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, 1998

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 October 31, 1998.

Class B Common Stock, no par value, with a stated value of $70.00 per share-- 3,070 shares as of October 31, 1998.

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

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ERIE INDEMNITY COMPANY

PART I. FINANCIAL INFORMATION

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	September 30, 1998 (Unaudited)	December 31, 1997
INVESTMENTS		
Fixed Maturities Available-for-Sale at fair value (amortized cost of $375,840,267 and $333,135,959, respectively)	$ 396,336,782	$ 349,972,703
Equity Securities (cost of $179,827,248 and $144,123,112, respectively)	193,319,712	165,132,504
Real Estate Mortgage Loans	8,300,585	8,392,518
Other Invested Assets	14,743,278	7,932,571
Total Investments	$ 612,700,357	$ 531,430,296
Cash and Cash Equivalents	54,029,787	53,148,495
Equity in Erie Family Life Insurance Company	36,831,896	34,687,640
Accrued Investment Income	8,047,596	6,128,725
Premiums Receivable from Policyholders	115,966,607	108,057,986
Prepaid Federal Income Tax	0	1,681,573
Deferred Policy Acquisition Costs	11,224,416	10,283,372
Receivables from Erie Insurance Exchange and Affiliates	527,365,776	495,861,158
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Property and Equipment	11,381,458	10,130,230
Other Assets	33,142,382	26,134,306
Total Assets	$ 1,425,690,275	$ 1,292,543,781

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 1998 (Unaudited)	December 31, 1997
LIABILITIES		
Unpaid Losses and Loss Adjustment Expenses	$ 432,947,191	$ 413,408,941
Unearned Premiums	239,276,780	219,210,522
Accounts Payable and Accrued Expenses	13,898,948	9,785,773
Accrued Commissions	87,054,569	81,150,931
Accrued Vacation and Sick Pay	4,692,813	5,322,327
Deferred Compensation	2,395,223	1,933,020
Dividends Payable	7,255,444	7,255,444
Deferred Income Taxes	7,950,658	7,101,371
Federal Income Tax Payable	2,285,355	0
Accrued Benefit Obligations	10,520,421	7,992,300
Total Liabilities	$ 808,277,402	$ 753,160,629
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
Accumulated Other Comprehensive Income net of deferred taxes of $14,320,365 and $15,626,105, respectively	25,954,553	29,024,573
Retained Earnings	581,458,320	500,358,579
Total Shareholders' Equity	$ 617,412,873	$ 539,383,152
Total Liabilities and Shareholders' Equity	$ 1,425,690,275	$ 1,292,543,781

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:	1998	1997	1998	1997
Management Fee Revenue	$ 129,046,712	$ 122,875,909	$ 376,555,339	$ 360,124,010
Service Agreement Revenue	3,944,646	1,830,528	9,886,891	4,158,813
Other Operating Revenue	369,086	352,841	1,116,876	1,414,073
Total Revenue from Management Operations	133,360,444	125,059,278	387,559,106	365,696,896
Cost of Management Operations	93,313,277	88,518,472	274,686,379	262,039,214
Net Revenue From Management Operations	$ 40,047,167	$ 36,540,806	$ 112,872,727	$ 103,657,682
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	$ 28,387,446	$ 27,099,189	$ 83,995,073	$ 79,838,028
Losses and Loss Adjustment Expenses Incurred	19,653,955	19,790,114	58,604,908	59,015,371
Policy Acquisition and Other Underwriting Expenses	8,830,200	7,608,033	24,366,116	21,952,443
Total Losses and Expenses	28,484,155	27,398,147	82,971,024	80,967,814
Underwriting (Loss) Gain	$ (96,709)	$ (298,958)	$ 1,024,049	$ (1,129,786)
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	$ 792,289	$ 1,195,419	$ 3,401,333	$ 3,145,218
Net Investment Income	9,824,865	8,348,099	27,900,142	23,675,896
Realized Gain on Investments	1,230,011	2,205,947	5,416,377	4,703,031
Revenue from Investment Operations	11,847,165	11,749,465	36,717,852	31,524,145
Income Before Income Taxes	51,797,623	47,991,313	150,614,628	134,052,041
Provision for Income Taxes	16,101,086	15,863,037	47,748,551	43,269,202
Net Income	$ 35,696,537	$ 32,128,276	$ 102,866,077	$ 90,782,839
Net Income per Share	$ 0.48	$ 0.43	$ 1.38	$ 1.22
Dividends Declared per Share:				
Class A non-voting Common	$ 0.1075	$ 0.095	$ 0.3225	$ 0.285
Class B Common	$ 16.125	$ 14.25	$ 48.375	$ 42.75

