



**EMC INSURANCE GROUP INC. REPORTS  
2004 FOURTH QUARTER RESULTS AND DECLARES  
93<sup>RD</sup> CONSECUTIVE QUARTERLY DIVIDEND**

**FOR IMMEDIATE RELEASE**

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DES MOINES, Iowa (February 24, 2005) - EMC Insurance Group Inc. (Nasdaq/NM:EMCI) today reported an operating loss of \$0.02 per share for the fourth quarter ended December 31, 2004 compared to operating income of \$0.46 per share for the fourth quarter ended December 31, 2003<sup>1</sup>. Operating income for the year ended December 31, 2004 was \$0.87 per share compared to \$1.71 per share for the same period in 2003.

Net loss, including realized investment gains/losses, was \$489,000 (\$0.04 per share) for the fourth quarter ended December 31, 2004 compared to net income of \$6,091,000 (\$0.53 per share) for the fourth quarter ended December 31, 2003. Net income for the year ended December 31, 2004 totaled \$13,185,000 (\$1.10 per share) compared to \$20,349,000 (\$1.78 per share) for the same period in 2003.

As previously reported on February 11, 2005, fourth quarter results were significantly impacted by adverse development on prior years' reserves totaling \$15,419,000. The after tax impact of this adverse development was \$10,022,000 or \$0.76 per share. This adverse development represents approximately 3.8 percent of the total loss and settlement expense reserves carried at September 30, 2004.

"Our results for 2004 are disappointing," stated President and CEO Bruce G. Kelley. "We did not anticipate the large amount of adverse development that occurred in the fourth quarter and catastrophe and storm losses remained at an unusually high level due to the active hurricane season. However, our balance sheet is strong and we are well positioned for improved performance in 2005."

Premiums earned increased 7.6 percent to \$90,448,000 for the three months ended December 31, 2004 from \$84,053,000 for the same period in 2003. For the twelve months ended December 31, 2004, premiums earned increased 4.5 percent to \$345,478,000 from \$330,623,000 for the same period in 2003 with most of the increase being derived from earlier rate increases. Policy counts for commercial lines business declined approximately one percent in 2004, while personal lines business declined approximately ten percent; however, most of the decline in the personal lines was a result of efforts to enhance underwriting discipline. Management expects to achieve overall premium growth in 2005, but pricing opportunities are likely to be limited by increased levels of competition. Even so, rate increases continue to be implemented in the commercial liability, commercial property and workers' compensation lines of business as warranted. The size of these increases is determined by state and individual account experience, but tends to be more modest than in prior periods. Personal lines are experiencing increased competition, as well, but the extent of that competition varies by territory. Premium growth for 2005 will be directed toward profitable new business and will include an expansion of the medallion series, which targets specialty groups, and the safety dividend program, which targets large groups and associations. Other initiatives include diversifying the workers' compensation book of business, and heightened product and agency management. In addition, more competitive personal lines rates are being considered in those territories where current experience and recent studies suggest that business can be written profitably.

Catastrophe and storm losses generated a benefit of \$511,000 (\$0.03 per share after tax) in the fourth quarter of 2004 due to a decline in the reserve carried for Hurricane Jeanne in the reinsurance segment; however, this benefit was offset by a reinstatement premium of \$540,000 in the property and casualty insurance segment related to Hurricane Ivan. For the fourth quarter of 2003, catastrophe and storm losses amounted to \$811,000 (\$0.05 per share after tax). For the year ended December 31, 2004, catastrophe and storm losses amounted to \$18,492,000 (\$1.01 per share after tax) compared to \$20,942,000 (\$1.19 per share after tax) for the same period in 2003.

The Company's GAAP combined ratio was 110.8 percent in the fourth quarter of 2004 compared to 100.1 percent in the fourth quarter of 2003. For the year ended December 31, 2004, the GAAP combined ratio was 104.9 percent compared to 100.2 percent for the year ended December 31, 2003.

Net book value of the Company's stock as of December 31, 2004 was \$16.84 per share, an increase of 7.1 percent from \$15.72 per share at December 31, 2003.

The Board of Directors of EMC Insurance Group Inc. has declared a quarterly dividend of \$0.15 per share of common stock payable March 15, 2005 to shareholders of record as of March 8, 2005. This is the ninety-third consecutive quarterly dividend paid since EMC Insurance Group Inc. became a publicly held company in February 1982.

The Company will host an earnings call in conjunction with today's release. The teleconference begins at 12:30 p.m. central time today, February 24, 2005. Dial-in information for the call is toll-free 1-877-407-8290. The event will be archived and available for digital replay through February 25, 2006. The replay access information is toll-free 1-877-660-6853; account number 1628; conference ID number 136133.

