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 June 30, 1996

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 August 1, 1996.

Class B Common Stock, no par value, with a stated value of $70.00 per share-- 3,070 shares as of August 1, 1996.

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	June 30, 1996 (Unaudited)	December 31, 1995
INVESTMENTS		
Fixed Maturities:		
Available-for-Sale (amortized cost of $276,169,628 and $229,922,533, respectively)	$ 281,006,542	$ 241,960,567
Equity Securities (cost of $89,314,150 and $71,421,388, respectively)	102,471,293	81,139,076
Real Estate Mortgage Loans	6,379,154	4,432,361
Other Invested Assets	6,971,899	5,142,585
Total Investments	$ 396,828,888	$ 332,674,589
Cash and Cash Equivalents	33,419,599	56,856,983
Equity in Erie Family Life Insurance Company	25,046,768	27,880,363
Accrued Interest and Dividends	5,623,419	4,980,154
Premiums Receivable from Policyholders	105,550,187	99,534,004
Reinsurance Recoverable, Non-affiliates	177,534	160,988
Deferred Policy Acquisition Costs	9,604,755	9,011,734
Receivables from Erie Insurance Exchange and Affiliates	454,093,299	451,777,577
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Property and Equipment	8,797,068	8,241,937
Federal Income Taxes Recoverable	1,794,363	932,379
Deferred Income Taxes	990,624	185,282
Other Assets	16,584,657	15,195,754
Total Assets	$ 1,073,511,161	$ 1,022,431,744

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 1996 (Unaudited)	December 31, 1995
LIABILITIES		
Losses and Loss Adjustment Expenses	$ 362,368,269	$ 357,334,127
Unearned Premiums	216,239,919	202,806,574
Accounts Payable	4,976,702	5,839,745
Accrued Commissions	75,628,592	72,697,864
Accrued Payroll and Payroll Taxes	5,859,236	8,093,690
Accrued Vacation and Sick Pay	7,988,620	6,740,212
Deferred Compensation	1,405,595	1,739,216
Dividends Payable	5,622,141	5,624,375
Benefit Plans Liability	6,680,253	7,491,700
Total Liabilities	686,769,327	668,367,503
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A Common, stated value $.0292 per share; authorized 74,996,930	1,955,100	1,955,100
Class B Common, stated value $70.00 per share; authorized 3,070	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)	11,600,404	17,643,443
Retained Earnings	365,141,430	326,420,798
Total Shareholders' Equity	386,741,834	354,064,241
Total Liabilities and Shareholders' Equity	$ 1,073,511,161	$ 1,022,431,744

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
MANAGEMENT OPERATIONS:	1996	1995	1996	1995
Management Fee Revenue	$ 117,422,334	$ 108,113,793	$ 225,711,056	$ 213,331,176
Service Agreement Revenue	1,165,928	1,056,167	2,431,445	2,180,697
Other Operating Revenue	308,964	343,737	619,331	665,966
Total Revenues from Management Operations	118,897,226	109,513,697	228,761,832	216,177,839
Cost of Management Operations	85,452,651	78,788,021	164,629,301	159,135,303
Net Revenues From Management Operations	33,444,575	30,725,676	64,132,531	57,042,536
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	25,007,216	22,984,344	49,559,413	44,807,537
Losses and Loss Adjustment Expenses Incurred	19,242,498	18,335,526	42,813,941	36,375,905
Policy Acquisition and Other Underwriting Expenses	7,021,831	6,591,747	13,819,741	12,172,844
Total Losses and Expenses	26,264,329	24,927,273	56,633,682	48,548,749
Underwriting Loss	(1,257,113)	(1,942,929)	(7,074,269)	(3,741,212)
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	954,122	683,019	1,533,509	1,350,425
Interest and Dividends	5,927,799	4,864,870	11,934,014	9,483,142
Realized Gain on Investments	601,233	460,571	1,084,161	378,019
Total Revenues from Investment Operations	7,483,154	6,008,460	14,551,684	11,211,586
Income Before Income Taxes	39,670,616	34,791,207	71,609,946	64,512,910
Provision for Income Taxes	13,204,272	11,675,475	21,645,525	21,300,303
Net Income	$ 26,466,344	$ 23,115,732	$ 49,964,421	$ 43,212,607
Earnings per Share:				
Net Income per Share	$ 0.36	$ 0.31	$ 0.67	$ 0.58
Dividends Declared per Share:				
Class A	$ 0.0833	$ 0.065	$ 0.1666	$ 0.13
Class B	$ 12.50	$ 9.75	$ 25.00	$ 19.50

