

EMC INSURANCE GROUP INC. REPORTS
2005 SECOND QUARTER RESULTS

Second Quarter 2005

Net Income Per Share -- \$0.38

Net Operating Income Per Share -- \$0.34

GAAP Combined Ratio – 103.9%

DES MOINES, Iowa (July 28, 2005) - EMC Insurance Group Inc. (Nasdaq/NM:EMCI) today reported operating income of \$0.34 per share for the second quarter ended June 30, 2005 compared to operating income of \$0.12 per share for the second quarter of 2004¹. Operating income for the six months ended June 30, 2005 was \$1.08 per share compared to \$0.82 per share for the same period in 2004.

Net income, including realized investment gains/losses, was \$5,161,000 (\$0.38 per share) for the second quarter of 2005 compared to \$3,466,000 (\$0.30 per share) for the second quarter of 2004. Net income for the six months ended June 30, 2005 was \$15,663,000 (\$1.15 per share) compared to \$11,815,000 (\$1.02 per share) for the same period in 2004. Results for the second quarter of 2004 include \$2,558,000 (\$1,663,000 or \$0.14 per share after tax) of realized gains associated with a bankruptcy payout award for bonds issued by MCI Communications Corporation.

“The results reported for the first six months of 2005 are encouraging,” stated President and CEO Bruce G. Kelley. “The actions we took in 2004 to strengthen our reserves and improve our book of business have produced solid results for the first six months of 2005 and we look forward to continued success in the second half of the year.”

Premiums earned increased 24.1 percent to \$104,202,000 for the three months ended June 30, 2005 from \$83,984,000 for the same period in 2004. For the six months ended June 30, 2005, premiums earned increased 22.7 percent to \$205,496,000 from \$167,443,000 for the same period in 2004. The majority of these increases are attributed to a 6.5 percentage point increase in the Company’s aggregate participation interest in the EMC Insurance Companies pooling arrangement that became effective January 1, 2005. As a result of this increase, the Company’s aggregate participation in the pooling arrangement increased from 23.5 percent to 30.0 percent. The increase in premiums earned also reflects the impact of rate increases that were implemented in the property and casualty insurance business during 2004. On an overall basis, rate competition increased moderately in the property and casualty insurance marketplace during the first six months of 2005; however, there have been indications of more intense rate competition in select territories and lines of business and the Company expects market conditions to remain competitive for the remainder of the year. The Company will continue to implement rate increases in those lines of business and/or territories where such action is warranted, but the overall level of these rate increases is expected to be smaller than those implemented during 2004.

Investment income increased 48.6 percent to \$10,201,000 for the three months and 35.3 percent to \$19,132,000 for the six months ended June 30, 2005 from \$6,866,000 and \$14,140,000 for the same periods in 2004. These increases are primarily attributed to additional interest income earned on \$107,801,000 of cash received from Employers Mutual Casualty Company in the first quarter of 2005 in connection with the change in the pooling arrangement and the \$34,890,000 of net proceeds received in October 2004 from the Company’s follow-on stock offering.

The Company experienced \$2,051,000 (\$1,333,000 or \$0.10 per share after tax) of adverse development on prior years' reserves during the second quarter of 2005. For the second quarter of 2004, adverse development on prior years' reserves totaled \$5,997,000 (\$3,898,000 or \$0.34 per share after tax) and included \$2,940,000 (\$1,910,000 or \$0.17 per share after tax) of bulk loss and settlement expense reserves. For the first six months of 2005, the Company had favorable development on prior years' reserves of \$3,836,000 (\$2,493,000 or \$0.18 per share after tax) compared to adverse development of \$2,207,000 (\$1,435,000 or \$0.12 per share after tax) for the same period in 2004.

Catastrophe and storm losses declined to \$5,980,000 (\$0.29 per share after tax) in the second quarter of 2005 from \$7,197,000 (\$0.40 per share after tax) in the second quarter of 2004. For the first six months of 2005, catastrophe and storm losses totaled \$8,606,000 (\$0.41 per share after tax) compared to \$8,212,000 (\$0.46 per share after tax) for the same period in 2004.

