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, 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 October 1, 1996.

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

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, 1996 (Unaudited)	December 31, 1995
INVESTMENTS		
Fixed Maturities:		
Available-for-Sale (amortized cost of $285,579,200 and $229,922,533, respectively)	$ 291,615,552	$ 241,960,567
Equity Securities (cost of $105,379,148 and $71,421,388, respectively)	118,315,355	81,139,076
Real Estate Mortgage Loans	6,356,907	4,432,361
Other Invested Assets	7,131,548	5,142,585
Total Investments	$ 423,419,362	$ 332,674,589
Cash and Cash Equivalents	24,188,659	56,856,983
Equity in Erie Family Life Insurance Company	25,983,079	27,880,363
Accrued Interest and Dividends	5,966,774	4,980,154
Premiums Receivable from Policyholders	111,079,857	99,534,004
Reinsurance Recoverable, Non-affiliates	172,190	160,988
Deferred Policy Acquisition Costs	9,883,853	9,011,734
Receivables from Erie Insurance Exchange and Affiliates	486,187,134	451,777,577
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Property and Equipment	8,392,636	8,241,937
Federal Income Taxes Recoverable	2,196,292	932,379
Deferred Income Taxes	174,010	185,282
Other Assets	19,125,553	15,195,754
Total Assets	$ 1,131,769,399	$ 1,022,431,744

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	September 30, 1996	December 31, 1995
	(Unaudited)	
LIABILITIES		
Losses and Loss Adjustment Expenses	$ 382,912,905	$ 357,334,127
Unearned Premiums	226,273,129	202,806,574
Accounts Payable	5,081,485	5,839,745
Accrued Commissions	77,234,503	72,697,864
Accrued Payroll and Payroll Taxes	7,902,933	8,093,690
Accrued Vacation and Sick Pay	7,282,375	6,740,212
Deferred Compensation	1,449,516	1,739,216
Dividends Payable	5,624,420	5,624,375
Benefit Plans Liability	6,866,127	7,491,700
Total Liabilities	720,627,393	668,367,503
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)	12,440,442	17,643,443
Retained Earnings	388,701,564	326,420,798
Total Shareholders' Equity	411,142,006	354,064,241
Total Liabilities and Shareholders' Equity	$ 1,131,769,399	$ 1,022,431,744

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:	1996	1995	1996	1995
Management Fee Revenue	$ 115,620,834	$ 109,769,195	$ 341,331,890	$ 323,100,371
Service Agreement Revenue	1,333,576	1,214,564	3,765,021	3,395,261
Other Operating Revenue	312,324	324,265	931,655	990,231
Total Revenues from Management Operations	117,266,734	111,308,024	346,028,566	327,485,863
Cost of Management Operations	81,549,000	79,610,180	246,178,301	238,745,483
Net Revenues From Management Operations	35,717,734	31,697,844	99,850,265	88,740,380
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	25,740,991	24,075,923	75,300,404	68,883,460
Losses and Loss Adjustment Expenses Incurred	21,286,647	17,951,201	64,100,588	54,327,106
Policy Acquisition and Other Underwriting Expenses	7,171,992	6,860,930	20,991,733	19,033,774
Total Losses and Expenses	28,458,639	24,812,131	85,092,321	73,360,880
Underwriting Losses	(2,717,648)	(736,208)	(9,791,917)	(4,477,420)
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	982,370	1,500,169	2,515,879	2,850,594
Interest and Dividends	6,549,490	5,459,449	18,483,504	14,942,591
Realized Gain on Investments	2,281,202	2,513,988	3,365,363	2,892,007
Total Revenues from Investment Operations	9,813,062	9,473,606	24,364,746	20,685,192
Income Before Income Taxes	42,813,148	40,435,242	114,423,094	104,948,152
Provision for Income Taxes	13,626,362	13,165,789	35,271,887	34,466,092
Net Income	$ 29,186,786	$ 27,269,453	$ 79,151,207	$ 70,482,060
Net Income per Share	$ .39	$ .37	$ 1.06	$ .95
Dividends Declared per Share:				
Class A	$ 0.0833	$ 0.065	$ 0.25	$ 0.195
Class B	$ 12.50	$ 9.75	$ 37.50	$ 29.25

