



ERIE INDEMNITY COMPANY

Investor Supplement Second Quarter 2021

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 2020.

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Investor Supplement - Second Quarter 2021
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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	\$ 502,271	\$ 455,718	\$ 429,698	\$ 484,551	\$ 483,795	\$ 957,989	\$ 927,545
Management fee revenue - administrative services	14,667	14,847	14,969	14,910	14,813	29,514	29,584
Administrative services reimbursement revenue	157,190	153,533	158,206	147,710	151,965	310,723	303,519
Service agreement revenue	5,902	6,079	6,379	6,310	6,446	11,981	13,108
Total operating revenue	680,030	630,177	609,252	653,481	657,019	1,310,207	1,273,756

Operating expenses

Commissions	293,220	261,381	247,614	273,184	278,478	554,601	530,474
Non-commission operating expenses	144,555	139,168	138,380	136,362	135,387	283,723	262,883
Total cost of operations - policy issuance and renewal services	437,775	400,549	385,994	409,546	413,865	838,324	793,357
Cost of operations - administrative services	157,190	153,533	158,206	147,710	151,965	310,723	303,519
Total operating expenses	594,965	554,082	544,200	557,256	565,830	1,149,047	1,096,876
Operating income	85,065	76,095	65,052	96,225	91,189	161,160	176,880

Investment income

Interest and dividend income	7,499	8,051	7,583	7,030	7,373	15,550	15,742
Equity in earnings (losses) of limited partnerships	6,151	9,046	1,817	3,615	(2,329)	15,197	(6,034)
Net investment income	13,650	17,097	9,400	10,645	5,044	30,747	9,708
Net realized investment gains (losses)	2,769	804	4,757	5,915	6,526	3,573	(4,280)
Net impairment (losses) recoveries recognized in earnings	(1)	87	(86)	(122)	(17)	86	(3,070)
Total investment income	16,418	17,988	14,071	16,438	11,553	34,406	2,358

Interest expense, net	1,039	1,009	723	3	2	2,048	5
Other expense	548	519	190	964	258	1,067	624
Income before income taxes	99,896	92,555	78,210	111,696	102,482	192,451	178,609
Income tax expense	20,867	18,989	15,425	22,480	20,505	39,856	37,306
Net income	\$ 79,029	\$ 73,566	\$ 62,785	\$ 89,216	\$ 81,977	\$ 152,595	\$ 141,303
Net income per share - diluted	\$ 1.51	\$ 1.41	\$ 1.20	\$ 1.71	\$ 1.57	\$ 2.92	\$ 2.70

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(in thousands)

Assets

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

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, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
\$ 156,038	\$ 135,192	\$ 161,240	\$ 216,355	\$ 257,738	
504,013	481,481	494,637	501,192	506,690	
1,056,827	1,031,239	1,034,063	1,012,495	895,677	
280,402	282,268	265,341	254,908	246,572	
68,558	68,071	69,212	64,852	65,450	
97,806	100,847	92,629	109,540	110,734	
\$ 2,163,644	\$ 2,099,098	\$ 2,117,122	\$ 2,159,342	\$ 2,082,861	
\$ 284,234	\$ 272,670	\$ 262,338	\$ 275,594	\$ 282,436	
62,694	30,766	110,158	85,709	60,264	
184,111	174,228	164,346	169,358	161,458	
94,859	95,364	95,864	96,358	96,847	
53,877	54,075	55,795	56,560	55,451	
238,767	263,862	240,573	228,546	232,266	
918,542	890,965	929,074	912,125	888,722	
1,245,102	1,208,133	1,188,048	1,247,217	1,194,139	
\$ 2,163,644	\$ 2,099,098	\$ 2,117,122	\$ 2,159,342	\$ 2,082,861	

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

	Three months ended					Six months ended	
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	June 30, 2021	June 30, 2020
<i>(dollars in thousands)</i>							
Direct written premiums of the P&C Group							
Private passenger auto	\$ 878,482	\$ 831,935	\$ 766,535	\$ 904,457	\$ 885,364	\$ 1,710,417	\$ 1,725,272
Homeowners	544,123	411,901	452,340	527,249	511,300	956,024	901,256
Commercial multi-peril	275,994	269,962	239,727	239,046	253,306	545,956	508,033
Workers compensation	116,747	130,074	98,243	109,148	118,123	246,821	258,597
Commercial auto	195,687	181,591	161,725	167,904	180,667	377,278	354,834
All other lines of business	59,524	52,719	45,444	51,270	53,993	112,243	102,439
P&C Group direct written premiums - total	<u>\$ 2,070,557</u>	<u>\$ 1,878,182</u>	<u>\$ 1,764,014</u>	<u>\$ 1,999,074</u>	<u>\$ 2,002,753</u>	<u>\$ 3,948,739</u>	<u>\$ 3,850,431</u>

