



ERIE INDEMNITY COMPANY

Investor Supplement Second Quarter 2020

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 - Second Quarter 2020
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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)

Indemnity Income Statements							
Three months ended					Six months ended		
June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	June 30, 2020	June 30, 2019	
Operating revenue							
Management fee revenue - policy issuance and renewal services, net	\$ 483,795	\$ 443,750	\$ 424,534	\$ 474,427	\$ 480,513	\$ 927,545	\$ 911,496
Management fee revenue - administrative services, net	14,813	14,771	14,628	14,430	14,195	29,584	28,146
Administrative services reimbursement revenue	151,965	151,554	150,705	142,730	146,095	303,519	288,575
Service agreement revenue	6,446	6,662	6,873	7,155	6,907	13,108	13,599
Total operating revenue	657,019	616,737	596,740	638,742	647,710	1,273,756	1,241,816
Operating expenses							
Commissions	278,478	251,996	241,433	266,983	273,256	530,474	516,238
Non-commission operating expenses	135,387	127,496	135,902	123,122	131,749	262,883	254,271
Total cost of operations - policy issuance and renewal services	413,865	379,492	377,335	390,105	405,005	793,357	770,509
Cost of operations - administrative services	151,965	151,554	150,705	142,730	146,095	303,519	288,575
Total operating expenses	565,830	531,046	528,040	532,835	551,100	1,096,876	1,059,084
Operating income	91,189	85,691	68,700	105,907	96,610	176,880	182,732
Investment income							
Net investment income	7,373	8,369	8,200	8,652	8,030	15,742	16,547
Net realized investment gains (losses)	6,526	(10,806)	602	1,696	1,302	(4,280)	3,805
Net impairment losses recognized in earnings	(17)	(3,053)	(2)	(31)	(84)	(3,070)	(162)
Equity in (losses) earnings of limited partnerships	(2,329)	(3,705)	(1,886)	3,289	404	(6,034)	(743)
Total investment income (loss)	11,553	(9,195)	6,914	13,606	9,652	2,358	19,447
Interest expense, net	2	3	24	111	272	5	721
Other (expense) income	(258)	(366)	60	100	48	(624)	95
Income before income taxes	102,482	76,127	75,650	119,502	106,038	178,609	201,553
Income tax expense	20,505	16,801	16,063	25,333	18,284	37,306	38,488
Net income	\$ 81,977	\$ 59,326	\$ 59,587	\$ 94,169	\$ 87,754	\$ 141,303	\$ 163,065
Net income per share - diluted	\$ 1.57	\$ 1.13	\$ 1.14	\$ 1.80	\$ 1.68	\$ 2.70	\$ 3.12

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(in thousands)

Assets

Cash and cash equivalents
Receivables from Erie Insurance Exchange and affiliates, net
Investments
Fixed assets, net ⁽¹⁾
Agent loans, net ⁽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

June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
\$ 257,738	\$ 228,646	\$ 336,739	\$ 344,872	\$ 338,262
506,690	482,238	468,636	497,985	483,319
895,677	832,159	824,609	767,856	731,897
246,572	238,296	221,379	194,170	173,055
65,450	66,574	67,696	68,660	60,962
110,734	109,580	97,181	101,037	102,152
\$ 2,082,861	\$ 1,957,493	\$ 2,016,240	\$ 1,974,580	\$ 1,889,647
\$ 282,436	\$ 270,328	\$ 262,963	\$ 272,932	\$ 267,403
60,264	29,661	96,053	73,921	51,357
161,458	153,558	145,659	136,078	129,674
96,847	97,342	97,821	98,305	98,774
55,451	54,271	54,373	54,966	53,713
232,266	235,341	226,118	219,107	225,272
888,722	840,501	882,987	855,309	826,193
1,194,139	1,116,992	1,133,253	1,119,271	1,063,454
\$ 2,082,861	\$ 1,957,493	\$ 2,016,240	\$ 1,974,580	\$ 1,889,647

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

Erie Indemnity Company
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Property and Casualty Group
Direct Written Premium Growth Measures

	Three months ended					Six months ended	
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	June 30, 2020	June 30, 2019
<i>(dollars in thousands)</i>							
Direct written premiums of the P&C Group							
Private passenger auto	\$ 885,364	\$ 839,908	\$ 783,242	\$ 902,405	\$ 883,877	\$ 1,725,272	\$ 1,702,660
Homeowners ⁽¹⁾	511,300	389,956	431,374	506,110	504,386	901,256	886,798
Commercial multi-peril ⁽¹⁾	253,306	254,727	228,280	228,883	252,433	508,033	493,551
Workers compensation	118,123	140,474	110,199	121,102	130,936	258,597	270,845
Commercial auto	180,667	174,167	152,256	155,155	170,410	354,834	328,274
All other lines of business ⁽¹⁾	53,993	48,446	42,125	46,786	51,551	102,439	95,985
P&C Group direct written premiums - total	<u>\$ 2,002,753</u>	<u>\$ 1,847,678</u>	<u>\$ 1,747,476</u>	<u>\$ 1,960,441</u>	<u>\$ 1,993,593</u>	<u>\$ 3,850,431</u>	<u>\$ 3,778,113</u>

