall maintain oversight for functions provided by Landlord to Tenant, and Landlord shall monitor services annually for quality assurance. All books and records relating to the acquisition, ownership, use, maintenance of the Leased Premises and other accounting functions under the Lease shall be maintained in books and records developed or maintained in accordance with the terms of this Lease. The books and records will be the exclusive property of the Landlord, and regardless of the actual possession thereof, shall be held for the benefit of Landlord and subject to the control of the Landlord. This Lease may not be terminated without cause, but may be terminated for cause as provided for, or as a result of the process and procedures set forth, in Section 14 of this Lease. Tenant shall have the right to access and copy the books and records.

In the event Landlord is placed in receivership or seized by the Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner") under Article V of the Insurance Department Act of 1921:

A. The rights of the Landlord under this Agreement will extend to the receiver or Commissioner;

B. The books and records will be made immediately available to the receiver or Commissioner upon request. The Tenant does not have an automatic right to terminate this Lease in the event of such a receivership. Tenant will continue to maintain the books and records, systems, programs and the like notwithstanding a seizure by the Commissioner, and Tenant will make all such systems, programs and infrastructure available to the receiver for as long as the lease remains in effect.

C. This Lease, and all accounting practices and procedures employed by the parties in connection with this Lease, shall be in compliance with the NAIC Accounting Practices and Procedures Manual.

D. Landlord shall not advance any funds to Tenant except to pay for services defined in this Lease.

8. <u>INSURANCE</u>.

A. <u>PROPERTY INSURANCE</u>. At all times during the Lease Term, Landlord shall cause the Leased Premises to be fully and adequately insured with a customary policy of fire and extended coverage insurance (including flood insurance if and to the extent that the Leased Premises or any portion thereof is in a designated flood plain, vandalism, malicious mischief and special extended perils or all-risk) in an amount not less than the full replacement cost of the Leased Premises. Such insurance policy shall name Landlord as insured and Tenant and EFL as additional insureds, as their interests may appear, with loss payable to Landlord. Landlord shall furnish tenant and EFL with reasonable evidence that Tenant and EFL have effected coverage for the replacement cost of the Leased Premises.

B. <u>COMMERCIAL GENERAL LIABILITY INSURANCE</u>. At all times during the Lease Term, Landlord shall maintain in full force and effect a Commercial General Liability insurance policy in the amount of $5,000,000 covering bodily injury and property damage occurring as a result of the negligence of the Landlord, Tenant or EFL. Such insurance policy shall name the Tenant (and Tenant's property manager, if any) as additional insured(s).

C. <u>CERTIFICATES</u>. Landlord shall, upon request, provide Tenant and EFL with adequate evidence of the continued existence of applicable insurance coverage by certificate(s) of insurance.

9. <u>DAMAGE, DESTRUCTION OR CONDEMNATION</u>.

A. <u>TOTAL LOSS</u>. If the Leased Premises (or portion(s) thereof) are totally taken or destroyed by fire, flood, or other casualty not the fault of Tenant, EFL or any person in or about the Leased Premises with the express or implied consent of Tenant, EFL or if the Leased Premises should be so damaged by such a cause that rebuilding or repairs cannot be completed within 180 working days from the date of commencement of the rebuilding or repairs, this Lease shall terminate as to such portions, and Base Rent and other amounts payable hereunder shall be abated for the portion(s) for the remaining term, unless the parties otherwise agree.

B. <u>PARTIAL LOSS</u>. If the Leased Premises (or portion(s) thereof) are partially taken or damaged by fire, flood, or other casualty not the fault of Tenant, EFL or any person in or about the Leased Premises with the express or implied consent of Tenant or EFL but to the extent that rebuilding or repairs can reasonably be completed in 180 working days or less from the date of the commencement of the rebuilding or repairs, this Lease shall not be terminated except as provided in Subparagraphs (i) and (ii).

