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, 1998

Commission file number 0-24000

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

PENNSYLVANIA	25-0466020
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Erie Insurance Place, Erie, Pennsylvania	16530
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Class A Common Stock, no par value, with a stated value of $.0292 per share-- 67,032,000 shares as of July 31, 1998.

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

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

INDEX

ERIE INDEMNITY COMPANY

PART I. FINANCIAL INFORMATION

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30, 1998 (Unaudited)	December 31, 1997
INVESTMENTS		
Fixed Maturities Available-for-Sale at fair value (amortized cost of $365,188,340 and $333,135,959, respectively)	$ 382,372,210	$ 349,972,703
Equity Securities (cost of $158,744,870 and $144,123,112, respectively)	191,168,718	165,132,504
Real Estate Mortgage Loans	8,331,309	8,392,518
Other Invested Assets	17,067,857	7,932,571
Total Investments	$ 598,940,094	$ 531,430,296
Cash and Cash Equivalents	52,028,277	53,148,495
Equity in Erie Family Life Insurance Company	37,671,530	34,687,640
Accrued Investment Income	6,576,617	6,128,725
Premiums Receivable from Policyholders	109,144,407	108,057,986
Prepaid Federal Income Tax	0	1,681,573
Deferred Policy Acquisition Costs	10,863,941	10,283,372
Receivables from Erie Insurance Exchange and Affiliates	523,387,205	495,861,158
Note Receivable from Erie Family Life Insurance Company	15,000,000	15,000,000
Property and Equipment	11,199,696	10,130,230
Other Assets	32,062,817	26,134,306
Total Assets	$ 1,396,874,584	$ 1,292,543,781

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 1998 (Unaudited)	December 31, 1997
LIABILITIES		
Unpaid Losses and Loss Adjustment Expenses	$ 433,284,343	$ 413,408,941
Unearned Premiums	228,898,506	219,210,522
Accounts Payable and Accrued Expenses	19,837,955	17,041,217
Accrued Commissions	83,601,392	81,150,931
Accrued Vacation and Sick Pay	5,400,531	5,322,327
Deferred Compensation	2,654,977	1,933,020
Deferred Income Taxes	12,194,878	7,101,371
Federal Income Tax Payable	1,069,800	0
Accrued Benefit Obligations	9,253,533	7,992,300
Total Liabilities	$ 796,195,915	$ 753,160,629
SHAREHOLDERS' EQUITY		
Capital Stock		
Class A Common, stated value $.0292 per share; authorized 74,996,930 shares; issued and outstanding 67,032,000 shares	$ 1,955,100	$ 1,955,100
Class B Common, stated value $70.00 per share; authorized 3,070 shares; issued and outstanding 3,070 shares	214,900	214,900
Additional Paid-In Capital	7,830,000	7,830,000
Accumulated Other Comprehensive Income net of deferred taxes of $20,276,726 and $15,626,105, respectively	37,661,441	29,024,573
Retained Earnings	553,017,228	500,358,579
Total Shareholders' Equity	$ 600,678,669	$ 539,383,152
Total Liabilities and Shareholders' Equity	$ 1,396,874,584	$ 1,292,543,781