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. For more information, visit our website [www.emcinsurance.com](http://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. When we use the words "believe," "expect," "anticipate," "estimate," or similar expressions, we intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements.

<sup>1</sup>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, we have 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.

## CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended December 31, 2004	Property and		Parent Company	Consolidated
	Casualty Insurance	Reinsurance		
<u>Revenues:</u>				
Premiums earned.....	\$ 63,125,910	\$ 27,321,991	\$ -	\$ 90,447,901
Investment income, net.....	5,394,344	2,576,052	107,115	8,077,511
Other income.....	122,914	-	-	122,914
	68,643,168	29,898,043	107,115	98,648,326
<u>Losses and expenses:</u>				
Losses and settlement expenses.....	59,663,037	9,842,983	-	69,506,020
Dividends to policyholders.....	1,487,442	-	-	1,487,442
Amortization of deferred policy acquisition costs.....	15,374,347	5,453,488	-	20,827,835
Other underwriting expenses.....	5,310,060	3,091,314	-	8,401,374
Interest expense.....	193,125	84,975	-	278,100
Other expenses.....	(84,639)	-	191,847	107,208
	81,943,372	18,472,760	191,847	100,607,979
Operating income (loss) before income taxes.....	(13,300,204)	11,425,283	(84,732)	(1,959,653)
Realized investment gain (loss).....	(256,662)	6,223	-	\$ (250,439)
Income (loss) before income taxes.....	(13,556,866)	11,431,506	(84,732)	(2,210,092)
<u>Income tax expense (benefit):</u>				
Current.....	(3,238,074)	3,287,635	(17,885)	31,676
Deferred.....	(2,202,494)	460,445	(10,911)	(1,752,960)
	(5,440,568)	3,748,080	(28,796)	(1,721,284)
Net income (loss).....	\$ (8,116,298)	\$ 7,683,426	\$ (55,936)	\$ (488,808)
Average shares outstanding.....				13,152,209
Earnings per share.....	\$ (0.62)	\$ 0.58	-	\$ (0.04)
GAAP Combined Ratio:				
Loss Ratio.....	94.5%	36.0%	-	76.8%
Expense Ratio.....	35.1%	31.3%	-	34.0%
	129.6%	67.3%	-	110.8%

Three Months Ended December 31, 2003	Property and		Parent Company	Consolidated
	Casualty Insurance	Reinsurance		
<u>Revenues:</u>				
Premiums earned.....	\$ 60,367,178	\$ 23,685,759	\$ -	\$ 84,052,937
Investment income, net.....	5,104,752	2,339,654	10,193	7,454,599
Other income.....	233,919	-	-	233,919
	65,705,849	26,025,413	10,193	91,741,455
<u>Losses and expenses:</u>				
Losses and settlement expenses	41,585,496	15,561,564	-	57,147,060
Dividends to policyholders.....	482,271	-	-	482,271
Amortization of deferred policy acquisition costs.....	14,086,732	5,042,552	-	19,129,284
Other underwriting expenses.....	5,760,342	1,646,034	-	7,406,376
Interest expense.....	193,125	84,975	-	278,100
Other expenses.....	233,112	-	127,559	360,671
	62,341,078	22,335,125	127,559	84,803,762
Operating income (loss) before income taxes.....	3,364,771	3,690,288	(117,366)	6,937,693
Realized investment gain (loss).....	1,197,607	(38,886)	-	1,158,721
Income (loss) before income taxes.....	4,562,378	3,651,402	(117,366)	8,096,414
<u>Income tax expense (benefit):</u>				
Current.....	1,084,112	1,075,587	161,639	2,321,338
Deferred.....	3,617	(116,972)	(202,718)	(316,073)
	1,087,729	958,615	(41,079)	2,005,265
Net income (loss).....	\$ 3,474,649	\$ 2,692,787	\$ (76,287)	\$ 6,091,149

Average shares outstanding.....				11,495,768
Earnings per share.....	\$ 0.30	\$ 0.23	\$ (0.01)	\$ 0.53
GAAP Combined Ratio:				
Loss Ratio.....	68.9%	65.7%	-	68.0%
Expense Ratio.....	33.7%	28.2%	-	32.1%
	<u>102.6%</u>	<u>93.9%</u>	<u>-</u>	<u>100.1%</u>

