



## **EMC INSURANCE GROUP INC. REPORTS RECORD 2005 RESULTS**

### **FOR IMMEDIATE RELEASE**

Contact: Anita Novak (Investors)  
515-280-2515  
Lisa Hamilton (Media)  
515-362-7589  
717 Mulberry Street  
Des Moines, IA 50309

#### **Fourth Quarter 2005**

**Net Income Per Share -- \$1.40**

**Net Operating Income Per Share -- \$1.34**

**GAAP Combined Ratio – 84.7 percent**

#### **Twelve Month Period Ending December 31, 2005**

**Net Income Per Share -- \$3.16**

**Net Operating Income Per Share -- \$2.98**

**GAAP Combined Ratio – 95.7 percent**

DES MOINES, Iowa (February 23, 2006) - EMC Insurance Group Inc. (Nasdaq/NM:EMCI) today reported record fourth quarter operating income of \$1.34 per share for the quarter ended December 31, 2005, compared to an operating loss of \$0.02 per share for the fourth quarter of 2004<sup>1</sup>. Operating income for the year ended December 31, 2005 was a record \$2.98 per share, compared to \$0.87 per share for the same period in 2004.

Net income, including realized investment gains/losses, was \$19,017,000 (\$1.40 per share) for the fourth quarter of 2005 compared to a net loss of \$489,000 (\$0.04 per share) for the fourth quarter of 2004. Net income for the year ended December 31, 2005 was \$43,009,000 (\$3.16 per share) compared to \$13,185,000 (\$1.10 per share) for the same period in 2004.

“2005 was an outstanding year for EMC Insurance Group Inc.,” stated President and CEO Bruce G. Kelley. “Our underlying book of business performed very well and we were able to mitigate our hurricane losses through a properly structured reinsurance program. We credit our success to strategic planning and strong relationships with our agency partners.”

Premiums earned increased 18.0 percent to \$106,714,000 for the three months ended December 31, 2005 from \$90,448,000 for the same period in 2004. For the year ended December 31, 2005, premiums earned increased 20.3 percent to \$415,625,000 from \$345,478,000 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 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 2005; however, there were indications of more intense rate competition in select territories and lines of business. Market conditions are expected to remain competitive in 2006, but there will

likely be price firming in certain lines of business and regions of the country that have hurricane exposures. Rate competition in the Midwestern states, where the Company does most of its business, is expected to intensify somewhat in 2006 as insurance companies attempt to reduce their coastal exposures and replace that business with non-coastal exposures.

Investment income increased 36.1 percent to \$10,991,000 for the fourth quarter and 36.1 percent to \$40,696,000 for the year ended December 31, 2005 from \$8,078,000 and \$29,900,000 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.

The Company experienced \$6,460,000 (\$0.31 per share after tax) of favorable development on prior years' reserves during the fourth quarter of 2005 compared to adverse development of \$15,419,000 (\$0.76 per share after tax) in the fourth quarter of 2004. For the year ended December 31, 2005, the Company had favorable development on prior years' reserves of \$15,408,000 (\$0.74 per share after tax) compared to adverse development of \$20,138,000 (\$1.10 per share after tax) for the same period in 2004. The large amount of adverse development experienced in the fourth quarter of 2004 was caused by a significant, but unanticipated, increase in case reserves in the property and casualty insurance segment that was precipitated by a heightened emphasis on case reserve adequacy.

“Carried loss and settlement expense reserves are toward the high end of the range of actuarial indications at December 31, 2005, very similar to our position at year-end 2004,” stated President and CEO Bruce G. Kelley. “The favorable development on prior years' reserves during 2005 provides confirming evidence of our strong reserve position, and all of our analysis supports the conclusion that newly reported claims continue to be reserved at high levels of adequacy.”

