FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For quarter ended September 30, 1997

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 incorporation or organization)	(I.R.S. Employer 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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class A Common Stock, no par value, with a stated value of $.0292 per share-- 67,032,000 shares as of November 1, 1997.

Class B Common Stock, no par value, with a stated value of $70.00 per share-- 3,070 shares as of November 1, 1997.

The common stock is the only class of stock the Registrant is presently authorized to issue.

INDEX

ERIE INDEMNITY COMPANY

PART I. FINANCIAL INFORMATION

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	September 30, 1997 (Unaudited)	December 31, 1996
INVESTMENTS		
Fixed Maturities:		
Available-for-Sale (amortized cost of $320,579,035 and $301,093,212, respectively)	$ 334,052,801	$ 310,175,864
Equity Securities (cost of $132,019,020 and $116,070,434, respectively)	161,246,024	131,618,139
Real Estate Mortgage Loans	8,383,188	7,293,651
Other Invested Assets	7,563,875	7,010,019
Total Investments	$ 511,245,888	$ 456,097,673
Cash and Cash Equivalents	53,583,025	18,719,624
Equity in Erie Family Life Insurance Company	33,002,445	28,686,137
Accrued Interest and Dividends	6,725,519	5,570,033
Premiums Receivable from Policyholders	108,399,350	103,847,320
Reinsurance Recoverable, Non-affiliates	121,360	163,691
Deferred Policy Acquisition Costs	10,608,076	9,540,998
Receivables from Erie Insurance Exchange and Affiliates	514,081,209	478,304,267
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Agent Loans	8,086,475	7,945,946
Prepaid Expenses	11,118,059	6,957,026
Property and Equipment	9,774,985	9,841,538
Prepaid Federal Income Taxes	161,265	4,056,974
Other Assets	8,116,022	5,907,978
Total Assets	$ 1,290,023,678	$ 1,150,639,205

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 1997 (Unaudited)	December 31, 1996
LIABILITIES		
Unpaid Losses and Loss Adjustment Expenses	$ 410,286,956	$ 386,425,019
Unearned Premiums	229,974,386	216,938,069
Accounts Payable	6,295,080	6,034,486
Accrued Commissions	83,638,591	75,518,593
Accrued Payroll and Payroll Taxes	6,327,269	5,268,275
Accrued Vacation and Sick Pay	7,159,830	7,435,360
Deferred Compensation	1,791,530	1,587,570
Deferred Income Taxes	9,292,578	2,035,054
Dividends Payable	6,411,787	6,411,788
Benefit Plans Liability	7,566,419	7,226,300
Total Liabilities	$ 768,744,426	$ 714,880,514
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A Common, stated value $.0292 per share; authorized 74,996,930 shares; issued and outstanding 67,032,000 shares	1,955,100	1,955,100
Class B Common, stated value $70.00 per share; authorized 3,070 shares; Issued and outstanding 3,070 shares	214,900	214,900
Additional Paid-In Capital	7,830,000	7,830,000
Net Unrealized Gain on Available-for-Sale Securities (net of deferred taxes)	31,463,577	17,490,491
Retained Earnings	479,815,675	408,268,200
Total Shareholders' Equity	$ 521,279,252	$ 435,758,691
Total Liabilities and Shareholders' Equity	$ 1,290,023,678	$ 1,150,639,205

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
MANAGEMENT OPERATIONS	1997	1996	1997	1996
Management Fee Revenue	$ 122,875,909	$ 115,620,834	$ 360,124,010	$ 341,331,890
Service Agreement Revenue	1,830,528	1,333,576	4,158,813	3,765,021
Other Operating Revenue	352,841	312,324	1,414,073	931,655
Total Revenues from Management Operations	125,059,278	117,266,734	365,696,896	346,028,566
Cost of Management Operations	88,596,644	81,549,000	262,182,313	246,178,301
Net Revenues From Management Operations	36,462,634	35,717,734	103,514,583	99,850,265
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	27,099,189	25,740,991	79,838,028	75,300,404
Losses and Loss Adjustment Expenses Incurred	19,790,114	21,286,647	59,015,371	64,100,588
Policy Acquisition and Other Underwriting Expenses	7,608,033	7,171,992	21,952,443	20,991,733
Total Losses and Expenses	27,398,147	28,458,639	80,967,814	85,092,321
Underwriting Loss	(298,958)	(2,717,648)	(1,129,786)	(9,791,917)
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	1,195,419	982,370	3,145,218	2,515,879
Interest and Dividends	8,426,271	6,549,490	23,818,995	18,483,504
Realized Gain on Investments	2,205,947	2,281,202	4,703,031	3,365,363
Revenue from Investment Operations	11,827,637	9,813,062	31,667,244	24,364,746
Income Before Income Taxes	47,991,313	42,813,148	134,052,041	114,423,094
Provision for Income Taxes	15,863,037	13,626,362	43,269,202	35,271,887
Net Income	$ 32,128,276	$ 29,186,786	$ 90,782,839	$ 79,151,207
Net Income per Share	$ 0.43	$ 0.39	$ 1.22	$ 1.06
Dividends Declared per Share:				
Class A non-voting Common	$ 0.095	$ 0.0833	$ 0.29	$ 0.25
Class B Common	$ 14.25	$ 12.50	$ 42.75	$ 37.50