i. If the partial loss of the portion(s) of the Leased Premises occurs prior to the final six months of the Lease term, Landlord shall, at its sole cost and risk, proceed immediately to rebuild or repair the damaged buildings and improvements to substantially the condition in which they existed prior to such damage. If the portion(s) of the Leased Premises are untenantable in whole or in part following such loss, the Base Rent and other amounts payable during the period in which they are untenantable shall be adjusted equitably. In the event that Landlord should fail to complete such rebuilding or repairs or provide reasonable substitute accommodations, Tenant and EFL may terminate this Lease by written notification to Landlord. On such notification, all rights and obligations under this Lease shall cease.

ii. If partial taking or destruction of the portion(s) of the Leased Premises occurs in the final six months of any leased term, Landlord need not rebuild or repair the Leased Premises. If Landlord elects not to rebuild or repair the Leased Premises and the Leased Premises are untenantable in whole or in part following such damage, Tenant and EFL may elect to terminate the Lease or to continue the Lease with the Base Rent and other amounts payable for the remainder of the Lease period adjusted equitably.

C. **LANDLORD'S DAMAGES**. In the event of any condemnation or taking, whether whole or partial, the Tenant and EFL shall not be entitled to any part of the award, except as provided below. Tenant and EFL hereby expressly waives any right or claim to any part of such amount and assigns to Landlord any such right or claim to which Tenant and EFL might become entitled, except as provided below.

D. **TENANT'S DAMAGES**. Although all damages in the event of any condemnation or loss are to belong to the Landlord, Tenant and EFL shall have the right, to the extent that it shall not diminish the Landlord's award, to claim and recover from the condemning authority, such compensation as may be separately awarded or recoverable by Tenant and EFL under the Eminent Domain Code in Tenant's and EFL's own right for or on account of, and limited solely to, any cost to which Tenant and EFL might incur in removing Tenant's furniture, fixtures, leasehold improvements, and equipment.

10. **INDEMNITY**. Tenant and EFL agrees to indemnify and hold Landlord harmless from and against any and all claims, demands, damages, costs, and expenses, including all attorneys' fees and associated costs, arising from the conduct or management of Tenant's and EFL's business on the Leased Premises, Tenant's and EFL's use of the Leased Premises, Tenant's and EFL's presence in the Building(s), the Leased Premises, or on the Property, or from any breach on the part of Tenant or EFL of any conditions of this Lease, or from any act or negligence or willful misconduct of Tenant or EFL, its officers, agents, contractors, employees, sublessees, or invitees in or about the Leased Premises, any Building, or the Property, except to the extent caused by Landlord's or its officers', agents', contractors', employees', sublessees', or invitees' gross negligence or willful misconduct. In case of any action or proceeding brought against Landlord by reason of any such claim, Tenant and EFL agrees to defend the action or proceeding, using counsel acceptable to Landlord.

11. **RIGHT OF ENTRY**. Upon prior notice, Landlord and persons authorized by Landlord shall have the right to enter the Leased Premises at all reasonable times to inspect, perform maintenance, do repairs and show the Leased Premises to prospective tenants and purchasers.

12. **SUBLETTING AND ASSIGNMENTS**. Landlord gives consent to the Tenant to sublease to EFL. Tenant shall not assign this Lease or enter into any other sublease agreement without the prior written consent of Landlord which consent shall not be unreasonably withheld, delayed or conditioned. Any attempted assignment or sublease by Tenant without the prior written consent of Landlord is a violation of this Lease and shall be void. If Landlord shall consent to an assignment or sublease, any consent shall not be considered to be a consent to any other assignment or sublease.

13. **SUBORDINATION**. This Lease is subordinate to any and all mortgages and security interests that are presently on the Property, or that in the future may be on the property of which the Leased Premises or any portion of it is a part. Landlord and Tenant agree to execute and deliver reasonable estoppel certificates; subordination, non-disturbance and attornment agreements; or such other agreements as the other party may reasonably request.

14. **REMEDIES**. If Tenant fails to pay Base Rent or any other charges when due for any reason, or if Tenant or EFL violates any other terms, conditions, rules or regulations in this Lease, Landlord may take any or all of the following actions, after giving Tenant and/or EFL fifteen (15) days prior written notice of default which remains uncured:

A. terminate this Lease;

B. sue Tenant and/or EFL in court to recover possession of the Leased Premises;

C. sue Tenant and/or EFL to recover the whole balance of the Base Rent and other charges owed for the remaining Lease term; and

D. sue Tenant and/or EFL for all damages resulting from Tenant's and/or EFL's violation of any terms, conditions, rules or regulations in this Lease.