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 49,964,421	$ 43,212,607
Depreciation and amortization	595,043	437,720
Deferred income tax expense (benefit)	552,189	(815,526)
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Realized gain on investments	(1,084,161)	(378,019)
Amortization of bond discount	(127,110)	(109,108)
Undistributed earnings of equity investee	(766,939)	(887,189)
(Decrease) increase in deferred compensation	(333,621)	29,214
Increase in accrued interest and dividends	(643,265)	(936,983)
Increase in receivables	(8,348,451)	(42,870,141)
Increase in policy acquisition costs	(593,021)	(1,368,192)
Increase in other assets	(1,289,452)	(693,968)
Decrease in accounts payable and accrued expenses	(2,660,536)	(775,831)
Increase in prepaid federal income taxes	(861,984)	0
Increase in accrued commissions	2,930,728	3,492,542
Increase in income taxes payable	0	4,248,069
Increase in loss reserves	5,034,142	10,661,759
Increase in unearned premiums	13,433,345	17,970,989
Net cash provided by operating activities	55,801,328	31,217,943
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(64,349,206)	(49,365,405)
Equity securities	(25,963,817)	(15,616,270)
Mortgage loans	(1,968,775)	0
Other invested assets	(2,780,390)	(1,438,246)
Sales/maturities of investments:		
Fixed maturities	18,566,901	4,930,764
Equity securities	8,595,623	1,954,870
Mortgage loans	22,481	548,089
Other invested assets	1,055,491	51,000

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
CASH FLOW FROM INVESTING ACTIVITIES (Continued)		
Purchase of property and equipment	$ (886,009)	$ (72,377)
Purchase of computer software	(264,164)	(529,614)
Loans to Agents	(553,772)	(2,793,805)
Collections on Agent loans	535,675	465,610
Net cash used in investing activities	(67,989,962)	(61,865,384)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(11,248,750)	(8,774,027)
Net cash used in financing activities	(11,248,750)	(8,774,027)
Net decrease in cash and cash equivalents	(23,437,384)	(39,421,468)
Cash and cash equivalents at beginning of period	56,856,983	52,110,474
Cash and cash equivalents at end of period	$ 33,419,599	$ 12,689,006

Supplemental disclosures of cash flow information:
Cash paid during the six months ended June 30, 1996 and 1995 for income taxes was $23,980,834 and $20,214,243, 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 six-month period ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. 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, 1995.

NOTE B -- RECLASSIFICATIONS

Certain amounts as previously reported in the 1995 financial statements have been reclassified to conform to the current year's presentation.

NOTE C -- EARNINGS PER SHARE

At the Annual Meeting of the Company's shareholders held on May 1, 1996, the number of authorized shares of the Company's Class A Common Stock was increased pursuant to a vote of the shareholders from 24,996,920 to 74,996,930 shares and a three-for-one (3:1) stock split was effected. Thus, earnings per share is based on the weighted average number of Class A shares outstanding of 67,032,000 (as retroactively stated in 1995), plus giving effect to the conversion of the weighted average number of Class B shares outstanding (3,070 in 1996 and 1995) 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 balance sheet 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
June 30, 1996				
U.S. Treasuries	$ 7,001	$ 157	$ 137	$ 7,021
Obligations of States and Political Subdivisions	31,063	840	115	31,788
Special Revenue	164,707	4,063	483	168,287
Public Utilities	7,934	56	43	7,947
Industrial and Miscellaneous	65,465	1,470	971	65,964
Total Fixed Maturities	$ 276,170	$ 6,586	$ 1,749	$ 281,007
Common Stock	$ 35,453	$ 14,341	$ 1,165	$ 48,629
Preferred Stock	53,861	728	747	53,842
Total Equity Securities	$ 89,314	$ 15,069	$ 1,912	$ 102,471
	$ 365,484	$ 21,655	$ 3,661	$ 383,478