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
Net Income	$ 35,696,537	$ 32,128,276	$ 102,866,077	$ 90,782,839
Unrealized Gains (Losses) on Securities:				
Unrealized Holding (Losses) Gains Arising During Period	(16,780,584)	16,174,344	693,271	26,200,086
Less: Reclassification Adjustment for Gains Included in Net Income	1,230,011	2,205,947	5,416,377	4,703,031
Net Unrealized Holding (Losses) Gains Arising During Period	$ (18,010,595)	$ 13,968,397	$ (4,723,106)	$ 21,497,055
Income Tax Benefit (Expense) Related to Unrealized Gains or Losses	6,303,708	(4,888,939)	1,653,087	(7,523,969)
Other Comprehensive (Loss) Income, Net of Tax	$ (11,706,887)	$ 9,079,458	$ (3,070,019)	$ 13,973,086
Comprehensive Income	$ 23,989,650	$ 41,207,734	$ 99,796,058	$ 104,755,925

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 102,866,077	$ 90,782,839
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,512,252	1,366,444
Deferred income tax expense	1,973,432	1,099,882
Realized gain on investments	(5,416,377)	(4,703,031)
Amortization of bond discount	(100,054)	(103,771)
Undistributed earnings of Erie Family Life	(2,481,579)	(2,317,438)
Deferred compensation	462,203	203,960
Increase in accrued investment income	(1,918,871)	(1,155,486)
Increase in receivables	(39,159,997)	(40,286,641)
Policy acquisition costs deferred	(16,843,061)	(16,010,661)
Amortization of deferred policy acquisition costs	15,902,016	14,943,583
Increase in prepaid expenses and other assets	(6,880,040)	(6,299,488)
Increase in accounts payable and accrued expenses	6,011,782	1,384,177
Increase in accrued commissions	5,903,638	8,119,998
Increase in income taxes payable	3,966,928	3,895,709
Increase in loss reserves	19,538,250	23,861,937
Increase in unearned premiums	20,066,258	13,036,317
Net cash provided by operating activities	$ 105,402,857	$ 87,818,330
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(68,532,043)	(50,847,456)
Equity securities	(63,385,866)	(47,168,709)
Mortgage loans	0	(1,183,667)
Other invested assets	(9,847,958)	(860,241)
Sales/maturities of investments		
Fixed maturities	26,707,619	27,946,620
Equity securities	32,267,890	39,449,450
Mortgage loans	92,124	94,319
Other invested assets	3,087,762	290,538
Purchase of property and equipment	(340,834)	(34,469)
Purchase of computer software	(2,422,645)	(1,265,422)
Loans to Agents	(1,452,913)	(1,043,025)
Collections on Agent loans	1,071,634	902,497
Net cash used in investing activities	$ (82,755,230)	$ (33,719,565)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	$ (21,766,335)	$ (19,235,364)
Net cash used in financing activities	$ (21,766,335)	$ (19,235,364)
Net increase in cash and cash equivalents	881,292	34,863,401
Cash and cash equivalents at beginning of period	53,148,495	18,719,624
Cash and cash equivalents at end of period	$ 54,029,787	$ 53,583,025

Supplemental disclosures of cash flow information:
Cash paid during the nine months ended September 30, 1998 and 1997 for income taxes was $45,016,115 and $39,920,994 respectively.

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements, which include the accounts of the Erie Indemnity Company and its' wholly owned subsidiaries Erie Insurance Company, Erie Insurance Company of New York and Erie Insurance Property & Casualty Company, 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, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1997.

NOTE B -- RECLASSIFICATIONS

Certain amounts as previously reported in the 1997 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 1997), giving effect to the conversion of the weighted average number of Class B shares outstanding (3,070 in 1998 and 1997) 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

Management considers all fixed maturities and marketable equity securities 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.