Landlord may seek one or more than one remedy contained in this Lease. Landlord's taking of any action against Tenant and/or EFL shall not prevent Landlord from taking other and additional actions against Tenant and/or EFL.

Landlord's failure to enforce any term, condition, rule or regulation shall not prevent Landlord from enforcing the term, condition, rule or regulation at a later time.

15. **MISCELLANEOUS.**

(A) This Lease: (i) contains the entire agreement between the parties and no promise, representation, warranty, covenant, agreement, or understanding not specifically set forth in this Lease shall be binding upon either party; (ii) may not be amended, modified, or supplemented in any manner (including adding additional properties to the Leased Premises) except in writing signed by the parties; (iii) shall be construed and governed under the laws of the Commonwealth of Pennsylvania; (iv) shall not be construed more stringently in favor of one party against the other regardless of which party has prepared it; (v) shall be binding upon, and inure to the benefit of, the parties and their respective successors, and permitted assigns; (vi) shall not be binding until this Lease shall be executed and delivered by the parties, to each other; and (vii) may be executed in counterparts, each of which shall be deemed an original, but which all together constitute the same instrument.

(B) Any person executing this Lease represents and warrants that such person is authorized to execute and deliver this Lease on behalf of the entity.

(C) The failure of either party to insist upon strict performance of any provision of this Lease shall not be deemed a waiver of any rights or remedies at any other time.

(D) The exhibits attached hereto are incorporated herein by this reference.

(E) In the event of any conflict between this Lease and an exhibit, the exhibit shall control.

(F) Headings are for convenience only and are not a part of this Lease.

(G) The invalidity or unenforceability of any term or provision shall not affect the validity or enforceability of the remainder of this Lease.

(H) The parties agree to obtain, execute, deliver, and file such additional documents, instruments, and consents as may be reasonably requested by either party, at the sole cost and expense of the requesting party, in order to fully effectuate the terms and conditions of this Lease.

(I) Tenant and EFL will use the Leased Premises solely as a business office in compliance with all applicable laws and Landlord's business requirements.

(J) At the termination of this Lease, Tenant and EFL shall deliver the Leased Premises in as good a condition and state of repair as at the time of delivery of possession to Tenant, reasonable wear and tear excepted.

(K) Neither Tenant nor EFL shall make any alterations, additions, or improvements to the Leased Premises without the prior written consent of Landlord, which will not be unreasonably withheld, conditioned or delayed. Such alterations and improvements will become Landlord's property at the end of the Lease. All such work must be done in accordance with all applicable laws, rules and regulations, and with best practices.

(L) The terms and provisions of this Lease shall remain confidential between the parties, except for the recording of any memorandum of lease or an SNDA, or to the extent any disclosure is otherwise required by law (e.g., filing with the Commonwealth of Pennsylvania Insurance Department).

(M) The parties agree that timely payment and performance of their respective obligations under this Lease are of the essence of this Lease.

(N) Tenant and EFL, upon paying the Base Rent herein provided for and observing and keeping all covenants and conditions of this Lease, shall quietly have and enjoy the Leased Premises during the term of this Lease without hindrance or molestation by anyone claiming by or through Landlord.

(O) Neither party shall be held responsible for any failures or delays in connection with the performance of their obligations under this Lease where such failures or delays are due to inclement weather, delays due to governmental regulations, acts of God, labor disputes, strikes, or other causes beyond the parties' control. In the event of any such occurrence, the time for performance or completion of the obligations contained herein shall be extended accordingly.

(P) Neither Party will be liable to the other for special, consequential, incidental, exemplary or punitive damages arising from, in connection with, or related to a breach of this agreement, regardless of whether those damages are claimed under contract, warranty, indemnity, tort or any other theory at law or in equity.

[Continues with signatures on next page.]

IN WITNESS WHEREOF, the parties have executed this Lease as of the date set forth above.

