



## **ERIE INDEMNITY COMPANY**

### **Investor Supplement Second Quarter 2013**

This report is for informational purposes only and includes consolidated financial statements and financial exhibits that are unaudited. This report should be read in conjunction with documents filed with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K for 2012.

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2013**  
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**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2013**  
**Basis of Presentation**

**Entity Definitions**

- The accompanying consolidated financial statements of Erie Indemnity Company reflect the consolidated results of Indemnity and the Erie Insurance Exchange ("Exchange"), which we refer to collectively as "Erie Insurance Group."
- **Indemnity** is a publicly held Pennsylvania business corporation that since 1925 has been the managing Attorney-in-Fact for the subscribers (policyholders) of Exchange. Indemnity shareholder interest represents the Class A and Class B shareholders. All management operations accrue to the Indemnity shareholder interest.
- **Exchange** is a subscriber (policyholder) owned Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance. Exchange refers to the noncontrolling interest held for the interest of the subscribers (policyholders) and includes its interests in Erie Insurance Company ("EIC"), Erie Insurance Company of New York ("ENY"), Erie Insurance Property and Casualty Company ("EPC"), Flagship City Insurance Company ("Flagship") and Erie Family Life Insurance Company ("EFL"). All property and casualty and life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest.
- The Property and Casualty Group ("P&C Group") is a regional insurance group operating in 11 Midwestern, Mid-Atlantic, and Southeastern states and the District of Columbia. The P&C Group is comprised of Exchange and its wholly owned property and casualty subsidiaries.
- EFL is an affiliated life insurance company that underwrites and sells individual and group life insurance policies and fixed annuities.
- Operating income (loss) is net income (loss) excluding the after-tax impact of the net realized investment gains (losses) and impairment losses.

**Property and Casualty Group**

- Certain operating and statistical measures have been incorporated herein to provide supplemental data that indicate current trends in the P&C Group's business. These measures include revenue, policies in-force and policyholder retention. Policyholder retention is defined as renewal policies in the current period divided by total policies in the prior period.
- The P&C Group, along with others in the property and casualty insurance industry, use statutory underwriting ratios as measures of performance. The loss and loss expense ratio is the ratio of losses and loss expenses to earned premiums. The statutory underwriting expense ratio is the ratio of underwriting expenses to written premiums. The combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and the policyholder dividend ratio. A combined ratio below 100% demonstrates underwriting profit; a combined ratio above 100% demonstrates underwriting losses. The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.
- GAAP combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and, where applicable, the ratio of policyholder dividends to net earned premiums. For GAAP, the loss and loss expense ratio is the ratio of incurred losses and loss expenses to net earned premiums. The underwriting expense ratio is the ratio of policy acquisition and other underwriting costs to net earned premiums. A GAAP combined ratio under 100% generally indicates an underwriting profit. A GAAP combined ratio over 100% generally indicates an underwriting loss.
- Loss reserve development is the increase or decrease in incurred losses and loss expenses as a result of the re-estimation of loss and loss expense reserves at successive valuation dates for a given group of claims. Loss reserve development may be related to one or more prior years. In the opinion of the Company's management, discussion of loss reserve development is useful to investors as it allows them to assess the impact between prior year development on incurred claims and claim adjustment expenses, net income, and changes in claims and claim adjustment expense reserve levels from period to period.

