

A LOOK AT THE NUMBERS

The combined trade ratio was 103.7 for the year, very close to our corporate objective of 103.0 or less, in spite of another year of above-average storm losses. Current year storms contributed roughly 10.7 points to the combined ratio, compared to 8.9 points in 2009 and a long-term average of 6.8 points. We finished 2010 with net written premiums of \$1.125 billion, an increase of 0.2 percent from \$1.123 billion last year. This is a positive result considering ongoing competition for good business and the difficult economic conditions.

Policyholder surplus rose 7.9 percent, or \$78.8 million, to a record \$1.08 billion, adding to our strong financial base. Net investment income and solid returns from our common stock portfolio offset the underwriting loss and contributed to the nice gain in surplus. Underwriting losses of \$22 million were off-set by EMC's net investment income of \$115 million and investment gains of \$77.6 million, which contributed to the consistent growth in surplus. EMC's unaffiliated common stock portfolio returned 14.1 percent, compared to a 15.1 percent return for the Standard & Poor's 500.

Record-high assets of \$3.163 billion were reached in 2010, topping the previous record in 2007 of \$3.132 billion. We remain confident that our underlying book of business is sound. Retention rates continue to be high, averaging 86 percent. We continue to concentrate on disciplined underwriting, sound risk selection and appropriate pricing. While they vary by territory and line of business, lingering soft market conditions and ongoing economic issues remain.

Our investment portfolio performed well despite a volatile interest rate environment. Net investment income decreased 2.3 percent compared to 2009, as higher coupon securities were called out of the portfolio and proceeds were invested in the current low-rate environment. The average coupon for the fixed income portfolio decreased 0.33 percent to 4.94 percent during this time. Overall, net investment gains increased 25.8 percent, primarily resulting from the sale of EMC's Verisk stock holdings.

TWO-YEAR FINANCIAL STATEMENT

UNDERWRITING OPERATIONS	2010	2009
Net Written Premiums	\$1,125,278,642	\$ 1,122,857,566
Net Earned Premiums	\$1,107,578,526	1,107,283,301
Losses Incurred	\$ 600,368,147	590,000,366
Ratio To Earned Premiums	54.2	53.3
Loss Adjustment Expenses	\$ 144,312,148	132,608,290
Ratio To Earned Premiums	13.0	12.0
Other Underwriting Expenses	\$ 385,301,672	385,226,683
Ratio To Written Premiums	34.2	34.3
Policyholder Dividends	\$ 25,389,190	25,302,866
Ratio To Earned Premiums	2.3	2.3
Net Underwriting Gain (Loss)	\$ (22,403,441)	(552,038)
Combined Loss & Expense Ratio	103.7	101.9

NET INVESTMENT GAINS	2010	2009
Net Investment Income Earned	\$ 115,019,398	\$ 117,742,691
Net Realized Capital Gains*	\$ 77,570,949	35,409,935
Net Investment Gain	\$ 192,590,347	153,152,626

FINANCIAL RESULTS	2010	2009
Net Income	\$ 139,641,708	\$ 110,310,538
Assets	\$3,162,999,616	3,094,064,079
Liabilities	\$2,083,409,556	2,093,257,052
Surplus	\$1,079,590,060	1,000,807,027

*Net of capital gains tax.



