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, 1999

Commission file number 0-24000

ERIE INDEMNITY COMPANY
(Exact name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of incorporation or organization)	25-0466020 (I.R.S. Employer Identification No.)

100 Erie Insurance Place, Erie, Pennsylvania (Address of principal executive offices)	16530 (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-- 66,098,605 shares as of July 19, 1999.

Class B Common Stock, no par value, with a stated value of $70.00 per share-- 3,070 shares as of July 19, 1999.

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

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PART I. FINANCIAL INFORMATION

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30, 1999 (Unaudited)	December 31, 1998
INVESTMENTS		
Fixed Maturities Available-for-Sale at fair value (amortized cost of $458,150,530 and $421,101,561, respectively)	$ 464,663,878	$ 441,353,427
Equity Securities (cost of $178,874,790 and $169,976,774, respectively)	218,564,698	202,804,068
Real Estate Mortgage Loans	8,298,469	8,287,129
Other Invested Assets	20,507,914	17,493,496
Total Investments	$ 712,034,959	$ 669,938,120
Cash and Cash Equivalents	16,700,819	53,580,043
Accrued Investment Income	7,889,028	7,252,439
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Premiums Receivable from Policyholders	116,790,157	114,695,231
Prepaid Federal Income Tax	0	2,508,908
Reinsurance Recoverables from Erie Insurance Exchange	396,496,310	381,301,722
Other Receivables from Erie Insurance Exchange and Affiliates	130,631,954	108,612,264
Reinsurance Recoverable Non-affiliates	893,898	938,894
Deferred Policy Acquisition Costs	11,434,482	10,863,107
Property and Equipment	14,140,351	12,388,650
Equity in Erie Family Life Insurance Company	37,308,329	39,478,746
Other Assets	40,199,239	36,873,922
Total Assets	$ 1,499,519,526	$ 1,453,432,046

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 1999 (Unaudited)	December 31, 1998
LIABILITIES		
Unpaid Losses and Loss Adjustment Expenses	$ 437,588,428	$ 426,164,578
Unearned Premiums	236,142,915	229,056,597
Accrued Commissions	85,824,971	85,005,699
Accounts Payable and Accrued Expenses	24,577,785	20,252,904
Deferred Income Taxes	15,178,671	17,121,777
Federal Income Tax Payable	782,685	0
Dividends Payable	7,998,891	8,099,100
Employee Benefit Obligations	13,595,027	12,508,130
Total Liabilities	$ 821,689,373	$ 798,208,785
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A Common, stated value $.0292 per share; authorized 74,996,930 shares; issued 67,032,000 shares; outstanding 66,098,605 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	31,622,358	40,178,626
Retained Earnings	661,635,110	605,044,635
Total Contributed Capital and Retained Earnings	$ 703,257,468	$ 655,223,261
Treasury Stock (933,395 shares repurchased in 1999)	25,427,315	0
Total Shareholders' Equity	$ 677,830,153	$ 655,223,261
Total Liabilities and Shareholders' Equity	$ 1,499,519,526	$ 1,453,432,046

