

ERIE INDEMNITY CO
Form 10-Q
May 02, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

Commission file number 0-24000

ERIE INDEMNITY COMPANY
(Exact name of registrant as specified in its charter)
PENNSYLVANIA 25-0466020
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

100 Erie Insurance Place, Erie, Pennsylvania 16530
(Address of principal executive offices) (Zip Code)

(814) 870-2000
(Registrant's telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

Edgar Filing: ERIE INDEMNITY CO - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange

Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Class A Common Stock as of the latest practicable date, with no par value and a stated value of \$0.0292 per share, was 46,189,068 at April 12, 2019.

The number of shares outstanding of the registrant's Class B Common Stock as of the latest practicable date, with no par value and a stated value of \$70 per share, was 2,542 at April 12, 2019.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Statements of Operations – Three months ended March 31, 2019 and 2018

Statements of Comprehensive Income – Three months ended March 31, 2019 and 2018

Statements of Financial Position – March 31, 2019 and December 31, 2018

Statements of Shareholders' Equity – Three months ended March 31, 2019 and 2018

Statements of Cash Flows – Three months ended March 31, 2019 and 2018

Notes to Financial Statements – March 31, 2019

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 6. Exhibits

SIGNATURES

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ERIE INDEMNITY COMPANY
 STATEMENTS OF OPERATIONS (UNAUDITED)
 (dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2019	2018
Operating revenue		
Management fee revenue - policy issuance and renewal services, net	\$430,983	\$405,978
Management fee revenue - administrative services, net	13,951	13,074
Administrative services reimbursement revenue	142,480	145,963
Service agreement revenue	6,692	7,145
Total operating revenue	594,106	572,160
Operating expenses		
Cost of operations - policy issuance and renewal services	365,504	348,630
Cost of operations - administrative services	142,480	145,963
Total operating expenses	507,984	494,593
Operating income	86,122	77,567
Investment income		
Net investment income	8,517	6,820
Net realized investment gains (losses)	2,503	(465)
Net impairment losses recognized in earnings	(78)	0
Equity in losses of limited partnerships	(1,147)	(192)
Total investment income	9,795	6,163
Interest expense, net	449	553
Other income	47	44
Income before income taxes	95,515	83,221
Income tax expense	20,204	17,463
Net income	\$75,311	\$65,758
Net income per share		
Class A common stock – basic	\$1.62	\$1.41
Class A common stock – diluted	\$1.44	\$1.26
Class B common stock – basic and diluted	\$243	\$212
Weighted average shares outstanding – Basic		
Class A common stock	46,188,337	46,187,908
Class B common stock	2,542	2,542
Weighted average shares outstanding – Diluted		
Class A common stock	52,312,036	52,310,628

Edgar Filing: ERIE INDEMNITY CO - Form 10-Q

Class B common stock	2,542	2,542
Dividends declared per share		
Class A common stock	\$0.90	\$0.84
Class B common stock	\$135.00	\$126.00

See accompanying notes to Financial Statements. See Note 12, "Accumulated Other Comprehensive Income (Loss)", for amounts reclassified out of accumulated other comprehensive income (loss) into the Statements of Operations.

3

Table of Contents

ERIE INDEMNITY COMPANY
 STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 (in thousands)

	Three Months Ended March 31,	
	2019	2018
Net income	\$75,311	\$65,758
Other comprehensive income (loss), net of tax		
Change in unrealized holding gains (losses) on available-for-sale securities	5,478	(5,427)
Amortization of prior service costs and net actuarial loss on pension and other postretirement plans	1,232	0
Total other comprehensive income (loss), net of tax	6,710	(5,427)
Comprehensive income		