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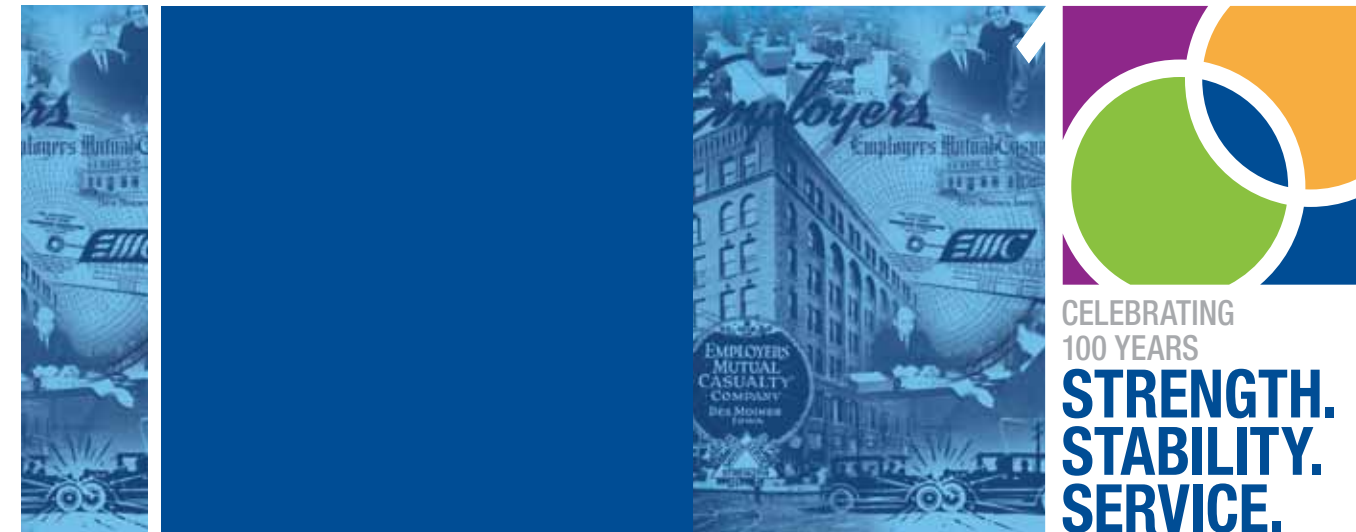
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EMC
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TO OUR CUSTOMERS

In 2011, EMC Insurance Companies is celebrating 100 years in business. With less than 13 percent of U.S. property and casualty companies being 100 years or older, we are joining an elite group.

We are pleased that A.M. Best recognized our continuing efforts to improve our underwriting and operating results by revising EMC's outlook to positive in 2010. This positive outlook recognizes the company's historically strong balance sheet and EMC's ability to improve risk selection, pricing and claims handling, despite the soft market.

Our century of success shows on our balance sheet, in our book of business and in our agency relationships:

FINANCIAL STRENGTH demonstrated by the record-high surplus of \$1.08 billion and the record-high assets of \$3.16 billion attained in 2010.

STABILITY in the products we offer in the market areas we've been serving for the past century.

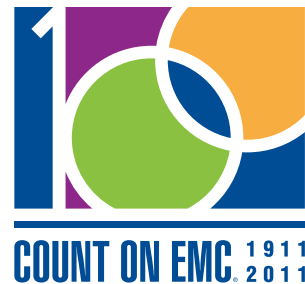
SUPERIOR SERVICE provided through the deeply rooted relationships we've maintained with our agents.

Our strength, stability and service have sustained the success we've had over the past 100 years, and will sustain our success for the next 100.

Bruce G. Kelley, J.D., CPCU, CLU (center)
President & Chief Executive Officer

Ronald W. Jean, FCAS, MAAA (right)
Executive Vice President for Corporate Development

Kevin J. Hovick, CPCU (left)
Executive Vice President & Chief Operating Officer



CELEBRATING A CENTURY OF STRENGTH. STABILITY. SERVICE.

This year we celebrate 100 years in business—a century of successfully providing comprehensive protection, financial stability and superior service to our policyholders, agents and employees. Our company has stood the test of time, demonstrating the strength, stability and service we are known for—proving that you can *Count on EMC*®.

In 1911, a group of businessmen known as the Iowa Manufacturers Association joined together to form an insurance company in anticipation of the passage of a workers' compensation law in Iowa. The group thought it would be better to insure Iowa companies locally, and that it would cost less to establish their own mutual company to insure their members. On April 24, 1911, Employers Mutual Casualty Association was born, known today as EMC Insurance Companies.

