



ERIE INDEMNITY COMPANY

Investor Supplement Third Quarter 2012

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 2011.

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Investor Supplement - Third Quarter 2012
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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.
 - **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").
- 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. Through March 31, 2011 Indemnity and the Exchange owned 21.6% and 78.4% of EFL, respectively. On March 31, 2011, Indemnity sold its 21.6% ownership interest in EFL to the Exchange.
- 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, insurance 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,		
	Percent	2012	2011	Percent	2012	2011	2012	2011	2012	2011
Management operations:										
Management fee revenue, net	100.0%	\$ 305	\$ 280		\$ -	\$ -	\$ (305)	\$ (280)	\$ -	\$ -
Service agreement revenue	100.0%	8	8		-	-	-	-	8	8
Total revenue from management operations		313	288		-	-	(305)	(280)	8	8
Cost of management operations	100.0%	247	226		-	-	(247)	(226)	-	-
Income from management operations before taxes		66	62		-	-	(58)	(54)	8	8
Property and casualty insurance operations:										
Net premiums earned		-	-	100.0%	1,118	1,045	-	-	1,118	1,045
Losses and loss expenses		-	-	100.0%	890	823	(2)	(1)	888	822
Policy acquisition and other underwriting expenses		-	-	100.0%	329	302	(59)	(56)	270	246
Loss from property and casualty insurance operations before taxes		-	-		(101)	(80)	61	57	(40)	(23)
Life insurance operations:⁽¹⁾										
Total revenue		-	-	100.0%	44	46	0	0	44	46
Total benefits and expenses		-	-	100.0%	32	33	0	0	32	33
Income from life insurance operations before taxes		-	-		12	13	0	0	12	13
Investment operations:										
Net investment income		4	4		81	83	(3)	(3)	82	84
Net realized gains (losses) on investments		2	(6)		165	(421)	-	-	167	(427)
Net impairment losses recognized in earnings		0	0		0	0	-	-	0	0
Equity in earnings of limited partnerships		6	7		35	33	-	-	41	40
Income (loss) from investment operations before taxes		12	5		281	(305)	(3)	(3)	290	(303)
Income (loss) from operations before income taxes and noncontrolling interest		78	67		192	(372)	-	-	270	(305)
Provision for income taxes		27	20		59	(145)	-	-	86	(125)
Net income (loss)		\$ 51	\$ 47		\$ 133	\$ (227)	\$ -	\$ -	\$ 184	\$ (180)

(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	\$ 50	\$ 51
Net income per share - diluted	\$ 0.96	\$ 0.87
Operating income per share - diluted	\$ 0.93	\$ 0.93

Key measures

Gross margin % - Indemnity	20.9%	21.7%
GAAP combined ratio	108.9%	107.7%

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,		Nine months ended September 30,			Nine months ended September 30,		Nine months ended September 30,		
	Percent	2012	2011	Percent	2012	2011	2012	2011	2012	2011
Management operations:										
Management fee revenue, net	100.0%	\$ 882	\$ 816		\$ -	\$ -	\$ (882)	\$ (816)	\$ -	\$ -
Service agreement revenue	100.0%	23	25		-	-	-	-	23	25
Total revenue from management operations		905	841		-	-	(882)	(816)	23	25
Cost of management operations	100.0%	734	667		-	-	(734)	(667)	-	-
Income from management operations before taxes		171	174		-	-	(148)	(149)	23	25
Property and casualty insurance operations:										
Net premiums earned		-	-	100.0%	3,279	3,089	-	-	3,279	3,089
Losses and loss expenses		-	-	100.0%	2,501	2,653	(4)	(4)	2,497	2,649
Policy acquisition and other underwriting expenses		-	-	100.0%	963	882	(153)	(154)	810	728
Loss from property and casualty insurance operations before taxes		-	-		(185)	(446)	157	158	(28)	(288)
Life insurance operations:⁽¹⁾⁽²⁾										
Total revenue	21.6% ⁽²⁾	-	10	78.4% ⁽²⁾	133	124	(1)	(1)	132	133
Total benefits and expenses	21.6% ⁽²⁾	-	7	78.4% ⁽²⁾	99	89	0	0	99	96
Income from life insurance operations before taxes		-	3		34	35	(1)	(1)	33	37
Investment operations:										
Net investment income		12	12		251	252	(8)	(8)	255	256
Net realized gains (losses) on investments		4	1		348	(247)	-	-	352	(246)
Net impairment losses recognized in earnings		0	0		0	0	-	-	0	0
Equity in earnings of limited partnerships		10	25		89	124	-	-	99	149
Income from investment operations before taxes		26	38		688	129	(8)	(8)	706	159
Income (loss) from operations before income taxes and noncontrolling interest		197	215		537	(282)	-	-	734	(67)
Provision for income taxes		67	72		167	(126)	-	-	234	(54)
Net income (loss)		\$ 130	\$ 143		\$ 370	\$ (156)	\$ -	\$ -	\$ 500	\$ (13)