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 79,151,207	$ 70,482,060
Depreciation and amortization	889,914	660,204
Deferred income tax expense (benefit)	1,026,328	(681,464)
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Realized gain on investments	(3,365,363)	(2,892,007)
Amortization of bond discount	(194,091)	(164,805)
Undistributed earnings of equity investee	(1,493,955)	(2,155,770)
(Decrease) increase in deferred compensation	(289,700)	93,690
Increase in accrued interest and dividends	(986,620)	(1,377,271)
Increase in receivables	(45,966,612)	(30,714,587)
Increase in policy acquisition costs	(872,119)	(1,670,995)
Increase in other assets	(2,475,008)	(1,622,353)
(Decrease) increase in accounts payable and accrued expenses	(1,032,427)	2,720,745
Increase in prepaid federal income taxes	(1,263,913)	0
Increase in prepaid pension	(1,377,002)	0
Increase in accrued commissions	4,536,639	5,984,442
Increase in income taxes payable	0	4,881,719
Increase in loss reserves	25,578,778	12,836,109
Increase in unearned premiums	23,466,555	29,761,143
Net cash provided by operating activities	75,332,611	86,140,860
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(87,014,797)	(55,058,129)
Equity securities	(48,633,780)	(30,062,129)
Mortgage loans	(1,968,775)	0
Other invested assets	(3,094,093)	(1,454,262)
Sales/maturities of investments:		
Fixed maturities	31,889,829	12,191,386
Equity securities	17,481,773	18,133,207
Mortgage loans	44,817	558,748
Other invested assets	1,209,545	80,332

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
CASH FLOW FROM INVESTING ACTIVITIES (Continued)		
Purchase of property and equipment	$ (561,281)	$ (90,136)
Purchase of computer software	(479,332)	(772,422)
Loans to Agents	(815,178)	(2,994,778)
Collections on Agent loans	813,461	725,160
Net cash used in investing activities	(91,127,811)	(58,743,023)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(16,873,124)	(13,161,040)
Net cash used in financing activities	(16,873,124)	(13,161,040)
Net (decrease) increase in cash and cash equivalents	(32,668,324)	14,236,797
Cash and cash equivalents at beginning of period	56,856,983	52,110,474
Cash and cash equivalents at end of period	$ 24,188,659	$ 66,347,271

Supplemental disclosures of cash flow information:
Cash paid during the nine months ended September 30, 1996 and 1995 for income taxes was $37,543,743 and $32,565,460, 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, 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 -- 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 C -- 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:

(In Thousands)	Available-for-Sale Securities Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 1996				
U.S. Treasuries	$ 7,006	$ 129	$ 141	$ 6,994
Obligations of States and Political Subdivisions	25,217	1,008	88	26,137
Special Revenue	160,279	4,657	324	164,612
Public Utilities	9,945	59	54	9,950
Industrial and Miscellaneous	83,132	1,648	857	83,923
Total Fixed Maturities	$ 285,579	$ 7,501	$ 1,464	$ 291,616
Common Stock	$ 39,560	$ 14,373	$ 1,726	$ 52,207
Preferred Stock	65,819	910	621	66,108
Total Equity Securities	$ 105,379	$ 15,283	$ 2,347	$ 118,315
	$ 390,958	$ 22,784	$ 3,811	$ 409,931

(In Thousands)	Available-for-Sale Securities Amortized Cost	Gross Unrealized Gain	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 $1,015,000 and $7,106,000 at September 30, 1996 and December 31, 1995, respectively, 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, 1996	Nine Months Ended September 30, 1995
Revenues	$ 60,224,921	$ 58,607,834
Benefits and expenses	42,787,918	39,207,618
Income before income taxes	17,437,003	19,400,216
Income taxes	5,804,800	6,220,453
Net income	$ 11,632,203	$ 13,179,763
Dividends paid to shareholders	$ 3,433,504	$ 3,087,000
Net unrealized appreciation on investment securities net of deferred taxes	$ 681,612	$ 11,017,817