The Company's GAAP combined ratio was 103.9 percent in the second quarter of 2005 compared to 107.0 percent in the second quarter of 2004. For the first six months of 2005, the GAAP combined ratio was 99.3 percent compared to 100.4 percent for the same period in 2004.

At June 30, 2005, consolidated assets totaled \$1.1 billion, including \$0.9 billion in the investment portfolio; stockholders' equity was \$243.3 million; and net book value of the Company's stock was \$17.88 per share, an increase of 6.2 percent from \$16.84 per share at December 31, 2004.

Operating results for the first six months of 2005 are in line with expectations and management has reaffirmed its 2005 operating earnings guidance of \$2.15 to \$2.40 per share.

The Company will host an earnings call in conjunction with today's release. The teleconference will begin at 10:00 a.m. eastern daylight time, July 28, 2005. Dial-in information for the call is toll-free 1-877-407-9205. The event will be archived and available for digital replay through August 4, 2005. The replay access information is toll-free 1-877-660-6853; account number 286; conference ID number 161277. A webcast of the teleconference will be presented by Vcall and can be accessed at www.Vcall.com or from the Company's investor relations page at www.emcinsurance.com. The archived webcast will be available for one year. 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. 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. When the Company uses the words "believe", "expect", "anticipate", "estimate", or similar expressions, it intends to identify forward-looking statements. You should not place undue reliance on these forward-looking statements.

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.

CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED

Quarter Ended June 30, 2005	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned.....	\$81,177,327	\$23,024,882	\$ -	\$ 104,202,209
Investment income, net.....	7,488,089	2,665,174	47,274	10,200,537
Other income.....	147,574	-	-	147,574
	<u>88,812,990</u>	<u>25,690,056</u>	<u>47,274</u>	<u>114,550,320</u>
Losses and expenses				
Losses and settlement expenses.....	59,118,497	14,425,179	-	73,543,676
Dividends to policyholders.....	791,213	-	-	791,213
Amortization of deferred policy acquisition costs.....	18,480,589	5,240,661	-	23,721,250
Other underwriting expenses.....	8,522,304	1,669,381	-	10,191,685
Interest expense.....	193,125	84,975	-	278,100
Other expenses.....	247,520	-	260,870	508,390
	<u>87,353,248</u>	<u>21,420,196</u>	<u>260,870</u>	<u>109,034,314</u>
Operating income (loss) before income taxes.....	<u>1,459,742</u>	<u>4,269,860</u>	<u>(213,596)</u>	<u>5,516,006</u>
Realized investment gains.....	811,547	21,690	-	833,237
Income (loss) before income taxes.....	<u>2,271,289</u>	<u>4,291,550</u>	<u>(213,596)</u>	<u>6,349,243</u>
Income tax expense (benefit)				
Current.....	661,538	1,220,664	(74,758)	1,807,444
Deferred.....	(550,715)	(68,144)	-	(618,859)
	<u>110,823</u>	<u>1,152,520</u>	<u>(74,758)</u>	<u>1,188,585</u>
Net income (loss).....	<u>\$ 2,160,466</u>	<u>\$ 3,139,030</u>	<u>\$ (138,838)</u>	<u>\$ 5,160,658</u>
Average shares outstanding.....				13,602,194
Per Share Data:				
Net income per share - basic and diluted.....	\$ 0.16	\$ 0.23	\$ (0.01)	\$ 0.38
(Increase) decrease in provision for insured events of prior years (after tax).....	\$ (0.12)	\$ 0.02	\$ -	\$ (0.10)
Catastrophe and storm losses (after tax).....	\$ (0.28)	\$ (0.01)	\$ -	\$ (0.29)
Dividends per share.....				\$ 0.15
Other Information of Interest:				
Increase (decrease) in provision for insured events of prior years.....	\$ 2,490,160	\$ (439,415)	\$ -	\$ 2,050,745
Catastrophe and storm losses.....	\$ 5,776,404	\$ 204,086	\$ -	\$ 5,980,490
GAAP Combined Ratio:				
Loss ratio.....	72.8%	62.7%	-	70.6%
Expense ratio.....	34.3%	30.0%	-	33.3%
	<u>107.1%</u>	<u>92.7%</u>	<u>-</u>	<u>103.9%</u>