(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.

(2) Prior to and through March 31, 2011, Indemnity retained a 21.6% ownership interest in EFL, which accrued to the Indemnity shareholder interest, and the Exchange retained a 78.4% ownership interest in EFL, which accrued to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest. Due to the sale of Indemnity's 21.6% ownership interest in EFL to the Exchange on March 31, 2011, 100% of EFL's life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest, after March 31, 2011.

Operating income	\$ 128	\$ 142
Net income per share - diluted	\$ 2.43	\$ 2.59
Operating income per share - diluted	\$ 2.38	\$ 2.57

Key measures

Gross margin % - Indemnity	18.8%	20.7%
GAAP combined ratio	105.6%	114.5%

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Balance Sheet Information - Indemnity

(in millions)

	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 547	\$ 510	\$ 494	\$ 548	\$ 517
Equity securities	29	26	26	25	22
Trading securities, at fair value	30	28	29	27	26
Limited partnerships	195	199	204	208	223
Other invested assets	1	1	1	1	1
Total investments	802	764	754	809	789
Cash and cash equivalents	12	13	28	11	34
Deferred income taxes	16	21	18	19	-
Other assets	115	115	115	119	109
Reinsurance recoverables and receivables from Exchange and other affiliates	286	277	256	254	269
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,256	\$ 1,215	\$ 1,196	\$ 1,237	\$ 1,226
Liabilities and shareholders' equity					
Liabilities					
Deferred income taxes	\$ -	\$ -	\$ -	\$ -	\$ 6
Other liabilities	474	449	420	456	375
Total liabilities	474	449	420	456	381
Shareholders' equity					
Total liabilities and shareholders' equity	\$ 1,256	\$ 1,215	\$ 1,196	\$ 1,237	\$ 1,226

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Indemnity Management Operations

(dollars in millions)

Direct written premiums of the P&C Group

	Three Months Ended					Nine months ended	
	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Private passenger auto	\$ 555	\$ 545	\$ 498	\$ 462	\$ 532	\$ 1,598	\$ 1,537
Homeowners	303	295	210	228	265	808	710
Commercial multi-peril	135	151	140	117	121	426	383
Commercial auto	80	90	84	71	75	254	239
Workers compensation	75	88	86	64	64	249	218
All other lines of business	67	70	60	58	62	197	184
P&C Group direct written premiums - total	1,215	1,239	1,078	1,000	1,119	3,532	3,271
<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	\$ 304	\$ 309	\$ 270	\$ 250	\$ 280	\$ 883	\$ 818
Service fee/other	9	7	6	9	8	22	23
Total revenue from management operations	\$ 313	\$ 316	\$ 276	\$ 259	\$ 288	\$ 905	\$ 841

Indemnity cost of management operations

	Three Months Ended					Nine months ended	
	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Commissions	\$ 163	\$ 165	\$ 149	\$ 140	\$ 151	\$ 477	\$ 446
Non-commission expense	84	92	81	85	75	257	221
Total cost of management operations	\$ 247	\$ 257	\$ 230	\$ 225	\$ 226	\$ 734	\$ 667