TENANT:

ERIE INSURANCE EXCHANGE, a reciprocal insurance exchange organized under the laws of Pennsylvania with principal offices and place of business at 100 Erie Insurance Place, Erie, PA 16530, acting by and through its attorney-in-fact, ERIE INDEMNITY COMPANY

By: /s/ Gregory J. Gutting
Gregory J. Gutting
Executive Vice President

LANDLORD:

ERIE INDEMNITY COMPANY, a Pennsylvania business corporation, with its principal offices and place of business at 100 Erie Insurance Place, Erie, PA 16530

By: /s/ Brian W. Bolash
Brian W. Bolash
Senior Vice President

Appendix A

Buildings

NAME	**LOCATION:**	**SIZE ABOVE/BELOW GROUND RENT ABOVE/BELOW GROUND**	**BASE YEAR**
Sixth Street Tower	125 East 6th Street Erie, PA 16501	283,112 / 35,563 $10.75 / $4.20	July 1, 2021 - June 30, 2022
Westport	4950 West 23rd Street Erie, PA 16505	77,260 / n/a $8.50 / n/a	July 1, 2021 - June 30, 2022

Appendix B

Parking

PARKING GARAGES

SITE:	**ADDRESS:**
None	

PARKING LOTS – Included in Rent

SITE:	**ADDRESS:**
Westport	4950 West 23rd Street Erie, PA 16505

Appendix C

Subscribers' Agreement

ERIE INSURANCE EXCHANGE

(*A Reciprocal/Inter-Insurance Exchange*)
Home Office
100 Erie Insurance Place • Erie PA 16530

ERIE INSURANCE EXCHANGE ("ERIE") was organized in 1925 as a Reciprocal or Inter-Insurance Exchange under the Insurance Laws of Pennsylvania. An Exchange is one of four plans of insurance in use today, and it is the only one started in America. Other plans are Stock, Mutual and Lloyds.

An Exchange, such as ERIE, has no stockholders. It is based on the mutual or cooperative principle of protecting its Policyholders, called Subscribers, at the lowest possible cost. Technically, an Exchange is a place at which the Subscribers exchange contracts of insurance with each other. To avoid the need for all Subscribers to be involved in every exchange, a manager, called the Attorney-in-Fact, is appointed by each Subscriber. The Attorney-in-Fact also manages ERIE's business for the Subscribers. This includes collecting premiums, issuing policies and providing service. At ERIE, the Attorney-in-Fact is ERIE INDEMNITY COMPANY, a Pennsylvania corporation.

The Attorney-in-Fact is appointed through the Subscriber's Agreement. That Agreement includes a limited power of attorney which authorizes the Attorney-in-Fact to act on behalf of the Subscriber. This authority applies only to the Subscriber's insurance business at the Exchange. It is limited strictly to the subjects described in that Agreement. An "X-tra Protection" feature in ERIE's Agreement limits the amount that can be used for the cost of doing business. Stock, Mutual, and Lloyds companies have no such contractual limit on their expenses.

ERIE policies are "non-assessable." In other words, an ERIE Subscriber is liable for just the policy premiums charged, and is not subject to any other liability under the policy.

An insurance policy applied for at an Exchange cannot become effective without a signed Subscriber's Agreement. It is required, therefore, that each person applying for insurance at ERIE sign that Agreement.

Thank you for your interest in becoming a Subscriber at ERIE INSURANCE EXCHANGE, a member of the ERIE INSURANCE GROUP.

/s/ Timothy G. NeCastro
President and
Chief Executive Officer

ERIE INSURANCE EXCHANGE • 100 ERIE INSURANCE PLACE • ERIE, PA 16530

SUBSCRIBER'S AGREEMENT

The Subscriber ("you" or "your") agrees with the other Subscribers at ERIE INSURANCE EXCHANGE ("ERIE"), a Reciprocal/Inter-Insurance Exchange, and with their Attorney-in-Fact, the Erie Indemnity Company ("we" or "us"), a Pennsylvania corporation with its Home Office in Erie, Pennsylvania, to the following:

1. You agree to pay your policy premiums and to exchange with other ERIE Subscribers policies providing insurance for any insured loss as stated in those policies.