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 90,782,839	$ 79,151,207
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,366,444	889,914
Deferred income tax expense	1,099,882	1,026,328
Realized gain on investments	(4,703,031)	(3,365,363)
Amortization of bond discount	(103,771)	(194,091)
Undistributed earnings of Erie Family Life	(2,317,438)	(1,493,955)
Increase (decrease) in deferred compensation	203,960	(289,700)
Increase in accrued interest and dividends	(1,155,486)	(986,620)
Increase in receivables	(40,286,641)	(45,966,612)
Increase in policy acquisition costs	(1,067,078)	(872,119)
Increase in prepaid expenses and other assets	(942,328)	(2,475,008)
Increase (decrease) in accounts payable and accrued expenses	1,384,177	(1,032,427)
Decrease (increase) in prepaid federal income taxes	3,895,709	(1,263,913)
Increase in prepaid pension	(5,357,160)	(1,377,002)
Increase in accrued commissions	8,119,998	4,536,639
Increase in loss reserves	23,861,937	25,578,778
Increase in unearned premiums	13,036,317	23,466,555
Net cash provided by operating activities	$ 87,818,330	$ 75,332,611
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(50,847,456)	(87,014,797)
Equity securities	(47,168,709)	(48,633,780)
Mortgage loans	(1,183,667)	(1,968,775)
Other invested assets	(860,241)	(3,094,093)
Sales/maturities of investments:		
Fixed maturities	27,946,620	31,889,829
Equity securities	39,449,450	17,481,773
Mortgage loans	94,319	44,817
Other invested assets	0	1,209,545
Net gain on other invested assets	290,538	0
Purchase of property and equipment	(34,469)	(561,281)
Purchase of computer software	(1,265,422)	(479,332)
Loans to Agents	(1,043,025)	(815,178)
Collections on Agent loans	902,497	813,461
Net cash used in investing activities	$ (33,719,565)	$ (91,127,811)

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	$ (19,235,364)	$ (16,873,124)
Net cash used in financing activities	$ (19,235,364)	$ (16,873,124)
Net decrease in cash and cash equivalents	34,863,401	(32,668,324)
Cash and cash equivalents at beginning of period	18,719,624	56,856,983
Cash and cash equivalents at end of period	$ 53,583,025	$ 24,188,659

Supplemental disclosures of cash flow information:
Cash paid during the nine months ended September 30, 1997 and 1996 for income taxes was $39,920,994 and $37,543,743, respectively.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1996.

NOTE B -- RECLASSIFICATIONS

Certain amounts as previously reported in the 1996 financial statements have been reclassified to conform to the current year's presentation.

NOTE C -- EARNINGS PER SHARE

Earnings per share is based on the weighted average number of Class A shares outstanding (67,032,000 as retroactively stated in 1996), plus giving effect to the conversion of the weighted average number of Class B shares outstanding (3,070 in 1997 and 1996) at a rate of 2,400 Class A shares for one Class B share as set out in the Articles of Incorporation. Equivalent shares outstanding total 74,400,000.

NOTE D -- INVESTMENTS

Fixed maturities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. The amortized cost of fixed maturities classified as held-to-maturity is adjusted for amortization of premiums and accretion of discounts to maturity. The Company currently holds no held-to-maturity securities.