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:	1999	1998	1999	1998
Management Fee Revenue	$ 137,502,858	$ 130,184,972	$ 259,337,064	$ 247,508,627
Service Agreement Revenue	3,704,565	2,942,924	7,433,674	5,942,245
Other Operating Revenue	311,125	373,829	647,908	747,790
Total Revenue from Management Operations	141,518,548	133,501,725	267,418,646	254,198,662
Cost of Management Operations	100,931,839	94,437,016	192,465,363	181,373,102
Net Revenue From Management Operations	$ 40,586,709	$ 39,064,709	$ 74,953,283	$ 72,825,560
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	$ 29,517,142	$ 28,146,565	$ 58,124,065	$ 55,607,627
Losses and Loss Adjustment Expenses Incurred	20,130,338	20,453,563	41,521,508	38,950,953
Policy Acquisition and Other Underwriting Expenses	8,273,850	7,999,725	16,096,949	15,535,916
Total Losses and Expenses	28,404,188	28,453,288	57,618,457	54,486,869
Underwriting Gain (Loss)	$ 1,112,954	$ (306,723)	$ 505,608	$ 1,120,758
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	$ 1,271,560	$ 1,203,568	$ 2,327,467	$ 2,609,044
Net Investment Income	10,933,553	9,160,614	21,399,140	18,075,277
Net Realized Gain on Investments	3,972,170	3,189,588	7,221,022	4,186,366
Total Revenue from Investment Operations	16,177,283	13,553,770	30,947,629	24,870,687
Income Before Income Taxes	57,876,946	52,311,756	106,406,520	98,817,005
Provision for Income Taxes	18,651,964	16,841,275	33,773,980	31,647,465
Net Income	$ 39,224,982	$ 35,470,481	$ 72,632,540	$ 67,169,540
Net Income per Share	$ 0.53	$ 0.48	$ 0.98	$ 0.90
Weighted Average Shares Outstanding	73,678,486	74,400,000	74,013,951	74,400,000
Dividends Declared per Share:				
Class A non-voting Common	$ 0.12	$ 0.1075	$ 0.24	$ 0.215
Class B Common	$ 18.00	$ 16.125	$ 36.00	$ 32.25

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	1999	1998	1999	1998
Net Income	$ 39,224,982	$ 35,470,481	$ 72,632,540	$ 67,169,540
Unrealized (Losses) Gains on Securities:				
Unrealized Holding (Losses) Gains Arising During Period	(6,866,848)	2,719,010	(5,942,467)	17,473,855
Less: Reclassification Adjustment for Gains Included in Net Income	3,972,170	3,189,589	7,221,022	4,186,366
Net Unrealized Holding (Losses) Gains Arising During Period	$ (10,839,018)	$ (470,579)	$ (13,163,489)	$ 13,287,489
Income Tax Benefit (Expense) Related to Unrealized Gains or Losses	3,793,657	164,703	4,607,221	(4,650,621)
Other Comprehensive (Loss) Income, Net of Tax	$ (7,045,361)	$ (305,876)	$ (8,556,268)	$ 8,636,868
Comprehensive Income	$ 32,179,621	$ 35,164,605	$ 64,076,272	$ 75,806,408

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 72,632,540	$ 67,169,540
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,021,138	992,036
Deferred income tax expense	610,164	974,895
Amortization of deferred policy acquisition costs	11,080,179	10,504,487
Realized gain on investments	(7,221,022)	(4,186,366)
Net amortization of bond discount	75,686	(88,703)
Undistributed earnings of Erie Family Life	(1,652,981)	(1,995,874)
Deferred compensation	398,015	721,957
Increase in accrued investment income	(636,589)	(447,892)
Increase in receivables	(39,264,207)	(28,562,521)
Policy acquisition costs deferred	(11,651,556)	(11,085,056)
Increase in prepaid expenses and other assets	(3,891,789)	(5,740,002)
Increase in accounts payable and accrued expenses	5,013,765	4,142,361
Increase in accrued commissions	819,272	2,450,461
Increase in income taxes payable	3,291,593	2,751,373
Increase in loss reserves	11,423,849	19,875,401
Increase in unearned premiums	7,086,319	9,687,984
Net cash provided by operating activities	$ 49,134,376	$ 67,164,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(86,580,523)	(52,491,656)
Equity securities	(32,419,130)	(35,906,487)
Mortgage loans	(66,286)	0
Other invested assets	(3,644,781)	(9,768,461)
Sales/maturities of investments:		
Fixed maturities	49,854,609	21,264,251
Equity securities	29,963,355	24,734,685
Mortgage loans	55,076	61,335
Other invested assets	600,011	632,882
Purchase of property and equipment	(337,762)	(346,947)
Purchase of computer software	(2,435,077)	(1,714,556)
Loans to Agents	(1,177,218)	(983,013)
Collections on Agent loans	1,743,711	744,557
Net cash used in investing activities	$ (44,444,015)	$ (53,773,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	$ (16,142,270)	$ (14,510,889)
Treasury stock	(25,427,315)	0
Net cash used in financing activities	$ (41,569,585)	$ (14,510,889)
Net decrease in cash and cash equivalents	(36,879,224)	(1,120,218)
Cash and cash equivalents at beginning of period	53,580,043	53,148,495
Cash and cash equivalents at end of period	$ 16,700,819	$ 52,028,277

