

CONSOLIDATED STATEMENTS OF INCOME

| Quarter Ended December 31, 2007 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|--|---------------------------------|-------------------|-----------------|--------------------|
| Revenues: | | | | |
| Premiums earned | \$ 81,377,154 | \$ 20,862,508 | \$ - | \$ 102,239,662 |
| Investment income, net | 9,382,499 | 3,176,583 | 27,931 | 12,587,013 |
| Other income | 161,875 | - | - | 161,875 |
| | <u>90,921,528</u> | <u>24,039,091</u> | <u>27,931</u> | <u>114,988,550</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 59,561,978 | 13,851,659 | - | 73,413,637 |
| Dividends to policyholders | 1,452,427 | - | - | 1,452,427 |
| Amortization of deferred policy acquisition costs | 19,268,359 | 4,241,430 | - | 23,509,789 |
| Other underwriting expenses | 8,859,438 | 306,398 | - | 9,165,836 |
| Interest expense | 193,125 | 84,044 | - | 277,169 |
| Other expenses | 134,147 | 38,572 | 221,172 | 393,891 |
| | <u>89,469,474</u> | <u>18,522,103</u> | <u>221,172</u> | <u>108,212,749</u> |
| Operating income (loss) before income taxes | 1,452,054 | 5,516,988 | (193,241) | 6,775,801 |
| Realized investment losses | 2,271,240 | 2,271,240 | - | 4,542,480 |
| Income (loss) before income taxes | 3,723,294 | 5,737,438 | (193,241) | 9,267,491 |
| Income tax expense (benefit): | | | | |
| Current | (968,671) | 1,234,100 | (67,634) | 197,795 |
| Deferred | 1,585,150 | 426,376 | - | 2,011,526 |
| | <u>616,479</u> | <u>1,660,476</u> | <u>(67,634)</u> | <u>2,209,321</u> |
| Net income (loss) | \$ 3,106,815 | \$ 4,076,962 | \$ (125,607) | \$ 7,058,170 |
| Average shares outstanding | | | | |
| | | | | 13,772,257 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 0.22 | \$ 0.30 | \$ (0.01) | \$ 0.51 |
| (Increase) decrease in provision for insured events of prior years (after tax) | \$ (0.18) | \$ 0.17 | \$ - | \$ (0.01) |
| Catastrophe and storm losses (after tax) | \$ (0.11) | \$ 0.01 | \$ - | \$ (0.10) |
| Dividends per share | | | | 0.18 |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 70,991,975 | \$ 19,692,097 | \$ - | \$ 90,684,072 |
| Increase (decrease) in provision for insured events of prior years | \$ 3,840,226 | \$ (3,574,577) | \$ - | \$ 265,649 |
| Catastrophe and storm losses | \$ 2,244,945 | \$ (204,787) | \$ - | \$ 2,040,158 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 73.2% | 66.4% | - | 71.8% |
| Expense ratio | 36.3% | 21.8% | - | 33.4% |
| | <u>109.5%</u> | <u>88.2%</u> | <u>-</u> | <u>105.2%</u> |