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, 1998				
U.S. Treasuries & Agencies	$ 13,018	$ 838	$ 0	$ 13,856
States & Political Subdivisions	41,662	3,380	0	45,042
Special Revenue	123,951	7,975	0	131,926
Public Utilities	12,353	335	0	12,688
Industrial & Miscellaneous	177,706	9,007	640	186,073
Foreign Governments	1,990	0	464	1,526
Foreign Industrial & Miscellaneous	5,160	168	102	5,226
Total Fixed Maturities	$ 375,840	$ 21,703	$ 1,206	$ 396,337
Common Stock	$ 69,239	$ 23,508	$ 13,712	$ 79,035
Preferred Stock	110,588	5,090	1,393	114,285
Total Equity Securities	$ 179,827	$ 28,598	$ 15,105	$ 193,320
	$ 555,667	$ 50,301	$ 16,311	$ 589,657

Available-for-Sale Securities

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 1997				
U.S. Treasuries & Agencies	$ 12,771	$ 432	$ 3	$ 13,200
States & Political Subdivisions	41,931	2,840	0	44,771
Special Revenue	116,052	7,850	1	123,901
Public Utilities	7,171	160	0	7,331
U.S. Industrial & Miscellaneous	150,666	6,317	401	156,582
Foreign Governments	1,989	0	418	1,571
Foreign Industrial & Miscellaneous	2,556	61	0	2,617
Total Fixed Maturities	$ 333,136	$ 17,660	$ 823	$ 349,973
Common Stock	$ 64,762	$ 23,082	$ 7,674	$ 80,170
Preferred Stock	79,361	5,603	1	84,963
Total Equity Securities	$ 144,123	$ 28,685	$ 7,675	$ 165,133
	$ 477,259	$ 46,345	$ 8,498	$ 515,106

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.

Other invested assets (primarily investments in real estate limited partnerships) are recorded under the equity method of accounting.

NOTE E -- SUMMARIZED FINANCIAL STATEMENT INFORMATION OF AFFILIATE

The Company has a 21.63% investment in Erie Family Life Insurance Company (EFL) and accounts for this investment using the equity method. The following represents summarized financial statement information for EFL:

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Revenues	$ 70,773,994	$ 67,366,531
Benefits and expenses	46,230,129	44,725,322
Income before income taxes	24,543,865	22,641,209
Income taxes	8,818,793	8,100,211
Net income	$ 15,725,072	$ 14,540,998
Dividends paid to shareholders	$ 4,110,752	$ 3,732,756
Net unrealized appreciation (depreciation) on investment securities at September 30, net of deferred taxes	$ 18,876,966	$ 17,662,865

NOTE F -- NOTE RECEIVABLE FROM ERIE FAMILY LIFE INSURANCE COMPANY

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. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005.

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 increased by 11.1% for the third quarter of 1998 to $35,696,537, or $.48 per share, from $32,128,276 or $.43 per share, for the third quarter of 1997. The improved management operations were largely responsible for the increase in net income for the quarter.

For the nine months ended September 30, 1998, net income increased 13.3% to $102,866,077 or $1.38 per share, from $90,782,839 or $1.22 per share reported for the same period in 1997. Management operations improved as growth in management fee revenue outpaced the cost of management operations. Insurance underwriting operations improved in the first nine months of 1998 as a result of generally favorable underwriting trends and claims and underwriting initiatives recently begun. Revenue from investment operations grew 16.5% to $36,717,852 for the nine months ended September 30, 1998 as the Company's cash flow was invested.

RESULTS OF OPERATIONS

Analysis of Management Operations

Management fee revenue derived from the management operations of the Company, which serves as attorney-in-fact for the Erie Insurance Exchange (the Exchange), increased 5.0% to $129,046,712 for the three months ended September 30, 1998 from $122,875,909 for the three months ended September 30, 1997. Management fee revenue increased 4.6% to $376,555,339 in the first nine months of 1998 compared to $360,124,010 for the same period in 1997.