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. In March, June, and September of 1996, EFL received such approval for the accrual/payment of interest totaling $725,625, of which $483,750 was paid to the Company by EFL at June 30, 1996 and $241,875 was accrued at September 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 7.0% for the third quarter of 1996 to $29,186,786, or $.39 per share, from $27,269,453 or $.37 per share, for the third quarter of 1995. The growth in third quarter net income was driven by improvement in the management and investment operating segments of the Company. Gains made in the Company's management and investment operations were partially offset by the increase in underwriting losses during this period due partly to losses related to Hurricane Fran in the third quarter of 1996.

For the nine months ended September 30, 1996, consolidated net income increased 12.3% to $79,151,207 or $1.06 per share, from $70,482,060 or $.95 per share earned in the same period in 1995. The growth in net income for the nine months ended September 30, 1996 resulted from gains in the management and investment operating segments while the insurance underwriting results lagged the 1995 underwriting results.

RESULTS OF OPERATIONS

Analysis of Management Operations

For the third 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 5.3% to $115,620,834 from $109,769,195 for the third quarter 1995. The management fee charged by the Company is a percentage of direct and affiliated assumed written premiums of the Exchange, which increased 7.1% during the third quarter of 1996. The rate of growth in management fee revenue, from direct and affiliated assumed written premiums, was less than the growth in direct and affiliated assumed written premiums as the management fee rate charged the Exchange in the third quarter of 1996 was 24% while the rate charged in the third quarter of 1995 was 24.5%. The Board of Directors reduced the management fee rate to 24% for the period April 1, 1996 through December 31, 1996. Management fee revenue derived from the Company serving as attorney-in-fact for the Exchange increased 5.6% to $341,331,890 in the first nine months of 1996 compared to $323,100,371 for the same period in 1995.

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

The cost of management operations increased 2.4% to $81,549,000 for the three months ended September 30, 1996 from $79,610,180 for the same period in 1995. For the nine months ended September 30, 1996 cost of management operations increased 3.1% from the same period in 1995.

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 3.9% to $53,814,304 for the third quarter of 1996, compared to $51,776,371 in the third quarter of 1995. For the nine months ended September 30, 1996, commission costs increased 5.3% to $161,242,187 from $153,107,055. The growth in premiums on a quarterly and year-to-date basis are 7.1% and 7.7%, respectively. Commissions are down due to lower agent contingency bonus costs resulting from poor underwriting results.

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 $16,861,733 for the three month period ended September 30, 1996, compared to $17,067,809 for the same period in 1995, a decline of 1.2%. Personnel costs rose 1.9% to $53,039,001 for the nine months ended September 30, 1996 from $52,069,178 for the respective period in 1995.

Net revenues from the Company's management operations rose 12.7% to $35,717,734 for the three months ended September 30, 1996 compared to $31,697,844 for the same period in 1995. This continued growth in quarterly results contributed to the 12.5% increase in net revenues from management operations for the nine months ended September 30, 1996. The gross margin from management operations (net revenue divided by total revenue), improved to 30.5% in the third quarter of 1996, from 28.5% for the third quarter of 1995. For the nine months ended September 30, 1996, the gross margin improved to 28.9% from 27.1% 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 and losses from Hurricane Fran in the third quarter of 1996. In the third quarter of 1996, premiums earned for the Company's property/casualty insurance subsidiaries grew 6.9% to $25,740,991 compared to $24,075,923 for the same period in 1995. Losses, loss adjustment expenses and underwriting expenses incurred increased at a faster pace than premiums earned; up 14.7% for the third quarter of 1996 amounting to $28,458,639 compared to $24,812,131 for the prior year's third quarter. Thus, the net underwriting loss worsened in the third quarter of 1996 to $2,717,648 compared to a loss of $736,208 experienced in the third quarter of 1995.