Supplemental disclosures of cash flow information:
Cash paid during the six months ended June 30, 1999 and 1998 for income taxes was $29,864,633 and $28,221,547 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 six-month period ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. 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, 1998.

NOTE B -- EARNINGS PER SHARE

Earnings per share is based on the weighted average number of Class A shares outstanding giving effect to the conversion of the weighted average number of Class B shares outstanding at a rate of 2,400 Class A shares for one Class B share as set out in the Company's Articles of Incorporation. Weighted average equivalent shares outstanding totaled 73,678,486 for the three months ended June 30, 1999 and 74,013,951 for the six months ended June 30, 1999. For the three and six month periods ended June 30, 1998 the weighted average equivalent shares outstanding totaled 74,400,000.

NOTE C -- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

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

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 1999				
Fixed Maturities:				
U.S. Treasuries & Government Agencies	$ 11,817	$ 316	$ 29	$ 12,104
States & Political Subdivisions	49,607	2,162	210	51,559
Special Revenue	125,022	4,429	359	129,092
Public Utilities	18,213	70	505	17,778
U. S. Industrial & Miscellaneous	222,927	2,825	2,183	223,569
Foreign Industrial & Miscellaneous	11,654	75	454	11,275
Foreign Governments-Agency	1,991	0	91	1,900
Total Bonds	$ 441,231	$ 9,877	$ 3,831	$ 447,277
Redeemable Preferred Stock	16,920	1,009	542	17,387
Total Fixed Maturities	$ 458,151	$ 10,886	$ 4,373	$ 464,664
Equity Securities:				
Common Stock	$ 64,719	$ 43,709	$ 6,351	$ 102,077
Non-Redeemable Preferred Stock	114,156	4,214	1,882	116,488
Total Equity Securities	$ 178,875	$ 47,923	$ 8,233	$ 218,565
Total Available-for-Sale Securities	$ 637,026	$ 58,809	$ 12,606	$ 683,229

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 1998				
Fixed Maturities:				
U.S. Treasuries & Government Agencies	$ 13,018	$ 689	$ 0	$ 13,707
States & Political Subdivisions	48,307	3,293	0	51,600
Special Revenue	132,025	7,215	5	139,235
Public Utilities	13,116	300	0	13,416
U.S. Industrial & Miscellaneous	195,296	9,028	629	203,695
Foreign Industrial & Miscellaneous	5,159	165	86	5,238
Foreign Governments-Agency	1,990	0	181	1,809
Total Bonds	$ 408,911	$ 20,690	$ 901	$ 428,700
Redeemable Preferred Stock	12,191	577	115	12,653
Total Fixed Maturities	$ 421,102	$ 21,267	$ 1,016	$ 441,353
Equity Securities:				
Common Stock	$ 60,622	$ 37,626	$ 8,018	$ 90,230
Non-Redeemable Preferred Stock	109,355	4,813	1,594	112,574
Total Equity Securities	$ 169,977	$ 42,439	$ 9,612	$ 202,804
Total Available-for-Sale Securities	$ 591,079	$ 63,706	$ 10,628	$ 644,157

Deferred income taxes decreased by $2,553,275 at June 30, 1999 compared to a $5,342,948 increase at December 31, 1998 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.