Erie Insurance Group's Quarterly Operations by Interest (Unaudited)								
(dollars in millions, except per share data)								
	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Three months ended June 30,		Three months ended June 30,		Three months ended June 30,		Three months ended June 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Management operations:</b>								
Management fee revenue, net	\$ 336	\$ 308	\$ -	\$ -	\$ (336)	\$ (308)	\$ -	\$ -
Service agreement revenue	8	8	-	-	-	-	8	8
Total revenue from management operations	344	316	-	-	(336)	(308)	8	8
Cost of management operations	285	257	-	-	(285)	(257)	-	-
<b>Income from management operations before taxes</b>	<b>59</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>(51)</b>	<b>(51)</b>	<b>8</b>	<b>8</b>
<b>Property and casualty insurance operations:</b>								
Net premiums earned	-	-	1,196	1,092	-	-	1,196	1,092
Losses and loss expenses	-	-	837	919	(2)	(1)	835	918
Policy acquisition and other underwriting expenses	-	-	348	332	(53)	(53)	295	279
<b>Income (loss) from property and casualty insurance operations before taxes</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>(159)</b>	<b>55</b>	<b>54</b>	<b>66</b>	<b>(105)</b>
<b>Life insurance operations:<sup>(1)</sup></b>								
Total revenue	-	-	46	46	(1)	(1)	45	45
Total benefits and expenses	-	-	33	33	0	0	33	33
<b>Income from life insurance operations before taxes</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>13</b>	<b>(1)</b>	<b>(1)</b>	<b>12</b>	<b>12</b>
<b>Investment operations:</b>								
Net investment income	3	4	81	87	(3)	(2)	81	89
Net realized gains (losses) on investments	0	(1)	58	(110)	-	-	58	(111)
Net impairment losses recognized in earnings	0	0	0	0	-	-	0	0
Equity in earnings of limited partnerships	5	3	33	34	-	-	38	37
<b>Income from investment operations before taxes</b>	<b>8</b>	<b>6</b>	<b>172</b>	<b>11</b>	<b>(3)</b>	<b>(2)</b>	<b>177</b>	<b>15</b>
<b>Income (loss) from operations before income taxes and noncontrolling interest</b>	<b>67</b>	<b>65</b>	<b>196</b>	<b>(135)</b>	<b>-</b>	<b>-</b>	<b>263</b>	<b>(70)</b>
Provision for income taxes	23	22	63	(54)	-	-	86	(32)
<b>Net income (loss)</b>	<b>\$ 44</b>	<b>\$ 43</b>	<b>\$ 133</b>	<b>\$ (81)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177</b>	<b>\$ (38)</b>

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

Operating income	\$ 44	\$ 44
Net income per share - diluted	\$ 0.84	\$ 0.80
Operating income per share - diluted	\$ 0.84	\$ 0.82

**Key measures**

Gross margin % - Indemnity	17.3%	18.6%
GAAP combined ratio	99.1%	114.6%

Erie Insurance Group's Year to Date Operations by Interest (Unaudited)								
(dollars in millions, except per share data)								
	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Management operations:</b>								
Management fee revenue, net	\$ 632	\$ 577	\$ -	\$ -	\$ (632)	\$ (577)	\$ -	\$ -
Service agreement revenue	15	15	-	-	-	-	15	15
Total revenue from management operations	647	592	-	-	(632)	(577)	15	15
Cost of management operations	539	487	-	-	(539)	(487)	-	-
<b>Income from management operations before taxes</b>	108	105	-	-	(93)	(90)	15	15
<b>Property and casualty insurance operations:</b>								
Net premiums earned	-	-	2,352	2,161	-	-	2,352	2,161
Losses and loss expenses	-	-	1,654	1,611	(3)	(2)	1,651	1,609
Policy acquisition and other underwriting expenses	-	-	676	634	(97)	(94)	579	540
<b>Income (loss) from property and casualty insurance operations before taxes</b>	-	-	22	(84)	100	96	122	12
<b>Life insurance operations:<sup>(1)</sup></b>								
Total revenue	-	-	92	89	(1)	(1)	91	88
Total benefits and expenses	-	-	68	67	0	0	68	67
<b>Income from life insurance operations before taxes</b>	-	-	24	22	(1)	(1)	23	21
<b>Investment operations:</b>								
Net investment income	7	8	160	170	(6)	(5)	161	173
Net realized gains on investments	0	2	304	183	-	-	304	185
Net impairment losses recognized in earnings	0	0	0	0	-	-	0	0
Equity in earnings of limited partnerships	8	4	66	54	-	-	74	58
<b>Income from investment operations before taxes</b>	15	14	530	407	(6)	(5)	539	416
<b>Income from operations before income taxes and noncontrolling interest</b>	123	119	576	345	-	-	699	464
Provision for income taxes	42	40	190	108	-	-	232	148
<b>Net income</b>	<b>\$ 81</b>	<b>\$ 79</b>	<b>\$ 386</b>	<b>\$ 237</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 467</b>	<b>\$ 316</b>

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

Operating income	\$ 81	\$ 78
Net income per share - diluted	\$ 1.54	\$ 1.47
Operating income per share - diluted	\$ 1.54	\$ 1.45

