

Erie Indemnity Company
Consolidated Statements of Operations (Unaudited)
(dollars in millions, except per share data)

	Three months ended March 31,	
	2012	2011
Revenues		
Premiums earned	\$ 1,087	\$ 1,030
Net investment income	108	105
Net realized investment gains	296	149
Net impairment losses recognized in earnings	0	0
Equity in earnings of limited partnerships	21	72
Other income	8	9
Total revenues	<u>1,520</u>	<u>1,365</u>
Benefits and expenses		
Insurance losses and loss expenses	716	706
Policy acquisition and underwriting expenses	270	247
Total benefits and expenses	<u>986</u>	<u>953</u>
Income from operations before income taxes and noncontrolling interest		
	534	412
Provision for income taxes	180	138
Net income	<u>354</u>	<u>274</u>
Less: Net income attributable to noncontrolling interest in consolidated entity - Exchange		
	<u>318</u>	<u>230</u>
Net income attributable to Indemnity	<u>\$ 36</u>	<u>\$ 44</u>
Earnings Per Share		
Net income attributable to Indemnity per share		
Class A common stock - basic	<u>\$0.76</u>	<u>\$0.88</u>
Class A common stock - diluted	<u>\$0.67</u>	<u>\$0.78</u>
Class B common stock - basic and diluted	<u>\$113.56</u>	<u>\$126.48</u>
Weighted average shares outstanding attributable to Indemnity - Basic		
Class A common stock	<u>47,749,799</u>	<u>49,789,056</u>
Class B common stock	<u>2,545</u>	<u>2,546</u>
Weighted average shares outstanding attributable to Indemnity - Diluted		
Class A common stock	<u>53,930,044</u>	<u>55,968,838</u>
Class B common stock	<u>2,545</u>	<u>2,546</u>
Dividends declared per share		
Class A common stock	<u>\$0.5525</u>	<u>\$0.515</u>
Class B common stock	<u>\$82.875</u>	<u>\$77.25</u>

Erie Indemnity Company

Results of the Erie Insurance Group's operations by interest (Unaudited)

(in millions)

	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group			
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,			
	Percent	2012	2011	Percent	2012	2011	2012	2011		
Management operations:										
Management fee revenue, net	100.0%	\$ 269	\$ 251	\$ -	\$ -	\$ (269)	\$ (251)	\$ -	\$ -	
Service agreement revenue	100.0%	7	8	-	-	-	-	7	8	
Total revenue from management operations		276	259	-	-	(269)	(251)	7	8	
Cost of management operations	100.0%	230	211	-	-	(230)	(211)	-	-	
Income from management operations before taxes		46	48	-	-	(39)	(40)	7	8	
Property and casualty insurance operations:										
Net premiums earned		-	-	100.0%	1,069	1,014	-	-	1,069	1,014
Losses and loss expenses		-	-	100.0%	692	683	(1)	(1)	691	682
Policy acquisition and other underwriting expenses		-	-	100.0%	302	282	(41)	(42)	261	240
Income from property and casualty insurance operations before taxes		-	-		75	49	42	43	117	92
Life insurance operations: ^{(1) (2)}										
Total revenue	21.6% ⁽²⁾	-	10	78.4% ⁽²⁾	43	34	0	0	43	44
Total benefits and expenses	21.6% ⁽²⁾	-	7	78.4% ⁽²⁾	34	24	0	0	34	31
Income from life insurance operations before taxes		-	3		9	10	0	0	9	13
Investment operations:										
Net investment income		4	4		83	81	(3)	(3)	84	82
Net realized gains on investments		3	1		293	144	-	-	296	145
Net impairment losses recognized in earnings		0	0		0	0	-	-	0	0
Equity in earnings of limited partnerships		1	11		20	61	-	-	21	72
Income from investment operations before taxes		8	16		396	286	(3)	(3)	401	299
Income from operations before income taxes and noncontrolling interest										
		54	67		480	345	-	-	534	412
Provision for income taxes		18	23		162	115	-	-	180	138
Net income		\$ 36	\$ 44		\$ 318	\$ 230	\$ -	\$ -	\$ 354	\$ 274

(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.

(2) Prior to and through March 31, 2011, Indemnity retained a 21.6% ownership interest in EFL, which accrued to the Indemnity shareholder interest, and the Exchange retained a 78.4% ownership interest in EFL, which accrued to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest. Due to the sale of Indemnity's 21.6% ownership interest in EFL to the Exchange on March 31, 2011, 100% of EFL's life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest, after March 31, 2011.

Erie Indemnity Company
Reconciliation of Operating Income to Net Income

Reconciliation of operating income to net income

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

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

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

The following table reconciles operating income and net income for the Indemnity shareholder interest:

(in millions, except per share data)

	Indemnity Shareholder interest Three months ended March 31, 2012 2011	
	(unaudited)	
Operating income attributable to Indemnity	\$34	\$43
Net realized gains and impairments on investments	3	1
Income tax expense	(1)	0
Realized gains and impairments, net of income taxes	2	1
Net income attributable to Indemnity	\$36	\$44

Per Indemnity Class A common share-diluted:

Operating income attributable to Indemnity	\$0.64	\$0.77
Net realized gains and impairments on investments	0.05	0.02
Income tax expense	(0.02)	(0.01)
Realized gains and impairments, net of income taxes	0.03	0.01
Net income attributable to Indemnity	\$0.67	\$0.78

Erie Indemnity Company
Consolidated Statements of Financial Position
(in millions)

	March 31, 2012 <u>(Unaudited)</u>	December 31, 2011 <u></u>
Assets		
Investments-Indemnity		
Available-for-sale securities, at fair value:		
Fixed maturities	\$ 494	\$ 548
Equity securities	26	25
Trading securities, at fair value	29	27
Limited partnerships	204	208
Other invested assets	1	1
Investments-Exchange		
Available-for-sale securities, at fair value:		
Fixed maturities	7,483	7,292
Equity securities	621	564
Trading securities, at fair value	2,596	2,308
Limited partnerships	1,087	1,082
Other invested assets	19	19
Total investments	12,560	12,074
Cash and cash equivalents (Exchange portion of \$171 and \$174, respectively)	199	185
Premiums receivable from policyholders - Exchange	1,000	976
Reinsurance recoverable - Exchange	167	166
Deferred income taxes - Indemnity	18	19
Deferred acquisition costs - Exchange	482	487
Other assets (Exchange portion of \$291 and \$322, respectively)	406	441
Total assets	\$ 14,832	\$ 14,348
Liabilities and shareholders' equity		
Liabilities		
Indemnity liabilities		
Other liabilities	418	455
Exchange liabilities		
Losses and loss expense reserves	3,451	3,499
Life policy and deposit contract reserves	1,689	1,671
Unearned premiums	2,196	2,178
Deferred income taxes	279	147
Other liabilities	123	105
Total liabilities	8,156	8,055
Indemnity's shareholders' equity	776	781
Noncontrolling interest in consolidated entity – Exchange	5,900	5,512
Total equity	6,676	6,293
Total liabilities, shareholders' equity and noncontrolling interest	\$ 14,832	\$ 14,348