



FOR IMMEDIATE RELEASE

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**EMC INSURANCE GROUP INC. REPORTS
RECORD 2006 THIRD QUARTER RESULTS**

Third Quarter 2006

Net Income Per Share -- \$0.80

Net Operating Income Per Share -- \$0.85

GAAP Combined Ratio – 94.4%

DES MOINES, Iowa (October 26, 2006) - EMC Insurance Group Inc. (Nasdaq/NGS:EMCI) today reported record third quarter operating income of \$11,638,000 (\$0.85 per share) for the third quarter ended September 30, 2006 compared to operating income of \$7,559,000 (\$0.56 per share) for the third quarter of 2005¹. For the nine month period ended September 30, 2006, operating income was a record \$40,095,000 (\$2.93 per share) compared to \$22,207,000 (\$1.63 per share) for the same period in 2005. Net income, including realized investment gains/losses, was \$10,974,000 (\$0.80 per share) for the third quarter of 2006 compared to \$8,329,000 (\$0.61 per share) for the third quarter of 2005. For the nine month period ended September 30, 2006, net income was \$42,053,000 (\$3.07 per share) compared to \$23,992,000 (\$1.76 per share) for the same period in 2005.

“We are pleased to report another record-breaking quarter,” stated President and CEO Bruce G. Kelley. “We have a solid book of business and we continue to benefit from favorable development on prior years’ reserves. Fortunately, the predictions of an active hurricane season have not materialized.” Over the last decade, third quarter catastrophe and storm losses have averaged \$0.31 per share after tax. For the third quarter of 2006, catastrophe and storm losses totaled \$6,033,000 (\$0.29 per share after tax) compared to \$14,402,000 (\$0.69 per share after tax) for the same period in 2005. For the nine month period ended September 30, 2006 catastrophe and storm losses totaled \$12,935,000 (\$0.61 per share after tax) compared to \$23,008,000 (\$1.10 per share after tax) for the same period in 2005.

Premiums earned decreased 8.0 percent to \$95,149,000 for the third quarter of 2006 from \$103,414,000 for the same period in 2005. For the nine month period ended September 30, 2006, premiums earned decreased 6.5 percent to \$288,860,000 from \$308,911,000 for the same period in 2005. The majority of the decrease in premiums earned is attributed to the reinsurance segment and is associated with Employers Mutual Casualty Company’s previously announced reduced participation in the Mutual Reinsurance Bureau (MRB) pool and the previously announced changes to the quota share agreement with Employers Mutual. The property and casualty insurance segment also experienced a slight decline in premiums earned in the third quarter and first nine months of 2006. On an overall basis, rate competition continued to increase moderately in the property and casualty insurance marketplace during the third quarter of 2006 and management expects market conditions to remain competitive for the remainder of the year. Consequently, the Company’s overall rate level is expected to decline moderately during 2006.

Investment income increased 10.1 percent to \$11,641,000 for the third quarter of 2006 from \$10,573,000 for the same period in 2005. For the nine month period ended September 30, 2006, investment income increased 17.1 percent to \$34,788,000 from \$29,705,000 for the same period in 2005. These increases are primarily attributed to the fact that the cash received from Employers Mutual in the first quarter of 2005 in connection with the change in pool participation has been fully invested.

During the third quarter of 2006 the Company recognized \$681,000 of other-than-temporary investment impairment losses in its equity portfolio. These impairment losses were recognized because the Company’s outside equity manager has indicated that they would likely sell several securities that were in an unrealized loss position before they recovered to their cost basis.

As noted in the Company's October 18, 2006 press release, the Company experienced \$5,700,000 (\$3,705,000 or \$0.27 per share after tax) of favorable development on prior years' direct case loss reserves stemming from final settlements of claims in the third quarter of 2006. However, in the financial information contained in this earnings release the Company is reporting \$13,025,000 of favorable development on prior years' reserves in the property and casualty insurance segment for the third quarter of 2006. The reported amount of favorable development includes \$5,360,000 of favorable development resulting from an adjustment in the factors utilized to allocate the property and casualty insurance segment's incurred but not reported (IBNR) reserve by accident year. The adjustment in the IBNR accident year allocation factors was initially implemented in the first quarter of 2006, and was continued in the second quarter, but at a lesser extent, to better match the expected development of claims that occurred in prior accident years with the allocation of the IBNR reserve to those prior accident years. The adjustment in the IBNR accident year allocation factors was eliminated at September 30, 2006 and therefore did not have an impact on the amount of favorable development reported for the nine months ended September 30, 2006. The adjustment in the IBNR accident year allocation factors resulted in \$10,752,000 of adverse development on prior years' reserves being reported in the first quarter of 2006, followed by \$5,392,000 of favorable development being reported in the second quarter and \$5,360,000 of favorable development being reported in the third quarter. It is important to note that the adjustment in IBNR factors did not have any impact on the net income amounts reported for the first three quarters of 2006. The only impact of this adjustment was that a greater amount of the March 31 and June 30, 2006 IBNR reserve was allocated to prior accident years, with a corresponding smaller amount allocated to the current accident year.