| Quarter Ended December 31, 2006 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|---|---------------------------------|-------------------|-----------------|--------------------|
| Revenues: | | | | |
| Premiums earned | \$ 80,985,652 | \$ 21,770,274 | \$ - | \$ 102,755,926 |
| Investment income, net | 8,719,294 | 3,113,867 | 70,555 | 11,903,716 |
| Other income | 94,412 | - | - | 94,412 |
| | <u>89,799,358</u> | <u>24,884,141</u> | <u>70,555</u> | <u>114,754,054</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 49,798,628 | 14,284,701 | - | 64,083,329 |
| Dividends to policyholders | 2,046,699 | - | - | 2,046,699 |
| Amortization of deferred policy acquisition costs | 18,108,742 | 4,678,254 | - | 22,786,996 |
| Other underwriting expenses | 9,039,959 | 1,012,619 | - | 10,052,578 |
| Interest expense | 193,125 | 84,975 | - | 278,100 |
| Other expenses | 181,448 | (34,852) | 227,788 | 374,384 |
| | <u>79,368,601</u> | <u>20,025,697</u> | <u>227,788</u> | <u>99,622,086</u> |
| Operating income (loss) before income taxes | 10,430,757 | 4,858,444 | (157,233) | 15,131,968 |
| Realized investment losses | 1,093,321 | 147,576 | - | 1,240,897 |
| Income (loss) before income taxes | 11,524,078 | 5,006,020 | (157,233) | 16,372,865 |
| Income tax expense (benefit): | | | | |
| Current | 905,373 | 1,175,422 | (55,032) | 2,025,763 |
| Deferred | 2,636,940 | 215,907 | - | 2,852,847 |
| | <u>3,542,313</u> | <u>1,391,329</u> | <u>(55,032)</u> | <u>4,878,610</u> |
| Net income (loss) | \$ 7,981,765 | \$ 3,614,691 | \$ (102,201) | \$ 11,494,255 |
| Average shares outstanding | | | | |
| | | | | 13,732,573 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 0.58 | \$ 0.26 | \$ - | \$ 0.84 |
| Increase in provision for insured events of prior years (after tax) | \$ 0.02 | \$ 0.14 | \$ - | \$ 0.16 |
| Catastrophe and storm losses (after tax) | \$ (0.08) | \$ - | \$ - | \$ (0.08) |
| Dividends per share | | | | 0.17 |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 66,302,971 | \$ 21,326,227 | \$ - | \$ 87,629,198 |
| Increase (decrease) in provision for insured events of prior years | \$ (416,821) | \$ (3,020,816) | \$ - | \$ (3,437,637) |
| Catastrophe and storm losses | \$ 1,633,936 | \$ 65,754 | \$ - | \$ 1,699,690 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 61.5% | 65.6% | - | 62.4% |
| Expense ratio | 36.0% | 26.2% | - | 33.9% |
| | <u>97.5%</u> | <u>91.8%</u> | <u>-</u> | <u>96.3%</u> |

Investments

The Company had total cash and invested assets with a carrying value of \$1.0 billion as of December 31, 2007 and December 31, 2006. The following table summarizes the Company's cash and invested assets as of the dates indicated:

| | Amortized Cost | Fair Value | Percent of Total Fair Value | Carrying Value |
|--|-------------------|---------------------|-----------------------------|---------------------|
| December 31, 2007 (\$ in thousands) | | | | |
| Fixed maturity securities held-to-maturity | \$ 637 | \$ 689 | 0.1% | \$ 637 |
| Fixed maturity securities available-for-sale | 825,328 | 844,248 | 81.4% | 844,248 |
| Equity securities available-for-sale | 97,847 | 139,428 | 13.4% | 139,428 |
| Cash | 263 | 263 | - | 263 |
| Short-term investments | 53,295 | 53,295 | 5.1% | 53,295 |
| Other long-term investments | 102 | 102 | - | 102 |
| | <u>\$ 977,472</u> | <u>\$ 1,038,025</u> | <u>100.0%</u> | <u>\$ 1,037,973</u> |
| December 31, 2006 (\$ in thousands) | | | | |
| Fixed maturity securities held-to-maturity | \$ 5,680 | \$ 5,769 | 0.6% | \$ 5,680 |
| Fixed maturity securities available-for-sale | 796,115 | 805,837 | 80.4% | 805,837 |
| Equity securities available-for-sale | 77,089 | 112,527 | 11.2% | 77,089 |
| Cash | 196 | 196 | - | 196 |
| Short-term investments | 76,723 | 76,723 | 7.7% | 76,723 |
| Other long-term investments | 552 | 552 | 0.1% | 552 |
| | <u>\$ 956,355</u> | <u>\$ 1,001,604</u> | <u>100.0%</u> | <u>\$ 1,001,515</u> |

