

**EMC INSURANCE GROUP INC. REPORTS**  
**2005 THIRD QUARTER RESULTS**

**Third Quarter 2005**

**Net Income Per Share -- \$0.61**

**Net Operating Income Per Share -- \$0.56**

**GAAP Combined Ratio – 100.1%**

DES MOINES, Iowa (October 27, 2005) - EMC Insurance Group Inc. (Nasdaq/NM:EMCI) today reported record third quarter operating income of \$0.56 per share for the quarter ended September 30, 2005 compared to operating income of \$0.10 per share for the third quarter of 2004<sup>1</sup>. Operating income for the nine months ended September 30, 2005 was \$1.63 per share compared to \$0.92 per share for the same period in 2004.

Net income, including realized investment gains/losses, was \$8,329,000 (\$0.61 per share) for the third quarter of 2005 compared to \$1,858,000 (\$0.16 per share) for the third quarter of 2004. Net income for the nine months ended September 30, 2005 was \$23,992,000 (\$1.76 per share) compared to \$13,673,000 (\$1.18 per share) for the same period in 2004.

“Though I am pleased to report record third quarter earnings, this achievement is overshadowed by the death and destruction caused by Hurricanes Katrina and Rita,” stated President and CEO Bruce G. Kelley. “These devastating acts of nature will have a long-term, and perhaps permanent, impact on the lives of countless numbers of Americans and we extend our deepest sympathy to them.”

Premiums earned increased 18.1 percent to \$103,414,000 for the three months ended September 30, 2005 from \$87,588,000 for the same period in 2004. For the nine months ended September 30, 2005, premiums earned increased 21.1 percent to \$308,911,000 from \$255,031,000 for the same period in 2004. These increases are primarily attributed to the 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 continued to increase moderately in the property and casualty insurance marketplace during the first nine months of 2005; however, there have been indications of more intense rate competition in select territories and lines of business. Market conditions are expected to remain competitive for the remainder of the year, but some price firming is likely in certain lines of business and regions of the country due to the severe hurricane season.

Investment income increased 37.6 percent to \$10,573,000 for the three months and 36.1 percent to \$29,705,000 for the nine months ended September 30, 2005 from \$7,683,000 and \$21,823,000 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 \$5,113,000 (\$0.24 per share after tax) of favorable development on prior years’ reserves during the third quarter of 2005 compared to adverse development of \$2,512,000 (\$0.14 per share after tax) in the third quarter of 2004. For the first nine months of 2005, the Company had favorable development on prior years’ reserves of \$8,948,000 (\$0.43 per share after tax) compared to adverse development of \$4,719,000 (\$0.27 per

share after tax) for the same period in 2004. The adverse development for the first nine months of 2004 includes \$3,528,000 (\$0.20 per share after tax) of bulk loss and settlement expense reserves that were established as a result of actuarial evaluations of the carried reserves in the property and casualty insurance segment.

Catastrophe and storm losses increased 33.5 percent to \$14,402,000 (\$0.69 per share after tax) in the third quarter of 2005 from \$10,790,000 (\$0.61 per share after tax) in the third quarter of 2004. For the first nine months of 2005, catastrophe and storm losses totaled \$23,008,000 (\$1.10 per share after tax) compared to \$19,002,000 (\$1.07 per share after tax) for the same period in 2004. Total losses attributable to Hurricanes Katrina and Rita, including the effect of reinsurance reinstatement premiums and related commissions, amounted to \$9,000,000 (\$0.43 per share after tax).

The Company's GAAP combined ratio was 100.1 percent in the third quarter of 2005 compared to 107.6 percent in the third quarter of 2004. For the first nine months of 2005, the GAAP combined ratio was 99.6 percent compared to 102.8 percent for the same period in 2004.

At September 30, 2005, consolidated assets totaled \$1.1 billion, including \$0.9 billion in the investment portfolio; stockholders' equity was \$246.1 million; and net book value of the Company's stock was \$18.07 per share, an increase of 7.3 percent from \$16.84 per share at December 31, 2004.

Management lowered its 2005 operating earnings guidance to a range of \$1.95 per share to \$2.10 per share on October 11, 2005 as a result of the significant amount of catastrophe losses experienced during the third quarter. Based on current information, management reaffirms this revised guidance.

The Company will host an earnings call on October 27, 2005. The teleconference will begin at 10:00 a.m. eastern time. Dial-in information for the call is toll-free 1-800-638-4930, passcode number 91828740. The event will be archived and available for digital replay through November 3, 2005. The replay access information is toll-free 1-888-286-8010; passcode number 31183790. A webcast of the teleconference will be presented by Thomson Financial and can be accessed at <http://my.ccbn.com> or from the Company's investor relations page at [www.emcinsurance.com](http://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](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 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.