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, 1997

Commission file number 0-24000

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

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

100 Erie Insurance Place, Erie, Pennsylvania	16530
(Address of principal executive offices)	(Zip Code)

(814) 870-2000
Registrant's telephone number, including area code

Not applicable
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

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

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

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

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, 1997 (Unaudited)	December 31, 1996
INVESTMENTS		
Fixed Maturities:		
Available-for-Sale (amortized cost of $309,231,038 and $301,093,212, respectively)	$ 317,742,756	$ 310,175,864
Equity Securities (cost of $136,005,284 and $116,070,434, respectively)	159,055,657	131,618,139
Real Estate Mortgage Loans	8,314,293	7,293,651
Other Invested Assets	7,531,216	7,010,019
Total Investments	$ 492,643,922	$ 456,097,673
Cash and Cash Equivalents	18,094,288	18,719,624
Equity in Erie Family Life Insurance Company	30,535,687	28,686,137
Accrued Interest and Dividends	5,555,156	5,570,033
Premiums Receivable from Policyholders	103,490,247	103,847,320
Reinsurance Recoverable, Non-affiliates	190,995	163,691
Deferred Policy Acquisition Costs	10,210,873	9,540,998
Receivables from Erie Insurance Exchange and Affiliates	524,431,358	478,304,267
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Agent Loans	8,126,384	7,945,946
Prepaid Expenses	12,024,275	6,957,026
Property and Equipment	9,640,476	9,841,538
Prepaid Federal Income Taxes	2,050,949	4,056,974
Other Assets	6,255,654	5,907,978
Total Assets	$ 1,238,250,264	$ 1,150,639,205

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 1997 (Unaudited)	December 31, 1996
LIABILITIES		
Unpaid Losses and Loss Adjustment Expenses	$ 405,531,523	$ 386,425,019
Unearned Premiums	224,150,780	216,938,069
Accounts Payable	6,686,581	6,034,486
Accrued Commissions	81,365,441	75,518,593
Accrued Payroll and Payroll Taxes	6,436,870	5,268,275
Accrued Vacation and Sick Pay	7,516,936	7,435,360
Deferred Compensation	1,756,907	1,587,570
Deferred Income Taxes	4,769,595	2,035,054
Dividends Payable	6,411,787	6,411,788
Benefit Plans Liability	7,140,538	7,226,300
Total Liabilities	$ 751,766,958	$ 714,880,514
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A Common, stated value $.0292 per share; authorized 74,996,930 shares; issued and outstanding 67,032,000 shares	1,955,100	1,955,100
Class B Common, stated value $70.00 per share; authorized 3,070 shares; Issued and outstanding 3,070 shares	214,900	214,900
Additional Paid-In Capital	7,830,000	7,830,000
Net Unrealized Gain on Available-for-Sale Securities (net of deferred taxes)	22,384,117	17,490,491
Retained Earnings	454,099,189	408,268,200
Total Shareholders' Equity	$ 486,483,306	$ 435,758,691
Total Liabilities and Shareholders' Equity	$ 1,238,250,264	$ 1,150,639,205

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:	1997	1996	1997	1996
Management Fee Revenue	$ 123,993,772	$ 117,422,334	$ 237,248,101	$ 225,711,056
Service Agreement Revenue	1,056,494	1,165,928	2,328,285	2,431,445
Other Operating Revenue	452,258	308,964	1,061,232	619,331
Total Revenues from Management Operations	125,502,524	118,897,226	240,637,618	228,761,832
Cost of Management Operations	90,124,134	85,452,651	173,585,669	164,629,301
Net Revenues From Management Operations	35,378,390	33,444,575	67,051,949	64,132,531
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	26,888,265	25,007,216	52,738,839	49,559,413
Losses and Loss Adjustment Expenses Incurred	20,327,478	19,242,498	39,225,257	42,813,941
Policy Acquisition and Other Underwriting Expenses	7,343,702	7,021,831	14,344,410	13,819,741
Total Losses and Expenses	27,671,180	26,264,329	53,569,667	56,633,682
Underwriting Loss	(782,915)	(1,257,113)	(830,828)	(7,074,269)
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	997,955	954,122	1,949,799	1,533,509
Interest and Dividends	7,764,965	5,927,799	15,392,724	11,934,014
Realized Gain on Investments	1,359,760	601,233	2,497,084	1,084,161
Revenue from Investment Operations	10,122,680	7,483,154	19,839,607	14,551,684
Income Before Income Taxes	44,718,155	39,670,616	86,060,728	71,609,946
Provision for Income Taxes	14,274,386	13,204,272	27,406,165	21,645,525
Net Income	$ 30,443,769	$ 26,466,344	$ 58,654,563	$ 49,964,421
Net Income per Share	$ 0.41	$ 0.36	$ 0.79	$ 0.67
Dividends Declared per Share:				
Class A non-voting Common	$ .095	$ 0.0833	$ .19	$ 0.1666
Class B Common	$ 14.25	$ 12.50	$ 28.50	$ 25.00