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:	1998	1997	1998	1997
Management Fee Revenue	$ 130,184,972	$ 123,993,772	$ 247,508,627	$ 237,248,101
Service Agreement Revenue	2,942,924	1,056,494	5,942,245	2,328,285
Other Operating Revenue	373,829	452,258	747,790	1,061,232
Total Revenues from Management Operations	133,501,725	125,502,524	254,198,662	240,637,618
Cost of Management Operations	94,437,016	90,139,706	181,373,102	173,520,742
Net Revenues From Management Operations	$ 39,064,709	$ 35,362,818	$ 72,825,560	$ 67,116,876
INSURANCE UNDERWRITING OPERATIONS:				
Premiums Earned	$ 28,146,565	$ 26,888,265	$ 55,607,627	$ 52,738,839
Losses and Loss Adjustment Expenses Incurred	20,453,563	20,327,478	38,950,953	39,225,257
Policy Acquisition and Other Underwriting Expenses	7,999,725	7,343,702	15,535,916	14,344,410
Total Losses and Expenses	28,453,288	27,671,180	54,486,869	53,569,667
Underwriting (Loss) Gain	$ (306,723)	$ (782,915)	$ 1,120,758	$ (830,828)
INVESTMENT OPERATIONS:				
Equity in Earnings of Erie Family Life Insurance Company	$ 1,203,568	$ 997,955	$ 2,609,044	$ 1,949,799
Interest and Dividends	9,160,614	7,780,537	18,075,277	15,327,797
Realized Gain on Investments	3,189,588	1,359,760	4,186,366	2,497,084
Revenue from Investment Operations	13,553,770	10,138,252	24,870,687	19,774,680
Income Before Income Taxes	52,311,756	44,718,155	98,817,005	86,060,728
Provision for Income Taxes	16,841,275	14,274,386	31,647,465	27,406,165
Net Income	$ 35,470,481	$ 30,443,769	$ 67,169,540	$ 58,654,563
Net Income per Share	$ 0.48	$ 0.41	$ 0.90	$ 0.79
Dividends Declared per Share:				
Class A non-voting Common	$ 0.1075	$ 0.095	$ 0.215	$ 0.19
Class B Common	$ 16.125	$ 14.25	$ 32.25	$ 28.50

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	
	1998	1997	1998	1997
Net Income	$ 35,470,481	$ 30,443,769	$ 67,169,540	$ 58,654,563
Unrealized Gains (Losses) on Securities:				
Unrealized Holding Gains (Losses) Arising During Period	2,719,010	18,280,623	17,473,855	10,025,742
Less: Reclassification Adjustment for Gains Included in Net Income	3,189,589	1,359,759	4,186,366	2,497,084
Net Unrealized Holding (Losses) Gains Arising During Period	$ (470,579)	$ 16,920,864	$ 13,287,489	$ 7,528,658
Income Tax (Expense) Benefit Related to Unrealized Gains or Losses	164,703	(5,922,302)	(4,650,621)	(2,635,030)
Other Comprehensive Income (Loss), Net of Tax	$ (305,876)	$ 10,998,562	$ 8,636,868	$ 4,893,628
Comprehensive Income	$ 35,164,605	$ 41,442,331	$ 75,806,408	$ 63,548,191

See Notes to Consolidated Financial Statements.

ERIE INDEMNITY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 67,169,540	$ 58,654,563
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	992,036	910,963
Deferred income tax expense	974,895	207,211
Realized gain on investments	(4,186,366)	(2,497,084)
Amortization of bond discount	(88,703)	(60,032)
Undistributed earnings of Erie Family Life	(1,995,874)	(1,397,946)
Deferred compensation	721,957	169,337
(Increase) decrease in accrued investment income	(447,892)	14,877
Increase in receivables	(28,562,521)	(45,797,322)
Policy acquisition costs deferred	(11,085,056)	(10,516,726)
Amortization of deferred policy acquisition costs	10,504,487	9,846,851
Increase in prepaid expenses and other assets	(5,740,002)	(5,345,268)
Increase in accounts payable and accrued expenses	4,142,361	1,816,505
Increase in accrued commissions	2,450,461	5,846,848
Increase in income taxes payable	2,751,373	2,006,025
Increase in loss reserves	19,875,401	19,106,504
Increase in unearned premiums	9,687,984	7,212,711
Net cash provided by operating activities	$ 67,164,081	$ 40,178,017
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments:		
Fixed maturities	(52,491,656)	(26,360,043)
Equity securities	(35,906,487)	(40,312,355)
Mortgage loans	0	(1,086,241)
Other invested assets	(9,768,461)	(757,605)
Sales/maturities of investments:		
Fixed maturities	21,264,251	18,325,584
Equity securities	24,734,685	22,808,428
Mortgage loans	61,335	65,725
Other invested assets	632,882	227,069
Purchase of property and equipment	(346,947)	(39,558)
Purchase of computer software	(1,714,556)	(670,343)
Loans to Agents	(983,013)	(744,905)
Collections on Agent loans	744,557	564,467
Net cash used in investing activities	$ (53,773,410)	$ (27,979,777)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	$ (14,510,889)	$ (12,823,576)
Net cash used in financing activities	$ (14,510,889)	$ (12,823,576)
Net (decrease) in cash and cash equivalents	(1,120,218)	(625,336)
Cash and cash equivalents at beginning of period	53,148,495	18,719,624
Cash and cash equivalents at end of period	$ 52,028,277	$ 18,094,288