The Company's GAAP combined ratio was 94.4 percent in the third quarter of 2006 compared to 100.1 percent in the third quarter of 2005. For the nine months ended September 30, 2006, the Company's GAAP combined ratio was 91.6 percent compared to 99.6 percent for the same period in 2005.

At September 30, 2006, consolidated assets totaled \$1.2 billion, including \$.96 billion in the investment portfolio; stockholders' equity was \$299.8 million; and net book value of the Company's stock was \$21.83 per share, an increase of 13.7 percent from \$19.20 per share at December 31, 2005.

The Company will host an earnings call in conjunction with today's release. The teleconference will begin at 11:00 a.m. eastern daylight time, October 26, 2006. Dial-in information for the call is toll-free 1-800-695-2032; passcode 23810719. The event will be archived and available for digital replay through November 2, 2006. The replay access information is toll-free 1-888-286-8010; passcode 71111223. 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. 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 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. 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, 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 - UNAUDITED

Quarter Ended September 30, 2006	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
<u>Revenues:</u>				
Premiums earned	\$ 79,792,950	\$ 15,356,446	\$ -	\$ 95,149,396
Investment income, net	8,499,258	3,057,137	84,945	11,641,340
Other income	116,146	(16,834)	-	99,312
	<u>88,408,354</u>	<u>18,396,749</u>	<u>84,945</u>	<u>106,890,048</u>
<u>Losses and expenses</u>				
Losses and settlement expenses	45,901,226	9,938,110	-	55,839,336
Dividends to policyholders	3,885,873	-	-	3,885,873
Amortization of deferred policy acquisition costs	16,905,350	2,881,135	-	19,786,485
Other underwriting expenses	9,485,646	810,075	-	10,295,721
Interest expense	193,125	84,975	-	278,100
Other expenses	157,291	95,907	201,727	454,925
	<u>76,528,511</u>	<u>13,810,202</u>	<u>201,727</u>	<u>90,540,440</u>
Operating income (loss) before income taxes	11,879,843	4,586,547	(116,782)	16,349,608
Realized investment losses	(450,551)	(570,826)	-	(1,021,377)
Income (loss) before income taxes	<u>11,429,292</u>	<u>4,015,721</u>	<u>(116,782)</u>	<u>15,328,231</u>
<u>Income tax expense (benefit)</u>				
Current	3,539,368	1,035,902	(39,979)	4,535,291
Deferred	(156,674)	(24,850)	-	(181,524)
	<u>3,382,694</u>	<u>1,011,052</u>	<u>(39,979)</u>	<u>4,353,767</u>
Net income (loss)	<u>\$ 8,046,598</u>	<u>\$ 3,004,669</u>	<u>\$ (76,803)</u>	<u>\$ 10,974,464</u>
Average shares outstanding				13,730,067
<u>Per Share Data:</u>				
Net income (loss) per share - basic and diluted	\$ 0.59	\$ 0.22	\$ (0.01)	\$ 0.80
Decrease in provision for insured events of prior years (after tax)	\$ 0.62	\$ 0.19	\$ -	\$ 0.81
Catastrophe and storm losses (after tax)	\$ (0.29)	\$ -	\$ -	\$ (0.29)
Dividends per share				\$ 0.16
<u>Other Information of Interest:</u>				
Written Premium	\$ 96,973,170	\$ 14,918,600	\$ -	\$ 111,891,770
Decrease in provision for insured events of prior years	\$ (13,024,663)	\$ (4,077,737)	\$ -	\$ (17,102,400)
Catastrophe and storm losses	\$ 5,981,133	\$ 52,327	\$ -	\$ 6,033,460
<u>GAAP Combined Ratio:</u>				
Loss ratio	57.5%	64.7%	-	58.7%
Expense ratio	38.0%	24.1%	-	35.7%
	<u>95.5%</u>	<u>88.8%</u>	<u>-</u>	<u>94.4%</u>