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 58,654,563	$ 49,964,421
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	910,963	595,043
Deferred income tax expense	207,211	552,189
Realized gain on investments	(2,497,084)	(1,084,161)
Amortization of bond discount	(60,032)	(127,110)
Undistributed earnings of Erie Family Life	(1,397,946)	(766,939)
Increase (decrease) in deferred compensation	169,337	(333,621)
Decrease (increase) in accrued interest and dividends	14,877	(643,265)
Increase in receivables	(45,797,322)	(8,348,451)
Increase in policy acquisition costs	(669,875)	(593,021)
Decrease (increase) in prepaid expenses and other assets	254,252	(1,289,452)
Increase (decrease) in accounts payable and accrued expenses	1,816,505	(2,660,536)
Decrease (increase) in prepaid federal income taxes	2,006,025	(861,984)
Increase in prepaid pension	(5,599,520)	0
Increase in accrued commissions	5,846,848	2,930,728
Increase in loss reserves	19,106,504	5,034,142
Increase in unearned premiums	7,212,711	13,433,345
Net cash provided by operating activities	$ 40,178,017	$ 55,801,328
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(26,360,043)	(64,349,206)
Equity securities	(40,312,355)	(25,963,817)
Mortgage loans	(1,086,241)	(1,968,775)
Other invested assets	(662,382)	(2,780,390)
Sales/maturities of investments:		
Fixed maturities	18,325,584	18,566,901
Equity securities	22,808,428	8,595,623
Mortgage loans	65,725	22,481
Other invested assets	0	1,055,491
Net gain on other invested assets	131,846	0
Purchase of property and equipment	(39,558)	(886,009)
Purchase of computer software	(670,343)	(264,164)
Loans to Agents	(744,905)	(553,772)
Collections on Agent loans	564,467	535,675
Net cash used in investing activities	$ (27,979,777)	$ (67,989,962)

(Continued)

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	$ (12,823,576)	$ (11,248,750)
Net cash used in financing activities	(12,823,576)	(11,248,750)
Net decrease in cash and cash equivalents	(625,336)	(23,437,384)
Cash and cash equivalents at beginning of period	18,719,624	56,856,983
Cash and cash equivalents at end of period	$ 18,094,288	$ 33,419,599

Supplemental disclosures of cash flow information:
Cash paid during the six months ended June 30, 1997 and 1996 for income taxes was $25,638,127 and $23,980,834, 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, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1996.

NOTE B -- EARNINGS PER SHARE

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

NOTE 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.

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
June 30, 1997				
U.S. Government	$ 12,000	$ 174	$ 95	$ 12,078
Foreign Governments	1,988	0	17	1,972
Obligations of States and Political Subdivisions	33,220	1,660	54	34,825
Special Revenue	126,605	5,235	31	131,808
Public Utilities	8,732	124	8	8,849
Industrial and Miscellaneous	126,686	2,388	864	128,211
Total Fixed Maturities	$ 309,231	$ 9,581	$ 1,069	$ 317,743
Common Stock	$ 48,851	$ 21,813	$ 2,823	$ 67,841
Preferred Stock	87,154	4,129	68	91,215
Total Equity Securities	$ 136,005	$ 25,942	$ 2,891	$ 159,056
	$ 445,236	$ 35,523	$ 3,960	$ 476,799

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

Deferred income taxes increased by $2,527,000 at June 30, 1997 and increased by $965,000 at December 31, 1996 related to the change in unrealized gains (losses) on available-for-sale securities.

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

NOTE D -- SUMMARIZED INCOME STATEMENT INFORMATION OF AFFILIATE

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

	Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
Revenues	$ 43,588,648	$ 38,951,148
Benefits and expenses	30,005,293	27,734,545
Income before income taxes	13,583,355	11,216,603
Income taxes	4,569,028	4,126,404
Net income	$ 9,014,327	$ 7,090,199
Dividends paid to shareholders	$ 2,457,004	$ 2,252,252
Net unrealized (depreciation) appreciation on investment securities, net of deferred taxes	$ 7,483,409	$ (286,717)

NOTE E -- NOTE RECEIVABLE FROM EFL

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

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

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

OPERATING RESULTS

Financial Overview

Consolidated net income rose by 15% for the second quarter of 1997 to $30,443,769, or $.41 per share, from $26,466,344 or $.36 per share, for the second quarter of 1996. The growth in second quarter net income was driven by improvement in all the Company's principle operating segments. Gains made in the Company's management and investment operations were further supported by a reduction in underwriting losses during the second quarter.