Supplemental disclosures of cash flow information:
Cash paid during the six months ended June 30, 1998 and 1997 for income taxes was $28,221,547 and $25,638,127 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, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1997.

NOTE B -- RECLASSIFICATIONS

Certain amounts as previously reported in the 1997 financial statements have been reclassified to conform to the current year's presentation.

NOTE C -- EARNINGS PER SHARE

Earnings per share is based on the weighted average number of Class A shares outstanding (67,032,000 as retroactively stated in 1997), giving effect to the conversion of the weighted average number of Class B shares outstanding (3,070 in 1998 and 1997) at a rate of 2,400 Class A shares for one Class B share as set out in the Articles of Incorporation. Equivalent shares outstanding total 74,400,000.

NOTE D -- INVESTMENTS

Management considers all fixed maturities and marketable equity securities available-for-sale. Marketable equity securities consist primarily of common and nonredeemable preferred stocks while fixed maturities consist of bonds and notes. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Management determines the appropriate classification of fixed maturities at the time of purchase and reevaluates such designation as of each statement of financial position date.

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

Available-for-Sale Securities

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 1998				
U.S. Treasuries & Agencies	$ 13,019	$ 493	$ 3	$ 13,509
States & Political Subdivisions	41,662	2,837	4	44,495
Special Revenue	120,710	6,985	1	127,694
Public Utilities	10,369	166	0	10,535
Industrial & Miscellaneous	173,773	7,468	489	180,752
Foreign Governments	1,990	0	355	1,635
Foreign Industrial & Miscellaneous	3,665	87	0	3,752
Total Fixed Maturities	$ 365,188	$ 18,036	$ 852	$ 382,372
Common Stock	$ 66,570	$ 31,863	$ 7,113	$ 91,320
Preferred Stock	92,175	7,753	79	99,849
Total Equity Securities	$ 158,745	$ 39,616	$ 7,192	$ 191,169
	$ 523,933	$ 57,652	$ 8,044	$ 573,541

Available-for-Sale Securities

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

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

NOTE E -- SUMMARIZED INCOME STATEMENT INFORMATION OF AFFILIATE

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

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Revenues	$ 47,691,941	$ 43,588,649
Benefits and expenses	29,057,962	30,005,294
Income before income taxes	18,633,979	13,583,355
Income taxes	6,571,824	4,569,028
Net income	$ 12,062,155	$ 9,014,327
Dividends paid to shareholders	$ 2,835,000	$ 2,457,004
Net unrealized appreciation (depreciation) on investment securities at June 30, net of deferred taxes	$ 25,004,334	$ 7,489,012

NOTE F -- NOTE RECEIVABLE FROM AFFILIATE

On December 29, 1995, EFL issued a surplus note to the Company in return for cash of $15 million. The note bears an annual interest rate of 6.45% and all payments of interest and principal of the note may be repaid only out of unassigned surplus of EFL and are subject to prior approval of the Pennsylvania Insurance Commissioner. Interest on the surplus note is scheduled to be paid semi-annually. The note will be payable on demand on or after December 31, 2005.