| Year Ended December 31, 2007 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|---|---------------------------------|-------------------|------------------|--------------------|
| Revenues: | | | | |
| Premiums earned | \$ 320,836,066 | \$ 72,223,331 | \$ - | \$ 393,059,397 |
| Investment income, net | 36,000,281 | 12,267,193 | 214,513 | 48,481,987 |
| Other income | 544,422 | - | - | 544,422 |
| | <u>357,380,769</u> | <u>84,490,524</u> | <u>214,513</u> | <u>442,085,806</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 199,494,325 | 48,344,856 | - | 247,839,181 |
| Dividends to policyholders | 7,632,714 | - | - | 7,632,714 |
| Amortization of deferred policy acquisition costs | 74,393,683 | 14,336,552 | - | 88,730,235 |
| Other underwriting expenses | 37,125,716 | 2,204,290 | - | 39,330,006 |
| Interest expense | 772,500 | 338,969 | - | 1,111,469 |
| Other expenses | 776,020 | 519,771 | 951,510 | 2,247,301 |
| | <u>320,194,958</u> | <u>65,744,438</u> | <u>951,510</u> | <u>386,890,906</u> |
| Operating income (loss) before income taxes | 37,185,811 | 18,746,086 | (736,997) | 55,194,900 |
| Realized investment gains | 3,460,933 | 262,856 | - | 3,723,789 |
| Income (loss) before income taxes | 40,646,744 | 19,008,942 | (736,997) | 58,918,689 |
| Income tax expense (benefit): | | | | |
| Current | 10,428,903 | 5,256,005 | (257,949) | 15,426,959 |
| Deferred | 1,018,095 | (4,400) | - | 1,013,695 |
| | <u>11,446,998</u> | <u>5,251,605</u> | <u>(257,949)</u> | <u>16,440,654</u> |
| Net income (loss) | \$ 29,199,746 | \$ 13,757,337 | \$ (479,048) | \$ 42,478,035 |
| Average shares outstanding | | | | |
| | | | | 13,762,663 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 2.12 | \$ 1.00 | \$ (0.03) | \$ 3.09 |
| Increase in provision for insured events of prior years (after tax) | \$ 1.32 | \$ 0.51 | \$ - | \$ 1.83 |
| Catastrophe and storm losses (after tax) | \$ (0.98) | \$ (0.04) | \$ - | \$ (1.02) |
| Dividends per share | | | | 0.69 |
| Book value per share | | | | 26.15 |
| Effective tax rate | | | | 27.9% |
| Annualized net income as a percent of beg. SH equity | | | | 13.8% |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 324,252,764 | \$ 71,002,733 | \$ - | \$ 395,255,497 |
| Increase in provision for insured events of prior years | \$ (27,976,811) | \$ (10,761,217) | \$ - | \$ (38,738,028) |
| Catastrophe and storm losses | \$ 20,731,825 | \$ 782,375 | \$ - | \$ 21,514,200 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 62.2% | 66.9% | - | 63.1% |
| Expense ratio | 37.1% | 22.9% | - | 34.5% |
| | <u>99.3%</u> | <u>89.8%</u> | <u>-</u> | <u>97.6%</u> |

| Year Ended December 31, 2006 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|---|---------------------------------|-------------------|------------------|--------------------|
| Revenues: | | | | |
| Premiums earned | \$ 318,416,718 | \$ 73,198,723 | \$ - | \$ 391,615,441 |
| Investment income, net | 34,310,739 | 12,116,726 | 264,464 | 46,691,929 |
| Other income | 526,617 | - | - | 526,617 |
| | <u>353,254,074</u> | <u>85,315,449</u> | <u>264,464</u> | <u>438,833,987</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 178,305,327 | 50,147,165 | - | 228,452,492 |
| Dividends to policyholders | 8,663,715 | - | - | 8,663,715 |
| Amortization of deferred policy acquisition costs | 71,708,560 | 14,856,471 | - | 86,565,031 |
| Other underwriting expenses | 37,337,648 | 2,681,846 | - | 40,019,494 |
| Interest expense | 772,500 | 339,900 | - | 1,112,400 |
| Other expenses | 1,065,324 | 61,055 | 781,383 | 1,907,762 |
| | <u>297,853,074</u> | <u>68,086,437</u> | <u>781,383</u> | <u>366,720,894</u> |
| Operating income (loss) before income taxes | 55,401,000 | 17,229,012 | (516,919) | 72,113,093 |
| Realized investment gains | 4,026,538 | 225,751 | - | 4,252,289 |
| Income (loss) before income taxes | 59,427,538 | 17,454,763 | (516,919) | 76,365,382 |
| Income tax expense (benefit): | | | | |
| Current | 16,907,367 | 4,696,561 | (180,027) | 21,423,901 |
| Deferred | 1,446,249 | (51,872) | - | 1,394,377 |
| | <u>18,353,616</u> | <u>4,644,689</u> | <u>(180,027)</u> | <u>22,818,278</u> |
| Net income (loss) | \$ 41,073,922 | \$ 12,810,074 | \$ (336,892) | \$ 53,547,104 |
| Average shares outstanding | | | | |
| | | | | 13,710,953 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 3.00 | \$ 0.93 | \$ (0.02) | \$ 3.91 |
| Increase in provision for insured events of prior years (after tax) | \$ 1.53 | \$ 0.46 | \$ - | \$ 1.99 |
| Catastrophe and storm losses (after tax) | \$ (0.67) | \$ (0.02) | \$ - | \$ (0.69) |
| Dividends per share | | | | 0.65 |
| Book value per share | | | | 22.44 |
| Effective tax rate | | | | 29.9% |
| Annualized net income as a percent of beg. SH equity | | | | 20.5% |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 319,984,030 | \$ 66,268,178 | \$ - | \$ 386,252,208 |
| Increase in provision for insured events of prior years | \$ (32,255,312) | \$ (9,660,943) | \$ - | \$ (41,916,255) |
| Catastrophe and storm losses | \$ 14,312,793 | \$ 322,080 | \$ - | \$ 14,634,873 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 56.0% | 68.5% | - | 58.3% |
| Expense ratio | 37.0% | 24.0% | - | 34.6% |
| | <u>93.0%</u> | <u>92.5%</u> | <u>-</u> | <u>92.9%</u> |