Property and Casualty Group
Direct Written Premium Growth Measures

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
12 month growth rate policies in force					
Total all lines	3.6 %	2.8 %	2.1 %	1.7 %	1.1 %
Total personal lines	3.6 %	2.9 %	2.2 %	1.8 %	1.1 %
Total commercial lines	3.4 %	2.1 %	1.6 %	1.4 %	1.2 %
Retention trends ⁽¹⁾					
Total all lines	89.9 %	90.0 %	89.9 %	89.9 %	89.9 %
Total personal lines	90.3 %	90.3 %	90.3 %	90.3 %	90.3 %
Total commercial lines	87.5 %	87.5 %	87.4 %	87.3 %	87.2 %
12 month % change average premiums					
Total all lines	(1.5)%	(1.5)%	(0.4)%	0.8 %	2.2 %
Total personal lines	(2.1)%	(1.7)%	(0.8)%	0.3 %	1.7 %
Total commercial lines	0.1 %	(0.4)%	0.9 %	2.1 %	3.3 %

(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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Property and Casualty Group Statutory Basis Combined Ratio - Direct Business								
Three months ended June 30, 2021					Three months ended June 30, 2020			
	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	
	[Direct business]	[Direct business]	Catastrophes		[Direct business]	[Direct business]	Catastrophes	
	Calendar	Catastrophe			Calendar	Catastrophe		
	Year	Losses			Year	Losses		
Private passenger auto	103.1 %	(2.8) %	0.9 %	105.0 %	98.6 %	0.6 %	1.4 %	96.6 %
Homeowners	105.8 %	3.0 %	21.9 %	80.9 %	120.5 %	(1.7) %	45.6 %	76.6 %
Other personal lines	80.4 %	(0.3) %	0.8 %	79.9 %	83.6 %	1.6 %	1.5 %	80.5 %
Total personal lines	103.7 %	(0.7) %	8.4 %	96.0 %	105.9 %	(0.2) %	16.7 %	89.4 %
Commercial multi-peril	84.6 %	(0.6) %	4.5 %	80.7 %	71.0 %	(4.5) %	13.7 %	61.8 %
Commercial auto	85.1 %	(3.2) %	0.4 %	87.9 %	80.3 %	(6.2) %	2.5 %	84.0 %
Workers compensation	68.0 %	(27.9) %	0.0 %	95.9 %	55.4 %	(12.9) %	0.0 %	68.3 %
Other commercial lines	92.4 %	4.4 %	0.0 %	88.0 %	89.3 %	(9.7) %	0.0 %	99.0 %
Total commercial lines	81.8 %	(6.6) %	2.1 %	86.3 %	71.3 %	(7.0) %	6.7 %	71.6 %
Grand total - direct business only	97.2 %	(2.4) %	6.5 %	93.1 %	95.8 %	(2.2) %	13.8 %	84.2 %
Six months ended June 30, 2021					Six months ended June 30, 2020			
	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	
	[Direct business]	[Direct business]	Catastrophes		[Direct business]	[Direct business]	Catastrophes	
	Calendar	Catastrophe			Calendar	Catastrophe		
	Year	Losses			Year	Losses		
Private passenger auto	97.6 %	(1.6) %	0.7 %	98.5 %	98.0 %	0.3 %	0.9 %	96.8 %
Homeowners	95.6 %	1.4 %	15.5 %	78.7 %	104.8 %	1.3 %	30.5 %	73.0 %
Other personal lines	67.4 %	(9.1) %	0.4 %	76.1 %	82.9 %	5.0 %	0.8 %	77.1 %
Total personal lines	96.3 %	(0.6) %	5.9 %	91.0 %	100.1 %	0.7 %	11.1 %	88.3 %
Commercial multi-peril	82.7 %	0.8 %	4.1 %	77.8 %	81.6 %	(3.2) %	13.1 %	71.7 %
Commercial auto	81.0 %	(5.9) %	0.4 %	86.5 %	89.2 %	(2.1) %	1.4 %	89.9 %
Workers compensation	75.0 %	(22.9) %	0.0 %	97.9 %	71.7 %	(8.2) %	0.0 %	79.9 %
Other commercial lines	87.9 %	0.0 %	0.0 %	87.9 %	100.6 %	2.0 %	0.0 %	98.6 %
Total commercial lines	80.9 %	(6.1) %	1.9 %	85.1 %	82.6 %	(3.7) %	6.2 %	80.1 %
Grand total - direct business only	91.8 %	(2.3) %	4.8 %	89.3 %	95.0 %	(0.6) %	9.7 %	85.9 %