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

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

OPERATING RESULTS

Financial Overview

Consolidated net income increased by 16.5% for the second quarter of 1998 to $35,470,481, or $.48 per share, from $30,443,769 or $.41 per share, for the second quarter of 1997. The increase in net income was driven by improved results in all three of the Company's operating segments. The gains generated by management and investment operations were supplemented by improved underwriting results when compared to the second quarter of 1997.

For the six months ended June 30, 1998, net income rose 14.5% to $67,169,540 or $.90 per share, from $58,654,563 or $.79 per share reported for the same period in 1997. Management operations improved as growth in management fee revenue outpaced the cost of management operations. Insurance underwriting operations improved considerably in the first six months of 1998 as a result of mild weather conditions experienced in the Company's operating territories. Revenue from investment operations grew by 25.8% as the Company's cash flow was invested.

RESULTS OF OPERATIONS

Analysis of Management Operations

Management fee revenue derived from the management operations of the Company, which serves as attorney-in-fact for the Erie Insurance Exchange (the Exchange), increased 5.0% to $130,184,972 for the three months ended June 30, 1998 from $123,993,772 for the three months ended June 30, 1997. Management fee revenue increased 4.3% to $247,508,627 in the first six months of 1998 compared to $237,248,101 for the same period in 1997.

The direct and affiliated assumed premiums of the Exchange grew by 3.9% for the second quarter of 1998 versus the same period in 1997. The personal lines auto market continues to be extremely competitive and rate pressures have increased in many of the Exchange's operating territories. The Exchange's overall premium growth was influenced negatively by a rate reduction included in Pennsylvania workers compensation legislative reforms. The Exchange's involuntary automobile premiums have also decreased over the last year as a result of fewer assignments from the Pennsylvania assigned risk plan. Involuntary automobile business is written on substandard risks and historically has produced underwriting results worse than the preferred risks voluntarily written by the Erie Insurance Group. When the effect of workers compensation and involuntary automobile insurance are excluded, the direct and affiliated assumed premiums of the Exchange grew 4.9% for the first six months of 1998 when compared to the same period in 1997.

On July 31, 1998 the Erie Insurance Group filed to lower its private passenger auto insurance rates in Pennsylvania beginning January 1, 1999. The overall effect will be a $53.2 million reduction in premium in 1999. This reduction is the result of the favorable loss experience in Pennsylvania and is subject to the approval by the Pennsylvania Insurance Department. This rate decrease will reduce the Company's net revenue from management operations by about $7.5 million in 1999, assuming a management fee rate of 24.25% in 1999.

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

The rate of growth in the management fee revenue was greater than the growth in direct and affiliated assumed premium of the Exchange because the management fee rate charged the Exchange in the second quarter of 1998 was 24.25% compared to a rate of 24% charged in the second quarter of 1997. The Company's Board of Directors has the authority to change the management fee rate at its discretion, but cannot exceed a rate of 25%.

Service agreement revenue totaled $2,942,924 and $1,056,494 for the quarter ended June 30, 1998 and 1997, respectively. Beginning September 1, 1997 the Company was reimbursed by the Exchange for a portion of service charges collected by the property/casualty insurers of the Group from Policyholders as reimbursement for the costs incurred by the Company in providing extended payment terms on policies written by them. These reimbursements totaled $1,508,081 for the three months ended June 30, 1998.

The cost of management operations rose 4.8% for the second quarter of 1998 to $94,437,016 from $90,139,706 during the second quarter of 1997.

Commissions are the largest component of the cost of management operations. The Company is responsible for the payment of commissions to the independent Agents who sell insurance products for the Company's subsidiaries and the Exchange, and its subsidiary, Flagship City Insurance Company. The Agents receive commissions based on fixed percentage fee schedules with different commission rates by product line of insurance. Also included in commission expense are the costs of promotional incentives for Agents and Agent contingency awards. Agent contingency awards are based upon the underwriting profitability of the insurance written and serviced by the Agent within the Erie Insurance Group of companies.