For the six months ended June 30, 1997, consolidated net income increased 17.4% to $58,654,563 or $.79 per share, from $49,964,421 or $.67 per share earned in the same period in 1996. Management operations improved as management fee revenue continued to grow. Insurance underwriting operations improved considerably from the storm-influenced results experienced in the first half of 1996. Revenue from investment operations also grew at a healthy pace, as the Company's cash flow was invested for higher returns and increased non-recurring realized capital gains were recognized during the first half of the year.

RESULTS OF OPERATIONS

Analysis of Management Operations

For the second quarter 1997 management fee revenue derived from the management operations of the Company, which serves as attorney-in-fact for the Erie Insurance Exchange (the Exchange), rose 5.6% to $123,993,772 in the three months ended June 30, 1997 from $117,422,334 for the second quarter 1996. Management fee revenue increased 5.1% to $237,248,101 in the first six months of 1997 compared to $225,711,056 for the same period in 1996.

The rate of growth in the management fee revenue was the same as the rate of growth in the direct and affiliated assumed premium written of the Exchange on which the management fee revenue is based, as the management fee rate charged in the second quarter of 1997 and 1996 was 24%. The direct and affiliated assumed premium in the Exchange's core lines of insurance, with the exception of workers' compensation, grew by 8.1% for the second quarter 1997 versus the same period in 1996. The Exchange's overall premium growth was negatively influenced by the rate reduction in Pennsylvania workers' compensation insurance driven by recent Pennsylvania workers' compensation legislative reforms.

The cost of management operations increased 5.5% to $90,124,134 for the three months ended June 30, 1997 from $85,452,651 for the same period in 1996. The cost of management operations excluding commission costs, fell .2% for the three months ended June 30, 1997 to $29,063,138 from $29,126,159 recorded in the second quarter of 1996, as management continues to carefully control operating expenses.

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 8.4% to $61,060,995 for the second quarter of 1997, compared to $56,326,492 in the second quarter of 1996. For the six months ended June 30, 1997, commission costs increased 8.5% to $116,526,996 from $107,427,883. Commission costs grew faster than the rate of growth in direct and affiliated assumed written premiums of the Exchange due to increased provisions for agent bonuses resulting from improved underwriting profitability in the second quarter of 1997 versus the second quarter of 1996. The growth in premiums written on a quarterly and year-to-date basis were 5.6% and 6.2%, respectively.

Personnel costs, including salaries, employee benefits, and payroll taxes, are the second largest component in cost of operations, after commissions. The Company's personnel costs, net of those reimbursed by affiliated companies, totaled $17,578,293 for the three month period ended June 30, 1997, compared to $17,381,218 for the same period in 1996, an increase of 1.1%. Personnel costs fell 1.7% to $34,626,735 for the six months ended June 30, 1997 from $35,239,025 for the respective period in 1996.

Net revenues from the Company's management operations rose 5.8% to $35,378,390 for the three months ended June 30, 1997 compared to $33,444,575 for the same period in 1996. This continued growth in quarterly results contributed to the 4.6% increase in net revenues from management operations for the six months ended June 30, 1997. The gross margin from management operations (net revenue divided by total revenue), of 28.2% in the second quarter of 1997, was consistent with the gross margin reported in the second quarter of 1996.

Analysis of Insurance Operations

The insurance underwriting operations of the Company's wholly-owned subsidiaries, Erie Insurance Company and Erie Insurance Company of New York, which share proportionally in the property/ casualty underwriting results of the Erie Insurance Group, improved during the second quarter of 1997 versus the same period in 1996. In the second quarter of 1997, premiums earned for the Company's property/casualty insurance subsidiaries grew 7.5% to $26,888,265 compared to $25,007,216 for the same period in 1996. Losses, loss adjustment expenses and other underwriting expenses incurred increased at a lesser rate than premiums earned; up 5.4% for the second quarter of 1997 amounting to $27,671,180 compared to $26,264,329 for the prior year's second quarter. The second quarter 1997 underwriting profitability was reduced by the return of first quarter recoveries under the aggregate excess of loss reinsurance arrangement with the Exchange, which amounted to $1,262,112. As a result, the underwriting loss reported in the second quarter of 1997 amounted to $782,915 compared to a loss of $1,257,113 experienced in the second quarter of 1996.