Fixed maturities determined by management not to be held-to-maturity and marketable equity securities are classified as available-for-sale. Marketable equity securities consist primarily of common and nonredeemable preferred stocks while fixed maturities consist of bonds and notes. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Management determines the appropriate classification of fixed maturities at the time of purchase and reevaluates such designation as of each statement of financial position date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

The following is a summary of available-for-sale securities:

Available-for-Sale Securities

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 1997				
U.S. Government	$ 11,997	$ 262	$ 10	$ 12,249
Foreign Governments	1,989	2	22	1,969
Obligations of States and Political Subdivisions	36,418	2,491	2	38,907
Special Revenue	117,384	6,458	6	123,836
Public Utilities	7,173	136	0	7,309
Industrial and Miscellaneous	145,618	4,385	220	149,783
Total Fixed Maturities	$ 320,579	$ 13,734	$ 260	$ 334,053
Common Stock	$ 53,107	$ 29,003	$ 5,137	$ 76,973
Preferred Stock	78,912	5,391	30	84,273
Total Equity Securities	$ 132,019	$ 34,394	$ 5,167	$ 161,246
	$ 452,598	$ 48,128	$ 5,427	$ 495,299

Available-for-Sale Securities

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 1996				
U.S. Government	$ 12,000	$ 212	$ 72	$ 12,140
Foreign Governments	1,988	25	5	2,007
Obligations of States and Political Subdivisions	28,127	1,321	40	29,408
Special Revenue	136,950	5,349	90	142,209
Public Utilities	7,238	141		7,380
Industrial and Miscellaneous	114,790	2,835	593	117,032
Total Fixed Maturities	$ 301,093	$ 9,883	$ 800	$ 310,176
Common Stock	$ 37,003	$ 14,567	$ 1,525	$ 50,045
Preferred Stock	79,067	2,539	33	81,573
Total Equity Securities	$ 116,070	$ 17,106	$ 1,558	$ 131,618
	$ 417,163	$ 26,989	$ 2,358	$ 441,794

Deferred income taxes increased by $6,158,000 at September 30, 1997 and increased by $965,000 at December 31, 1996 related to the change in unrealized gains (losses) on available-for-sale securities.

Mortgage loans on real estate are recorded at unpaid balances, adjusted for amortization of premium or discount. A valuation allowance is provided for impairment in net realizable value based on periodic valuations. The change in the allowance is reflected on the income statement in realized gain (loss) on investments.

NOTE D -- SUMMARIZED INCOME STATEMENT INFORMATION OF AFFILIATE

The Company has a 21.6% investment in Erie Family Life Insurance Company (EFL) and accounts for this investment using the equity method. The following represents summarized income statement information for EFL:

	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
Revenues	$ 67,366,531	$ 59,279,149
Benefits and expenses	44,725,322	41,842,146
Income before income taxes	22,641,209	17,437,003
Income taxes	8,100,211	5,804,800
Net income	$ 14,540,998	$ 11,632,203
Dividends paid to shareholders	$ 3,732,756	$ 3,433,504
Net unrealized (depreciation) appreciation on investment securities, net of deferred taxes	$ 17,662,865	$ 681,612

NOTE E -- NOTE RECEIVABLE FROM EFL

On December 29, 1995, EFL issued a surplus note to the Company in return for cash of $15 million. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to prior approval of the Pennsylvania Insurance Commissioner. At September 30, 1997, EFL paid the Company interest in the amount of $483,750.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and related notes found on pages 3 through 10, since they contain important information that is helpful in evaluating the Company's operating results and financial condition.

OPERATING RESULTS

Financial Overview

Consolidated net income rose by 10.1% for the third quarter of 1997 to $32,128,276, or $.43 per share, from $29,186,786 or $.39 per share, for the third quarter of 1996. The growth in third quarter net income was driven by improvement in all the Company's principle operating segments. Gains made in the Company's management and investment operations were further supported by a reduction in underwriting losses during the third quarter.

For the nine months ended September 30, 1997, consolidated net income increased 14.7% to $90,782,839 or $1.22 per share, from $79,151,207 or $1.06 per share earned for the same period in 1996. Management operations improved as management fee revenue continued to grow. Insurance underwriting operations improved considerably from the storm-influenced results experienced during the first nine months of 1996. Revenue from investment operations also grew at a healthy pace, as the Company's cash flow was invested for higher returns and increased non-recurring realized capital gains continue to be recognized during 1997.