**Key measures**

Gross margin % - Indemnity	16.7%	17.8%
GAAP combined ratio	99.0%	103.9%

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2013 (Unaudited)**

**Balance Sheet Information - Indemnity**

*(in millions)*

	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012
<b>Assets</b>					
<b>Investments</b>					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 438	\$ 421	\$ 452	\$ 547	\$ 510
Equity securities	48	49	55	29	26
Trading securities, at fair value	0	0	0	30	28
Limited partnerships	166	167	180	195	199
Other invested assets	1	1	1	1	1
<b>Total investments</b>	<b>653</b>	<b>638</b>	<b>688</b>	<b>802</b>	<b>764</b>
Cash and cash equivalents	39	41	12	12	13
Deferred income taxes	43	39	37	16	21
Other assets	115	115	117	115	115
Receivables from Exchange and other affiliates	309	287	281	286	277
Note receivable from EFL	25	25	25	25	25
<b>Total assets</b>	<b>\$ 1,184</b>	<b>\$ 1,145</b>	<b>\$ 1,160</b>	<b>\$ 1,256</b>	<b>\$ 1,215</b>
<b>Liabilities and shareholders' equity</b>					
<b>Liabilities</b>					
Other liabilities	\$ 537	\$ 509	\$ 518	\$ 474	\$ 449
<b>Total liabilities</b>	<b>537</b>	<b>509</b>	<b>518</b>	<b>474</b>	<b>449</b>
<b>Shareholders' equity</b>	<b>647</b>	<b>636</b>	<b>642</b>	<b>782</b>	<b>766</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,184</b>	<b>\$ 1,145</b>	<b>\$ 1,160</b>	<b>\$ 1,256</b>	<b>\$ 1,215</b>

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2013 (Unaudited)**

**Indemnity Management Operations**

(dollars in millions)

**Direct written premiums of the P&C Group**

	Three Months Ended					Six months ended	
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012	Jun. 30, 2013	Jun. 30, 2012
Private passenger auto	\$ 579	\$ 527	\$ 489	\$ 555	\$ 545	\$ 1,106	\$ 1,043
Homeowners	367	270	294	334	325	637	561
Commercial multi-peril	169	163	134	135	151	332	291
Commercial auto	99	90	75	80	90	189	174
Workers compensation	97	100	76	75	88	197	174
All other lines of business	43	37	31	36	40	80	74
P&C Group direct written premiums - total	1,354	1,187	1,099	1,215	1,239	2,541	2,317

**Indemnity management operations revenue**

	Three Months Ended					Six months ended	
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Jun. 30, 2012	Jun. 30, 2013	Jun. 30, 2012
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 338	\$ 297	\$ 274	\$ 304	\$ 309	\$ 635	\$ 579
Service fee/other	6	6	9	9	7	12	13
Total revenue from management operations	\$ 344	\$ 303	\$ 283	\$ 313	\$ 316	\$ 647	\$ 592

**Indemnity cost of management operations**

	Three Months Ended					Six months ended	
	Jun. 30, 2013	Mar. 31, 2013	Jun. 30, 2012	Sept. 30, 2012	Jun. 30, 2012	Jun. 30, 2013	Jun. 30, 2012
Commissions	\$ 187	\$ 164	\$ 158	\$ 163	\$ 165	\$ 351	\$ 314
Non-commission expense	98	90	91	84	92	188	173
Total cost of management operations	\$ 285	\$ 254	\$ 249	\$ 247	\$ 257	\$ 539	\$ 487

**Gross margin from management operations**

	Three Months Ended					Six months ended	
	Jun. 30, 2013	Mar. 31, 2013	Jun. 30, 2012	Sept. 30, 2012	Jun. 30, 2012	Jun. 30, 2013	Jun. 30, 2012
Income from management operations	\$ 59	\$ 49	\$ 34	\$ 66	\$ 59	\$ 108	\$ 105
Gross margin %	17.3%	16.1%	12.2%	20.9%	18.6%	16.7%	17.8%

**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2013 (Unaudited)**

<b>P&amp;C Group</b> <b>Direct Written Premium Growth Measures</b>
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	<b>Jun. 30, 2013</b>	<b>Mar. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Sept. 30, 2012</b>	<b>Jun. 30, 2012</b>
<b>12 month growth rate policies in force</b>					
Total all lines	4.4%	4.3%	3.9%	3.4%	3.1%
Total personal lines	4.4%	4.2%	3.8%	3.3%	2.9%
Total commercial lines	4.6%	4.9%	4.7%	4.3%	4.3%
<b>Retention trends</b>					
Total all lines	90.9%	91.0%	90.9%	90.8%	90.7%
Total personal lines	91.5%	91.6%	91.6%	91.5%	91.4%
Total commercial lines	86.4%	86.7%	86.2%	86.0%	85.9%
<b>12 month % change average premiums</b>					
Total all lines	4.8%	4.7%	4.3%	4.1%	3.7%
Total personal lines	3.9%	3.7%	3.6%	3.2%	2.8%
Total commercial lines	7.1%	7.0%	5.9%	6.0%	5.1%