For the six months ended June 30, 1997, the Erie Insurance Company and Erie Insurance Company of New York's underwriting loss was $830,828 compared to a loss of $7,074,269 for the same period in 1996. The severe winter weather in the eastern United States during the first quarter of 1996 was primarily responsible for the increased level of losses in 1996 relative to 1997.

The GAAP combined ratio for the Company's property/casualty insurance operations improved to 101.6% for the six months ended June 30, 1997 compared to a ratio of 114.3% for the same period in 1996. There was also improvement in the GAAP combined ratio during the second quarter of 1997 which was 102.9% down from 105% for the second quarter of 1996. The GAAP combined ratio is the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

Catastrophes are an inherent risk 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 and Hurricane Fran in the third quarter accounting for $8.1 million of underwriting losses and expenses or approximately $.07 per share, after federal income taxes. No weather-related catastrophes, that were material to the financial position of the Company, occurred in the first six months of 1997. The Company continually reviews its methods for estimating its liability for losses and loss adjustment expenses, which includes an estimate for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes the amount is adequate, the ultimate liability may be in excess of or less than amounts provided.

Analysis of Investment Operations

Revenue from investment operations for the second quarter of 1997 increased by 35.3% to $10,122,680 from $7,483,154 posted in the second quarter of 1996. A 31% increase in dividend and interest income, $1.4 million of non-recurring realized capital gains on investments and increased income from Erie Family Life, fueled the growth in revenues from investment operations in the second quarter of 1997.

Revenue from investment operations for the six months ended June 30, 1997 increased 36.3% to $19,839,607 from $14,551,684 for the same period in 1996. The Company benefited from its 21.6% investment in an affiliated life insurer, Erie Family Life Insurance Company (EFL). This investment is accounted for under the equity method of accounting. Consequently, the Company's investment earnings were a direct result of EFL's net income of $9,014,327 and $7,090,199 at June 30, 1997 and 1996, respectively. The earnings recognized from the investment in EFL increased to $1,949,799 for the six months ended June 30, 1997 from $1,533,509 for the same period in 1996.

FINANCIAL CONDITION

Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investments are also liquid in order to meet the short- and long-term commitments of the Company. At June 30, 1997, the Company's investment portfolio of investment-grade bonds, common stock and preferred stock, all of which are readily marketable, and cash and short-term investments, totaled $495 million, or 40%, 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, 1997, 96.8% of total investments were invested in fixed maturities and equity securities. Mortgage loans and other invested assets represented only 3.2% of total investments at that date. Mortgage loans and real estate investments have the potential for higher returns, but also carry more risk, including less liquidity and greater uncertainty in the rate of return. Consequently, these investments have been kept to a minimum by the Company.

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's consolidated statements of cash flows indicate that net cash flows provided by operating activities for the six months ended June 30, 1997 and 1996, were $40,178,017 and $55,801,328 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, 1997 and 1996, totaled $6,411,787 and $5,622,141, 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 1997.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at June 30, 1997 of $4,769,595 and at December 31, 1996 of $2,035,054.

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

At June 30, 1997 and December 31, 1996, the Company's receivables from its affiliates totaled $524,431,358 and $478,304,267, respectively. These receivables, primarily due from the Exchange, are a result of the attorney-in-fact management fee, expense reimbursements and the intercompany reinsurance pool and potentially expose the Company to concentrations of credit risk.

OTHER MATTERS

Retirement of Chief Financial Officer

Thomas M. Sider, executive vice president and chief financial officer of the Erie Insurance Group retired from the Company effective June 30, 1997 after 29 years of service. Mr. Sider leaves the company in a position of superior financial strength and will continue on as an advisor to the Company until his replacement is named.

"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.

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

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, 1997.

SIGNATURES

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

Erie Indemnity Company
(Registrant)

Date: August 6, 1997

/s/ Stephen A. Milne

Stephen A. Milne, President & CEO

/s/ Philip A. Garcia

Philip A. Garcia, Senior Vice President & Controller

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

0000922621
ERIE INDEMNITY COMPANY
1,000

3-MOS	3-MOS
DEC-31-1997	DEC-31-1996
JUN-30-1997	JUN-30-1996
317,743	281,007
0	0
0	0
159,056	102,471
8,314	6,379
0	0
492,644	396,829
18,094	33,420
191	178
10,211	9,605
1,238,250	1,073,511
405,532	362,368
224,151	216,240
0	0
0	0
0	0
0	0
0	0
2,170	2,170
476,483	376,742
1,238,250	1,073,511
26,888	25,007
8,763	6,882
1,360	601
0	0
0	0
7,344	7,022
20,327	19,242
44,718	39,671
14,274	13,204
0	0
0	0
0	0
0	0
30,444	26,466
.41	.36
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0