RESULTS OF OPERATIONS

Analysis of Management Operations

For the third quarter 1997 management fee revenue derived from the management operations of the Company, which serves as attorney-in-fact for the Erie Insurance Exchange (the Exchange), rose 6.3% to $122,875,909 in the three months ended September 30, 1997 from $115,620,834 for the third quarter 1996. Management fee revenue increased 13.4% to $360,124,010 in the first nine months of 1997 compared to $341,331,890 for the same period in 1996.

The rate of growth in the management fee revenue was the same as the rate of growth in the direct and affiliated assumed premium written of the Exchange on which the management fee revenue is based, as the management fee rate charged in the third quarter of 1997 and 1996 was 24%. The direct and affiliated assumed premium in the Exchange's core lines of insurance, with the exception of workers' compensation, grew by 8% for the third quarter 1997 versus the same period in 1996. The Exchange's overall premium growth was negatively influenced by the rate reduction in Pennsylvania workers' compensation insurance driven by recent Pennsylvania workers' compensation legislative reforms.

Service agreement revenue totaled $1,830,528 for the third quarter of 1997 compared to $1,333,576 for the third quarter of 1996, an increase of 37.3%. Included in these amounts are management fees charged by the Company for services provided related to the nonaffiliated reinsurance assumed business of the Exchange for which the Company receives a 7% service fee. These fees totaled $1,369,329 for the third quarter of 1997 and $1,333,576 for the same period in 1996. Also included in service agreement revenue for the third quarter of 1997 is a portion of service charges collected from policyholders of the Exchange, which amounted to $461,199. Beginning

September 1, 1997 the Company was reimbursed by the Exchange a portion of the service charges the Exchange collected from policyholders as reimbursement for the costs incurred by the Company in providing extended payment terms on policies written by the Exchange.

The cost of management operations grew 8.6% for the third quarter of 1997 to $88,596,644 from $81,549,000 during the third quarter of 1996. The cost of management operations excluding commission costs, rose 1.1% for the three months ended September 30, 1997 to $28,036,087 from $27,734,696 recorded in the third quarter of 1996 as productivity improvements and modest growth in operating costs continued.

The Company is responsible for the payment of commissions to the independent Agents who sell insurance products for the Company's subsidiaries and the Exchange, and its subsidiary, Flagship City Insurance Company, as enumerated in the subscriber's agreement with the Exchange. The Agents receive commissions based on fixed percentage fee schedules with different commission rates by line of insurance. Also included in commission expense are the costs of promotional incentives for Agents and Agent profit-sharing bonuses. Agent profit-sharing bonuses are based upon the underwriting profitability of the insurance written and serviced by the Agent within the Erie Insurance Group of companies. Commissions are the largest component of the cost of management operations.

The Company's commission costs increased 12.5% to $60,560,557 for the third quarter of 1997, compared to $53,814,304 in the third quarter of 1996. For the nine months ended September 30, 1997, commission costs increased 9.8% to $177,087,553 from $161,242,187. Commission costs grew faster than the rate of growth in direct and affiliated assumed written premiums of the Exchange due to increased provisions for agent bonuses resulting from improved profitability in the third quarter of 1997 versus the third quarter of 1996. The growth in premiums written on a quarterly and year-to-date basis were 6.3% and 6.2%, respectively.

Personnel costs, including salaries, employee benefits, and payroll taxes, are the second largest component in cost of operations, after commissions. The Company's personnel costs, net of those reimbursed by affiliated companies, totaled $17,188,596 for the three month period ended September 30, 1997, compared to $16,227,238 for the same period in 1996, an increase of 5.9%. Personnel costs rose .1% to $51,815,332 for the nine months ended September 30, 1997 from $51,466,263 for the respective period in 1996.

Net revenues from the Company's management operations rose 2.1% to $36,462,634 for the three months ended September 30, 1997 compared to $35,717,734 for the same period in 1996. This continued growth in quarterly results contributed to the 3.7% increase in net revenues from management operations for the nine months ended September 30, 1997. The gross margin from management operations (net revenue divided by total revenue), of 29.2% in the third quarter of 1997, was consistent with the gross margin reported in the third quarter of 1996.