2. You appoint us as Attorney-in-Fact with the power to: a) exchange policies with other ERIE Subscribers; b) take any action necessary for the exchange of such policies; c) issue, change, nonrenew or cancel policies; d) obtain reinsurance; e) collect premiums; f) invest and reinvest funds; g) receive notices and proofs of loss; h) appear for, compromise, prosecute, defend, adjust and settle losses and claims under your policies; i) accept service of process on behalf of ERIE as insurer; and j) manage and conduct the business and affairs of ERIE, its affiliates and subsidiaries. This power of attorney is limited to the purposes described in this Agreement.

3. You agree that as compensation for us: a) becoming and acting as Attorney-in-Fact; b) managing the business and affairs of ERIE; and c) paying general administrative expenses, including sales commissions, salaries and employee benefits, taxes, rent, depreciation, supplies and data processing, we may retain up to 25% of all premiums written or assumed by ERIE. The rest of the premiums will be used for losses, loss adjustment expenses, investment expenses, damages, legal expenses, court costs, taxes, assessments, licenses, fees, and any other governmental fines and charges, establishment of reserves and surplus, and reinsurance, and may be used for dividends and other purposes we decide are to the advantage of Subscribers.

4. You agree that this Agreement, including the power of attorney, shall have application to all insurance policies for which you apply at ERIE, including changes in any of your coverages.

5. You agree to sign and deliver to us all papers required to carry out this Agreement.

6. This Agreement, including the power of attorney, shall not be affected by your subsequent disability or incapacity.

7. This Agreement is and shall be binding upon you, us, and all executors, administrators, successors and assigns.
(*Subscriber's Agreement language updated 1996.*)

Date_______________ Subscriber's Signature____________________

Policy No. (*if available)*________ Print Subscriber's name_______________

Title_______________________

Appendix D

EFL Services Agreement

This SERVICES AGREEMENT (“Agreement”), effective as of March 31, 2011 (“Effective Date”), is made by and between **ERIE FAMILY LIFE INSURANCE COMPANY**, a Pennsylvania stock life insurance corporation (“the Company”), and **ERIE INDEMNITY COMPANY**, a Pennsylvania stock business corporation (“Administrator”).

Recitals

A. The Company and Administrator are parties to a Service Agreement dated June 21, 1993, effective January 1, 1993, under which Administrator has provided the Company with a broad range of management services (“1993 Agreement”).

B. Administrator provides Erie Insurance Exchange, a Pennsylvania reciprocal interinsurance exchange (“Exchange”) which is the owner of 100% of the Company’s issued and outstanding voting securities, with all management services pursuant to a Subscriber’s Agreement with power of attorney executed by each Subscriber (policyholder) at the Exchange, and has provided the same kind and quality of management services to the Company under the 1993 Agreement.

C. The Company and Administrator wish to terminate the 1993 Agreement as of the Effective Date of this Agreement and replace it with this Agreement.

D. It is intended that Administrator continue to provide the Company under this Agreement with the same kind and quality of management services that it currently provides to the Exchange and has provided to the Company under the 1993 Agreement.

E. This Agreement sets forth the terms and conditions pursuant to which Administrator will provide the Company with the Services described herein from and after the Effective Date.

Agreement

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, the adequacy and sufficiency of which are hereby acknowledged by each party, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I: Appointment and Undertaking to Serve

1.1 **Appointment and Undertaking.** The Company hereby engages and appoints Administrator to provide the services described at Section 1.2 (“Services”), and Administrator hereby undertakes and agrees to provide the Services, under and in accordance with the terms and conditions of this Agreement.

1.2. **The Services**. Administrator will provide all necessary and appropriate management services to the Company, including but not limited to the following services: issuing, changing, nonrenewing or cancelling life insurance policies and annuity contracts; obtaining reinsurance; collecting premiums; receiving notices and proofs of loss; appearing for, compromising, prosecuting, defending, adjusting and settling losses and claims under the policies and contracts; accepting service of process on behalf of the Company; investing its funds; managing all third party contracts entered into by the Company; and generally managing and conducting the 1.3. business and affairs of the Company as presently structured and as may be structured in the future.

