



ERIE INDEMNITY COMPANY

Investor Supplement Fourth Quarter 2019

This report is for informational purposes only and includes 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 2019.

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Investor Supplement - Fourth Quarter 2019
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Erie Indemnity Company
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Definitions

Indemnity 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"). 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".

Exchange, which also commenced business in 1925, is a Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance.

Property and Casualty Group

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 the Exchange and its wholly owned property and casualty subsidiaries. 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.

- 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 group of claims. Loss reserve development may be related to one or more prior years. The prior year reserve development ratio represents the ratio of prior years' incurred losses and loss expenses to earned premiums.
- The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.
- The current accident year ratio represents the total amount of losses to earned premiums during the current calendar year.

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(dollars in thousands, except per share data)

Operating revenue

Management fee revenue, policy issuance and renewal services, net	
Management fee revenue - administrative services, net	
Administrative services reimbursement revenue	
Service agreement revenue	
Total operating revenue	

Operating expenses

Commissions	
Non-commission operating expenses	
Total cost of operations - policy issuance and renewal services	
Cost of operations - administrative services	
Total operating expenses	
Operating income	

Investment income

Net investment income	
Net realized investment gains (losses)	
Net impairment losses recognized in earnings	
Equity in (losses) earnings of limited partnerships	
Total investment income	
Interest expense, net	
Other income	
Income before income taxes	
Income tax expense	
Net income	
Net income per share - diluted	

Indemnity Income Statements						
Three Months Ended					Twelve Months Ended	
December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Unaudited)					
\$ 424,534	\$ 474,427	\$480,513	\$430,983	\$ 407,656	\$ 1,810,457	\$ 1,719,567
14,628	14,430	14,195	13,951	13,738	57,204	53,632
150,705	142,730	146,095	142,480	147,694	582,010	580,336
6,873	7,155	6,907	6,692	7,380	27,627	28,677
596,740	638,742	647,710	594,106	576,468	2,477,298	2,382,212
241,433	266,983	273,256	242,982	231,321	1,024,654	983,758
135,902	123,122	131,749	122,522	122,695	513,295	473,775
377,335	390,105	405,005	365,504	354,016	1,537,949	1,457,533
150,705	142,730	146,095	142,480	147,694	582,010	580,336
528,040	532,835	551,100	507,984	501,710	2,119,959	2,037,869
68,700	105,907	96,610	86,122	74,758	357,339	344,343
8,200	8,652	8,030	8,517	8,626	33,399	30,209
602	1,696	1,302	2,503	(1,513)	6,103	(2,010)
(2)	(31)	(84)	(78)	(935)	(195)	(1,581)
(1,886)	3,289	404	(1,147)	(1,183)	660	(822)
6,914	13,606	9,652	9,795	4,995	39,967	25,796
24	111	272	449	596	856	2,460
60	100	48	47	3,485	255	3,641
75,650	119,502	106,038	95,515	82,642	396,705	371,320
16,063	25,333	18,284	20,204	20,328	79,884	83,096
\$ 59,587	\$ 94,169	\$ 87,754	\$ 75,311	\$ 62,314	\$ 316,821	\$ 288,224
\$ 1.14	\$ 1.80	\$ 1.68	\$ 1.44	\$ 1.19	\$ 6.06	\$ 5.51

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(in thousands)

Assets

Cash and cash equivalents
Receivables from Erie Insurance Exchange and affiliates
Investments
Fixed assets ⁽¹⁾
Other assets ⁽¹⁾

Total assets

Liabilities and shareholders' equity

Liabilities

Commissions payable
Agent bonuses
Defined benefit pension plans
Current and long-term borrowings
Contract liability
Other liabilities

Total liabilities

Shareholders' equity

Total liabilities and shareholders' equity

Indemnity Balance Sheet Information				
December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	(Unaudited)			
\$ 336,739	\$ 344,872	\$ 338,262	\$ 312,045	\$ 266,417
468,636	497,985	483,319	456,135	449,873
824,609	767,856	731,897	717,367	795,197
221,379	194,170	173,055	144,652	130,832
164,877	169,697	163,114	169,257	136,008
\$ 2,016,240	\$ 1,974,580	\$ 1,889,647	\$ 1,799,456	\$ 1,778,327
\$ 262,963	\$ 272,932	\$ 267,403	\$ 253,002	\$ 241,573
96,053	73,921	51,357	26,129	103,462
145,659	136,078	129,674	123,270	116,866
97,821	98,305	98,774	99,273	99,730
54,373	54,966	53,713	52,023	51,727
226,118	219,107	225,272	231,955	191,297
882,987	855,309	826,193	785,652	804,655
1,133,253	1,119,271	1,063,454	1,013,804	973,672
\$ 2,016,240	\$ 1,974,580	\$ 1,889,647	\$ 1,799,456	\$ 1,778,327

(1) Historical periods have been restated to conform to current period presentation.