Analysis of Insurance Operations

The insurance underwriting operations of the Company's wholly-owned subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, which share proportionally in the property/ casualty underwriting results of the Erie Insurance Group, improved during the third quarter of 1997 versus the same period in 1996. In the third quarter of 1997, premiums earned for the Company's property/casualty insurance subsidiaries grew 5.3% to $27,099,189 compared to $25,740,991 for the same period in 1996. Losses, loss adjustment expenses and other underwriting expenses incurred decreased by 3.7% for the third quarter of 1997 to $27,398,147 compared to $28,458,639 for the prior year's third quarter. Underwriting losses in the third quarter of 1997 were positively affected by milder weather conditions in the majority of our operating territories. In the third quarter of 1996, insurance underwriting operations were negatively affected by continued loss development related to the severe winter storms of 1996 as well as losses from Hurricane Fran, which struck North Carolina in September 1996. As a result of growth in premiums earned and a decline in losses, the underwriting loss for the third quarter of 1997 narrowed to $298,958 compared to a third quarter 1996 loss of $2,717,648.

For the nine months ended September 30, 1997, the Erie Insurance Company and Erie Insurance Company of New York's underwriting loss was $1,129,786 compared to a loss of $9,791,917 for the same period in 1996.

The GAAP combined ratio for the Company's property/casualty insurance operations improved to 101.4% for the nine months ended September 30, 1997 compared to a ratio of 113.0% for the same period in 1996. There was also improvement in the GAAP combined ratio during the third quarter of 1997 which was 101.1%, down from 110.6% for the third quarter of 1996. The GAAP combined ratio is the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

Catastrophes are an inherent risk in the property/casualty insurance business and can have a material impact on the Company's property/casualty insurance underwriting operating results. The Company experienced two catastrophes during 1996, with severe winter weather in the first quarter and Hurricane Fran in the third quarter accounting for $8.1 million of underwriting losses and expenses or approximately $.07 per share, after federal income taxes. No weather-related catastrophes, that were material to the financial position of the Company, occurred in the first nine months of 1997. The Company continually reviews its methods for estimating its liability for losses and loss adjustment expenses, which includes an estimate for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than amounts provided.

Analysis of Investment Operations

Revenue from investment operations for the third quarter of 1997 increased by 20.5% to $11,827,637 from $9,813,062 posted in the third quarter of 1996. A 28.7% increase in dividend and interest income, $2.2 million of non-recurring realized capital gains on investments and increased income from Erie Family Life, fueled the growth in revenues from investment operations in the third quarter of 1997.

Revenue from investment operations for the nine months ended September 30, 1997 increased 30% to $31,667,244 from $24,364,746 for the same period in 1996. The Company benefited from its 21.6% investment in an affiliated life insurer, Erie Family Life Insurance Company (EFL). This investment is accounted for under the equity method of accounting. Consequently, the Company's investment earnings were a direct result of EFL's net income of $14,540,998 and $11,632,203 at September 30, 1997 and 1996, respectively. The earnings recognized from the investment in EFL increased to $3,145,218 for the nine months ended September 30, 1997 from $2,515,879 for the same period in 1996.

FINANCIAL CONDITION

Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investments are also liquid in order to meet the short- and long-term commitments of the Company. At September 30, 1997, the Company's investment portfolio of investment-grade bonds, common stock and preferred stock, all of which are readily marketable, and cash and short-term investments, totaled $549 million, or 42.6%, of total assets. These resources provide the liquidity the Company requires to meet demands on its funds.

The total investments of the Company consist of investments in fixed maturities, common stock, preferred stock, real estate mortgage loans and other invested assets. At September 30, 1997, 96.8% of total investments were invested in fixed maturities and equity securities. Mortgage loans and other invested assets represented only 3.2% of total investments at that date. Mortgage loans and real estate investments have the potential for higher returns, but also carry more risk, including less liquidity and greater uncertainty in the rate of return. Consequently, these investments have been kept to a minimum by the Company.

The Company's investments are subject to certain risks, including interest rate and reinvestment risk. Fixed maturity and preferred stock security values generally fluctuate inversely with movements in interest rates. The Company's corporate and municipal bond investments may contain call and sinking fund features which may result in early redemptions. Declines in interest rates could cause early redemptions or prepayments which could require the Company to reinvest at lower rates.

