



ERIE INDEMNITY COMPANY

Investor Supplement Third Quarter 2013

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 2012.

Erie Indemnity Company
Investor Supplement - Third Quarter 2013
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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.

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,	
	2013	2012	2013	2012	2013	2012	2013	2012
Management operations:								
Management fee revenue, net	\$ 333	\$ 305	\$ -	\$ -	\$ (333)	\$ (305)	\$ -	\$ -
Service agreement revenue	8	8	-	-	-	-	8	8
Total revenue from management operations	341	313	-	-	(333)	(305)	8	8
Cost of management operations	281	247	-	-	(281)	(247)	-	-
Income from management operations before taxes	60	66	-	-	(52)	(58)	8	8
Property and casualty insurance operations:								
Net premiums earned	-	-	1,221	1,118	-	-	1,221	1,118
Losses and loss expenses	-	-	841	890	(1)	(2)	840	888
Policy acquisition and other underwriting expenses	-	-	356	329	(54)	(59)	302	270
Income (loss) from property and casualty insurance operations before taxes	-	-	24	(101)	55	61	79	(40)
Life insurance operations:⁽¹⁾								
Total revenue	-	-	47	44	(1)	0	46	44
Total benefits and expenses	-	-	37	32	0	0	37	32
Income from life insurance operations before taxes	-	-	10	12	(1)	0	9	12
Investment operations:								
Net investment income	4	4	83	81	(2)	(3)	85	82
Net realized gains on investments	1	2	188	165	-	-	189	167
Net impairment losses recognized in earnings	0	0	(9)	0	-	-	(9)	0
Equity in earnings of limited partnerships	5	6	32	35	-	-	37	41
Income from investment operations before taxes	10	12	294	281	(2)	(3)	302	290
Income from operations before income taxes and noncontrolling interest	70	78	328	192	-	-	398	270
Provision for income taxes	24	27	107	59	-	-	131	86
Net income	\$ 46	\$ 51	\$ 221	\$ 133	\$ -	\$ -	\$ 267	\$ 184

(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	\$ 45	\$ 50
Net income per share - diluted	\$ 0.87	\$ 0.96
Operating income per share - diluted	\$ 0.86	\$ 0.93

Key measures

Gross margin % - Indemnity	17.7%	20.9%
GAAP combined ratio	98.1%	108.9%

Erie Insurance Group's Year to Date 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	
	Nine months ended September 30, 2013 2012		Nine months ended September 30, 2013 2012		Nine months ended September 30, 2013 2012		Nine months ended September 30, 2013 2012	
Management operations:								
Management fee revenue, net	\$ 965	\$ 882	\$ -	\$ -	\$ (965)	\$ (882)	\$ -	\$ -
Service agreement revenue	23	23	-	-	-	-	23	23
Total revenue from management operations	988	905	-	-	(965)	(882)	23	23
Cost of management operations	820	734	-	-	(820)	(734)	-	-
Income from management operations before taxes	168	171	-	-	(145)	(148)	23	23
Property and casualty insurance operations:								
Net premiums earned	-	-	3,573	3,279	-	-	3,573	3,279
Losses and loss expenses	-	-	2,495	2,501	(4)	(4)	2,491	2,497
Policy acquisition and other underwriting expenses	-	-	1,032	963	(151)	(153)	881	810
Income (loss) from property and casualty insurance operations before taxes	-	-	46	(185)	155	157	201	(28)
Life insurance operations:⁽¹⁾								
Total revenue	-	-	139	133	(2)	(1)	137	132
Total benefits and expenses	-	-	105	99	0	0	105	99
Income from life insurance operations before taxes	-	-	34	34	(2)	(1)	32	33
Investment operations:								
Net investment income	11	12	243	251	(8)	(8)	246	255
Net realized gains on investments	1	4	492	348	-	-	493	352
Net impairment losses recognized in earnings	0	0	(9)	0	-	-	(9)	0
Equity in earnings of limited partnerships	13	10	98	89	-	-	111	99
Income from investment operations before taxes	25	26	824	688	(8)	(8)	841	706
Income from operations before income taxes and noncontrolling interest	193	197	904	537	-	-	1,097	734
Provision for income taxes	66	67	297	167	-	-	363	234
Net income	\$ 127	\$ 130	\$ 607	\$ 370	\$ -	\$ -	\$ 734	\$ 500

(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	\$ 126	\$ 128
Net income per share - diluted	\$ 2.41	\$ 2.43
Operating income per share - diluted	\$ 2.40	\$ 2.38

Key measures

Gross margin % - Indemnity	17.1%	18.8%
GAAP combined ratio	98.7%	105.6%

Erie Indemnity Company
Investor Supplement - Third Quarter 2013 (Unaudited)

Balance Sheet Information - Indemnity

(in millions)

	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 499	\$ 438	\$ 421	\$ 452	\$ 547
Equity securities	48	48	49	55	29
Trading securities, at fair value	0	0	0	0	30
Limited partnerships	158	166	167	180	195
Other invested assets	1	1	1	1	1
Total investments	706	653	638	688	802
Cash and cash equivalents	33	39	41	12	12
Deferred income taxes	42	43	39	37	16
Other assets	107	115	115	117	115
Receivables from Exchange and other affiliates	320	309	287	281	286
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,233	\$ 1,184	\$ 1,145	\$ 1,160	\$ 1,256
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 576	\$ 537	\$ 509	\$ 518	\$ 474
Total liabilities	576	537	509	518	474
Shareholders' equity	657	647	636	642	782
Total liabilities and shareholders' equity	\$ 1,233	\$ 1,184	\$ 1,145	\$ 1,160	\$ 1,256

