



ERIE INDEMNITY COMPANY

Investor Supplement First Quarter 2015

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 2014.

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Investor Supplement - First Quarter 2015
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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 12 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 a wholly owned subsidiary of the Exchange 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.

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Erie Insurance Group's Quarterly Operations by Interest (Unaudited)								
<i>(dollars in millions, except per share data)</i>								
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,		
2015	2014	2015	2014	2015	2014	2015	2014	
Management operations:								
Management fee revenue, net	\$ 343	\$ 319	\$ —	\$ —	\$ (343)	\$ (319)	\$ —	\$ —
Service agreement revenue	8	7	—	—	—	—	8	7
Total revenue from management operations	351	326	—	—	(343)	(319)	8	7
Cost of management operations	298	268	—	—	(298)	(268)	—	—
<i>Income from management operations before taxes</i>	53	58	—	—	(45)	(51)	8	7
Property and casualty insurance operations:								
Net premiums earned	—	—	1,380	1,268	—	—	1,380	1,268
Losses and loss expenses	—	—	1,033	1,007	(1)	(1)	1,032	1,006
Policy acquisition and underwriting expenses	—	—	386	365	(47)	(53)	339	312
<i>Income from property and casualty insurance operations before taxes</i>	—	—	(39)	(104)	48	54	9	(50)
Life insurance operations: ⁽¹⁾								
Total revenue	—	—	47	50	0	0	47	50
Total benefits and expenses	—	—	37	37	0	0	37	37
<i>Income from life insurance operations before taxes</i>	—	—	10	13	0	0	10	13
Investment operations: ⁽¹⁾								
Net investment income	4	4	88	84	(3)	(3)	89	85
Net realized gains on investments	0	1	56	50	—	—	56	51
Net impairment losses recognized in earnings	0	0	(2)	0	—	—	(2)	0
Equity in (losses) earnings of limited partnerships	2	6	25	44	—	—	27	50
<i>Income from investment operations before taxes</i>	6	11	167	178	(3)	(3)	170	186
Income from operations before income taxes and noncontrolling interest	59	69	138	87	—	—	197	156
Provision for income taxes	20	23	41	24	—	—	61	47
Net income	\$ 39	\$ 46	\$ 97	\$ 63	\$ —	\$ —	\$ 136	\$ 109

(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	\$ 39	\$ 45
Net income per share - diluted	\$ 0.74	\$ 0.88
Operating income per share - diluted	\$ 0.74	\$ 0.87

Key measures

Gross margin % - Indemnity	14.9%	17.9%
GAAP combined ratio	102.8%	108.3%

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Balance Sheet Information - Indemnity

(in millions)

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 556	\$ 564	\$ 563	\$ 497	\$ 502
Equity securities	25	25	25	26	35
Limited partnerships	100	113	134	141	145
Other invested assets	1	1	1	1	1
Total investments	682	703	723	665	683
Cash and cash equivalents	58	92	45	63	44
Deferred income taxes	40	37	2	1	—
Other assets	125	127	114	112	113
Receivables from Exchange and other affiliates	337	335	343	339	301
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,267	\$ 1,319	\$ 1,252	\$ 1,205	\$ 1,166
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 557	\$ 616	\$ 481	\$ 450	\$ 424
Total liabilities	557	616	481	450	424
Shareholders' equity	710	703	771	755	742
Total liabilities and shareholders' equity	\$ 1,267	\$ 1,319	\$ 1,252	\$ 1,205	\$ 1,166

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Indemnity Management Operations

(dollars in millions)

	Three Months Ended				
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
<u>Direct written premiums of the P&C Group</u>					
Private passenger auto	\$ 592	\$ 555	\$ 634	\$ 616	\$ 557
Homeowners	322	360	413	406	301
Commercial multi-peril	190	170	169	185	176
Commercial auto	110	95	96	111	99
Workers compensation	119	93	94	109	106
All other lines of business	44	39	43	47	40
P&C Group direct written premiums - total	1,377	1,312	1,449	1,474	1,279
<u>Indemnity management operations revenue</u>					
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 344	\$ 328	\$ 363	\$ 368	\$ 320
Service fee/other	7	9	7	6	6
Total revenue from management operations	\$ 351	\$ 337	\$ 370	\$ 374	\$ 326

	Three Months Ended				
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
<u>Indemnity cost of management operations</u>					
Commissions	\$ 194	\$ 196	\$ 208	\$ 205	\$ 174
Non-commission expense	104	106	100	101	94
Total cost of management operations	\$ 298	\$ 302	\$ 308	\$ 306	\$ 268

	Three Months Ended				
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
<u>Gross margin from management operations</u>					
Income from management operations	\$ 53	\$ 35	\$ 62	\$ 68	\$ 58
Gross margin %	14.9%	10.5%	16.5%	18.2%	17.9%

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P&C Group Direct Written Premium Growth Measures					
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
12 month growth rate policies in force					
Total all lines	4.2%	4.3%	4.5%	4.5%	4.7%
Total personal lines	4.2%	4.3%	4.4%	4.5%	4.6%
Total commercial lines	4.4%	4.4%	4.6%	4.7%	4.9%
Retention trends ⁽¹⁾					
Total all lines	90.2%	90.3%	90.5%	90.6%	90.6%
Total personal lines	90.8%	90.9%	91.0%	91.1%	91.1%
Total commercial lines	86.7%	86.5%	86.7%	86.9%	87.1%
12 month % change average premiums					
Total all lines	4.2%	4.2%	4.1%	4.2%	4.2%
Total personal lines	3.3%	3.5%	3.6%	3.7%	3.8%
Total commercial lines	6.3%	5.7%	5.2%	5.4%	5.2%

(1) Policyholder retention rates are impacted when a policyholder cancels an existing policy and enters into a new policy due to various factors, including buying a new home or changing the policy type. When this occurs, the cancelled policy reduces the reported retention rate.

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P&C Group Reported Combined Ratio (Statutory Basis) - Direct Business								
Three Months ended March 31, 2015					Three Months ended March 31, 2014			
	Prior Year Reserve Development Deficiency Calendar Year	(Redundancy) Catastrophe Losses	Current Accident Year Excluding Catastrophes			Prior Year Reserve Development Deficiency Calendar Year	(Redundancy) Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	105.4 %	(0.7) %	0.1 %	106.0 %	104.3 %	1.6 %	0.5 %	102.2 %
Homeowners	95.1 %	(2.6) %	15.3 %	82.4 %	118.6 %	(0.4) %	21.9 %	97.1 %
Other personal lines	22.3 %	(46.0) %	0.0 %	68.3 %	42.5 %	(29.6) %	1.5 %	70.6 %
Total personal lines	100.1 %	(2.1) %	5.8 %	96.4 %	108.7 %	0.4 %	8.5 %	99.8 %
Commercial multi-peril	121.0 %	(0.3) %	14.6 %	106.7 %	115.8 %	(4.5) %	9.3 %	111.0 %
Commercial auto	98.7 %	0.4 %	0.1 %	98.2 %	115.2 %	13.9 %	0.6 %	100.7 %
Workers compensation	92.9 %	(4.3) %	0.0 %	97.2 %	69.5 %	(32.8) %	0.0 %	102.3 %
Other commercial lines	70.6 %	(5.4) %	5.6 %	70.4 %	88.3 %	14.9 %	1.6 %	71.8 %
Total commercial lines	105.1 %	(1.4) %	6.7 %	99.8 %	102.5 %	(5.6) %	4.3 %	103.8 %
Grand total - direct business only	101.6 %	(1.9) %	6.1 %	97.4 %	107.0 %	(1.3) %	7.3 %	101.0 %