The direct and affiliated assumed premiums of the Exchange, upon which management fee is based, grew by 3.9% for the third quarter of 1998 compared to the third quarter of 1997. The rate of growth in management fee revenue was greater than the rate of growth in direct and affiliated assumed premium of the Exchange because the management fee rate charged the Exchange in the third quarter of 1998 was 24.25% compared to a rate of 24% charged in the third quarter of 1997. The Company's Board of Directors has the authority to change the management fee rate at its discretion, but cannot exceed a rate of 25%. The personal lines automobile market continues to be extremely competitive and rate pressures have increased in many of the Exchange's operating territories. The Exchange's overall premium growth was also negatively influenced by a rate reduction in Pennsylvania workers compensation resulting from legislative reforms and competitive pressures in workers compensation insurance in general. The Exchange's involuntary automobile premiums have also decreased over the last year as a result of fewer assignments from the Pennsylvania assigned risk plan. Involuntary automobile business is written on substandard risks and historically has produced underwriting results much worse than the preferred risks voluntarily written by the Exchange. When the effect of the workers compensation premium decrease and involuntary automobile insurance premium decrease are excluded, the direct and affiliated assumed premiums of the Exchange increased 5.1% for the three months ended September 30,1998 when compared to the same period in 1997.

On July 31, 1998 the Erie Insurance Group filed to lower its private passenger auto insurance rates in Pennsylvania beginning January 1, 1999. This reduction was sought as a result of favorable loss experience in Pennsylvania. On October 27, 1998, the Pennsylvania Insurance Department approved this filing. The overall effect of this filing is an estimated $53.2 million reduction in premium in 1999. This rate decrease will reduce the Company's net revenue from management operations by about $7 million in 1999, assuming no change in the current management fee rate.

Service agreement revenue totaled $3,944,646 and $1,830,528 for the quarter ended September 30, 1998 and 1997, respectively. Beginning September 1, 1997 the Company was reimbursed by the Exchange for a portion of service charges collected by the property/casualty insurers of the Group from Policyholders for the costs incurred by the Company in providing extended payment terms on policies written by them. These reimbursements totaled $2,145,313 for the three months ended September 30, 1998 compared to $461,199 during the same period in 1997.

The cost of management operations increased 5.4% for the third quarter of 1998 to $93,313,277 from $88,518,472 during the third quarter of 1997.

Commissions are the largest component of the cost of management operations. 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. The Agents receive commissions based on fixed percentage fee schedules with different commission rates by product line of insurance. Also included in commission expense are the costs of promotional incentives for Agents and Agent contingency awards. Agent contingency awards are based upon the underwriting profitability of the insurance written and serviced by the Agent within the Erie Insurance Group of companies.

Commission costs totaled $64,704,256 for the third quarter of 1998, a 6.8% increase over the $60,560,557 reported in the third quarter of 1997. Commission costs grew faster than the rate of growth in written premiums due to increased provisions for agent contingency awards resulting from the improved underwriting results experienced in 1998 and agent promotional incentives. The growth in premiums written on a quarterly and year-to-date basis were 3.9% and 3.5%,respectively.

The cost of management operations excluding commission costs, increased 2.3% for the three months ended September 30, 1998 to $28,609,021 from $27,957,915 recorded in the third quarter of 1997 as productivity improvements and modest growth in operating costs continued.

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 totaled $16,635,552 for the three month period ended September 30, 1998, compared to $17,173,201 for the same period in 1997, a decrease of 3.1%. The 1998 decline is the result of increased expense reimbursements from the Exchange. As attorney-in-fact for the Exchange, the Company pays almost all expenses of the Group and allocates those costs to the respective Company responsible for them in accordance with intercompany agreements. Increased reimbursements in 1998 to the Company for personnel costs of the loss adjustment function was the result of an increased percentage of loss adjustment personnel to total personnel. The increased percentage resulted in a larger share of staff department overhead being allocated to the loss adjustment function resulting in higher reimbursements to the Company.

Net revenue from the Company's management operations increased 9.6% to $40,047,167 for the three months ended September 30, 1998 from $36,540,806 for the same period in 1997. For the nine months ended September 30, 1998 net revenue from management operations totaled $112,872,727, an increase of 8.9% when compared to the first nine months of 1997.