Available-for-Sale Securities

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 1995				
U.S. Treasuries	$ 6,991	$ 324	$ 1	$ 7,314
Obligations of States and Political Subdivisions	25,024	1,122		26,146
Special Revenue	160,678	7,387		168,065
Public Utilities	7,939	103	47	7,995
Industrial and Miscellaneous	29,291	3,157	7	32,441
Total Fixed Maturities	$ 229,923	$ 12,093	$ 55	$ 241,961
Common Stock	$ 27,178	$ 10,637	$ 1,110	$ 36,705
Preferred Stock	44,243	1,227	1,036	44,434
Total Equity Securities	$ 71,421	$ 11,864	$ 2,146	$ 81,139
	$ 301,344	$ 23,957	$ 2,201	$ 323,100

Deferred income taxes decreased by $1,358,000 at June 30, 1996 and were reduced by $7,106,000 at December 31, 1995, 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 E -- 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:

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
Revenues	$ 39,454,745	$ 35,870,185
Benefits and expenses	28,238,142	26,481,816
Income before income taxes	11,216,603	9,388,369
Income taxes	4,126,403	3,144,661
Net income	$ 7,090,200	$ 6,243,708
Dividends paid to shareholders	$ 2,252,252	$ 2,016,000

NOTE F -- NOTE RECEIVABLE FROM EFL

On December 29, 1995, EFL issued a surplus note to the Company in return for a cash sum 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. In March and June of 1996, EFL received such approval for the accrual/payment of interest totaling $483,750, which was paid to the Company by EFL at June 30, 1996.

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 14.5% for the second quarter of 1996 to $26,466,344, or $.36 per share, from $23,115,732 or $.31 per share, for the second quarter of 1995. The growth in second quarter net income was driven by improvement in all of 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 second quarter.

For the six months ended June 30, 1996, consolidated net income increased 15.6% to $49,964,421 or $.67 per share, from $43,212,607 or $.58 per share earned in the same period in 1995. The growth in net income for the six months ended June 30, 1996 resulted from gains in the management and investment operating segments while the insurance underwriting results lagged the 1995 underwriting results due to losses from severe winter weather in the first quarter of 1996.

RESULTS OF OPERATIONS

Analysis of Management Operations

For the second quarter 1996 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 8.6% to $117,422,334 from $108,113,793 for the second quarter 1995. Management fee revenue increased 5.8% to $225,711,056 in the first six months of 1996 compared to $213,331,176 for the same period in 1995. In June of 1995, a separate service arrangement was effected between the Company and the Exchange. Under this arrangement, the Company began receiving a service fee of 7% on voluntary reinsurance premiums assumed from non-affiliated insurers and the Exchange assumed the responsibility for the payment of brokerage commissions on all voluntary assumed premiums from unaffiliated companies. This arrangement resulted in a one-time retroactive adjustment that reduced the management fee revenue of the second quarter of 1995 by $3,213,000 and reduced the commission expenses incurred in the second quarter of 1995 by $3,607,000.

Excluding this one-time 1995 retroactive adjustment of $3,213,000 from management fee revenue would produce a 5.4% growth rate in management fee revenue during the second quarter of 1996 derived from the direct and affiliated assumed written premium of the Exchange. The direct and affiliated assumed written premium of the Exchange, on which management fee is based, increased 7.6% during the second quarter of 1996. The rate of growth in the management fee revenue was less than the rate of growth in the direct and assumed premium written because the management fee rate charged the Exchange in the second quarter of 1996 as determined by the Company's Board of Directors was 24% while the rate charged in the second quarter of 1995 was 24.5%.