Quarter Ended June 30, 2004	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned.....	\$62,209,091	\$21,775,196	\$ -	\$ 83,984,287
Investment income, net.....	4,554,410	2,297,481	13,772	6,865,663
Other income.....	265,112	-	-	265,112
	<u>67,028,613</u>	<u>24,072,677</u>	<u>13,772</u>	<u>91,115,062</u>
Losses and expenses				
Losses and settlement expenses.....	48,475,198	15,172,251	-	63,647,449
Dividends to policyholders.....	1,095,581	-	-	1,095,581
Amortization of deferred policy acquisition costs.....	13,354,823	4,545,473	-	17,900,296
Other underwriting expenses.....	7,344,098	(164,550)	-	7,179,548
Interest expense.....	193,125	84,975	-	278,100
Other expenses.....	228,066	-	191,151	419,217
	<u>70,690,891</u>	<u>19,638,149</u>	<u>191,151</u>	<u>90,520,191</u>
Operating income (loss) before income taxes.....	<u>(3,662,278)</u>	<u>4,434,528</u>	<u>(177,379)</u>	<u>594,871</u>
Realized investment gains.....	2,452,066	729,042	-	3,181,108

Income (loss) before income taxes.....	(1,210,212)	5,163,570	(177,379)	3,775,979
Income tax expense (benefit):				
Current.....	(1,153,952)	1,717,095	(60,889)	502,254
Deferred.....	7,927	(198,944)	(1,194)	(192,211)
	(1,146,025)	1,518,151	(62,083)	310,043
Net income (loss).....	\$ (64,187)	\$ 3,645,419	\$ (115,296)	\$ 3,465,936
Average shares outstanding.....				11,558,120
Per Share Data:				
Net income per share - basic and diluted.....	\$ (0.01)	\$ 0.32	\$ (0.01)	\$ 0.30
(Increase) decrease in provision for insured events of prior years (after tax).....	\$ (0.40)	\$ 0.06	\$ -	\$ (0.34)
Catastrophe and storm losses (after tax).....	\$ (0.39)	\$ (0.01)	\$ -	\$ (0.40)
Dividends per share.....				\$ 0.15
Other Information of Interest:				
Increase (decrease) in provision for insured events of prior years.....	\$ 7,114,003	\$ (1,117,152)	\$ -	\$ 5,996,851
Catastrophe and storm losses.....	\$ 7,031,774	\$ 165,198	\$ -	\$ 7,196,972
GAAP Combined Ratio:				
Loss ratio.....	77.9%	69.7%	-	75.8%
Expense ratio.....	35.1%	20.1%	-	31.2%
	113.0%	89.8%	-	107.0%

Six Months Ended June 30, 2005	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned.....	\$160,895,599	\$44,600,680	\$ -	\$ 205,496,279
Investment income, net.....	13,829,570	5,160,451	142,226	19,132,247
Other income.....	243,670	-	-	243,670
	174,968,839	49,761,131	142,226	224,872,196
Losses and expenses				
Losses and settlement expenses.....	106,249,408	30,137,276	-	136,386,684
Dividends to policyholders.....	2,342,072	-	-	2,342,072
Amortization of deferred policy acquisition costs.....	36,695,579	9,512,382	-	46,207,961
Other underwriting expenses.....	16,139,342	2,952,419	-	19,091,761
Interest expense.....	386,250	169,950	-	556,200
Other expenses.....	418,849	-	495,671	914,520
	162,231,500	42,772,027	495,671	205,499,198
Operating income (loss) before income taxes.....	12,737,339	6,989,104	(353,445)	19,372,998
Realized investment gains (losses).....	1,678,661	(116,982)	-	1,561,679
Income (loss) before income taxes.....	14,416,000	6,872,122	(353,445)	20,934,677
Income tax expense (benefit)				
Current.....	6,087,704	1,341,972	(143,839)	7,285,837
Deferred.....	(2,406,737)	373,337	18,986	(2,014,414)
	3,680,967	1,715,309	(124,853)	5,271,423
Net income (loss).....	\$ 10,735,033	\$ 5,156,813	\$ (228,592)	\$ 15,663,254
Average shares outstanding.....				13,593,652
Per Share Data:				
Net income per share - basic and diluted.....	\$ 0.79	\$ 0.38	\$ (0.02)	\$ 1.15
(Increase) decrease in provision for insured events of prior years (after tax).....	\$ 0.19	\$ (0.01)	\$ -	\$ 0.18
Catastrophe and storm losses (after tax).....	\$ (0.36)	\$ (0.05)	\$ -	\$ (0.41)
Dividends per share.....				\$ 0.30
Book value per share.....				\$ 17.88
Effective tax rate.....				25.2%
Net income as a percent of beg. SH equity (annualized).....				13.7%
Other Information of Interest:				
Increase (decrease) in provision for insured events of prior years.....	\$ (4,102,933)	\$ 267,355	\$ -	\$ (3,835,578)
Catastrophe and storm losses.....	\$ 7,540,121	\$ 1,065,671	\$ -	\$ 8,605,792