The amortized cost and estimated fair value of securities held-to-maturity and available-for-sale as of December 31, 2007 are as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|--|-------------------|------------------------|-------------------------|----------------------|
| Held-to-Maturity (\$ in thousands) | | | | |
| Mortgage-backed securities | \$ 637 | \$ 52 | \$ - | \$ 689 |
| Total securities held-to-maturity | <u>\$ 637</u> | <u>\$ 52</u> | <u>\$ -</u> | <u>\$ 689</u> |
| Available-for-Sale (\$ in thousands) | | | | |
| U.S. treasury securities | \$ 4,723 | \$ 260 | \$ - | \$ 4,983 |
| U.S. government-sponsored agencies | 448,849 | 4,516 | 13 | 453,352 |
| Obligations of states and political subdivisions | 250,022 | 9,639 | 32 | 259,629 |
| Mortgage-backed securities | 10,241 | 203 | 13 | 10,431 |
| Public utility securities | 6,003 | 350 | - | 6,353 |
| Debt securities issued by foreign governments | 6,756 | 138 | - | 6,894 |
| Corporate securities | 98,734 | 3,948 | 76 | 102,606 |
| Total fixed maturity securities | <u>825,328</u> | <u>19,054</u> | <u>134</u> | <u>844,248</u> |
| Common stocks | 73,847 | 44,407 | 686 | 117,568 |
| Non-redeemable preferred stocks | 24,000 | 240 | 2,380 | 21,860 |
| Total equity securities | <u>97,847</u> | <u>44,647</u> | <u>3,066</u> | <u>139,428</u> |
| Total securities available-for-sale | <u>\$ 923,175</u> | <u>\$ 63,701</u> | <u>\$ 3,200</u> | <u>\$ 983,676</u> |

EMC
EMC Insurance Group Inc.

2007
fourth
quarter
statement



Count
of
EMC

EMC INSURANCE GROUP INC. REPORTS

2007 FOURTH QUARTER RESULTS AND 2008 GUIDANCE

Fourth Quarter 2007

Net Income Per Share – \$0.51

Net Operating Income Per Share – \$0.39

GAAP Combined Ratio – 105.2 percent

Year Ended December 31, 2007

Net Income Per Share – \$3.09

Net Operating Income Per Share – \$2.91

GAAP Combined Ratio – 97.6 percent

DES MOINES, Iowa (February 28, 2008) - EMC Insurance Group Inc. (Nasdaq/GS:EMCI) today reported fourth quarter operating income of \$0.39 per share for the quarter ended December 31, 2007, compared to \$0.78 per share for the fourth quarter of 2006¹. Operating income for the year ended December 31, 2007 was \$2.91 per share, compared to \$3.70 per share for the same period in 2006.

