



ERIE INDEMNITY COMPANY

Investor Supplement Third Quarter 2014

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 2013.

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Investor Supplement - Third Quarter 2014
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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 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.

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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 September 30,		Three months ended September 30,		Three months ended September 30,		Three months ended September 30,			
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Management operations:									
Management fee revenue, net	\$ 362	\$ 333	\$ —	\$ —	\$ (362)	\$ (333)	\$ —	\$ —	
Service agreement revenue	8	8	—	—	—	—	8	8	
Total revenue from management operations	370	341	—	—	(362)	(333)	8	8	
Cost of management operations	308	281	—	—	(308)	(281)	—	—	
<i>Income from management operations before taxes</i>	62	60	—	—	(54)	(52)	8	8	
Property and casualty insurance operations:									
Net premiums earned	—	—	1,333	1,221	—	—	1,333	1,221	
Losses and loss expenses	—	—	908	841	(1)	(1)	907	840	
Policy acquisition and underwriting expenses	—	—	387	356	(56)	(54)	331	302	
<i>Income from property and casualty insurance operations before taxes</i>	—	—	38	24	57	55	95	79	
Life insurance operations: ⁽¹⁾									
Total revenue	—	—	48	47	0	(1)	48	46	
Total benefits and expenses	—	—	38	37	0	0	38	37	
<i>Income from life insurance operations before taxes</i>	—	—	10	10	0	(1)	10	9	
Investment operations: ⁽¹⁾									
Net investment income	4	4	90	83	(3)	(2)	91	85	
Net realized gains (losses) on investments	0	1	(88)	188	—	—	(88)	189	
Net impairment losses recognized in earnings	0	0	0	(9)	—	—	0	(9)	
Equity in earnings of limited partnerships	4	5	30	32	—	—	34	37	
<i>Income from investment operations before taxes</i>	8	10	32	294	(3)	(2)	37	302	
Income from operations before income taxes and noncontrolling interest	70	70	80	328	—	—	150	398	
Provision for income taxes	23	24	19	107	—	—	42	131	
Net income	\$ 47	\$ 46	\$ 61	\$ 221	\$ —	\$ —	\$ 108	\$ 267	

(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	\$ 47	\$ 45
Net income per share - diluted	\$ 0.90	\$ 0.87
Operating income per share - diluted	\$ 0.90	\$ 0.86

Key measures

Gross margin % - Indemnity	16.5%	17.7%
GAAP combined ratio	97.1%	98.1%

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	
	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013	2014	2013	2014	2013
Management operations:								
Management fee revenue, net	\$ 1,047	\$ 965	\$ —	\$ —	\$ (1,047)	\$ (965)	\$ —	\$ —
Service agreement revenue	23	23	—	—	—	—	23	23
Total revenue from management operations	1,070	988	—	—	(1,047)	(965)	23	23
Cost of management operations	882	820	—	—	(882)	(820)	—	—
<i>Income from management operations before taxes</i>	188	168	—	—	(165)	(145)	23	23
Property and casualty insurance operations:								
Net premiums earned	—	—	3,899	3,573	—	—	3,899	3,573
Losses and loss expenses	—	—	3,016	2,495	(4)	(4)	3,012	2,491
Policy acquisition and underwriting expenses	—	—	1,132	1,032	(173)	(151)	959	881
<i>(Loss) income from property and casualty insurance operations before taxes</i>	—	—	(249)	46	177	155	(72)	201
Life insurance operations: ⁽¹⁾								
Total revenue	—	—	144	139	(1)	(2)	143	137
Total benefits and expenses	—	—	111	105	0	0	111	105
<i>Income from life insurance operations before taxes</i>	—	—	33	34	(1)	(2)	32	32
Investment operations: ⁽¹⁾								
Net investment income	12	11	263	243	(11)	(8)	264	246
Net realized gains on investments	1	1	95	492	—	—	96	493
Net impairment losses recognized in earnings	0	0	0	(9)	—	—	0	(9)
Equity in earnings of limited partnerships	13	13	97	98	—	—	110	111
<i>Income from investment operations before taxes</i>	26	25	455	824	(11)	(8)	470	841
Income from operations before income taxes and noncontrolling interest	214	193	239	904	—	—	453	1,097
Provision for income taxes	72	66	61	297	—	—	133	363
Net income	\$ 142	\$ 127	\$ 178	\$ 607	\$ —	\$ —	\$ 320	\$ 734

(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	\$ 141	\$ 126
Net income per share - diluted	\$ 2.71	\$ 2.41
Operating income per share - diluted	\$ 2.70	\$ 2.40

Key measures

Gross margin % - Indemnity	17.5%	17.1%
GAAP combined ratio	106.3%	98.7%

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Balance Sheet Information - Indemnity

(in millions)

	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 563	\$ 497	\$ 502	\$ 526	\$ 499
Equity securities	25	26	35	50	48
Limited partnerships	134	141	145	146	158
Other invested assets	1	1	1	1	1
Total investments	723	665	683	723	706
Cash and cash equivalents	45	63	44	49	33
Deferred income taxes	2	1	—	2	42
Other assets	114	112	113	114	107
Receivables from Exchange and other affiliates	343	339	301	300	320
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,252	\$ 1,205	\$ 1,166	\$ 1,213	\$ 1,233
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 481	\$ 450	\$ 424	\$ 479	\$ 576
Total liabilities	481	450	424	479	576
Shareholders' equity	771	755	742	734	657
Total liabilities and shareholders' equity	\$ 1,252	\$ 1,205	\$ 1,166	\$ 1,213	\$ 1,233

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Indemnity Management Operations

(dollars in millions)