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

The cost of management operations increased 8.5% to $85,452,651 for the three months ended June 30, 1996 from $78,788,021 for the same period in 1995. As mentioned previously, commission expenses incurred, which are a component of cost of management operations, were reduced by $3,607,000 in the second quarter of 1995 related to a retroactive adjustment. Excluding this retroactive adjustment, cost of management operations would have increased by 3.7% for the second quarter of 1996.

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 13.8% to $56,326,492 for the second quarter of 1996, compared to $49,500,138 in the second quarter of 1995. This increase was effected by the 1995 retroactive adjustment discussed previously, in the amount of $3,607,000. Thus, commission costs would have increased 6.1%. For the six months ended June 30, 1996, commission costs increased 6% to $107,427,883 from $101,330,684. The increases experienced in commission costs on a quarterly and year-to-date basis are consistent with the growth in premiums written of 7.6% and 8.0%, 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 $17,795,069 for the three month period ended June 30, 1996, compared to $17,374,606 for the same period in 1995, an increase of 2.4%. Personnel costs rose 3.4% to $36,177,268 for the six months ended June 30, 1996 from $35,001,294 for the respective period in 1995.

Net revenues from the Company's management operations rose 8.8% to $33,444,575 for the three months ended June 30, 1996 compared to $30,725,676 for the same period in 1995. This continued growth in quarterly results contributed to the 12.4% increase in net revenues from management operations for the six months ended June 30, 1996. The gross margin from management operations (net revenue divided by total revenue), which was 28.1% in the second quarter of 1996, was consistent with the gross margin reported in the second quarter of 1995. For the six months ended June 30, 1996, the gross margin improved to 28% from 26.4% for the same period in 1995.

Analysis of Insurance Operations

The insurance underwriting operations of the Company's wholly-owned subsidaries, Erie Insurance Company and Erie Insurance Company of New York, which share proportionally in the property/casualty underwriting results of the Erie Insurance Group, were impacted negatively by severe winter weather in the first quarter of 1996. In the second quarter of 1996, premiums earned for the Company's property/casualty insurance subsidiaries grew 8.8% to $25,007,216 compared to $22,984,344 for the same period in 1995. Losses, loss adjustment expenses and underwriting expenses incurred increased at a lesser rate than premiums earned; up 5.4% for the second quarter of 1996 amounting to $26,264,329 compared to $24,927,273 for the prior year's second quarter. The net underwriting loss reported in the second quarter amounted to $1,257,113 and improved from the net underwriting loss of $1,942,929 experienced in the second quarter of 1995.

For the six months ended June 30, 1996, the Erie Insurance Company and Erie Insurance Company of New York's underwriting loss was $7,074,269 compared to a loss of $3,741,212 for the same period in 1995. The severe winter weather in the eastern United States during the first quarter of 1996 was primarily responsible for this increase.

The GAAP combined ratio for the Company's property/casualty insurance operations was 114.3% for the six months ended June 30, 1996 compared to a ratio of 108.3% for the same period in 1995. However, there was improvement in the GAAP combined ratio during the second quarter of 1996 to 105% from 108.4% for the second quarter of 1995. The GAAP combined ratio is the ratio of acquisition and underwriting expenses, loss and loss adjustment expenses incurred to premiums earned.

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

Analysis of Investment Operations

Total revenues from investment operations for the second quarter of 1996 increased by 24.5% to $7,483,154 from $6,008,460 posted in the second quarter of 1995. Total revenues from investment operations for the six months ended June 30, 1996 increased 29.8% to $14,551,684 from $11,211,586 for the same period in 1995. A 26% increase in dividend and interest income, as well as approximately $1 million of non-recurring realized capital gains on investments, fueled the growth in revenues from investment operations in the first six months of 1996.

The Company also 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 $7,090,200 and $6,243,708 at June 30, 1996 and 1995, respectively. The earnings recognized from the investment in EFL increased to $1,533,509 for the six months ended June 30, 1996 from $1,350,425 for the same period in 1995, as EFL's taxes, licenses and fees decreased due to the timing of payments of state life insurance guaranty fund assessments through June 30, 1996 as compared to June 30, 1995.