1.4. **Standards and Guidelines**. All the underwriting, claims, and investment services provided to the Company will be based upon the written criteria, standards and guidelines of the Company. The Company will have the ultimate and final authority over decisions and policies, including but not be limited to the acceptance, rejection or canceling of risks, the payment or nonpayment of claims, and the purchase and sale of securities.

1.5. **Reserved Authority**. Notwithstanding any other provisions of this Agreement, it is understood that the business and affairs of the Company shall be managed by its Board of Directors, and, to the extent delegated by such Board, by its appropriately designated officers. The Board of Directors and officers of Administrator shall not have any management prerogatives with respect to the business affairs and operation of the Company.

ARTICLE II: Compensation

2.1. **Cost-Based Reimbursement.** Administrator shall be compensated by the Company for the Services provided under this Agreement on the basis of Administrator's fully allocated costs of providing the Services (including all associated direct and indirect costs, overheads and administrative and general cost allocations). The allocation method for shared expenses (facilities, equipment, personnel, computers, etc.) shall be consistent with the provisions of New York Regulation 30 (11 NYCRR 105, 109) as the same may be in effect from time to time, notwithstanding that the Company may not be licensed in the State of New York.

2.2. **Investment Expenses.** In addition to paying Administrator the amounts required by Section 2.1, the Company also will fully reimburse the Administrator on an actual cost basis for all third-party and other out-of-pocket investment expenses and fees incurred by Administrator on behalf of the Company.

2.3. **Payment.** The Company will pay amounts due under this Article II on a monthly basis no later than thirty (30) calendar days after the end of the month in which the costs were incurred.

ARTICLE III: Books and Records; Other Assets

3.1 **Books and Records.** Administrator shall keep sufficient records for the express purpose of recording therein the nature and details of the Services and transactions performed for the Company pursuant to this Agreement ("Books and Records"). All Books and Records kept by Administrator that pertain to the Services performed by Administrator shall be jointly owned by Administrator and the Company, and such Books and Records shall be maintained in a fiduciary capacity for the Company. The Company shall have the right to examine, audit and copy, at the offices of Administrator at all reasonable times, all Books and Records of Administrator relating to any business which is the subject of this Agreement. This right shall survive termination of this Agreement and shall continue so long as either party has any rights or obligations under this Agreement.

3.2. **Other Assets.** The parties agree that any computer software, marketing programs and business methods that (i) are peculiar to the life insurance and/or annuity business, and (ii) are developed by Administrator during the term hereof, whether under this Agreement or otherwise, in order to provide the Services (collectively, "Other Assets"), shall be owned jointly by Administrator and the Company, and each party shall have a royalty-free, perpetual license or other form of ownership interest in such asset following the termination of this Agreement.

3.3. **Cooperation.** Upon termination or nonrenewal of this Agreement, Administrator shall cooperate with the Company on a best efforts basis to transfer the Services, the Books and Records and the Other Assets to the Company or to such successor service providers as may be designated by the Company in order that the Company may continue its normal business operations on an uninterrupted basis.

ARTICLE IV: Term and Termination

4.1. **Term.** This Agreement shall have an initial term commencing on April 1, 2011 and ending April 30, 2013 ("Initial Term"). This Agreement shall renew from year-to-year thereafter for successive one-year renewal terms unless either party provides the other with written notice of non-renewal not less than one hundred and twenty (120) calendar days prior to expiration of the then current term.

4.2. **Termination.** This Agreement shall be terminable as follows:

4.2.1. By written agreement of the parties.

4.2.2. By either party at any time for cause. A termination "for cause" shall be based on (i) the counterparty's material breach of a material term of this Agreement which remains uncured for thirty (30) calendar days after written notice thereof by the non-breaching party; or (ii) fraud, willful misconduct or gross negligence in connection with the counterparty's performance under this Agreement.

4.2.3. By giving written notice of termination to the counterparty if the counterparty (i) is placed under supervision or in rehabilitation or liquidation by a regulatory authority; (ii) is made the subject of voluntary or involuntary bankruptcy proceedings; (iii) has a receiver of its assets or property appointed by a court of competent jurisdiction; (iv) makes a general assignment for the benefit of creditors; or (v) institutes (or suffers to be instituted and not dismissed within sixty (60) calendar days) any proceeding for its conservation or for the reorganization or arrangement of its affairs.