	Three Months Ended					Nine Months Ended	
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	September 30, 2014	September 30, 2013
<u>Direct written premiums of the P&C Group</u>							
Private passenger auto	\$ 634	\$ 616	\$ 557	\$ 521	\$ 592	\$ 1,807	\$ 1,698
Homeowners	413	406	301	330	376	1,120	1,013
Commercial multi-peril	169	185	176	150	153	530	485
Commercial auto	96	111	99	84	86	306	275
Workers compensation	94	109	106	83	86	309	283
All other lines of business	43	47	40	35	39	130	119
P&C Group direct written premiums - total	1,449	1,474	1,279	1,203	1,332	4,202	3,873
<u>Indemnity management operations revenue</u>							
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 363	\$ 368	\$ 320	\$ 301	\$ 333	\$ 1,051	\$ 968
Service fee/other	7	6	6	8	8	19	20
Total revenue from management operations	\$ 370	\$ 374	\$ 326	\$ 309	\$ 341	\$ 1,070	\$ 988

	Three Months Ended					Nine Months Ended	
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	September 30, 2014	September 30, 2013
<u>Indemnity cost of management operations</u>							
Commissions	\$ 208	\$ 205	\$ 174	\$ 172	\$ 187	\$ 587	\$ 538
Non-commission expense	100	101	94	96	94	295	282
Total cost of management operations	\$ 308	\$ 306	\$ 268	\$ 268	\$ 281	\$ 882	\$ 820

	Three Months Ended					Nine Months Ended	
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	September 30, 2014	September 30, 2013
<u>Gross margin from management operations</u>							
Income from management operations	\$ 62	\$ 68	\$ 58	\$ 41	\$ 60	\$ 188	\$ 168
Gross margin %	16.5%	18.2%	17.9%	13.2%	17.7%	17.5%	17.1%

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P&C Group Direct Written Premium Growth Measures					
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
12 month growth rate policies in force					
Total all lines	4.5%	4.5%	4.7%	4.8%	4.7%
Total personal lines	4.4%	4.5%	4.6%	4.8%	4.7%
Total commercial lines	4.6%	4.7%	4.9%	5.2%	5.0%
Retention trends					
Total all lines	90.5%	90.6%	90.6%	90.6%	90.7%
Total personal lines	91.0%	91.1%	91.1%	91.2%	91.3%
Total commercial lines	86.7%	86.9%	87.1%	86.7%	86.5%
12 month % change average premiums					
Total all lines	4.1%	4.2%	4.2%	4.5%	4.7%
Total personal lines	3.6%	3.7%	3.8%	3.8%	3.9%
Total commercial lines	5.2%	5.4%	5.2%	6.3%	6.7%

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P&C Group								
Reported Combined Ratio (Statutory Basis) - Direct Business								
Three Months ended September 30, 2014					Three Months ended September 30, 2013			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses	Catastrophes
Private passenger auto	105.0 %	(1.5) %	(1.5) %	108.0 %	100.3 %	(1.1) %	0.8 %	100.6 %
Homeowners	81.1 %	(3.5) %	12.7 %	71.9 %	94.6 %	(3.5) %	18.1 %	80.0 %
Other personal lines	150.0 %	35.0 %	(2.0) %	117.0 %	34.5 %	(52.0) %	40.0 %	46.5 %
Total personal lines	96.7%	(1.7)%	3.8 %	94.6%	97.1%	(2.8)%	7.1%	92.8%
Commercial multi-peril	90.1 %	(8.1) %	10.1 %	88.1 %	87.5 %	(3.9) %	4.6 %	86.8 %
Commercial auto	87.3 %	(10.1) %	(2.0) %	99.4 %	101.3 %	(0.5) %	0.1 %	101.7 %
Workers compensation	103.5 %	8.3 %	0.0 %	95.2 %	96.4 %	(17.4) %	0.0 %	113.8 %
Other commercial lines	50.6 %	(14.5) %	(0.3) %	65.4 %	77.3 %	3.1 %	0.6 %	73.6 %
Total commercial lines	90.2%	(4.9)%	3.9 %	91.2%	92.4%	(6.0)%	2.1%	96.3%
Grand total - direct business only	94.8%	(2.6)%	3.8 %	93.6%	95.8%	(3.7)%	5.7%	93.8%
Nine Months ended September 30, 2014					Nine Months ended September 30, 2013			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses	Catastrophes
Private passenger auto	106.5 %	(0.7) %	4.3 %	102.9 %	100.8 %	(0.3) %	0.7 %	100.4 %
Homeowners	104.7 %	(0.9) %	24.0 %	81.6 %	92.6 %	(1.0) %	12.4 %	81.2 %
Other personal lines	89.9 %	0.0 %	0.3 %	89.6 %	59.5 %	(17.9) %	1.0 %	76.4 %
Total personal lines	105.6%	(0.8)%	11.6 %	94.8%	97.2%	(0.8)%	5.0%	93.0%
Commercial multi-peril	106.7 %	(3.8) %	11.5 %	99.0 %	90.7 %	0.0 %	3.0 %	87.7 %
Commercial auto	104.1 %	0.9 %	2.4 %	100.8 %	101.2 %	0.6 %	0.2 %	100.4 %
Workers compensation	96.3 %	(7.3) %	0.0 %	103.6 %	105.1 %	(0.7) %	0.0 %	105.8 %
Other commercial lines	67.0 %	(4.8) %	0.6 %	71.2 %	78.9 %	6.5 %	0.4 %	72.0 %
Total commercial lines	100.8%	(3.6)%	5.6 %	98.8%	96.1%	0.4 %	1.4%	94.3%
Grand total - direct business only	104.2%	(1.6)%	9.9 %	95.9%	96.9%	(0.5)%	3.9%	93.5%