Net income, including realized investment gains/losses, was \$7,058,000 (\$0.51 per share) for the fourth quarter of 2007 compared to \$11,494,000 (\$0.84 per share) for the fourth quarter of 2006. Net income for the year ended December 31, 2007 was \$42,478,000 (\$3.09 per share), compared to \$53,547,000 (\$3.91 per share) for the same period in 2006.

“2007 was another successful year for EMC Insurance Group Inc.,” stated President and CEO Bruce G. Kelley. “We were prepared for the competitive market conditions that we experienced during the year and we successfully executed our operating plan. Our results were negatively impacted by an increase in both large losses and catastrophe and storm losses, but we saw measurable benefits from the enhancements that we have made to our marketing and underwriting capabilities over the past several years. As a result of those enhancements, we are better prepared to respond to the challenges we face in this competitive environment.”

Premiums earned decreased 0.5 percent to \$102,240,000 for the three months ended December 31, 2007 from \$102,756,000 for the same period in 2006. For the year ended December 31, 2007, premiums earned increased 0.4 percent to \$393,059,000 from \$391,615,000 for the same period in 2006. On an overall basis, premium rate competition increased moderately in the property

and casualty insurance marketplace during 2007, resulting in an approximate 4.9 percent reduction in premium rate levels. Market conditions are expected to remain competitive in 2008, which will likely result in a further reduction in premium rate levels.

Investment income increased 5.7 percent to \$12,587,000 for the fourth quarter and 3.8 percent to \$48,482,000 for the year ended December 31, 2007 from \$11,904,000 and \$46,692,000 for the same periods in 2006, primarily as a result of higher average investment balances.

The Company experienced \$266,000 (\$0.01 per share after tax) of adverse development on prior years’ reserves during the fourth quarter of 2007 compared to \$3,438,000 (\$0.16 per share after tax) of favorable development in the fourth quarter of 2006. For the year ended December 31, 2007, the Company had favorable development on prior years’ reserves totaling \$38,738,000 (\$1.83 per share after tax) compared to \$41,916,000 (\$1.99 per share after tax) for the same period in 2006.

“Carried loss and settlement expense reserves were in the upper quarter of the range of actuarial indications at December 31, 2007, which is similar to our position at year-end 2006,” stated President and CEO Bruce G. Kelley. “Much of the favorable reserve development experienced during the past two years has resulted from the final settlement of closed claims, which is a historical trend for the Company. While we expect favorable reserve development to continue in the future, we anticipate the amounts will be somewhat lower than the unusually high levels experienced during the past two years.”

Catastrophe and storm losses were \$2,040,000 (\$0.10 per share after tax) in the fourth quarter of 2007 compared to \$1,700,000 (\$0.08 per share after tax) in the fourth quarter of 2006. For the year ended December 31, 2007, catastrophe and storm losses totaled \$21,514,000 (\$1.02 per share after tax) compared to \$14,635,000 (\$0.69 per share after tax) for the same period in 2006. Included in the amount for the year ended December 31, 2007 is \$6,577,000 (\$0.31 per share after tax) of losses associated with the Greensburg, Kansas tornado.

The Company’s GAAP combined ratio was 105.2 percent in the fourth quarter of 2007 compared to 96.3 percent in the fourth quarter of 2006. For the year ended December 31, 2007, the GAAP combined ratio was 97.6 percent compared to 92.9 percent for the same period in 2006.

At December 31, 2007, consolidated assets totaled \$1.2 billion, including \$1.0 billion in the investment portfolio; stockholders’ equity increased 16.9 percent to \$360.4 million; and net book value of the Company’s stock was \$26.15 per share, an increase of 16.5 percent from \$22.44 per share at December 31, 2006.

Management is projecting that 2008 operating income will be within a range of \$2.10 per share to \$2.35 per share. This estimate is based on a projected GAAP combined ratio of 101.8 percent and management’s expectations of continued rate competition

in both the property and casualty insurance marketplace and the reinsurance marketplace.