4.2.4. By the Company at any time on not less than one-hundred-eighty (180) calendar days' prior written notice, provided that no termination shall be effective between December 1st and April 30th of the following year in order to provide for an orderly reporting of the Company's financial results for the fiscal year ending during that period.

4.3. **Termination of 1993 Agreement.** The 1993 Agreement shall terminate upon the Effective Date of this Agreement; provided, however, that the parties shall continue to apply the terms of the 1993 Agreement to any services, work, transactions or other matters that were performed, completed or otherwise occurred during the term of the 1993 Agreement and any disputes related thereto. This Agreement shall not be effective as a release, waiver or discharge of the parties' respective rights and liabilities for any services, work, transactions or other matters that were subject to the 1993 Agreement in the period prior to the Effective Date.

ARTICLE V: Indemnification

5.1. **Of Administrator.** The Company shall indemnify and hold harmless Administrator and its officers, directors, employees, common-law agents and representatives of, from and against any and all claims, damages, losses, costs, expenses, demands, lawsuits and other liabilities, however described or denominated (collectively, "Losses") based upon or arising out of (i) any material breach by the Company of, or any material failure by the Company to perform, any of the material terms or conditions of, or any material duties or obligations of the Company under, this Agreement; (ii) any grossly negligent act, error or omission, and any intentional or wrongful conduct or bad faith of the Company in respect of the work or transactions contemplated by this Agreement; or (iii) enforcement of this indemnity.

5.2. **Of the Company.** Administrator shall indemnify and hold harmless the Company and its officers, directors, employees, common-law agents and representatives of, from and against any and all Losses based upon or arising out of (i) any material breach by Administrator of, or any material failure by Administrator to perform, any of the material terms or conditions of, or any material duties or obligations of Administrator under, this Agreement; (ii) any grossly negligent act, error or omission, and any intentional or wrongful conduct or bad faith of Administrator in respect of the work or transactions contemplated by this Agreement; or (iii) enforcement of this indemnity.

ARTICLE VI: Disclaimer; Limitation of Liability

6.1. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, ADMINISTRATOR MAKES NO WARRANTY REGARDING THE SERVICES TO BE PROVIDED OR THE WORK TO BE CONDUCTED UNDER THIS AGREEMENT, OR OTHERWISE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY.

6.2. TO THE FULLEST EXTENT PERMITTED BY LAW, ADMINISTRATOR HEREBY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

6.3. EXCEPT FOR DAMAGES SOUGHT ON, UNDER OR IN CONNECTION WITH CLAIMS OF OR BY THIRD PARTIES FOR WHICH INDEMNIFICATION IS DUE UNDER ARTICLE V, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), WARRANTY OR OTHERWISE, FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR INCIDENTAL DAMAGES, INCLUDING LOST REVENUES OR LOST PROFITS, WHETHER OR NOT THE COUNTERPARTY WAS EVER ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE VII: Arbitration

As a condition precedent to any right of action hereunder, in the event of any dispute or difference of opinion hereafter arising with respect to this Agreement, it is hereby mutually agreed that such dispute or difference of opinion shall be submitted to arbitration before a panel of three arbitrators, all of whom shall be active or retired disinterested officers of life insurance companies. One arbitrator shall be chosen by Administrator, one shall be chosen by the Company, and the third, an umpire, shall be chosen by the other two arbitrators before they enter upon arbitration. In the event of either party refusing or neglecting to appoint an arbitrator within ninety (90) calendar days after the other party requests it to do so, or if the arbitrators fail to appoint an umpire within sixty (60) calendar days after they have accepted their appointments, such arbitrator or umpire, as the case may be, shall, upon the application of any party, be appointed by the American Arbitration Association and the arbitrators and the umpire shall thereupon proceed. The arbitrators shall consider this Agreement as an honorable engagement rather than merely as a legal obligation and they are relieved of all judicial formalities and may abstain from following the strict rules of law. The decision of the majority of the three arbitrators shall be final and binding on the parties. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear the expenses of the umpire and of the arbitration. Any such arbitration shall take place in Erie, Pennsylvania, or such other place as may be mutually agreed by the parties hereto.