Quarter Ended September 30, 2005	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned	\$ 79,810,370	\$ 23,603,919	\$ -	\$ 103,414,289
Investment income, net	7,718,777	2,806,335	48,106	10,573,218
Other income	150,022	-	-	150,022
	<u>87,679,169</u>	<u>26,410,254</u>	<u>48,106</u>	<u>114,137,529</u>
Losses and expenses				
Losses and settlement expenses	53,698,678	15,892,060	-	69,590,738
Dividends to policyholders	2,414,677	-	-	2,414,677
Amortization of deferred policy acquisition costs	17,008,632	4,540,691	-	21,549,323
Other underwriting expenses	8,067,446	1,871,146	-	9,938,592
Interest expense	193,125	84,975	-	278,100
Other expenses	191,483	-	148,349	339,832
	<u>81,574,041</u>	<u>22,388,872</u>	<u>148,349</u>	<u>104,111,262</u>
Operating income (loss) before income taxes	6,105,128	4,021,382	(100,243)	10,026,267
Realized investment gains	1,118,975	65,974	-	1,184,949
Income (loss) before income taxes	7,224,103	4,087,356	(100,243)	11,211,216
Income tax expense (benefit)				
Current	2,050,209	1,567,701	(34,798)	3,583,112
Deferred	(122,216)	(578,401)	-	(700,617)
	<u>1,927,993</u>	<u>989,300</u>	<u>(34,798)</u>	<u>2,882,495</u>
Net income (loss)	<u>\$ 5,296,110</u>	<u>\$ 3,098,056</u>	<u>\$ (65,445)</u>	<u>\$ 8,328,721</u>
Average shares outstanding				13,609,562
Per Share Data:				
Net income (loss) per share - basic and diluted	\$ 0.39	\$ 0.23	\$ (0.01)	\$ 0.61
Decrease in provision for				
insured events of prior years (after tax)	\$ 0.23	\$ 0.01	\$ -	\$ 0.24
Catastrophe and storm losses (after tax)	\$ (0.56)	\$ (0.13)	\$ -	\$ (0.69)
Dividends per share				\$ 0.15
Other Information of Interest:				
Written Premium	\$ 95,774,591	\$ 23,892,322	\$ -	\$ 119,666,913
Decrease in provision for				
insured events of prior years	\$ (4,772,990)	\$ (339,822)	\$ -	\$ (5,112,812)
Catastrophe and storm losses	\$ 11,582,361	\$ 2,820,052	\$ -	\$ 14,402,413
GAAP Combined Ratio:				
Loss ratio	67.3%	67.3%	-	67.3%
Expense ratio	34.4%	27.2%	-	32.8%
	<u>101.7%</u>	<u>94.5%</u>	<u>-</u>	<u>100.1%</u>

Nine Months Ended September 30, 2006	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned	\$ 237,431,066	\$ 51,428,449	\$ -	\$ 288,859,515
Investment income, net	25,591,445	9,002,859	193,909	34,788,213
Other income	432,205	-	-	432,205
	<u>263,454,716</u>	<u>60,431,308</u>	<u>193,909</u>	<u>324,079,933</u>
Losses and expenses				
Losses and settlement expenses	128,506,699	35,862,464	-	164,369,163
Dividends to policyholders	6,617,016	-	-	6,617,016
Amortization of deferred policy acquisition costs	53,599,818	10,178,217	-	63,778,035
Other underwriting expenses	28,297,689	1,669,227	-	29,966,916
Interest expense	579,375	254,925	-	834,300
Other expenses	883,876	95,907	553,595	1,533,378
	<u>218,484,473</u>	<u>48,060,740</u>	<u>553,595</u>	<u>267,098,808</u>
Operating income (loss) before income taxes	44,970,243	12,370,568	(359,686)	56,981,125
Realized investment gains	2,933,217	78,175	-	3,011,392
Income (loss) before income taxes	<u>47,903,460</u>	<u>12,448,743</u>	<u>(359,686)</u>	<u>59,992,517</u>
Income tax expense (benefit)				
Current	16,001,994	3,521,139	(124,995)	19,398,138
Deferred	(1,190,691)	(267,779)	-	(1,458,470)
	<u>14,811,303</u>	<u>3,253,360</u>	<u>(124,995)</u>	<u>17,939,668</u>
Net income (loss)	<u>\$ 33,092,157</u>	<u>\$ 9,195,383</u>	<u>\$ (234,691)</u>	<u>\$ 42,052,849</u>
Average shares outstanding				13,703,746
Per Share Data:				
Net income (loss) per share - basic and diluted	\$ 2.42	\$ 0.67	\$ (0.02)	\$ 3.07
Decrease in provision for insured events of prior years (after tax)	\$ 1.52	\$ 0.31	\$ -	\$ 1.83
Catastrophe and storm losses (after tax)	\$ (0.60)	\$ (0.01)	\$ -	\$ (0.61)
Dividends per share				\$ 0.48
Book value per share				\$ 21.83
Effective tax rate				29.9%
Net income as a percent of beg. SH equity				21.4%
Other Information of Interest:				
Written Premium	\$ 253,681,059	\$ 44,941,951	\$ -	\$ 298,623,010
Decrease in provision for insured events of prior years	\$ (31,838,491)	\$ (6,640,127)	\$ -	\$ (38,478,618)
Catastrophe and storm losses	\$ 12,678,857	\$ 256,326	\$ -	\$ 12,935,183
GAAP Combined Ratio:				
Loss ratio	54.1%	69.7%	-	56.9%
Expense ratio	37.3%	23.1%	-	34.7%
	<u>91.4%</u>	<u>92.8%</u>	<u>-</u>	<u>91.6%</u>