Analysis of Insurance Underwriting Operations

Insurance underwriting results are produced from the Company's property and casualty insurance subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, which together assume a 5.5% share of the underwriting results of the Erie Insurance Group under an intercompany reinsurance pooling arrangement. Insurance underwriting operations improved to a loss of $96,709 in the third quarter of

1998 compared to a loss of $298,958 in the third quarter of 1997. In the third quarter of 1998, premiums earned increased 4.8% to $28,387,446 compared to $27,099,189 for the same period in 1997. Losses, loss adjustment expenses and other underwriting expenses incurred increased at a slower rate than premiums earned, up 4.0% for the third quarter of 1998 amounting to $28,484,155 compared to $27,398,147 for the prior year's third quarter. Claims and underwriting initiatives recently enacted by the Company combined with generally favorable underwriting trends, contributed positively to the underwriting results for the first three quarters of 1998. For the nine months ended September 30, 1998 the Company posted an underwriting gain of $1,024,049 compared to an underwriting loss of $1,129,786 for the same period in 1997. Catastrophic losses, as classified by the Company were $911,000 in the third quarter of 1998 compared to $318,000 in the third quarter of 1997. Included in the other underwriting expenses are assessments made by state insurance guaranty associations. These assessments are mandated by statute and are used by the various state insurance guaranty associations to guarantee the property and casualty policies of companies that have become insolvent. These mandatory assessments totaled $670,500 in the third quarter of 1998 compared to $6,200 in the third quarter of 1997.

The GAAP combined ratio for the Company's property and casualty insurance operations improved to 98.8% for the nine months ended September 30, 1998 compared to a ratio of 101.4% for the same period in 1997. The GAAP combined ratio represents the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

Analysis of Investment Operations

Revenue from investment operations for the third quarter of 1998 increased slightly to $11,847,165 from $11,749,465 in the third quarter of 1997. Growth in net revenue from investment operations in the third quarter of 1998 resulted from a 17.7% increase in net investment income. This increase was offset by a decrease in the equity in earnings of Erie Family Life Insurance Company, the Company's life insurance affiliate, and decreased realized gains on investments. The Company records income from its 21.63% investment in Erie Family Life under the equity method of accounting. The earnings recognized from the Company's investment in Erie Family Life totaled $792,289 in the third quarter of 1998 compared to $1,195,419 recorded in the third quarter of 1997. Realized gains on investments were $1,230,011 in the third quarter of 1998 compared to $2,205,947 in the third quarter of 1997. The earnings recognized from the investment in EFL increased to $3,401,333 for the nine months ended September 30, 1998 from $3,145,218 for the same period in 1997.

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 investment strategy also provides for liquidity to meet the short and long-term commitments of the Company. At September 30, 1998, 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 $644 million, or 45.1%, of total assets. These resources provide the liquidity the Company requires to meet demands on its funds.

At September 30, 1998, 96.2% of total investments consist of fixed maturities and equity securities. Mortgage loans and other invested assets represented only 3.8% 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.

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, 1998, the Company's five largest investments in corporate debt securities totaled $25.9 million, none of which individually exceeded $6.4 million. These investments had a market value of $27.8 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. Operating cash flows are 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 received from the Exchange on a premiums collected basis, as the Company pays commissions on premiums collected rather than written premiums. The Company generates sufficient net positive cash flow from its operations 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.

Net cash flows provided by operating activities for the nine months ended September 30, 1998 and 1997, were $105,402,857 and $87,818,330 respectively.

Dividends declared and paid to shareholders in the three months ended September 30, 1998 and 1997, totaled $7,255,444 and $6,411,787, 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 1998.

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, 1998 of $7,950,658 and at December 31, 1997 of $7,101,371.

The National Association of Insurance Commissioners (NAIC) standard for measuring the solvency of insurance companies, referred to as Risk Based Capital (RBC), is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The RBC formula is used by state insurance regulators as an early warning tool to identify, for the purpose of initiating regulatory action, insurance companies that potentially are inadequately capitalized. In addition, the formula defines minimum capital standards that will supplement the current system of low fixed minimum capital and surplus requirements on a state-by-state basis. At December 31, 1997, the Company' property/casualty insurance subsidiaries' financial statements prepared under Statutory Accounting Practices are all substantially in excess of levels that would require regulatory action.

At September 30, 1998 and December 31, 1997, the Company's receivables from its affiliates totaled $527,365,776 and $495,861,158, respectively. These receivables, primarily due from the Exchange, as a result of the management fee, expense reimbursements and the intercompany reinsurance pool, potentially expose the Company to concentrations of credit risk.

ACCOUNTING PRONOUNCEMENTS

SOP 98-1 - Software Costs

During the first quarter of 1998, the Company adopted AICPA Statement of Position (SOP) 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". In accordance with SOP 98-1 the Company began capitalizing internal use software costs. The adoption of this statement resulted in an immaterial impact on 1998 net income.