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

NOTE D -- 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:

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Revenues	$ 51,144,570	$ 47,691,941
Benefits and expenses	34,372,686	29,057,962
Income before income taxes	16,771,884	18,633,979
Income taxes	6,011,516	6,571,824
Net income	$ 10,760,368	$ 12,062,155
Dividends paid to shareholders	$ 2,976,752	$ 2,693,252
Net unrealized appreciation on investment securities at June 30, net of deferred taxes	$ 8,494,788	$ 25,004,334

NOTE E -- 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. EFL paid the Company $483,750 for interest in the second quarter of 1999.

NOTE F -- TREASURY STOCK

In December 1998, the Board of Directors of the Company authorized the repurchase of up to $70 million of its Class A common stock from January 1, 1999 through December 31, 2001. The Company's repurchase of shares of common stock are recorded as "Treasury Stock" and result in a reduction of "Shareholders' Equity." Treasury shares are recorded on the Consolidated Statements of Financial Position at cost. In the second quarter of 1999, 465,300 shares were repurchased at a total cost of $12,654,449 or an average price of $27.18. During the first six months of 1999, 933,395 shares were repurchased at a total cost of $25,427,315 or an average price of $27.24.

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.

RESULTS OF OPERATIONS

Overview

Consolidated net income increased by 10.6% for the second quarter of 1999 to $39,224,982, or $.53 per share, from $35,470,481 or $.48 per share, for the second quarter of 1998. The increase in net income for the quarter was driven by improved results in all three of the Company's operating segments. For the six months ended June 30, 1999, net income increased 8.1% to $72,632,540 or $.98 per share, from $67,169,540 or $.90 per share reported for the same period in 1998.

Operating income increased 9.3% to $36,386,730, or $.49 per share for the three months ended June 30, 1999 from $33,275,647, or $.45 per share for the three months ended June 30, 1998. For the six months ended June 30, 1999, operating income increased 5.5% to $67,566,725, or $.91 per share, from $64,069,002, or $.86 per share, for the same period in 1998.

Analysis of Management Operations

Net revenue from the Company's management operations increased 3.9% to $40,586,709 for the three months ended June 30, 1999 from $39,064,709 for the same period in 1998. The gross margin from management operations (net revenue divided by total revenue), of 28.7% in the second quarter of 1999, was slightly less than the gross margin of 29.3% reported in the second quarter of 1998. For the six months ended June 30, 1999 net revenue from management operations totaled $74,953,283, an increase of 2.9% when compared to the first six months of 1998.

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 5.6% to $137,502,858 for the three months ended June 30, 1999 from $130,184,972 for the three months ended June 30, 1998. Management fee revenue increased 4.8% to $259,337,064 in the first six months of 1999 compared to $247,508,627 for the same period in 1998.

The direct and affiliated assumed premiums of the Exchange, upon which management fee is based, increased by 2.5 % to $550,011,427 in the second quarter of 1999 compared to $536,825,827 in the second quarter of 1998. 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 beginning January 1, 1999 was 25% compared to a rate of 24.25% charged in the second quarter of 1998. 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%. For the year, premiums written increased 1.6% to $1,037,348,253 compared to $1,020,634,719 written for the first six months of 1998. Premium growth was adversely influenced by previously announced pricing actions in the Private Passenger Auto line of insurance. However, policy growth for the first six months of 1999 when compared to the same period in 1998 was strong as policy retention rates and new policy growth improved. Policies in force increased 4.4% to 2,622,735 for the period ended June 30, 1999 from 2,512,172 policies in force at June 30, 1998. Policy retention (the percentage of current policyholders that have renewed their policy) was 91.0% and 90.7% for the period ended June 30, 1999 and 1998, respectively for private passenger auto and 89.8% and 89.4% for the six months ended June 30, 1999 and 1998, respectively overall for all lines combined.

Service agreement revenue totaled $3,704,565 and $2,942,924 for the quarter ended June 30, 1999 and 1998, respectively. Service agreement revenue is derived from two sources. First, the Company is 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 the Group. Service charges totaled $1,746,219 for the three months ended June 30, 1999 compared to $1,508,081 during the same period in 1998. Second, service income is received from the Exchange as compensation for the management and administration of voluntary assumed reinsurance from non-affiliated insurers. The Company receives a 7.0% service fee on the premiums from this business. These fees totaled $1,958,346 and $1,434,843 for the three months ended June 30, 1999 and 1998, respectively on net voluntary assumed reinsurance premiums of $27,976,382 and $20,497,760 in the second quarter of 1999 and 1998, respectively.