Commission costs totaled $65,015,264 for the second quarter of 1998, a 6.5% increase over the $61,068,198 reported in the second quarter of 1997. Commission costs grew at a rate faster than the rate of growth in direct and affiliated assumed written premiums of the Exchange due to increased provisions for agent contingency awards resulting from improved underwriting. The growth in premiums written on a quarterly and year-to-date basis were 3.9% and 3.2%, respectively.

The cost of management operations excluding commission costs, grew 1.2% for the three months ended June 30, 1998 to $29,421,752 from $29,071,509 recorded in the second quarter of 1997 as productivity improvements and modest growth in operating costs continued.

Personnel costs, including salaries, employee benefits, and payroll taxes, are the second largest component in cost of operations, after commissions. The Company's personnel costs totaled $17,406,012 for the three month period ended June 30, 1998, compared to $17,660,039 for the same period in 1997, a decrease of 1.4%.

Net revenues from the Company's management operations rose 10.5% to $39,064,709 for the three months ended June 30, 1998 from $35,362,818 for the same period in 1997. For the six months ended June 30, 1998 net revenue from management operations totaled $72,825,560, an increase of 8.5% when compared to the first six months of 1997.

Analysis of Insurance Underwriting 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 1998 versus the same period in 1997. In the second quarter of 1998, premiums earned for the Company's property/casualty insurance subsidiaries grew 4.7% to $28,146,565 compared to $26,888,265 for the same period in 1997. Losses, loss adjustment expenses and other underwriting expenses incurred increased at a slower rate than premiums earned, up 2.8% for the second quarter of 1998 amounting to $28,453,288 compared to $27,671,180 for the prior years second quarter. Catastrophe losses, as classified by the

Company were $2,262,739 in the second quarter of 1998 compared to $279,907 in the second quarter of 1997. Despite the increase in catastrophe losses, the underwriting loss reported in the second quarter of 1998 amounted to $306,723 compared to a loss of $782,915 experienced in the second quarter of 1997. Second quarter 1997 underwriting profitability was reduced by the return of first quarters' recoveries under the aggregate excess of loss reinsurance agreement with the Exchange, which amounted to $1,262,112. There were no recoveries, or return of recoveries, in the second quarter of 1998 under this reinsurance agreement.

The GAAP combined ratio for the Company's property/casualty insurance operations improved to 98.0% for the six months ended June 30, 998 compared to a ratio of 101.6% for the same period in 1997. The GAAP combined ratio is the ratio of loss, loss adjustment, acquisition, and other underwriting expenses incurred to premiums earned.

Analysis of Investment Operations

Revenue from investment operations for the second quarter of 1998 increased by 33.7% to $13,553,770 from $10,138,252 in the second quarter of 1997. These results include a 17.7% increase in interest and dividends combined with a 20.6% increase in income from Erie Family Life Insurance Company (EFL). Realized gains on investments were $3,189,588 in the second quarter of 1998 and $1,359,760 in the second quarter of 1997. Revenue from investment operations for the six months ended June 30, 1998 increased 25.8% to $24,870,687 from $19,774,680 for the same period in 1997.

The Company owns a 21.6% investment in an affiliated life insurer, Erie Family Life Insurance Company. 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 increasing to $12,062,155 from $9,014,327 for the six months ended June 30, 1998 and 1997, respectively. The earnings recognized from the investment in EFL increased to $2,609,044 for the six months ended June 30, 1998 from $1,949,799 for the same period in 1997.

FINANCIAL CONDITION

Investments

The Company's investment strategy takes a long-term perspective emphasizing investment quality, diversification and superior investment returns. Investments are managed on a total return approach that focuses on current income and capital appreciation. The Company's investment strategy also provides for liquidity to meet the short and long-term commitments of the Company. At June 30, 1998, the Company's investment portfolio of investment-grade bonds, common stock and preferred stock, all of which are readily marketable, and cash and short-term investments, totaled $626 million, or 44.8%, 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, 1998, 95.8% of total investments were invested in fixed maturities and equity securities. Mortgage loans and other invested assets represented only 4.2% 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.