Catastrophe and storm losses, primarily associated with Hurricane Wilma, amounted to \$1,374,000 (\$0.07 per share after tax) in the fourth quarter of 2005 compared to a benefit of \$511,000 (\$0.03 per share after tax) in the fourth quarter of 2004. For the year ended December 31, 2005, catastrophe and storm losses totaled \$24,382,000 (\$1.16 per share after tax) compared to \$18,492,000 (\$1.01 per share after tax) for the same period in 2004. Total losses attributable to Hurricanes Katrina, Rita, and Wilma, including the effect of reinsurance reinstatement premiums and related commissions, amounted to \$10,616,000 (\$0.51 per share after tax).

The Company's GAAP combined ratio was 84.7 percent in the fourth quarter of 2005 compared to 110.8 percent in the fourth quarter of 2004. For the year ended December 31, 2005, the GAAP combined ratio was 95.7 percent compared to 104.9 percent for the same period in 2004.

At December 31, 2005, consolidated assets totaled \$1.1 billion, including \$949.8 million in the investment portfolio; stockholders' equity was \$261.9 million; and net book value of the Company's stock was \$19.20 per share, an increase of 14.0 percent from \$16.84 per share at December 31, 2004.

On January 26, 2006, management announced that it expects 2006 operating income to be within a range of \$2.25 per share and \$2.50 per share. This estimate is based on the anticipation of continued competition for good business in the property and casualty insurance segment and a decline in earnings from our reinsurance segment due

to the previously announced changes to the quota share agreement and our reduced participation in the Mutual Reinsurance Bureau (MRB) pool. Management reaffirms this estimate.

The Company will hold an earnings teleconference call at 11:00 a.m. eastern standard time on February 23, 2006 to allow securities analysts, shareholders and other interested parties the opportunity to hear management discuss the Company's quarterly and year end 2005 results as well as its expectations for 2006. Dial-in information for the call is toll-free 1-866-825-3354; passcode 53968912. The event will be archived and available for digital replay through March 2, 2006. The replay access information is toll-free 1-888-286-8010; passcode 92317275.

Members of the news media, investors and the general public are invited to access a live webcast of the conference call via the Company's investor relations page at [www.emcinsurance.com](http://www.emcinsurance.com) or at [www.thomsonone.com](http://www.thomsonone.com). The webcast will be archived and available for replay until February 22, 2007. 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.

<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, 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**

Quarter Ended December 31, 2005	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
<b>Revenues:</b>				
Premiums earned .....	\$ 80,458,573	\$ 26,255,605	\$ -	\$ 106,714,178
Investment income, net .....	8,146,294	2,816,648	27,836	10,990,778
Other income .....	263,154	-	-	263,154
	<u>88,868,021</u>	<u>29,072,253</u>	<u>27,836</u>	<u>117,968,110</u>
<b>Losses and expenses</b>				
Losses and settlement expenses .....	37,952,070	13,997,001	-	51,949,071
Dividends to policyholders .....	2,783,798	-	-	2,783,798
Amortization of deferred policy acquisition costs .....	19,061,611	5,581,998	-	24,643,609
Other underwriting expenses .....	9,567,112	1,461,949	-	11,029,061
Interest expense .....	193,125	84,975	-	278,100
Other expenses .....	211,179	-	196,900	408,079
	<u>69,768,895</u>	<u>21,125,923</u>	<u>196,900</u>	<u>91,091,718</u>
Operating income (loss) before income taxes .....	<u>19,099,126</u>	<u>7,946,330</u>	<u>(169,064)</u>	<u>26,876,392</u>
Realized investment gains (losses) .....	<u>1,005,949</u>	<u>87,213</u>	<u>(5,625)</u>	<u>1,087,537</u>
Income (loss) before income taxes .....	<u>20,105,075</u>	<u>8,033,543</u>	<u>(174,689)</u>	<u>27,963,929</u>
<b>Income tax expense (benefit)</b>				
Current .....	7,089,272	1,885,103	(61,142)	8,913,233
Deferred .....	(544,493)	578,119	-	33,626
	<u>6,544,779</u>	<u>2,463,222</u>	<u>(61,142)</u>	<u>8,946,859</u>
Net income (loss) .....	<u>\$ 13,560,296</u>	<u>\$ 5,570,321</u>	<u>\$ (113,547)</u>	<u>\$ 19,017,070</u>
Average shares outstanding .....				13,627,946
<b>Per Share Data:</b>				
Net income (loss) per share - basic and diluted .....	\$ 1.00	\$ 0.41	\$ (0.01)	\$ 1.40
Decrease in provision for				
insured events of prior years (after tax) .....	\$ 0.28	\$ 0.03	\$ -	\$ 0.31
Catastrophe and storm losses (after tax) .....	\$ -	\$ (0.07)	\$ -	\$ (0.07)
Dividends per share .....				\$ 0.16
<b>Other Information of Interest:</b>				
Written Premium .....	\$ 64,664,586	\$ 25,688,180	\$ -	\$ 90,352,766
Decrease in provision for				
insured events of prior years .....	\$ (5,932,452)	\$ (527,061)	\$ -	\$ (6,459,513)
Catastrophe and storm losses .....	\$ (155,333)	\$ 1,528,936	\$ -	\$ 1,373,603
<b>GAAP Combined Ratio:</b>				
Loss ratio .....	47.2%	53.3%	-	48.7%
Expense ratio .....	39.0%	26.8%	-	36.0%
	<u>86.2%</u>	<u>80.1%</u>	<u>-</u>	<u>84.7%</u>