YEAR 2000 READINESS DISCLOSURE

As financial services enterprises, Erie Indemnity Company and the property & casualty insurance companies it manages are dependent on information systems to conduct business. Like all companies with information and systems dependencies, the Company is continually faced with significant information technology challenges. Among these challenges is the so-called "Year 2000 Issue," the inability of many computer systems to recognize dates beginning with the year 2000 and subsequent dates. References to the Company in the description below pertain to the Company and the property & casualty insurance companies under its' management.

The effect of the Year 2000 Issue cannot be exactly measured with certainty and any forecasts about the effect of the Year 2000 Issue and remediation projections are necessarily forward-looking statements and are subject to the risks and uncertainties noted on page 17.

Company's State of Readiness

Work on correcting the Company's internal systems for Year 2000 began in the mid 1990's. The Company categorizes internal systems as general administration systems, core property and casualty policy processing and core claims systems. Management has also developed plans for personal computer (PC) applications and embedded microchip technology to avoid complications that could occur if these systems or adjunct applications were to fail. Finally, management is developing test plans to assure external business contacts will be ready for Year 2000 and in some cases, contingency plans to deal with any foreseeable failures of any mission critical systems.

Internal Systems: Many of the Company's mission critical general administration systems have been replaced over the past four years to take advantage of new technology and to accommodate growth and related information needs. These systems (and the completion dates of their replacement) were as follows: Human Resources (1995); Payroll Administration (1995); General Ledger (1997); Investment Accounting (1996); and Accounts Payable (projected December, 1998). Each of these new systems is vendor certified to be fully Year 2000 compliant.

As of September 30, 1998, approximately 98 percent of the Company's core insurance policy processing system code has been modified to be Year 2000 compliant. The remaining program modifications are expected to be completed by the end of 1998 on this internally developed system. As program modifications are completed, they are being tested individually and qualified to be performing acceptably. Integrated business testing involving the entire system is planned for the first quarter of 1999.

The Company's Claims System was developed and written in house. It was implemented in 1994. The system was designed to accommodate four digit date fields and is fully year 2000 compliant. Testing of it's operating environment and interfaces are planned for the first quarter of 1999.

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

Personal Computers & Embedded Microchip Technology: The Company completed an inventory of all microcomputers, software and embedded microchip systems in 1997. Since that time, measures have been taken to remediate known Year 2000 compliance issues, principally by replacement of non-compliant devices and software. The inventory is scheduled for update before year-end 1998 and action plans for remediation of any remaining non-compliant devices or software will be in place before December 31, 1998. Final remedial actions planned are to be completed before March 31, 1999, including testing of and/or contingency planning for any applications or devices considered to be mission critical.

External Business Contacts: During the first four months of 1998, a complete inventory of external parties who conduct business with the Company was developed. The inventory was used as a basis to request certifications from outside parties as to their year 2000 readiness. Substantially all of the critical external parties contacted have confirmed that they will be compliant within time frames that are acceptable to the Company.

During the fourth quarter of 1998, the Company will focus efforts on a second inventory of key outside parties whom management believes support mission critical operations of the Company. Dialogue with these vendors has been ongoing throughout 1998. For this category of outside party, more extensive qualification of their year 2000 readiness will be established. Qualification will include some combination of testing and contingency planning depending upon the circumstances and management's relative comfort level with the outside parties state of readiness.

Cost to Address Year 2000 Issues

The Company did not establish a specific budget to address the Year 2000 Issue. By including Year 2000 changes in the scope of each system development and maintenance project, the solution to the Company's Year 2000 Issue became an extension of all system projects. Initial estimates for remedial programs were less than 9,000 hours. This does not include the effort to replace entire software applications as those replacements were not done solely to solve the Year 2000 problems.

Based upon known factors and the measures taken to date, management does not anticipate significant future costs in order to address the Year 2000 Issue. Costs anticipated include personnel costs (to test internal systems, test external party interfaces, develop contingency plans and replace software and hardware devices that are not year 2000 compliant), personal computer software and hardware. Costs that have been incurred to date, have been charged to operations as incurred. Estimates of both the cost incurred to date and future costs are not material to the financial position and results of operations of the Company.