**Erie Indemnity Company**  
**Investor Supplement - Second Quarter 2013 (Unaudited)**

<b>P&amp;C Group</b> <b>Reported Combined Ratio (Statutory Basis) - Direct Business</b>								
Three Months ended June 30, 2013					Three Months ended June 30, 2012			
	Prior Year Reserve Development Deficiency Calendar Year	(Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes		Prior Year Reserve Development Deficiency Calendar Year	(Redundancy) [Direct business]	Catastrophe Losses Excluding Catastrophes
Private passenger auto	101.0%	(0.6)%	0.8%	100.8%	106.2%	4.7%	2.8%	98.7%
Homeowners	88.8%	2.5%	12.0%	74.3%	139.5%	(7.9)%	62.3%	85.1%
Other personal lines	55.6%	(15.0)%	1.6%	69.0%	37.1%	(37.8)%	2.5%	72.4%
<b>Total personal lines</b>	<b>95.9%</b>	<b>0.3%</b>	<b>4.9%</b>	<b>90.7%</b>	<b>116.6%</b>	<b>(0.3)%</b>	<b>23.3%</b>	<b>93.6%</b>
Commercial multi-peril	98.1%	9.8%	1.9%	86.4%	86.2%	(7.7)%	13.1%	80.8%
Commercial auto	107.6%	5.1%	(0.1)%	102.6%	94.1%	(7.7)%	2.4%	99.4%
Workers compensation	103.1%	(2.5)%	0.0%	105.6%	112.9%	14.8%	0.0%	98.1%
Other commercial lines	75.9%	4.1%	0.2%	71.6%	116.4%	42.8%	0.4%	73.2%
<b>Total commercial lines</b>	<b>100.3%</b>	<b>5.2%</b>	<b>0.8%</b>	<b>94.3%</b>	<b>96.9%</b>	<b>1.3%</b>	<b>6.3%</b>	<b>89.3%</b>
<b>Grand total - direct business only</b>	<b>97.1%</b>	<b>1.7%</b>	<b>3.7%</b>	<b>91.7%</b>	<b>111.1%</b>	<b>0.2%</b>	<b>18.6%</b>	<b>92.3%</b>
Six Months ended June 30, 2013					Six Months ended June 30, 2012			
	Prior Year Reserve Development Deficiency Calendar Year	(Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes		Prior Year Reserve Development Deficiency Calendar Year	(Redundancy) [Direct business]	Catastrophe Losses Excluding Catastrophes
Private passenger auto	101.1%	0.1%	0.7%	100.3%	100.7%	1.3%	1.9%	97.5%
Homeowners	91.5%	0.3%	9.3%	81.9%	112.3%	(5.8)%	34.5%	83.6%
Other personal lines	72.6%	(0.1)%	1.3%	71.4%	44.3%	(29.2)%	1.6%	71.9%
<b>Total personal lines</b>	<b>97.2%</b>	<b>0.2%</b>	<b>3.8%</b>	<b>93.2%</b>	<b>103.8%</b>	<b>(1.6)%</b>	<b>13.0%</b>	<b>92.4%</b>
Commercial multi-peril	92.4%	2.1%	2.2%	88.1%	85.7%	(7.4)%	7.7%	85.4%
Commercial auto	101.2%	1.1%	0.3%	99.8%	98.6%	(1.4)%	2.6%	97.4%
Workers compensation	109.5%	8.1%	0.0%	101.4%	112.1%	16.3%	0.0%	95.8%
Other commercial lines	79.9%	8.3%	0.2%	71.4%	83.8%	12.0%	0.2%	71.6%
<b>Total commercial lines</b>	<b>98.1%</b>	<b>3.8%</b>	<b>1.0%</b>	<b>93.3%</b>	<b>95.4%</b>	<b>1.3%</b>	<b>4.0%</b>	<b>90.1%</b>
<b>Grand total - direct business only</b>	<b>97.4%</b>	<b>1.2%</b>	<b>3.0%</b>	<b>93.2%</b>	<b>101.5%</b>	<b>(0.8)%</b>	<b>10.5%</b>	<b>91.8%</b>