Quarter Ended December 31, 2004	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
<b>Revenues:</b>				
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
	<u>68,643,168</u>	<u>29,898,043</u>	<u>107,115</u>	<u>98,648,326</u>
<b>Losses and expenses</b>				
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
	<u>81,943,372</u>	<u>18,472,760</u>	<u>191,847</u>	<u>100,607,979</u>
Operating income (loss) before income taxes .....	<u>(13,300,204)</u>	<u>11,425,283</u>	<u>(84,732)</u>	<u>(1,959,653)</u>
Realized investment gains (losses) .....	<u>(256,662)</u>	<u>6,223</u>	<u>-</u>	<u>(250,439)</u>
Income (loss) before income taxes .....	<u>(13,556,866)</u>	<u>11,431,506</u>	<u>(84,732)</u>	<u>(2,210,092)</u>
<b>Income tax expense (benefit):</b>				
Current .....	(3,238,074)	3,287,635	(17,885)	31,676
Deferred .....	(2,202,494)	460,445	(10,911)	(1,752,960)
	<u>(5,440,568)</u>	<u>3,748,080</u>	<u>(28,796)</u>	<u>(1,721,284)</u>
Net income (loss) .....	<u>\$ (8,116,298)</u>	<u>\$ 7,683,426</u>	<u>\$ (55,936)</u>	<u>\$ (488,808)</u>
Average shares outstanding .....				13,152,209
<b>Per Share Data:</b>				
Net income (loss) per share - basic and diluted .....	\$ (0.62)	\$ 0.58	\$ -	\$ (0.04)
Increase in provision for				
insured events of prior years (after tax) .....	\$ (0.69)	\$ (0.07)	\$ -	\$ (0.76)
Catastrophe and storm losses (after tax) .....	\$ (0.03)	\$ 0.06	\$ -	\$ 0.03
Dividends per share .....				\$ 0.15
<b>Other Information of Interest:</b>				
Written Premium .....	\$ 50,890,370	\$ 27,323,673	\$ -	\$ 78,214,043
Increase in provision for				
insured events of prior years .....	\$ 14,032,146	\$ 1,386,879	\$ -	\$ 15,419,025
Catastrophe and storm losses .....	\$ 647,749	\$ (1,158,313)	\$ -	\$ (510,564)
<b>GAAP Combined Ratio:</b>				
Loss ratio .....	94.5%	36.0%	-	76.8%
Expense ratio .....	35.1%	31.3%	-	34.0%
	<u>129.6%</u>	<u>67.3%</u>	<u>-</u>	<u>110.8%</u>