Losses experienced from Hurricane Fran in the eastern United States, particularly North Carolina and other storm-related losses elsewhere in our operating territories, were partly responsible for the increased underwriting loss in the three months ended September 30, 1996. Losses from Hurricane Fran amounted to approximately $1.3 million at the end of the third quarter or about $.01 per share, after federal income taxes. The third quarter losses, coupled with the severe winter weather experienced in the eastern United States during the first three months of 1996, were responsible for the increase in underwriting losses for the nine months ended September 30, 1996. For the nine months ended September 30, 1996, the Erie Insurance Company and Erie Insurance Company of New York's underwriting loss increased to $9,791,917 from a loss of $4,477,420 for the same period in 1995.

The Generally Accepted Accounting Principles (GAAP) combined ratio for the Company's property/casualty insurance operations was 110.6% for the three months ended September 30, 1996 compared to a ratio of 103.1% for the same period in 1995. During the nine months ended September 30, 1996 the GAAP combined ratio was 113% compared to 106.5% for the same period in 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)

Catastrophes are an inherent risk of the property/casualty insurance business, which can have a material impact on year-to-year fluctuations in the Company's property/casualty insurance underwriting operating results. The Company experienced two such catastrophes during 1996, with the severe winter weather in the first quarter accounting for $4.1 million of underwriting losses and expenses and Hurricane Fran in the third quarter accounting for $1.3 million of underwriting losses and expenses. Combined, these two catastrophes accounted for approximately $.05 per share, after federal income taxes. 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

Total revenues from investment operations for the third quarter of 1996 increased by 3.6% to $9,813,062 from $9,473,606 posted in the third quarter of 1995. The Company's 21.6% investment in an affiliated life insurer, Erie Family Life Insurance Company (EFL) declined 34.5% in the third quarter of 1996. The Company's investment earnings were a direct result of EFL's net income declining to $4,542,003 from $6,936,055 for the three months ended September 30, 1996 and 1995, respectively. This decline was a result of EFL recognizing fewer non-recurring capital gains during the third quarter of 1996. Partially offsetting this decline is a 20% increase in interest and dividend income of the Company for the third quarter of 1996.

Total revenues from investment operations for the nine months ended September 30, 1996 increased 17.8% to $24,364,746 from $20,685,192 for the same period in 1995. A 23.7% increase in dividend and interest income, as well as approximately $3 million of non-recurring realized capital gains on investments, fueled the growth in revenues from investment operations in the first nine months of 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, 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 $434 million, or 38.4%, 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, 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 September 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 $10.8 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. 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, 1996 and 1995, were $75,332,611 and $86,140,860 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, 1996 and 1995, totaled $5,624,420 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, second or third 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 September 30, 1996 and December 31, 1995 of $174,010 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 September 30, 1996 and December 31, 1995, the Company's receivables from its affiliates totaled $486,187,134 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.

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

	September 30, 1996	December 31, 1995
Exchange-Management Fee and Expense Reimbursements	$ 116,456,045	$ 105,612,765
EFL-Expense Reimbursements	631,813	1,392,365
Exchange-Reinsurance Recoverable from Losses and Unearned Premium Balances Ceded	369,099,276	344,772,447
	$ 486,187,134	$ 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. However, commission expenses which are a cost of management operations, will also be reduced proportionally with the reduction in 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.

"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

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

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 11, 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 SEPTEMBER 30, 1996 AND IS QUALIFIED IN REFERENCE TO THE COMPANY'S FORM 10-Q

0000922621
ERIE INDEMNITY COMPANY
1,000

9-MOS	9-MOS
DEC-31-1996	DEC-31-1995
SEP-30-1996	SEP-30-1995
291,616	168,129
0	60,267
0	62,099
118,315	73,809
6,357	4,443
0	0
423,419	311,225
24,189	66,347
172	299
9,884	9,339
1,131,769	994,530
382,913	357,660
226,273	207,063
0	0
0	0
0	0
0	0
0	0
2,170	2,170
388,702	308,976
1,131,769	994,530
75,300	68,883
20,999	17,793
3,365	2,892
0	0
0	0
20,992	19,034
64,101	54,327
114,423	104,948
35,272	34,466
0	0
0	0
0	0
0	0
79,151	70,482
1.06	.95
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0