Year Ended December 31, 2004	Insurance	Reinsurance	Company	Consolidated
<b>Revenues:</b>				
Premiums earned.....	\$ 250,034,561	\$ 95,443,900	\$ -	\$ 345,478,461
Investment income, net.....	20,236,342	9,498,925	164,936	29,900,203
Other income.....	600,732	-	-	600,732
	<u>270,871,635</u>	<u>104,942,825</u>	<u>164,936</u>	<u>375,979,396</u>
<b>Losses and expenses:</b>				
Losses and settlement expenses.....	196,460,047	53,346,163	-	249,806,210
Dividends to policyholders.....	4,478,169	-	-	4,478,169
Amortization of deferred policy acquisition costs.....	55,746,217	19,698,620	-	75,444,837
Other underwriting expenses.....	25,612,121	7,171,565	-	32,783,686
Interest expense.....	772,500	339,900	-	1,112,400
Other expenses.....	495,783	-	666,628	1,162,411
	<u>283,564,837</u>	<u>80,556,248</u>	<u>666,628</u>	<u>364,787,713</u>
Operating income (loss) before income taxes.....	(12,693,202)	24,386,577	(501,692)	11,191,683
Realized investment gain (loss).....	3,270,862	1,108,452	-	4,379,314
Income (loss) before income taxes.....	<u>(9,422,340)</u>	<u>25,495,029</u>	<u>(501,692)</u>	<u>15,570,997</u>
<b>Income tax expense (benefit):</b>				
Current.....	(2,797,911)	7,748,202	(366,786)	4,583,505
Deferred.....	(2,508,701)	120,315	191,195	(2,197,191)
	<u>(5,306,612)</u>	<u>7,868,517</u>	<u>(175,591)</u>	<u>2,386,314</u>
Net income (loss).....	<u>\$ (4,115,728)</u>	<u>\$ 17,626,512</u>	<u>\$ (326,101)</u>	<u>\$ 13,184,683</u>
Average shares outstanding.....				11,948,710
<b>Per Share Data:</b>				
Net income per share - basic and diluted.....	\$ (0.34)	\$ 1.47	\$ (0.03)	\$ 1.10
Increase (decrease) in provision for insured events of prior years (after tax).....	\$ 1.29	\$ (0.19)	\$ -	\$ 1.10
Catastrophe and storm losses (after tax).....	\$ 0.74	\$ 0.27	\$ -	\$ 1.01
Dividends per share.....				\$ 0.60
Book value per share.....				\$ 16.84
Effective tax rate.....				15.3%
Net income (loss) as a percent of beg. SH equity.....				7.3%
<b>Other Information of Interest:</b>				
Increase (decrease) in provision for insured events of prior years.....	\$ 23,738,375	\$ (3,599,941)	\$ -	\$ 20,138,434
Catastrophe and storm losses.....	\$ 13,480,858	\$ 5,010,673	\$ -	\$ 18,491,531
<b>GAAP Combined Ratio:</b>				
Loss Ratio.....	78.6%	55.9%	-	72.3%
Expense Ratio.....	34.3%	28.1%	-	32.6%
	<u>112.9%</u>	<u>84.0%</u>	<u>-</u>	<u>104.9%</u>

Year Ended December 31, 2003	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
<b>Revenues:</b>				
Premiums earned.....	\$ 241,237,313	\$ 89,385,497	\$ -	\$ 330,622,810
Investment income, net.....	20,724,017	8,948,076	30,368	29,702,461
Other income.....	862,070	-	-	862,070
	<u>262,823,400</u>	<u>98,333,573</u>	<u>30,368</u>	<u>361,187,341</u>
<b>Losses and settlement expenses:</b>				
Losses and settlement expenses.....	168,238,623	58,265,927	-	226,504,550
Dividends to policyholders.....	3,011,433	-	-	3,011,433

<u>Losses and expenses:</u>				
Losses and settlement expenses.....	168,238,623	58,265,927	-	226,504,550
Dividends to policyholders.....	3,011,433	-	-	3,011,433
Amortization of deferred policy acquisition costs.....	52,932,215	19,027,017	-	71,959,232
Other underwriting expenses.....	24,548,745	5,376,197	-	29,924,942
Interest expense.....	919,362	400,904	-	1,320,266
Other expenses.....	1,044,757	-	609,563	1,654,320
	<u>250,695,135</u>	<u>83,070,045</u>	<u>609,563</u>	<u>334,374,743</u>
Operating income (loss) before income taxes.....	<u>12,128,265</u>	<u>15,263,528</u>	<u>(579,195)</u>	<u>26,812,598</u>
Realized investment gain (loss).....	<u>1,312,252</u>	<u>(142,554)</u>	<u>-</u>	<u>1,169,698</u>
Income (loss) before income taxes.....	<u>13,440,517</u>	<u>15,120,974</u>	<u>(579,195)</u>	<u>27,982,296</u>
<u>Income tax expense (benefit):</u>				
Current.....	3,822,652	4,512,987	742	8,336,381
Deferred.....	(610,411)	103,877	(196,674)	(703,208)
	<u>3,212,241</u>	<u>4,616,864</u>	<u>(195,932)</u>	<u>7,633,173</u>
Net income (loss).....	<u>\$ 10,228,276</u>	<u>\$ 10,504,110</u>	<u>\$ (383,263)</u>	<u>\$ 20,349,123</u>
Average shares outstanding.....				11,453,324
<u>Per Share Data:</u>				
Net income per share - basic and diluted.....	\$ 0.89	\$ 0.92	\$ (0.03)	\$ 1.78
Increase (decrease) in provision for insured events of prior years (after tax).....	\$ 0.51	\$ (0.09)	\$ -	\$ 0.42
Catastrophe and storm losses (after tax).....	\$ 1.00	\$ 0.19	\$ -	\$ 1.19
Dividends per share.....				\$ 0.60
Book value per share.....				\$ 15.72
Effective tax rate.....				27.3%
Net income (loss) as a percent of beg. SH equity.....				12.9%
<u>Other Information of Interest:</u>				
Increase (decrease) in provision for insured events of prior years.....	\$ 9,014,984	\$ (1,538,670)	\$ -	\$ 7,476,314
Catastrophe and storm losses.....	\$ 17,530,848	\$ 3,411,363	\$ -	\$ 20,942,211
<u>GAAP Combined Ratio:</u>				
Loss Ratio.....	69.7%	65.2%	-	68.5%
Expense Ratio.....	33.4%	27.3%	-	31.7%
	<u>103.1%</u>	<u>92.5%</u>		<u>100.2%</u>

## CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2003
<b>ASSETS</b>		
Investments:		
Fixed maturities:		
Securities held -to-maturity, at amortized cost (fair value \$16,908,726 and \$21,167,655).....	\$ 15,895,607	\$ 19,423,013
Securities available-for-sale, at fair value (amortized cost \$541,401,950 and \$382,326,388).....	565,000,931	405,758,798
Fixed maturity securities on loan:		
Securities held-to-maturity, at amortized cost (fair value \$13,684,880 and \$32,686,769).....	13,310,264	30,422,335
Securities available-for-sale, at fair value (amortized cost \$54,389,046 and \$117,184,150).....	54,653,472	118,026,960
Equity securities available-for-sale, at fair value (cost \$59,589,434 and \$38,998,075).....	78,692,893	49,008,498
Other long-term investments, at cost.....	5,550,093	4,758,019
Short-term investments, at cost.....	46,238,853	63,568,064
Total investments.....	<u>779,342,113</u>	<u>690,965,687</u>

Balances resulting from related party transactions with Employers Mutual:		
Reinsurance receivables.....	26,316,358	15,861,754
Prepaid reinsurance premiums.....	3,682,676	3,297,228
Intangible asset, defined benefit retirement plan.....	-	1,016,492
Prepaid asset, defined benefit retirement plan.....	2,684,463	-
Other assets.....	1,877,564	1,857,284
Cash.....	61,088	(14,069,102)
Accrued investment income.....	8,726,292	7,821,652
Accounts receivable (net of allowance for uncollectible accounts of \$0 and \$0).....	216,836	379,423
Income taxes recoverable.....	3,399,485	-
Deferred policy acquisition costs.....	27,940,583	26,737,784
Deferred income taxes.....	9,504,193	10,345,429
Goodwill, at cost less accumulated amortization of \$2,616,234 and \$2,616,234.....	941,586	941,586
Securities lending collateral.....	70,122,695	154,556,758
<b>Total assets.....</b>	<b>\$ 934,815,932</b>	<b>\$ 899,711,975</b>

#### LIABILITIES

Balances resulting from related party transactions with Employers Mutual:		
Losses and settlement expenses.....	\$ 429,677,302	\$ 367,923,881
Unearned premiums.....	131,589,365	124,832,607
Other policyholders' funds.....	2,825,809	1,390,594
Surplus notes payable.....	36,000,000	36,000,000
Indebtedness to related party.....	6,058,848	2,175,118
Employee retirement plans.....	9,764,406	9,965,600
Other liabilities.....	20,304,475	19,336,366
Income taxes payable.....	-	2,780,500
Securities lending obligation.....	70,122,695	154,556,758
<b>Total liabilities.....</b>	<b>706,342,900</b>	<b>718,961,424</b>

#### STOCKHOLDERS' EQUITY

Common stock, \$1 par value, authorized 20,000,000 shares; issued and outstanding 13,568,945 shares in 2004 and 11,501,065 shares in 2003.....		
	13,568,945	11,501,065
Additional paid-in capital.....	103,467,293	69,113,228
Accumulated other comprehensive income.....	27,928,463	22,285,668
Retained earnings.....	83,508,331	77,850,590
Total stockholders' equity.....	228,473,032	180,750,551
<b>Total liabilities and stockholders' equity.....</b>	<b>\$ 934,815,932</b>	<b>\$ 899,711,975</b>