At September 30, 1997, the Company's five largest investments in corporate debt securities totaled $19.1 million, none of which individually exceeded $5 million. These investments had a market value of $20 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measure of the Company's ability to secure enough cash to meet its contractual obligations and operating needs. The Company's major sources of funds from operations are the net cash flow generated from management operations as the attorney-in-fact for the Exchange, the net cash flow from the Erie Insurance Company's 5% and the Erie Insurance Company of New York's .5% participation in the underwriting results of the reinsurance pool with the Exchange, and the Company's investment income from affiliated and non-affiliated investments. With respect to the management fee cash flow, funds are generally released from the Exchange to the Company on a premiums collected basis, as the Company incurs commission expense on premiums collected rather than written premiums. The Company generates sufficient net positive cash flow from its operations which is used to fund its commitments and to build its investment portfolio, thereby increasing future investment returns. The Company also maintains a high degree of liquidity in its investment portfolio in the form of readily marketable fixed maturities, common stocks and short-term investments.

The Company's consolidated statements of cash flows indicate that net cash flows provided by operating activities for the nine months ended September 30, 1997 and 1996, were $87,818,330 and $75,332,611 respectively. Those statements also classify the other sources and uses of cash by investing activities and financing activities.

Dividends declared to shareholders in the three months ended September 30, 1997 and 1996, totaled $6,411,787 and $5,624,420, respectively. There are state law restrictions on the payment of dividends from the insurance subsidiaries to the Company. No dividends were paid to the Company from its property/casualty insurance subsidiaries during the first nine months of 1997.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at September 30, 1997 of $9,292,578 and at December 31, 1996 of $2,035,054.

The Company's property/casualty insurance subsidiaries enjoy a strong capital position which is demonstrated in their risk-based capital ratios calculated using the National Association of Insurance Commissioners (NAIC) formula at December 31, 1996. Such calculations indicated that the Company's property/casualty insurance subsidiaries' Total Adjusted Capital was substantially above the Authorized Control Level Risk-Based Capital requirements of the NAIC since their ratios are all in excess of three to one (3:1) at December 31, 1996.

At September 30, 1997 and December 31, 1996, the Company's receivables from its affiliates totaled $514,081,209 and $478,304,267, respectively. These receivables, primarily due from the Exchange, are a result of the attorney-in-fact management fee, expense reimbursements and the intercompany reinsurance pool and potentially expose the Company to concentrations of credit risk.

OTHER MATTERS

New Chief Financial Officer Appointed

Philip A. Garcia, CPA, FLMI, ACS, was named executive vice president and chief financial officer on October 1, 1997. Mr. Garcia has been with the Company for the past 17 years and had been senior vice president and controller since September 1993.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Statements contained herein expressing the beliefs of management such as those contained in the "Results of Operations - Analysis of Insurance Operations", "Financial Condition - Investments", and the "Liquidity and Capital Resources" sections hereof, and the other statements which are not historical facts contained in this report are forward looking statements that involve risks and uncertainties. These risks and uncertainties include but are not limited to: legislative, judicial, and regulatory changes, the impact of competitive products and pricing, product development, geographic spread of risk, weather and weather-related events, other types of catastrophic events, fluctuations of securities markets, and technological difficulties and advancements.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibit 27 - Financial Data Schedule

All other exhibits for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

The Company did not file any reports on Form 8-K during the three months ended September 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Erie Indemnity Company
(Registrant)

Date 11/06/97

/s/ Jan R. Van Gorder
(Jan R. Van Gorder, Executive Vice President,
Secretary & General Counsel)

/s/ Philip A. Garcia
(Philip A. Garcia, Executive Vice President & CFO)

7

THIS FDS CONTAINS INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE ERIE INDEMNITY COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN REFERENCE TO THE COMPANY'S FORM 10-Q

0000922621
ERIE INDEMNITY COMPANY
1,000

9-MOS	9-MOS
DEC-31-1997	DEC-31-1996
SEP-30-1997	SEP-30-1996
334,053	291,617
0	0
0	0
161,246	118,315
8,383	6,375
0	0
511,246	423,419
53,583	24,189
121	172
10,608	9,884
1,290,024	1,131,769
410,287	382,918
229,974	226,273
0	0
0	0
0	0
0	0
0	0
2,170	2,170
511,279	401,142
1,290,024	1,131,769
79,838	75,300
26,964	20,999
4,703	3,365
0	0
0	0
21,952	20,992
59,015	64,101
134,052	114,423
43,269	35,272
0	0
0	0
0	0
0	0
90,783	79,151
1.22	1.06
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0