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

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, 1998, the Company's five largest investments in corporate debt securities totaled $26.5 million, none of which individually exceeded $6.7 million. These investments had a market value of $27.7 million.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash flows provided by operating activities for the six months ended June 30, 1998 and 1997, were $67,164,081 and $40,178,017 respectively.

Dividends declared and paid to shareholders in the three months ended June 30, 1998 and 1997, totaled $7,255,444 and $6,411,788, 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 six months of 1998.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to deferred tax assets and liabilities resulted in net deferred tax liabilities at June 30, 1998 of $12,194,878 and at December 31, 1997 of $7,101,371.

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

At June 30, 1998 and December 31, 1997, the Company's receivables from its affiliates totaled $523,387,205 and $495,861,158, respectively. These receivables, primarily due from the Exchange, as a result of the management fee, expense reimbursements and the intercompany reinsurance pool, potentially expose the Company to concentrations of credit risk.

ACCOUNTING PRONOUNCEMENTS

FAS 130

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 130 (FAS 130) "Reporting Comprehensive Income". FAS 130 is effective for fiscal years beginning after December 31, 1997 and requires reporting of comprehensive income in a full set of general purpose financial statements. The purpose of reporting comprehensive income is to report a measure of all changes in equity of the Company that result from recognized transactions and other economic events of the period. The two components of comprehensive income reported by the Company are net income from operations and unrealized gain or loss from investments, net of tax. Included in the report are statements of comprehensive income for the three and six months ended June 30, 1998 and 1997.

SOP 98-1 - Software Costs

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

On June 3, 1998, the Company, because of its substantial interest in the outcome of any matter involving a change in Mellon's status as a co-trustee of the H.O. Hirt Trusts, petitioned the Court to intervene in the trial of the issues remaining under Susan Hirt Hagen's petitions to remove Mellon as a co-trustee. On June 24, 1998, the court denied the Company's petition, and, on July 13, 1998, the Company appealed the Court's denial to the Superior Court of Pennsylvania which appeal remains pending. On August 5, 1998, Susan Hirt Hagen, a director of the Company, filed a motion with the Superior Court of Pennsylvania to quash the Company's appeal. The Company's response to this motion is to be filed not later than August 9, 1998.

During June and July 1998, substantial discovery took place involving Susan Hirt Hagen's petitions to remove Mellon as co-trustee. In the ten days preceding the scheduled trial date of July 30, 1998, discussions took place between counsel for Mellon and 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

Item 1. Legal Proceedings (Continued)

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.

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, 1998.

SIGNATURES

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

Erie Indemnity Company
(Registrant)

Date: August 6, 1998

/s/ Stephen A. Milne
President & CEO

/s/ 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, 1998 AND IS QUALIFIED IN REFERENCE TO THE COMPANY'S FORM 10-Q

0000922621
ERIE INDEMNITY COMPANY
1,000

3-MOS	3-MOS
DEC-31-1998	DEC-31-1997
JUN-30-1998	JUN-30-1997
382,372	317,743
0	0
0	0
191,169	159,056
8,731	8,314
0	0
598,940	492,644
52,028	18,094
192	191
10,864	10,211
1,396,875	1,238,250
433,284	405,532
228,899	224,151
0	0
0	0
0	0
0	0
0	0
2,170	2,170
590,679	476,483
1,396,875	1,238,250
55,607	52,739
20,684	17,278
4,186	2,497
0	0
0	0
15,536	14,344
38,950	39,225
98,817	86,060
31,647	27,406
0	0
0	0
0	0
0	0
67,170	58,654
.90	.79
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0

THE INFORMATION REPORTED FOR THE SIX MONTHS ENDED JUNE 30,1998 REPRESENTS AMOUNTS THAT HAVE BEEN RECLASSIFIED TO CONFORM TO THE CURRENT YEAR'S PRESENTATION.