ARTICLE VIII: Miscellaneous

8.1. **Assignment.** This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their respective successors and permitted assigns; provided, however, that neither party shall assign, delegate, transfer or otherwise dispose of any interest, right or obligation arising hereunder without the prior written consent of the other, it being understood that the Administrator shall have full authority to manage all third party contracts entered into by the Company from time to time.

8.2. **Independent Contractors.** This Agreement is not a contract of employment and nothing contained herein shall be construed to create the relationship of employer and employee between the Company and Administrator. It is the express intent of the parties that Administrator shall be considered an independent contractor to the Company for all purposes.

8.3. **Confidential Information.** During the course of performance under this Agreement, Administrator and its agents, employees and representatives may obtain or have access to certain confidential information of the Company including, without limitation, names, ages, addresses and other nonpublic personal and financial information of policyholders, claimants and annuitants, the identity and production of the Company's distribution network and its Agents and Producers, the identity and types of insurance and annuities purchased by insureds and annuitants, the pricing models for insurance policies and annuity contracts, and the underwriting experience of the insureds (collectively, "Confidential Information"). Administrator covenants as follows with respect to such Confidential Information:

8.3.1. Administrator will maintain Confidential Information on a strictly confidential basis and will permit its disclosure to only those agents, employees and representatives of Administrator who require such for purposes of Administrator's performance under this Agreement and who have been advised of the terms of this Section 8.3.

8.3.2. Administrator will, and will cause its agents, employees and representatives to (i) keep Confidential Information confidential; (ii) use Confidential Information only as necessary to carry out the terms and conditions of this Agreement; and (iii) not disclose such information to others without the prior written consent of the Company, except as may be required by law. Administrator agrees to advise any of its agents, employees and representatives to whom Confidential Information has been disclosed of the obligation to maintain the confidentiality of the Confidential Information pursuant to this Agreement and shall require such agents, employees and representatives to abide by the confidentiality requirements of this Agreement.

8.3.3. In the event that Administrator or anyone to whom Administrator discloses Confidential Information as permitted by this Agreement becomes legally compelled to disclose any Confidential Information, Administrator will provide the Company with prompt notice so that the Company may seek a protective order or other appropriate remedy and/ or waive compliance with the provisions of this Agreement. Administrator shall use best efforts to cooperate with the Company so that the Company may take legally available steps to resist or narrow any applicable request, subpoena or court order, and to obtain an appropriate protective order or other assurance that confidential treatment will be accorded such information. In the event that a protective order or other remedy is not obtained or if the Company waives compliance with the provisions of this Agreement, Administrator will disclose only that portion of such Confidential Information as is legally required, and Administrator will exercise best efforts at the Company’s cost to obtain assurance that confidential treatment will be accorded such Confidential Information.

8.3.4. Administrator stipulates, acknowledges and agrees that a breach of its obligations under this Section 8.3 may cause the Company to incur losses which are not readily calculable and/or for which there may be no adequate remedy at law. Accordingly, Administrator agrees that in addition to the legal remedies available to the Company, violations of this Section 8.3 shall be subject to equitable remedies, including injunctive relief to restrain or enjoin such violations.

8.4. **Governing Law.** This Agreement shall be governed by, and interpreted in accordance with, the laws of the Commonwealth of Pennsylvania without reference to Pennsylvania’s choice of law rules.

8.5. **Severability.** If any provision of this Agreement is held or determined by a court of competent jurisdiction to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of the parties under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their authorized representatives as of the date first above written.

ERIE FAMILY LIFE INSURANCE COMPANY	**ERIE INDEMNITY COMPANY**
By: /s/ Marcia A. Dall	By: /s/ Terrence W. Cavanaugh
Marcia A. Dall	Terrence W. Cavanaugh
Executive Vice President	President and Chief Executive Officer

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: October 28, 2021

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

Exhibit 31.2

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

I, Gregory J. Gutting, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 28, 2021

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

Exhibit 32

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

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

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

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

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

October 28, 2021

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