For the six months ended June 30, 1999 service agreement revenue increased 25.1% to $7,433,674 from $5,942,245. Service charges increased 14.2% to $3,445,390 from $3,016,162, while service agreement income rose by 36.3% to $3,988,284. Net voluntary assumed reinsurance premiums totaled $56,975,494 and $41,801,183 for the first six months of 1999 and 1998, respectively.

The cost of management operations increased 6.9% for the second quarter of 1999 to $100,931,839 from $94,437,016 during the second quarter of 1998. For the six months ended June 30, 1999 the cost of management operations grew by 6.1% to $192,465,363 compared to $181,373,102 for the same period in 1998.

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 $69,432,411 for the second quarter of 1999, a 6.8% increase over the $65,015,264 reported in the second quarter of 1998. Commissions grew by 5.7% to $130,067,383 from $123,057,643 recorded for the first six months of 1998. Commission costs grew faster than the rate of growth in written premiums due to increased provisions for agent contingency and incentive awards and an increase in the average commission rate.

The cost of management operations excluding commission costs, increased 7.1% for the three months ended June 30, 1999 to $31,499,428 from $29,421,752 recorded in the second quarter of 1998. 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 $18,073,887 for the three month period ended June 30, 1999, compared to $17,406,012 for the same period in 1998, an increase of 3.8%.

The cost of management operations was also affected by information technology consulting and corporate litigation costs incurred during the second quarter of 1999. Such costs amounted to about $1,250,837 during the quarter.

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

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. These operations generated a gain of $1,112,954 in the second quarter of 1999 compared to a loss of $306,723 in the second quarter of 1998. In the second quarter of 1999, premiums earned increased 4.9% to $29,517,142 compared to $28,146,565 for the same period in 1998. Losses, loss adjustment expenses and other underwriting expenses incurred decreased 0.2% for the second quarter of 1999 to $28,404,188 compared to $28,453,288 for the prior year's second quarter. Catastrophe losses in the second quarter of 1999 were $960,483 compared to the 1998 second quarter total of $2,262,739.

The GAAP combined ratio for the Company's property and casualty insurance operations increased slightly to 99.1% for the six months ended June 30, 1999 compared to a ratio of 98.0% for the same period in 1998. The GAAP combined ratio represents the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

Analysis of Investment Operations

Total revenue from investment operations for the second quarter of 1999 increased to $16,177,283 from $13,553,770 in the second quarter of 1998. This increase was driven by a $782,582 increase in non-recurring realized gains on investments combined with a $1,772,939 increase in net investment income. Also contributing to the increase was an increase in the earnings recognized from the Company's 21.63% ownership of Erie Family Life Insurance Company to $1,271,560 in the second quarter of 1999 from $1,203,568 recorded in the second quarter of 1998. Total revenue from investment operations for the six months ended June 30, 1999 increased 24.4% to $30,947,629 from $24,870,687 for the same period in 1998. This increase resulted from a $3,323,863 increase in net investment income and a $3,034,656 increase in net realized gains on investments.

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 June 30, 1999, 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 $700 million, or 47%, of total assets. These resources provide the liquidity the Company requires to meet demands on its funds.

At June 30, 1999, 96.0% of total investments consist of fixed maturities and equity securities. Mortgage loans and other invested assets represented only 4.0% 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.

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, funds are generally received from the Exchange on a premiums collected basis. 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, repurchase its common stock, and 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 six months ended June 30, 1999 and 1998, were $49,134,376 and $67,164,081, respectively.