Gross margin from management operations

	Three Months Ended					Nine months ended	
	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Income from management operations	\$ 66	\$ 59	\$ 46	\$ 34	\$ 62	\$ 171	\$ 174
Gross margin %	20.9%	18.6%	16.8%	13.0%	21.7%	18.8%	20.7%

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P&C Group Direct Written Premium Growth Measures

	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
12 month growth rate policies in force					
Total all lines	3.4%	3.1%	2.6%	2.5%	2.6%
Total personal lines	3.3%	2.9%	2.5%	2.3%	2.5%
Total commercial lines	4.3%	4.3%	3.6%	3.5%	3.6%
Retention trends					
Total all lines	90.8%	90.7%	90.7%	90.7%	90.8%
Total personal lines	91.5%	91.4%	91.4%	91.5%	91.6%
Total commercial lines	86.0%	85.9%	85.9%	85.5%	85.3%
12 month % change average premiums					
Total all lines	4.1%	3.7%	3.3%	3.3%	2.9%
Total personal lines	3.2%	2.8%	2.5%	2.5%	2.6%
Total commercial lines	6.0%	5.1%	5.0%	4.9%	3.1%

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

	Three Months ended September 30, 2012				Three Months ended September 30, 2011			
	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	108.2%	0.7%	3.7%	103.8%	100.1%	(4.4)%	2.9%	101.6%
Homeowners	103.5%	(2.2)%	23.5%	82.2%	149.9%	(2.3)%	63.7%	88.5%
Other personal lines	77.1%	(3.9)%	4.6%	76.4%	61.7%	(6.8)%	18.3%	50.2%
Total personal lines	106.0%	(0.4)%	10.6%	95.8%	116.0%	(3.9)%	21.7%	98.2%
Commercial multi-peril	107.9%	(6.9)%	16.8%	98.0%	96.8%	(0.5)%	2.9%	94.4%
Commercial auto	105.3%	(2.2)%	6.4%	101.1%	100.2%	(5.6)%	4.8%	101.0%
Workers compensation	113.3%	0.6%	0.0%	112.7%	23.5%	(80.7)%	0.0%	104.2%
Other commercial lines	79.1%	(5.6)%	3.5%	81.2%	71.6%	(5.7)%	5.1%	72.2%
Total commercial lines	106.6%	(3.7)%	9.0%	101.3%	78.3%	(21.4)%	2.9%	96.8%
Grand total - direct business only	106.2%	(1.3)%	10.2%	97.3%	105.7%	(8.7)%	16.5%	97.9%
	Nine Months ended September 30, 2012				Nine Months ended September 30, 2011			
	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	103.2%	1.1%	2.5%	99.6%	96.3%	(6.0)%	4.8%	97.5%
Homeowners	109.3%	(4.6)%	30.7%	83.2%	166.8%	(1.8)%	81.6%	87.0%
Other personal lines	55.5%	(20.6)%	2.6%	73.5%	66.1%	(6.1)%	32.6%	39.6%
Total personal lines	104.6%	(1.2)%	12.2%	93.6%	119.0%	(4.8)%	28.7%	95.1%
Commercial multi-peril	93.4%	(7.3)%	10.8%	89.9%	115.6%	(7.0)%	30.8%	91.8%
Commercial auto	100.9%	(1.7)%	3.9%	98.7%	98.1%	(2.5)%	6.6%	94.0%
Workers compensation	112.6%	10.8%	0.0%	101.8%	64.9%	(32.8)%	0.0%	97.7%
Other commercial lines	82.2%	6.0%	1.3%	74.9%	76.8%	4.5%	3.9%	68.4%
Total commercial lines	99.3%	(0.5)%	5.7%	94.1%	96.1%	(11.1)%	15.1%	92.1%
Grand total - direct business only	103.1%	(1.0)%	10.4%	93.7%	112.7%	(6.5)%	25.0%	94.2%