Year Ended December 31, 2005	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
<b>Revenues:</b>				
Premiums earned .....	\$ 321,164,542	\$ 94,460,204	\$ -	\$ 415,624,746
Investment income, net .....	29,694,641	10,783,434	218,168	40,696,243
Other income .....	656,846	-	-	656,846
	<u>351,516,029</u>	<u>105,243,638</u>	<u>218,168</u>	<u>456,977,835</u>
<b>Losses and expenses</b>				
Losses and settlement expenses .....	197,900,156	60,026,337	-	257,926,493
Dividends to policyholders .....	7,540,547	-	-	7,540,547
Amortization of deferred policy acquisition costs .....	72,765,822	19,635,071	-	92,400,893
Other underwriting expenses .....	33,773,900	6,285,514	-	40,059,414
Interest expense .....	772,500	339,900	-	1,112,400
Other expenses .....	821,511	-	840,920	1,662,431
	<u>313,574,436</u>	<u>86,286,822</u>	<u>840,920</u>	<u>400,702,178</u>
Operating income (loss) before income taxes .....	<u>37,941,593</u>	<u>18,956,816</u>	<u>(622,752)</u>	<u>56,275,657</u>
Realized investment gains (losses) .....	<u>3,803,585</u>	<u>36,205</u>	<u>(5,625)</u>	<u>3,834,165</u>
Income (loss) before income taxes .....	<u>41,745,178</u>	<u>18,993,021</u>	<u>(628,377)</u>	<u>60,109,822</u>
<b>Income tax expense (benefit):</b>				
Current .....	15,227,185	4,794,776	(239,779)	19,782,182
Deferred .....	(3,073,446)	373,055	18,986	(2,681,405)
	<u>12,153,739</u>	<u>5,167,831</u>	<u>(220,793)</u>	<u>17,100,777</u>
Net income (loss) .....	<u>\$ 29,591,439</u>	<u>\$ 13,825,190</u>	<u>\$ (407,584)</u>	<u>\$ 43,009,045</u>
Average shares outstanding .....				13,606,203
<b>Per Share Data:</b>				
Net income (loss) per share - basic and diluted .....	\$ 2.17	\$ 1.02	\$ (0.03)	\$ 3.16
Decrease in provision for insured events of prior years (after tax) .....	\$ 0.71	\$ 0.03	\$ -	\$ 0.74
Catastrophe and storm losses (after tax) .....	\$ (0.90)	\$ (0.26)	\$ -	\$ (1.16)
Dividends per share .....				\$ 0.61
Book value per share .....				\$ 19.20
Effective tax rate .....				28.4%
Net income as a percent of beg. SH equity .....				18.8%
<b>Other Information of Interest:</b>				
Written Premium .....	\$ 350,645,907	\$ 92,588,093	\$ -	\$ 443,234,000
Decrease in provision for insured events of prior years .....	\$ (14,808,375)	\$ (599,528)	\$ -	\$ (15,407,903)
Catastrophe and storm losses .....	\$ 18,967,149	\$ 5,414,659	\$ -	\$ 24,381,808
<b>GAAP Combined Ratio:</b>				
Loss ratio .....	61.6%	63.5%	-	62.1%
Expense ratio .....	35.5%	27.5%	-	33.6%
	<u>97.1%</u>	<u>91.0%</u>	<u>-</u>	<u>95.7%</u>

Year Ended December 31, 2004	Property and Casualty Insurance	Reinsurance	Parent 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 .....	<u>(12,693,202)</u>	<u>24,386,577</u>	<u>(501,692)</u>	<u>11,191,683</u>
Realized investment gains .....	<u>3,270,862</u>	<u>1,108,452</u>	<u>-</u>	<u>4,379,314</u>
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 (loss) per share - basic and diluted .....	\$ (0.35)	\$ 1.48	\$ (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 as a percent of beg. SH equity .....				7.3%
<b>Other Information of Interest:</b>				
Written Premium .....	\$ 254,266,763	\$ 97,637,066	\$ -	\$ 351,903,829
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>