Dividends declared and paid to shareholders in the three months ended June 30, 1999 and 1998, totaled $8,043,169 and $7,255,444, respectively. There are no regulatory restrictions on the payment of dividends to the Company's shareholders, although there are state law restrictions on the payment of dividends from the Company's insurance subsidiaries to the Company. Dividends from subsidiaries are not material to the Company's cash flow.

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 June 30, 1999 of $15,178,671 and at December 31, 1998 of $17,121,777.

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, 1998, the Exchange, its subsidiary Flagship City Insurance Company and the Company's property/casualty insurance subsidiaries' financial statements prepared under Statutory Accounting Practices are all substantially in excess of levels that would require regulatory action.

At June 30, 1999 and December 31, 1998, the Company's receivables from its affiliates totaled $527,128,264 and $489,913,986, respectively. These receivables, primarily due from the Exchange, as a result of the management fee, expense reimbursements and the intercompany reinsurance pool, represent a concentration of credit risk.

STOCK REDEMPTION PLAN

The Erie Indemnity Company Stock Redemption Plan entitles estates of qualified shareholders to cause the Company to redeem shares of stock of the Company at a price equal to the fair market value of the stock at time of redemption. The redemption amount is limited to an aggregation of: (1) an initial amount of $10 million as of December 31, 1995 and (2) beginning in 1996 and annually thereafter, an additional annual amount as determined by the Board is its sole discretion, not to exceed 20% of the Company's net income from management operations during the prior fiscal year. This aggregate amount is reduced by redemption amounts paid. However, at no time shall the aggregate redemption limitation exceed 20% of the Company's retained earnings determined as of the close of the prior year. In addition, the plan limits the repurchase from any single shareholder's estate to 33% of total share holdings of such shareholder. On April 27, 1999 the Board approved an increase in the redemption amount of $19,190,347 to $77,987,383. As of June 30, 1999, no shares have been redeemed under the Stock Redemption Plan.

STOCK REPURCHASE PLAN

At the December 16, 1998 regular meeting of the Board of Directors of the Erie Indemnity Company, the board approved a stock repurchase plan beginning January 1, 1999, under which the Company may repurchase as much as $70 million of its outstanding Class A common stock through December 31, 2001. The Company may purchase the shares from time to time in the open market or through privately negotiated transactions, depending on prevailing market conditions and alternative uses of the Company's capital. In the second quarter of 1999, 465,300 shares were repurchased at a total cost of $12,645,449 or an average price of $27.18. During the first six months of 1999, 933,395 shares were repurchased at a total cost of $25,427,315 or an average price of $27.24.

YEAR 2000 READINESS DISCLOSURE

Erie Indemnity Company and the property/casualty insurance companies it manages are dependent on electronic processing and information systems to conduct business. Like all companies with such dependencies, the Company is continually faced with significant decisions and 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 beyond. The Year 2000 Issue is perhaps more pervasive than any previous risk management issue faced by businesses of all types. To effectively manage the risks associated with the Year 2000 Issue, management has taken measures over the past six years designed to reduce the Company's potential for business interruption. References to the Company in the description below, including cost information, pertain to the Company and the property/casualty insurance companies under its management.

The effect of the Year 2000 Issue cannot be measured exactly with certainty; 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 18.

Company's State of Readiness

Exposure to systems failure is a risk faced by the Company every day. Unlike these every day risks, the date change to the Year 2000 is predictable. Efforts to mitigate The ERIE's exposure through effective identification, remediation, testing and contingency planning are organized and being conducted on all major business processes to minimize the risks.

To assure that the Company effectively addresses this risk, management has in place a structure that provides oversight of Year 2000 project activities, which are being conducted within the major business units of the Company. Oversight by Executive and Senior Management is being facilitated through a dedicated project office. This office, (the Y2K Office) is working in consultation with each business unit to assure consistency and adequacy of risk management activities and to collect companywide project status and cost information.

Within each business unit, each key business process has been evaluated to assure that underlying systems and components exposed to potential Year 2000 failure are appropriately identified and addressed. Underlying system components include internal operating systems (hardware and software), infrastructure elements including non-information technology components and systems, communications systems and devices, internally developed mainframe applications, personal computer hardware and software, external parties and providers and peripheral devices.