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Indemnity Management Operations

(dollars in millions)

	Three Months Ended					Nine months ended	
	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012
<u>Direct written premiums of the P&C Group</u>							
Private passenger auto	\$ 592	\$ 579	\$ 527	\$ 489	\$ 555	\$ 1,698	\$ 1,598
Homeowners	376	367	270	294	334	1,013	895
Commercial multi-peril	153	169	163	134	135	485	426
Commercial auto	86	99	90	75	80	275	254
Workers compensation	86	97	100	76	75	283	249
All other lines of business	39	43	37	31	36	119	110
P&C Group direct written premiums - total	1,332	1,354	1,187	1,099	1,215	3,873	3,532
<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	\$ 333	\$ 338	\$ 297	\$ 274	\$ 304	\$ 968	\$ 883
Service fee/other	8	6	6	9	9	20	22
Total revenue from management operations	\$ 341	\$ 344	\$ 303	\$ 283	\$ 313	\$ 988	\$ 905

	Three Months Ended					Nine months ended	
	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Jun. 30, 2012	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012
<u>Indemnity cost of management operations</u>							
Commissions	\$ 187	\$ 187	\$ 164	\$ 158	\$ 163	\$ 538	\$ 477
Non-commission expense	94	98	90	91	84	282	257
Total cost of management operations	\$ 281	\$ 285	\$ 254	\$ 249	\$ 247	\$ 820	\$ 734

	Three Months Ended					Nine months ended	
	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Jun. 30, 2012	Sept. 30, 2012	Sept. 30, 2013	Sept. 30, 2012
<u>Gross margin from management operations</u>							
Income from management operations	\$ 60	\$ 59	\$ 49	\$ 34	\$ 66	\$ 168	\$ 171
Gross margin %	17.7%	17.3%	16.1%	12.2%	20.9%	17.1%	18.8%

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P&C Group Direct Written Premium Growth Measures

	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
12 month growth rate policies in force					
Total all lines	4.7%	4.4%	4.3%	3.9%	3.4%
Total personal lines	4.7%	4.4%	4.2%	3.8%	3.3%
Total commercial lines	5.0%	4.6%	4.9%	4.7%	4.3%
Retention trends					
Total all lines	90.7%	90.9%	91.0%	90.9%	90.8%
Total personal lines	91.3%	91.5%	91.6%	91.6%	91.5%
Total commercial lines	86.5%	86.4%	86.7%	86.2%	86.0%
12 month % change average premiums					
Total all lines	4.7%	4.8%	4.7%	4.3%	4.1%
Total personal lines	3.9%	3.9%	3.7%	3.6%	3.2%
Total commercial lines	6.7%	7.1%	7.0%	5.9%	6.0%

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P&C Group
Reported Combined Ratio (Statutory Basis) - Direct Business

	Three Months ended September 30, 2013				Three Months ended September 30, 2012			
	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	100.3%	(1.1)%	0.8%	100.6%	108.2%	0.7%	3.7%	103.8%
Homeowners	94.6%	(3.5)%	18.1%	80.0%	103.5%	(2.2)%	23.5%	82.2%
Other personal lines	34.5%	(52.0)%	40.0%	46.5%	77.1%	(3.9)%	4.6%	76.4%
Total personal lines	97.1%	(2.8)%	7.1%	92.8%	106.0%	(0.4)%	10.6%	95.8%
Commercial multi-peril	87.5%	(3.9)%	4.6%	86.8%	107.9%	(6.9)%	16.8%	98.0%
Commercial auto	101.3%	(0.5)%	0.1%	101.7%	105.3%	(2.2)%	6.4%	101.1%
Workers compensation	96.4%	(17.4)%	0.0%	113.8%	113.3%	0.6%	0.0%	112.7%
Other commercial lines	77.3%	3.1%	0.6%	73.6%	79.1%	(5.6)%	3.5%	81.2%
Total commercial lines	92.4%	(6.0)%	2.1%	96.3%	106.6%	(3.7)%	9.0%	101.3%
Grand total - direct business only	95.8%	(3.7)%	5.7%	93.8%	106.2%	(1.3)%	10.2%	97.3%
	Nine Months ended September 30, 2013				Nine Months ended September 30, 2012			
	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes	Calendar Year	Prior Year Reserve Development Deficiency (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	100.8%	(0.3)%	0.7%	100.4%	103.2%	1.1%	2.5%	99.6%
Homeowners	92.6%	(1.0)%	12.4%	81.2%	109.3%	(4.6)%	30.7%	83.2%
Other personal lines	59.5%	(17.9)%	1.0%	76.4%	55.5%	(20.6)%	2.6%	73.5%
Total personal lines	97.2%	(0.8)%	5.0%	93.0%	104.6%	(1.2)%	12.2%	93.6%
Commercial multi-peril	90.7%	0.0%	3.0%	87.7%	93.4%	(7.3)%	10.8%	89.9%
Commercial auto	101.2%	0.6%	0.2%	100.4%	100.9%	(1.7)%	3.9%	98.7%
Workers compensation	105.1%	(0.7)%	0.0%	105.8%	112.6%	10.8%	0.0%	101.8%
Other commercial lines	78.9%	6.5%	0.4%	72.0%	82.2%	6.0%	1.3%	74.9%
Total commercial lines	96.1%	0.4%	1.4%	94.3%	99.3%	(0.5)%	5.7%	94.1%
Grand total - direct business only	96.9%	(0.5)%	3.9%	93.5%	103.1%	(1.0)%	10.4%	93.7%