Property and Casualty Group
Direct Written Premium Growth Measures

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
12 month growth rate policies in force					
Total all lines	1.1 %	1.4 %	1.8 %	2.2 %	2.7 %
Total personal lines	1.1 %	1.3 %	1.8 %	2.1 %	2.7 %
Total commercial lines	1.2 %	2.2 %	2.4 %	2.5 %	2.6 %
Retention trends ⁽²⁾					
Total all lines	89.9 %	89.8 %	90.0 %	90.1 %	90.2 %
Total personal lines	90.3 %	90.2 %	90.4 %	90.5 %	90.7 %
Total commercial lines	87.2 %	87.1 %	86.9 %	86.9 %	86.8 %
12 month % change average premiums					
Total all lines	2.2 %	3.1 %	3.2 %	3.4 %	3.4 %
Total personal lines	1.7 %	2.6 %	2.9 %	3.1 %	3.1 %
Total commercial lines	3.3 %	3.9 %	3.6 %	4.0 %	4.0 %

(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 June 30, 2020					Three months ended June 30, 2019			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	(Redundancy)	(Redundancy)	Excluding		(Redundancy)	(Redundancy)	Excluding	
	Calendar	Catastrophe	Catastrophe		Calendar	Catastrophe	Catastrophe	
	Year	Losses	Catastrophes		Year	Losses ⁽¹⁾	Catastrophes	
	[Direct business]				[Direct business]			
Private passenger auto	98.6 %	0.6 %	1.4 %	96.6 %	113.0 %	(1.5) %	5.9 %	108.6 %
Homeowners	120.5 %	(1.7) %	45.6 %	76.6 %	152.6 %	(0.8) %	78.2 %	75.2 %
Other personal lines	83.6 %	1.6 %	1.5 %	80.5 %	85.9 %	(0.1) %	0.9 %	85.1 %
Total personal lines	105.9 %	(0.2) %	16.7 %	89.4 %	126.2 %	(1.3) %	30.9 %	96.6 %
Commercial multi-peril	71.0 %	(4.5) %	13.7 %	61.8 %	95.6 %	(1.4) %	19.2 %	77.8 %
Commercial auto	80.3 %	(6.2) %	2.5 %	84.0 %	117.5 %	6.0 %	4.5 %	107.0 %
Workers compensation	55.4 %	(12.9) %	0.0 %	68.3 %	101.2 %	3.1 %	0.0 %	98.1 %
Other commercial lines	89.3 %	(9.7) %	0.0 %	99.0 %	65.0 %	(32.8) %	0.0 %	97.8 %
Total commercial lines	71.3 %	(7.0) %	6.7 %	71.6 %	101.2 %	0.4 %	9.6 %	91.2 %
Grand total - direct business only	95.8 %	(2.2) %	13.8 %	84.2 %	118.9 %	(0.8) %	24.7 %	95.0 %
Six months ended June 30, 2020					Six months ended June 30, 2019			
	Prior Year	Reserve	Current		Prior Year	Reserve	Current	
	Development	Development	Accident		Development	Development	Accident	
	Deficiency	Deficiency	Year		Deficiency	Deficiency	Year	
	(Redundancy)	(Redundancy)	Excluding		(Redundancy)	(Redundancy)	Excluding	
	Calendar	Catastrophe	Catastrophe		Calendar	Catastrophe	Catastrophe	
	Year	Losses	Catastrophes		Year	Losses ⁽¹⁾	Catastrophes	
	[Direct business]				[Direct business]			
Private passenger auto	98.0 %	0.3 %	0.9 %	96.8 %	111.3 %	0.5 %	3.3 %	107.5 %
Homeowners	104.8 %	1.3 %	30.5 %	73.0 %	124.9 %	0.1 %	49.6 %	75.2 %
Other personal lines	82.9 %	5.0 %	0.8 %	77.1 %	72.0 %	(12.6) %	0.8 %	83.8 %
Total personal lines	100.1 %	0.7 %	11.1 %	88.3 %	115.4 %	0.2 %	19.4 %	95.8 %
Commercial multi-peril	81.6 %	(3.2) %	13.1 %	71.7 %	99.0 %	2.5 %	13.0 %	83.5 %
Commercial auto	89.2 %	(2.1) %	1.4 %	89.9 %	114.5 %	6.6 %	2.6 %	105.3 %
Workers compensation	71.7 %	(8.2) %	0.0 %	79.9 %	92.7 %	(0.4) %	0.0 %	93.1 %
Other commercial lines	100.6 %	2.0 %	0.0 %	98.6 %	43.6 %	(17.8) %	0.0 %	61.4 %
Total commercial lines	82.6 %	(3.7) %	6.2 %	80.1 %	98.4 %	2.1 %	6.4 %	89.9 %
Grand total - direct business only	95.0 %	(0.6) %	9.7 %	85.9 %	110.4 %	0.7 %	15.6 %	94.1 %

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