GAAP Combined Ratio:

Loss ratio.....	66.0%	67.6%	-	66.4%
Expense ratio.....	34.3%	27.9%	-	32.9%
	<u>100.3%</u>	<u>95.5%</u>	<u>-</u>	<u>99.3%</u>

Six Months Ended June 30, 2004	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned.....	\$123,569,319	\$43,873,250	\$ -	\$ 167,442,569
Investment income, net.....	9,520,781	4,592,964	25,895	14,139,640
Other income.....	341,591	-	-	341,591
	<u>133,431,691</u>	<u>48,466,214</u>	<u>25,895</u>	<u>181,923,800</u>
Losses and expenses				
Losses and settlement expenses.....	84,870,340	29,738,286	-	114,608,626
Dividends to policyholders.....	1,863,623	-	-	1,863,623
Amortization of deferred policy acquisition costs.....	27,194,581	9,125,242	-	36,319,823
Other underwriting expenses.....	13,661,035	1,613,834	-	15,274,869
Interest expense.....	386,250	169,950	-	556,200
Other expenses.....	408,463	-	334,492	742,955
	<u>128,384,292</u>	<u>40,647,312</u>	<u>334,492</u>	<u>169,366,096</u>
Operating income (loss) before income taxes.....	<u>5,047,399</u>	<u>7,818,902</u>	<u>(308,597)</u>	<u>12,557,704</u>
Realized investment gains.....	<u>2,742,033</u>	<u>839,602</u>	<u>-</u>	<u>3,581,635</u>
Income (loss) before income taxes.....	<u>7,789,432</u>	<u>8,658,504</u>	<u>(308,597)</u>	<u>16,139,339</u>
Income tax expense (benefit)				
Current.....	2,121,530	2,504,246	(313,038)	4,312,738
Deferred.....	(260,946)	67,486	205,030	11,570
	<u>1,860,584</u>	<u>2,571,732</u>	<u>(108,008)</u>	<u>4,324,308</u>
Net income (loss).....	<u>\$ 5,928,848</u>	<u>\$ 6,086,772</u>	<u>\$ (200,589)</u>	<u>\$ 11,815,031</u>
Average shares outstanding.....				11,540,381
Per Share Data:				
Net income per share - basic and diluted.....	\$ 0.51	\$ 0.53	\$ (0.02)	\$ 1.02
(Increase) decrease in provision for insured events of prior years (after tax).....	\$ (0.20)	\$ 0.08	\$ -	\$ (0.12)
Catastrophe and storm losses (after tax).....	\$ (0.44)	\$ (0.02)	\$ -	\$ (0.46)
Dividends per share.....				\$ 0.30
Book value per share.....				\$ 15.81
Effective tax rate.....				26.8%
Net income as a percent of beg. SH equity (annualized).....				13.1%
Other Information of Interest:				
Increase (decrease) in provision for insured events of prior years.....	\$ 3,689,100	\$ (1,481,900)	\$ -	\$ 2,207,200
Catastrophe and storm losses.....	\$ 7,901,948	\$ 309,741	\$ -	\$ 8,211,689
GAAP Combined Ratio:				
Loss ratio.....	68.7%	67.8%	-	68.4%
Expense ratio.....	34.6%	24.5%	-	32.0%
	<u>103.3%</u>	<u>92.3%</u>	<u>-</u>	<u>100.4%</u>