<b>CONSOLIDATED BALANCE SHEETS</b>	December 31, 2005	December 31, 2004
<b>ASSETS</b>		
Investments:		
Fixed maturities:		
Securities held-to-maturity, at amortized cost (fair value \$18,287,704 and \$16,908,726) .....	\$ 17,927,478	\$ 15,895,607
Securities available-for-sale, at fair value (amortized cost \$740,845,145 and \$541,401,950) .....	753,399,943	565,000,931
Fixed maturity securities on loan:		
Securities held-to-maturity, at amortized cost (fair value \$1,891,504 and \$13,684,880) .....	1,866,928	13,310,264
Securities available-for-sale, at fair value (amortized cost \$41,922,225 and \$54,389,046) .....	41,656,150	54,653,472
Equity securities available-for-sale, at fair value (cost \$66,115,755 and \$59,589,434) .....	93,343,172	78,692,893
Other long-term investments, at cost .....	4,269,566	5,550,093
Short-term investments, at cost .....	37,345,456	46,238,853
Total investments .....	<u>949,808,693</u>	<u>779,342,113</u>
Balances resulting from related party transactions with		
Employers Mutual:		
Reinsurance receivables .....	46,372,087	26,316,358
Prepaid reinsurance premiums .....	4,846,084	3,682,676
Deferred policy acquisition costs .....	34,106,217	27,940,583
Defined benefit retirement plan, prepaid asset .....	5,633,370	2,684,463
Other assets .....	2,281,025	1,877,564
Cash .....	333,048	61,088
Accrued investment income .....	10,933,046	8,726,292
Accounts receivable (net of allowance for uncollectible accounts of \$0 and \$0) .....	211,595	216,836
Income taxes recoverable .....	-	3,399,485
Deferred income taxes .....	13,509,369	9,504,193
Goodwill, at cost less accumulated amortization of \$2,616,234 and \$2,616,234 .....	941,586	941,586
Securities lending collateral .....	44,705,501	70,122,695
<b>Total assets</b> .....	<b><u>\$ 1,113,681,621</u></b>	<b><u>\$ 934,815,932</u></b>
<b>LIABILITIES</b>		
Balances resulting from related party transactions with		
Employers Mutual:		
Losses and settlement expenses .....	\$ 544,051,061	\$ 429,677,302
Unearned premiums .....	160,693,288	131,589,365
Other policyholders' funds .....	5,359,116	2,825,809
Surplus notes payable .....	36,000,000	36,000,000
Indebtedness to related party .....	19,899,329	6,058,848
Employee retirement plans .....	13,681,388	9,764,406
Other liabilities .....	21,764,259	20,304,475
Income taxes payable .....	5,644,516	-
Securities lending obligation .....	44,705,501	70,122,695
<b>Total liabilities</b> .....	<b><u>851,798,458</u></b>	<b><u>706,342,900</u></b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1 par value, authorized 20,000,000 shares; issued and outstanding, 13,642,705 shares in 2005 and 13,568,945 shares in 2004 .....		
	13,642,705	13,568,945
Additional paid-in capital .....	104,800,407	103,467,293
Accumulated other comprehensive income .....	25,470,039	27,928,463
Retained earnings .....	117,970,012	83,508,331
<b>Total stockholders' equity</b> .....	<b><u>261,883,163</u></b>	<b><u>228,473,032</u></b>
<b>Total liabilities and stockholders' equity</b> .....	<b><u>\$ 1,113,681,621</u></b>	<b><u>\$ 934,815,932</u></b>

The Company had total cash and invested assets with a carrying value of \$950.1 million and \$779.4 million as of December 31, 2005 and December 31, 2004, respectively. The following table summarizes the Company's cash and invested assets as of the dates indicated:

(\$ in thousands)	December 31, 2005			
	Amortized Cost	Fair Value	Percent of Total at Fair Value	Carrying Value
Fixed maturities held-to-maturity.....	\$ 19,794	\$ 20,179	2.1%	\$ 19,794
Fixed maturities available-for-sale.....	782,767	795,056	83.6%	795,056
Equity securities available-for-sale.....	66,116	93,343	9.8%	93,343
Cash.....	333	333	-	333
Short-term investments.....	37,346	37,346	4.0%	37,346
Other long-term investments.....	4,270	4,270	0.5%	4,270
	<u>\$ 910,626</u>	<u>\$ 950,527</u>	<u>100.0%</u>	<u>\$ 950,142</u>