The Company will hold an earnings teleconference call at 11:00 a.m. eastern standard time on February 28, 2008 to allow securities analysts, shareholders and other interested parties the opportunity to hear management discuss the Company’s quarterly and year-end 2007 results, as well as its expectations for 2008. Dial-in information for the call is toll-free 1-877-407-0782 (International: 1-201-689-8567). The event will be archived and available for digital replay through March 13, 2008. The replay access information is toll-free 1-877-660-6853 (International: 1-201-612-7415); passcodes required for playback: account number 286, conference ID number 271465.

Members of the news media, investors and the general public are invited to access a live webcast of the conference call via www.investorcalendar.com or the Company’s investor relations page at www.emcinsurance.com. The webcast will be archived and available for replay until May 28, 2008. A transcript of the teleconference will also be available on the Company’s website shortly after the completion of the teleconference.

EMC Insurance Group Inc., the publicly-held insurance holding company of EMC Insurance Companies, owns subsidiaries with operations in property and casualty insurance and reinsurance. EMC Insurance Companies is one of the largest property and casualty entities in Iowa and among the top 60 insurance entities nationwide based on premium volume. For more information, visit our website www.emcinsurance.com.

The Private Securities Litigation Reform Act of 1995 provides issuers the opportunity to make cautionary statements regarding forward-looking statements. Accordingly, any forward-looking statement contained in this report is based on management’s current beliefs, assumptions and expectations of the Company’s future performance, taking into account all information currently available to management. These beliefs, assumptions and expectations can change as the result of many possible events or factors, not all of which are known to management. If a change occurs, the Company’s business, financial condition, liquidity, results of operations, plans and objectives may vary materially from those expressed in the forward-looking statements. The risks and uncertainties that may affect the actual results of the Company include, but are not limited to the following: catastrophic events and the occurrence of significant severe weather conditions; the adequacy of loss and settlement expense reserves; state and federal legislation and regulations; changes in our industry, interest rates or the performance of financial markets and the general economy; rating agency actions and other risks and uncertainties inherent to the Company’s business. Management intends to identify forward-looking statements when using the words “believe”, “expect”, “anticipate”, “estimate”, or similar expressions. Undue reliance should not be placed on these forward-looking statements.

¹ The Company uses a non-GAAP financial measure called “operating income” that management believes is useful to investors because it illustrates the performance of our normal, ongoing operations, which is important in understanding and evaluating our financial condition and results of operations. While this measure is consistent with measures utilized by investors to evaluate performance, it is not a substitute for the U.S. GAAP financial measure of net income. Therefore, the Company has provided a reconciliation of this non-GAAP financial measure to the U.S. GAAP financial measure of net income in the Consolidated Statements of Income schedule contained in this release. Management also uses non-GAAP financial measures for goal setting, determining employee and senior management awards and compensation, and evaluating performance.

² Excludes \$3,440,024 negative portfolio adjustment related to the January 1, 2006 reduced participation in the MRB pool.

Contacts:

Anita Novak (Investors) – (515) 345-2515
Lisa Hamilton (Media) – (515) 345-7589

717 Mulberry
Des Moines, Iowa 50309
Email: EMCIns.Group@EMCIns.com
www.emcinsurance.com



CONSOLIDATED BALANCE SHEETS

| | December 31, 2007 | December 31, 2006 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Investments: | | |
| Fixed maturities: | | |
| Securities held-to-maturity, at amortized cost (fair value \$688,728 and \$5,768,918) | \$ 636,969 | \$ 5,679,960 |
| Securities available-for-sale, at fair value (amortized cost \$766,462,351 and \$706,273,867) | 785,253,286 | 716,927,579 |
| Fixed maturity securities on loan: | | |
| Securities available-for-sale, at fair value (amortized cost \$58,865,232 and \$89,841,454) | 58,994,666 | 88,909,477 |
| Equity securities available-for-sale, at fair value (cost \$97,847,545 and \$77,089,044) | 139,427,726 | 112,527,480 |
| Other long-term investments, at cost | 101,988 | 552,202 |
| Short-term investments, at cost | <u>53,295,310</u> | <u>76,722,652</u> |
| Total investments | 1,037,709,945 | 1,001,319,350 |
| Balances resulting from related party transactions with Employers Mutual: | | |
| Reinsurance receivables | 33,272,405 | 37,805,569 |
| Prepaid reinsurance premiums | 4,465,836 | 4,807,822 |
| Deferred policy acquisition costs | 34,687,804 | 33,662,408 |
| Defined benefit retirement plan, prepaid asset | 11,451,758 | 7,836,958 |
| Other assets | 2,488,309 | 2,410,120 |
| Cash | 262,963 | 196,274 |
| Accrued investment income | 11,288,005 | 11,363,814 |
| Accounts receivable (net of allowance for uncollectible accounts of \$0 and \$0) .. | 81,141 | 205,046 |
| Income taxes recoverable | 3,595,645 | 1,888,935 |
| Deferred income taxes | 1,682,597 | 12,403,141 |
| Goodwill | 941,586 | 941,586 |
| Securities lending collateral | <u>60,785,148</u> | <u>91,317,719</u> |
| Total assets | <u>\$ 1,202,713,142</u> | <u>\$ 1,206,158,742</u> |
| LIABILITIES | | |
| Balances resulting from related party transactions with Employers Mutual: | | |
| Losses and settlement expenses | \$ 551,602,006 | \$ 548,547,982 |
| Unearned premiums | 158,156,683 | 155,653,799 |
| Other policyholders’ funds | 8,273,187 | 7,320,536 |
| Surplus notes payable | 25,000,000 | 36,000,000 |
| Indebtedness to related party | 5,918,396 | 18,621,351 |
| Employee retirement plans | 10,518,351 | 17,700,372 |
| Other liabilities | 22,107,379 | 22,702,661 |
| Securities lending obligation | <u>60,785,148</u> | <u>91,317,719</u> |
| Total liabilities | <u>842,361,150</u> | <u>897,864,420</u> |
| STOCKHOLDERS’ EQUITY | | |
| Common stock, \$1 par value, authorized 20,000,000 shares; issued and outstanding, 13,777,880 shares in 2007 and 13,741,663 shares in 2006. | 13,777,880 | 13,741,663 |
| Additional paid-in capital | 108,030,228 | 107,016,563 |
| Accumulated other comprehensive income | 42,961,904 | 24,934,903 |
| Retained earnings | <u>195,581,980</u> | <u>162,601,193</u> |
| Total stockholders’ equity | <u>360,351,992</u> | <u>308,294,322</u> |
| Total liabilities and stockholders’ equity | <u>\$ 1,202,713,142</u> | <u>\$ 1,206,158,742</u> |

NET WRITTEN PREMIUMS

| | Three Months Ended December 31, 2007 | | Twelve Months Ended December 31, 2007 | |
|---|--------------------------------------|--|---------------------------------------|--|
| | Percent of Net Written Premiums | Percent of Increase/(Decrease) in Net Written Premiums | Percent of Net Written Premiums | Percent of Increase/(Decrease) in Net Written Premiums |
| Property and Casualty Insurance | | | | |
| Commercial Lines: | | | | |
| Automobile | 17.9 % | 6.8 % | 18.3 % | 0.6 % |
| Liability | 17.4 % | 8.7 % | 18.3 % | 2.6 % |
| Property | 14.2 % | 2.1 % | 15.7 % | 0.3 % |
| Workers’ Compensation | 14.5 % | 13.8 % | 16.3 % | 5.6 % |
| Other | 2.2 % | 3.6 % | 2.1 % | (1.0) % |
| Total Commercial Lines | <u>66.2 %</u> | 7.6 % | <u>70.7 %</u> | 2.1 % |
| Personal Lines: | | | | |
| Automobile | 6.5 % | 1.1 % | 6.0 % | (3.6) % |
| Property | 5.5 % | 8.8 % | 5.1 % | (3.1) % |
| Liability | 0.1 % | 9.0 % | 0.2 % | 3.1 % |
| Total Personal Lines | <u>12.1 %</u> | 4.5 % | <u>11.3 %</u> | (3.3) % |
| Total Property and Casualty Insurance | <u>78.3 %</u> | 7.1 % | <u>82.0 %</u> | 1.3 % |
| Reinsurance | 21.7 % | (7.7) % | 18.0 % | 1.9 % ² |
| Total | <u>100.0 %</u> | 3.5 % | <u>100.0 %</u> | 1.4 % ² |