STRENGTH

The strength of EMC Insurance Companies comes not only from the close, positive relationships we maintain through our branch offices with our agents, policyholders and the communities we serve, but also from developing a complete range of products and services to meet the needs of policyholders.

Agents From The First

Early on we recognized the valuable role independent agents play in understanding the needs of their communities. That's why we chose the independent agency system—as much an advantage today as it was then. To show our continued support and respect for independent agents, EMC is a part of the Trusted Choice® brand initiative. The Trusted Choice brand represents the same qualities agents have come to expect from EMC—reliability, stability and excellent customer service.

Coverage For Our Customers

Today, EMC offers a full lineup of products with comprehensive, flexible coverage, including:

- Commercial lines: property, general liability, businessowners, workers' compensation, auto, inland marine, umbrella
- Personal lines: homeowners, auto, motorcycle, dwelling, inland marine, umbrella
- Errors and omissions
- Fidelity and surety bonds
- Excess and surplus lines with EMC Underwriters, LLC
- Reinsurance through EMC Reinsurance Company
- Life insurance through our affiliate, EMC National Life Company
- Third-party administration with EMC Risk Services, LLC

Commercial Lines, Quote Online

EMC's online system for our agents on www.emcins.com now provides a full range of options for quoting commercial lines business. With the addition of property, general liability and inland marine last year, agents can easily quote seven lines of commercial business in one online service.

Coverage Enhancements For Businessowners

In 2010, the EMC Choice® Businessowners program (BOP) was enhanced to provide expanded eligibility, new class codes and upgraded endorsements. To help small and midsized businesses defend themselves against employment claims, we added employment practices liability coverage under our EMC Choice BOP product.

STABILITY

EMC's financial statements consistently demonstrate our strong position. Sound underwriting practices and a conservative investment philosophy enabled EMC to survive 100 years of dynamic change. And our planned geographic growth helped us to remain stable in the markets we serve.

High Underwriting Standards

Our solid conservative underwriting philosophy was established from the company's beginning. Carefully managing our risks, cautiously underwriting our business and adequately reserving for claims has resulted in a solid company that can persevere through erratic market cycles.

Sound Investing Strategies

As a mutual insurance company, we focus on long-term results, taking a conservative approach to investing. Our careful financial investing has secured the continuing stability and profitability our agents and policyholders have counted on over the last century.

Planned Geographic Growth

We are a near-national company—large enough to withstand economic turmoil, yet small enough to keep in touch with our agents and communities. We chose the most profitable market areas, and made the commitment to stay.

SERVICE

Our emphasis on superior service for our agents and policyholders illustrates how they can *Count on EMC*®. This dedication to our work and our communities reinforces our success as we move into the next 100 years.

Loss Control

For more than 80 years, EMC has provided commercial policyholders with the technical expertise, information and resources needed to reduce the risk of loss and improve safety. Our extensive loss control services help agents sell insurance and provide extra value to policyholders.

In 2010, our new online Safety Video Library and several online training modules were introduced. The self-directed modules reduce training downtime and allow companies to provide consistent, convenient employee training.

Technology Advocate

EMC is committed to using technology to streamline agent workflow, improve data quality and increase the



efficiency and accuracy of insurance transactions so agents can better serve their customers. EMC received six technology awards in 2010 from industry associations and user groups.

A Local Touch

Our branch offices give agents regional contacts for underwriting, loss control, marketing and claim services. Our high employee retention rate means agents can develop long-term, stable relationships with those contacts.

Employee Education

EMC supports and encourages continuing education for employees. In 2010, we had the highest percentage of Chartered Property Casualty Underwriters in any insurance organization in the country—more than 10 percent of EMC employees.

Community Service

Improving the communities where we live and work has always been an important part of the *Count on EMC*® promise. In celebration of our 100-year anniversary in 2011, we are offering up to \$200,000 to nonprofit organizations in communities near our branch offices through the 100 Ways of Giving program.