Each underlying component supporting key business processes was identified and mission critical business processes were prioritized during 1998. Priority was assigned based on the relative importance of the component to the business process and based on the importance of the business process relative to other business processes.

Efforts to remediate non-compliant internal components (principally mainframe applications) began in the mid-1990's as a routine part of systems development and maintenance. Remediation of the Company's mainframe applications was completed and component testing was conducted during the first quarter of 1999.

To supplement component testing and to provide a greater degree of assurance that business functions will be uninterrupted, Year 2000 simulation testing on the full insurance operations system was performed during March and April of 1999 and was completed April 30, 1999. Full systems testing included simultaneous testing of underlying components necessary to the support of key insurance operations business processes. Testing environments that closely approximate operating environments for mainframe and LAN-based PC applications were developed for use during this testing. The results of testing did not indicate that key business processing applications will encounter any material problems in the year 2000 due to the inability to recognize dates in the year 2000.

Certain administrative systems (non-insurance operations) which operate in LAN based PC environments are also undergoing Year 2000 simulation testing which began in May, 1999 and is scheduled for completion by the end of July, 1999. While these systems are vendor certified as compliant, management believes the presence of certain customizations makes testing prudent. Test results through June 30, 1999 indicate no material problems.

The Y2K Office conducts ongoing monitoring of key external parties including utility suppliers, voice and data communications providers and financial institutions. Where possible and practicable, focused testing has been accomplished with these parties. No matter has come to our attention concerning the state of readiness of these key third parties that causes management to believe any of these parties will be unable to provide continuous service to the Company.

During the second quarter of 1999, each business unit developed contingency plans designed to respond to potential component or total systems failure. The plans incorporate a variety of back up processes some of which are automated, some manual. The plans provide that several operating areas accelerate work into 1999 or postpone work into later January 2000, where possible. Provisions for back up capabilities on services provided by key third parties are also included in the plans where feasible.

With the approval of the plans by Executive Management in July, 1999, the Company is beginning to execute the steps necessary to carry out the back up plans which are planned for completion during the third quarter. These steps include the orientation and training of employees integral to the plan as well as the procurement of supplies and equipment necessary to conduct business in the back up environment, should that become necessary.

Cost to Address Year 2000 Issues

Prior to 1998, 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 Year 2000 Issue became an extension of all system projects. It is estimated that through June 30, 1999 costs incurred for specific Y2K activities including programming, testing, integrated test planning, and administrative efforts approximate $2.3 million. This estimate includes the cost of our internal efforts based on rates for personnel engaged in these activities. Future costs will be incurred as contingency plan testing continues during 1999. In addition, the cost of consulting resources engaged during the first six months of 1999 amounted to $122,000.

Management believes that the cost of testing and administrative support will approximate $175,000 during the remaining six months of 1999 based on the project plans for these activities. This estimate includes the cost of personnel involved in testing and the cost to maintain the technical test environment. Costs incurred to replace non-compliant software and hardware during 1999 have not been and are not expected to be significant.

In addition to these costs, the Company will incur internal personnel costs and certain other planned expenditures for items which will enable business continuity plans to be executed. Costs for the development and testing of contingency plans during 1999 approximate $125,000 with $50,000 being incurred through June 30, 1999 and approximately $75,000 estimated for the remainder of 1999.

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 does not believe that critical business operations of the Company will be adversely affected to any significant degree by the Year 2000 Issue.

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 remains 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, has prepared contingency plans to respond, where feasible, to the possibility of key third party failure(s). Management does not believe that these scenarios have 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 has been addressed through contingency planning. The level of contingency planning is 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 have been developed and will be tested during the final six months of 1999.

The statements containing the beliefs of management about the Company's state of readiness for Year 2000 Issues are necessarily forward-looking statements 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.