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 June 30, 1996, 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 $417 million, or 39%, 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 June 30, 1996, 97% of total investments were invested in fixed maturities and equity securities. Mortgage loans and other invested assets represented only 3% 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 June 30, 1996, the Company's five largest investments in corporate debt securities totaled $10.8 million, none of which individually exceeded $2.5 million. These investments had a market value of $10.9 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 six months ended June 30, 1996 and 1995, were $55,801,328 and $31,217,943 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 June 30, 1996 and 1995, totaled $5,622,141 and $4,387,013, 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 or second quarter of 1996.

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 assets at June 30, 1996 and December 31, 1995 of $990,624 and $185,282, respectively. Management believes it is more likely than not that the Company will have sufficient taxable income in future years to realize the benefits of the deferred tax assets.

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, 1995. 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, 1995.

At June 30, 1996 and December 31, 1995, the Company's receivables from its affiliates totaled $454,093,299 and $451,777,577, 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.

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

The individual receivable from the Exchange and its affiliates at June 30, 1996 and December 31, 1995 are as follows:

	June 30, 1996	December 31, 1995
Exchange-Management Fee and Expense Reimbursements	$ 106,935,144	$ 105,612,765
EFL-Expense Reimbursements	585,959	1,392,365
Exchange-Reinsurance Recoverable from Losses and Unearned Premium Balances Ceded	346,572,196	344,772,447
	$ 454,093,299	$ 451,777,577

OTHER MATTERS

On June 24, 1996, the Pennsylvania Workers' Compensation Reform Act was signed into law. This Act, now known as Act 57, calls for a reduction of workers' compensation premiums in the state of Pennsylvania by insurance companies that reflect reform outlined in the Act. This law is expected to reduce the premium income generated by the Exchange and its affiliated companies, Erie Insurance Company and Erie Insurance Property & Casualty Company on workers' compensation business written in the state of Pennsylvania. Any reduction in premiums written as a consequence of Act 57 will result in reduced management fee revenue for the Company as its management fee revenue is based on premiums written. The reduced workers' compensation premiums will also affect the Company's property/casualty insurance subsidiaries operating results, however, lower premium levels may be offset by lower loss costs arising from the cost containment provisions of Act 57. The effect of this Act on the overall financial condition of the Company is not expected to be material.

In late January 1996, Maryland Governor Parris Glendening introduced Senate Bill 216, a comprehensive legislative package intended to reduce automobile insurance costs and premiums in the state of Maryland. This legislation could have affected the Company's revenues from management operations and insurance underwriting operations. However, Senate Bill 216 did not receive significant support in the Maryland legislature, which adjourned without acting on the Governor's initiative.

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

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended June 30, 1996.

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 not applicable, and therefore, have been omitted.

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: August 7, 1996

/s/ Stephen A. Milne

Stephen A. Milne, President & CEO

/s/ Thomas M. Sider

Thomas M. Sider, Executive Vice President & CFO

THIS FDS CONTAINS INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE ERIE INDEMNITY COMPANY FOR THE QUARTER ENDED JUNE 30, 1996 AND IS QUALIFIED IN REFERENCE TO THE COMPANY'S FORM 10-Q

0000922621
ERIE INDEMNITY COMPANY
1,000

3-MOS	3-MOS
DEC-31-1996	DEC-31-1995
JUN-30-1996	JUN-30-1995
281,007	168,283
0	60,268
0	61,717
102,471	72,619
6,379	4,453
0	0
396,829	310,214
33,420	12,689
178	406
9,605	9,036
1,073,511	949,884
362,368	355,485
216,240	195,273
0	0
0	0
0	0
0	0
0	0
2,170	2,170
384,572	306,948
1,073,511	949,884
25,007	22,984
7,483	6,008
601	461
0	0
0	0
7,022	6,592
19,242	18,336
39,670	34,791
13,204	11,675
0	0
0	0
0	0
0	0
26,466	23,116
.36	.31
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0