Risk of the Company's Year 2000 Issues

The proper functioning of the Company's computer systems and applications is critical to the continued operations of the Company. By addressing the Year 2000 Issue over several years in the ordinary course of business, the costs and uncertainty associated with it have been reduced significantly. Management believes that all systems and applications will be Year 2000 compliant sufficiently in advance of January 1, 2000, and therefore, will not adversely affect the operations of the Company.

It is possible that certain key external parties will certify their systems as year 2000 compliant when in fact they are not. The inability of the Company to respond to uncontrollable circumstances is always a concern. For example, if numerous key third parties are unable to support the operations of the Company, operations could be adversely affected. The Company as part of overall risk management will be preparing contingency plans during the first six months of 1999 in response to the possibility of key third party failure. Management does not anticipate, nor would management characterize these scenarios, as having a greater than remote possibility of occurrence.

Company's Contingency Plans if a Vendor or the Company fail to Address Year 2000 Issues

This risk described above will be addressed through contingency planning. The level of contingency planning will be commensurate with the relative importance of the external party to the operations of the Company and the relative risk that the party will be unable to operate satisfactorily in 2000. Such contingency plans are being developed and will be finalized during the second and third quarter of 1999.

The statements herein are forward-looking statements containing the beliefs of management that involve risks and uncertainties. These risks and uncertainties include but are not limited to, human or mechanical errors in correcting Year 2000 Issues; incorrect or improper (intentional or otherwise) representations by third parties as to their compliance or remediation efforts; the failure of third parties to follow through on their remediation efforts and the inability to identify and/or locate processing chips that are subject to Year 2000 problems.

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"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 "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, securities markets fluctuations, and technological difficulties and advancements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The H.O. Hirt Trusts collectively own 2,340 shares of the Company's Class B Common Stock. The Company's Class B Common Stock has the exclusive right to vote in the election of directors of the Company. Since such shares represent 76.22% of the outstanding shares of the Company's Class B Common Stock, the vote of the H.O. Hirt Trusts is sufficient to determine the outcome of any election of directors. The trustees of the H.O. Hirt Trusts are F. William Hirt, Chairman of the Board of the Company, a director of the Company, a beneficial owner of more than 10% of the Company's outstanding Class A Common Stock and a beneficiary of one of the two H.O. Hirt Trusts; his sister, Susan Hirt Hagen, a director of the Company, a beneficial owner of more than 10% of the Company's outstanding Class A Common Stock and a beneficiary of the other H.O. Hirt Trust, and Mellon Bank, N.A. ("Mellon"). Under the provisions of the H.O. Hirt Trusts, the shares of the Company's Class B Common Stock held by the H.O. Hirt Trusts are to be voted as directed by a majority of the three trustees.

Under the Pennsylvania Insurance Company Law and the Company's By-laws, the candidates for election as directors of the Company are to be nominated by a committee consisting solely of persons who are not officers or employees of the Company or of any entity controlling, controlled by or under common control with the Company and who are not beneficial owners of a controlling interest in the voting securities of the Company. On March 11, 1998, the Nominating Committee of the Company's Board of Directors nominated 12 persons as candidates for election as directors of the Company at the Company's April 28, 1998 annual meeting of shareholders. The 12 persons nominated did not include Thomas B. Hagen, the husband of Susan Hirt Hagen, as a candidate for election as a director of the Company at such annual meeting. Thomas B. Hagen had served as a director of the Company since 1979.

On April 2, 1998, Susan Hirt Hagen, a director of the Company, filed petitions in the Orphan's Court Division of the Court of Common Pleas of Erie County, Pennsylvania (the "Court") seeking the removal of Mellon as a co-trustee of the H.O. Hirt Trust with respect to Susan Hirt Hagen and as a co-trustee of the H.O. Hirt Trust with respect to F. William Hirt. Among the relief requested by Susan Hirt Hagen in the petitions was the grant of a preliminary injunction against Mellon from voting the Class B Common Stock held by the H.O. Hirt Trusts for the purpose of the election of directors at the Company's April 28, 1998 annual meeting of shareholders. Because of the potential substantial harm to the Company if the preliminary injunction were granted, the Company filed a petition to intervene in the preliminary injunction proceedings which the Court granted on April 20, 1998. Following a hearing on April 20, 1998, the Court issued an opinion on April 21, 1998 and an order denying Susan Hirt Hagen's request for a preliminary injunction. On April 28, 1998, the Company's 1998 annual meeting of shareholders was held as scheduled and each of the candidates for election as a director of the Company named in the Company's April 1, 1998 proxy statement was elected as a director of the Company.