  

(\$ in thousands)	December 31, 2004			
	Amortized Cost	Fair Value	Percent of Total at Fair Value	Carrying Value
Fixed maturities held-to-maturity.....	\$ 29,206	\$ 30,594	3.9%	\$ 29,206
Fixed maturities available-for-sale.....	595,791	619,654	79.4%	619,654
Equity securities available-for-sale.....	59,589	78,693	10.1%	78,693
Cash.....	61	61	-	61
Short-term investments.....	46,239	46,239	5.9%	46,239
Other long-term investments.....	5,550	5,550	0.7%	5,550
	<u>\$ 736,436</u>	<u>\$ 780,791</u>	<u>100.0%</u>	<u>\$ 779,403</u>

The amortized cost and estimated fair values of fixed maturity and equity securities at December 31, 2005 were as follows:

(\$ in thousands)	Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities and obligations of U.S. government corporations and agencies.....	\$ 19,011	\$ 328	\$ -	\$ 19,339
Mortgage-backed securities.....	783	57	-	840
Total securities held-to-maturity.....	<u>\$ 19,794</u>	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ 20,179</u>

  

(\$ in thousands)	Available-for-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities and obligations of U.S. government corporations and agencies.....	\$ 387,278	\$ 298	\$ 4,221	\$ 383,355
Obligations of states and political subdivisions.....	250,975	10,383	42	261,316
Mortgage-backed securities.....	9,861	357	6	10,212
Public utilities.....	6,004	483	-	6,487
Debt securities issued by foreign governments.....	7,044	98	16	7,126
Corporate securities.....	121,605	6,084	1,129	126,560
Total fixed maturity securities.....	<u>782,767</u>	<u>17,703</u>	<u>5,414</u>	<u>795,056</u>
Common stocks.....	62,616	27,759	595	89,780
Non-redeemable preferred stocks.....	3,500	63	-	3,563
Total equity securities.....	<u>66,116</u>	<u>27,822</u>	<u>595</u>	<u>93,343</u>
Total securities available-for-sale.....	<u>\$ 848,883</u>	<u>\$ 45,525</u>	<u>\$ 6,009</u>	<u>\$ 888,399</u>

**NET WRITTEN PREMIUMS**

	<u>Three Months Ended December 31, 2005</u>		<u>Twelve Months Ended December 31, 2005</u>	
	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 *
<b>Property and Casualty Insurance</b>				
<u>Commercial Lines</u>				
Automobile.....	15.8 %	(0.6) %	17.4 %	(2.0) %
Liability.....	14.6 %	6.0 %	16.3 %	4.0 %
Property.....	13.4 %	0.5 %	14.8 %	2.4 %
Workers' Compensation.....	12.6 %	(5.0) %	14.7 %	(3.9) %
Other.....	2.2 %	31.0 %	1.9 %	24.7 %
Total.....	<u>58.6 %</u>	<u>1.1 %</u>	<u>65.1 %</u>	<u>0.6 %</u>
<u>Personal Lines:</u>				
Automobile.....	7.1 %	(16.4) %	6.9 %	(13.2) %
Property.....	5.7 %	(6.0) %	5.5 %	(4.8) %
Liability.....	0.2 %	6.3 %	0.1 %	3.9 %
Total.....	<u>13.0 %</u>	<u>(12.0) %</u>	<u>12.5 %</u>	<u>(9.5) %</u>
Reinsurance.....	28.4 %	(6.0) %	22.4 %	(5.2) %
Total.....	<u>100.0 %</u>		<u>100.0 %</u>	

\* Excludes January 1, 2005 portfolio adjustment of \$29,630,612 related to the change in the Company's aggregate participation in the pooling arrangement.