Erie Indemnity Company
Investor Supplement - Fourth Quarter 2019 (Unaudited)

Property and Casualty Group
Direct Written Premium Growth Measures

	Three Months Ended				Twelve Months Ended	
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	December 31, 2019 December 31, 2018
	(Unaudited)					
Direct written premiums of the P&C Group						
Private passenger auto	\$ 783,242	\$ 902,405	\$ 883,877	\$ 818,783	\$ 754,495	\$ 3,388,307 \$ 3,211,938
Homeowners ⁽¹⁾	431,374	506,110	504,386	382,412	422,117	1,824,282 1,759,430
Commercial multi-peril ⁽¹⁾	228,280	228,883	252,433	241,118	214,381	950,714 895,476
Workers compensation	110,199	121,102	130,936	139,909	112,040	502,146 508,175
Commercial auto	152,256	155,155	170,410	157,864	136,816	635,685 569,103
All other lines of business ⁽¹⁾	42,125	46,786	51,551	44,434	38,277	184,896 168,724
P&C Group direct written premiums - total	<u>\$ 1,747,476</u>	<u>\$ 1,960,441</u>	<u>\$ 1,993,593</u>	<u>\$ 1,784,520</u>	<u>\$ 1,678,126</u>	<u>\$ 7,486,030 \$ 7,112,846</u>

(dollars in thousands)

Property and Casualty Group
Direct Written Premium Growth Measures

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
12 month growth rate policies in force					
Total all lines	1.8%	2.2%	2.7%	3.1%	3.3%
Total personal lines	1.8%	2.1%	2.7%	3.1%	3.4%
Total commercial lines	2.4%	2.5%	2.6%	2.7%	2.7%
Retention trends ⁽²⁾					
Total all lines	90.0%	90.1%	90.2%	90.2%	90.1%
Total personal lines	90.4%	90.5%	90.7%	90.7%	90.6%
Total commercial lines	86.9%	86.9%	86.8%	87.0%	86.6%
12 month % change average premiums					
Total all lines	3.2%	3.4%	3.4%	3.5%	3.5%
Total personal lines	2.9%	3.1%	3.1%	3.2%	3.3%
Total commercial lines	3.6%	4.0%	4.0%	4.4%	4.6%

(1) Premiums for prior periods have been restated to conform to revised line of business classifications.

(2) 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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Property and Casualty Group Statutory Basis Combined Ratio - Direct Business								
Three months ended December 31, 2019					Three months ended December 31, 2018			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Deficiency	Accident		Development	Deficiency	Accident	
	Year	Year	Year		Year	Year	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses ⁽¹⁾	Catastrophes
Private passenger auto	123.0 %	0.2 %	0.3 %	122.5 %	121.0 %	0.5 %	0.2 %	120.3 %
Homeowners	74.5 %	(2.4)%	7.5 %	69.4 %	88.8 %	(0.3)%	10.9 %	78.2 %
Other personal lines	92.7 %	19.4 %	1.2 %	72.1 %	78.7 %	4.0 %	4.4 %	70.3 %
Total personal lines	105.8%	(0.4)%	2.8%	103.4%	109.1%	0.3 %	4.0%	104.8%
Commercial multi-peril	69.2 %	(5.2)%	2.9 %	71.5 %	83.3 %	2.1 %	5.5 %	75.7 %
Commercial auto	114.3 %	(1.2)%	0.1 %	115.4 %	120.1 %	4.6 %	0.3 %	115.2 %
Workers compensation ⁽²⁾	92.7 %	(10.5)%	0.0 %	103.2 %	70.9 %	(35.4)%	0.0 %	106.3 %
Other commercial lines	71.6 %	(23.4)%	0.0 %	95.0 %	123.7 %	13.8 %	0.0 %	109.9 %
Total commercial lines	87.8%	(6.1)%	1.3%	92.6%	92.8%	(5.9)%	2.5%	96.2%
Grand total - direct business only	100.5%	(2.1)%	2.3%	100.3%	104.4%	(1.5)%	3.5%	102.4%
Twelve months ended December 31, 2019					Twelve months ended December 31, 2018			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Deficiency	Accident		Development	Deficiency	Accident	
	Year	Year	Year		Year	Year	Year	
	Calendar	(Redundancy)	Catastrophe	Excluding	Calendar	(Redundancy)	Catastrophe	Excluding
	Year	[Direct business]	Losses	Catastrophes	Year	[Direct business]	Losses ⁽¹⁾	Catastrophes
Private passenger auto	111.5 %	(0.7)%	1.6 %	110.6 %	112.2 %	0.1 %	0.7 %	111.4 %
Homeowners	104.4 %	(0.2)%	29.5 %	75.1 %	102.7 %	1.9 %	26.2 %	74.6 %
Other personal lines	81.4 %	3.5 %	0.4 %	77.5 %	69.5 %	(5.8)%	3.5 %	71.8 %
Total personal lines	108.6%	(0.5)%	11.2%	97.9%	108.2%	0.6 %	9.7%	97.9%
Commercial multi-peril	86.1 %	(0.4)%	8.1 %	78.4 %	85.7 %	(0.3)%	8.9 %	77.1 %
Commercial auto	112.9 %	2.0 %	1.5 %	109.4 %	107.8 %	0.2 %	0.7 %	106.9 %
Workers compensation ⁽²⁾	90.0 %	(7.6)%	0.0 %	97.6 %	66.6 %	(33.3)%	0.0 %	99.9 %
Other commercial lines	78.2 %	(17.8)%	0.0 %	96.0 %	120.1 %	24.3 %	0.0 %	95.8 %
Total commercial lines	94.3%	(2.2)%	4.0%	92.5%	89.1%	(6.8)%	4.1%	91.8%
Grand total - direct business only	104.4%	(1.0)%	9.1%	96.3%	102.7%	(1.5)%	8.1%	96.1%

(1) Catastrophe losses for prior periods have been restated to conform to the current period revised catastrophe classifications.

(2) In the fourth quarter of 2018, there were five settled Workers Compensation claims, which contributed \$23.5 million, or 18.3 points in the fourth quarter and 4.7 points for the year, in favorable prior year development.