On June 3, 1998, the Company, because of its substantial interest in the outcome of any matter involving a change in Mellon's status as a co-trustee of the H.O. Hirt Trusts, petitioned the Court to intervene in the trial of the issues remaining under Susan Hirt Hagen's petitions to remove Mellon as a co-trustee. On June 24, 1998, the court denied the Company's petition, and, on July 13, 1998, the Company appealed the Court's denial to the Superior Court of Pennsylvania which appeal remains pending. On August 5, 1998, Susan Hirt Hagen, a director of the Company, filed a motion with the Superior Court of Pennsylvania to quash the Company's appeal. On August 17, 1998, the Company filed its response to Susan Hirt Hagen's motion to quash the Company's appeal. On October 19, 1998, the Superior Court of Pennsylvania denied without prejudice Susan Hirt Hagen's motion to quash the Company's appeal, and the Superior Court of Pennsylvania established a schedule for the submission of briefs on the merits of the Company's appeal.

During June and July 1998, substantial discovery took place involving Susan Hirt Hagen's petitions to remove Mellon as co-trustee. In the ten days preceding the scheduled trial date of July 30, 1998, discussions took place between counsel for Mellon and counsel for Susan Hirt Hagen concerning a possible basis for settlement of the pending litigation. These discussions involved the circumstances under which Mellon might resign as co-trustee of the H.O. Hirt Trusts and the establishment of procedures pursuant to which a successor trustee would be appointed by the Court or by agreement of Susan Hirt Hagen and F.

Item 1. Legal Proceedings (Continued)

William Hirt. After a hearing conducted on July 30, 1998, the Court by letter advised counsel for all parties that the Court would not approve the settlement proposal that had been presented during the July 30, 1998 hearing, and that Mellon was to advise the Court on or before August 21, 1998 whether a revised settlement proposal would be submitted or whether the petitions to remove Mellon as co-trustee should be scheduled for trial by the Court for some later unspecified date.

On August 4, 1998, the Company filed a further petition with the Court seeking the right to intervene in the proceedings insofar as the proceedings would entail the possible approval of any settlement of the petitions to remove Mellon as co-trustee or the appointment of a successor trustee to Mellon. On October 21, 1998, Mellon submitted to the Court a Petition to Resign Pursuant to and upon the Fulfillment of Certain Conditions Precedent (the "Mellon Petition"). On October 29, 1998, the Court conducted a hearing at which time, among other things, the Court heard testimony from two potential successor corporate trustees to Mellon, each of which potential successors, the Court was advised, had the approval of Mellon, Susan Hirt Hagen and F. William Hirt. During that same hearing, the Court indicated that it would accept the Mellon Petition and would in the future enter an order providing for the granting of the Mellon Petition, in conjunction with a further hearing on the matter of the appointment of a successor corporate co-trustee and the final Court approval thereof. On November 2, 1998, the Court scheduled such a further hearing for January 6, 1999.

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 applicable, and therefore, have been omitted.

The Company did not file any reports on Form 8-K during the three month period ending September 30, 1998.

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: November 13, 1998

/s/Stephen A. Milne

(Stephan A. Milne, President & CEO)

/s/Philip A. Garcia

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

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THIS FDS CONTAINS INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE ERIE INDEMNITY COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN REFERENCE TO THE COMPANY'S FORM 10-Q

0000922621
ERIE INDEMNITY COMPANY
1,000

9-MOS	9-MOS
DEC-31-1998	DEC-31-1997
SEP-30-1998	SEP-30-1997
396,337	334,053
0	0
0	0
193,320	161,246
8,301	8,383
0	0
612,700	511,246
54,030	53,583
(11)	121
11,224	10,608
1,425,690	1,290,024
432,947	410,287
239,277	229,974
0	0
0	0
0	0
0	0
0	0
2,170	2,170
607,413	511,279
1,425,690	1,290,024
83,995	79,838
31,301	26,821
5,416	4,703
0	0
58,605	59,015
24,366	21,952
0	0
150,615	134,052
47,749	43,269
0	0
0	0
0	0
0	0
102,866	90,783
1.38	1.22
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0