"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, which has the exclusive right to vote in the election of directors of the Company. Since such shares represent 76.22% of the outstanding share of the Company 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 that 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. 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 the 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, filed duplicate petitions in the Orphans' Court Division of the Court of Common Pleas of Erie County, Pennsylvania (the "Court") seeking the removal of Mellon Bank N.A. ("Mellon") as a co-trustee of the H.O. Hirt Trusts. The principal basis for the alleged relief was the allegation that Mellon, as the owner of an insurance agency, was a competitor of the Company. 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 was granted, the Company filed a petition to intervene in the preliminary injunction proceedings which the Court granted 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 with the affirmative votes of Mellon and F.
William Hirt as a majority of the trustees of the H.O. Hirt Trusts.

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. 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.

Item 1. Legal Proceedings (Continued)

During June and July 1998, substantial discovery took place involving Susan Hirt Hagen's petitions to remove Mellon as co-trustee. 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. 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 (either Bankers Trust or Bank Boston), 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.

On January 6, 1999, with the concurrence of all parties, the Court accepted the resignation of Mellon as co-trustee of the H.O. Trusts and released Mellon from all further obligations with respect to the H.O. Hirt Trusts. On the same date, the Court appointed Bankers Trust as the successor co-trustee of the H.O. Hirt Trusts. On January 26, 1999, the Court assessed $637,500 in costs incurred by Mellon in connection with the removal litigation against Susan Hirt Hagen.

On March 3, 1999 Bankers Trust filed with the Court a Petition to Accept Resignation of Trustee (the "Bankers Trust Petition") in which Bankers Trust requested the Court that its resignation as corporate Co-Trustee of the H. O. Hirt Trusts be accepted and a successor corporate Trustee be appointed. On March 4, 1999 the Court appointed Judge William R. Cunningham to serve in the Orphans' Court to preside over the matter of the Bankers Trust Petition, and a hearing was fixed for May 7, 1999. On or about May 6, 1999 Bankers Trust filed a petition for Citation to Show Cause why Declaratory Relief Should not be Granted ("Bankers Trust Declaratory Action Petition"). The Bankers Trust Declaratory Action Petition seeks a determination by the Court whether a provision of the Pennsylvania Insurance Company Law, Section 40 P.S. ss.991.1405(c)(4) provides the exclusive means by which persons may be nominated and elected to the Board, or whether the Trustees have the power to nominate and elect to the Board persons other than those designated by the Nominating Committee.

On May 7, 1999 the Court issued an Order approving the resignation of Bankers Trust Company as the corporate Trustee effective upon the entry of an Order appointing a successor corporate Trustee. Also on May 7, 1999 the Court issued an Order setting a schedule for the filing and determination of objections to the Bankers Trust Declaratory Action Petition, indicating that any objections to the Petition must be filed on or before May 25, 1999; responses to the objections must be filed on or before June 15, 1999; and the Court set Oral Argument on any objections and responses on June 29, 1999. Thereafter, if necessary, a Hearing on the merits of the Declaratory Action Petition would be held on July 28, 1999.

On June 16, 1999, Susan Hirt Hagen filed with the Court a motion for leave to amend the response she had filed to the Petition, so as to assert a claim against the Company in the nature of a request for a permanent injunction against certain Bylaw amendments adopted by the Company effective June 15, 1999.

On June 29, 1999, the Court heard oral argument on the objections which the Company and F. William Hirt filed to the Petition. On July 15, 1999, the Court entered its Order and Opinion which sustained the objections to the Petition and dismissed without prejudice the Petition, and also dismissed without prejudice Susan Hirt Hagen's Motion to Amend.

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 ended June 30, 1999.

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: July 19, 1999

\s\ Stephen A. Milne
(Stephen A. Milne, President & CEO)

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

THIS FDS CONTAINS INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE ERIE INDEMNITY COMPANY FOR THE QUARTER ENDED JUNE 30, 1999 AND IS QUALIFIED IN REFERENCE TO THE COMPANY'S FORM 10-Q

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ERIE INDEMNITY COMPANY
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