Nine Months Ended September 30, 2005	Property and Casualty Insurance	Reinsurance	Parent Company	Consolidated
Revenues:				
Premiums earned	\$ 240,705,969	\$ 68,204,599	\$ -	\$ 308,910,568
Investment income, net	21,548,347	7,966,786	190,332	29,705,465
Other income	393,692	-	-	393,692
	<u>262,648,008</u>	<u>76,171,385</u>	<u>190,332</u>	<u>339,009,725</u>
Losses and expenses				
Losses and settlement expenses	159,948,086	46,029,336	-	205,977,422
Dividends to policyholders	4,756,749	-	-	4,756,749
Amortization of deferred policy acquisition costs	53,704,211	14,053,073	-	67,757,284
Other underwriting expenses	24,206,788	4,823,565	-	29,030,353
Interest expense	579,375	254,925	-	834,300
Other expenses	610,332	-	644,020	1,254,352
	<u>243,805,541</u>	<u>65,160,899</u>	<u>644,020</u>	<u>309,610,460</u>
Operating income (loss) before income taxes	18,842,467	11,010,486	(453,688)	29,399,265
Realized investment gains (losses)	2,797,636	(51,008)	-	2,746,628
Income (loss) before income taxes	<u>21,640,103</u>	<u>10,959,478</u>	<u>(453,688)</u>	<u>32,145,893</u>
Income tax expense (benefit)				
Current	8,137,913	2,909,673	(178,637)	10,868,949
Deferred	(2,528,953)	(205,064)	18,986	(2,715,031)
	<u>5,608,960</u>	<u>2,704,609</u>	<u>(159,651)</u>	<u>8,153,918</u>
Net income (loss)	<u>\$ 16,031,143</u>	<u>\$ 8,254,869</u>	<u>\$ (294,037)</u>	<u>\$ 23,991,975</u>
Average shares outstanding				13,598,955
Per Share Data:				
Net income (loss) per share - basic and diluted	\$ 1.17	\$ 0.61	\$ (0.02)	\$ 1.76
Decrease in provision for				
insured events of prior years (after tax)	\$ 0.43	\$ -	\$ -	\$ 0.43
Catastrophe and storm losses (after tax)	\$ (0.91)	\$ (0.19)	\$ -	\$ (1.10)
Dividends per share				\$ 0.45
Book value per share				\$ 18.07
Effective tax rate				25.4%
Net income as a percent of beg. SH equity				14.0%
Other Information of Interest:				
Written Premium	\$ 285,981,321	\$ 66,899,913	\$ -	\$ 352,881,234
Decrease in provision for				
insured events of prior years	\$ (8,875,923)	\$ (72,467)	\$ -	\$ (8,948,390)
Catastrophe and storm losses	\$ 19,122,482	\$ 3,885,723	\$ -	\$ 23,008,205
GAAP Combined Ratio:				
Loss ratio	66.4%	67.5%	-	66.7%
Expense ratio	34.4%	27.7%	-	32.9%
	<u>100.8%</u>	<u>95.2%</u>	<u>-</u>	<u>99.6%</u>

The Company had total cash and invested assets with a carrying value of \$957.4 million and \$950.1 million as of September 30, 2006 and December 31, 2005, respectively. The following table summarizes the Company's cash and invested assets as of the dates indicated:

(\$ in thousands)	September 30, 2006			
	Amortized	Fair	Percent of	Carrying
	Cost	Value	Total at Fair Value	Value
Fixed maturity securities held-to-maturity	\$ 5,696	\$ 5,806	0.6%	\$ 5,696
Fixed maturity securities available-for-sale	781,919	792,460	82.8%	792,460
Equity securities available-for-sale	72,171	101,798	10.6%	101,798
Cash	187	187	-	187
Short-term investments	54,990	54,990	5.8%	54,990
Other long-term investments	2,225	2,225	0.2%	2,225
	<u>\$ 917,188</u>	<u>\$ 957,466</u>	<u>100.0%</u>	<u>\$ 957,356</u>

(\$ in thousands)	December 31, 2005			
	Amortized	Fair	Percent of	Carrying
	Cost	Value	Total at Fair Value	Value
Fixed maturity securities held-to-maturity	\$ 19,794	\$ 20,179	2.1%	\$ 19,794
Fixed maturity securities 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>

The amortized cost and estimated fair values of fixed maturity and equity securities at September 30, 2006 were as follows:

(\$ in thousands)	Held-to-Maturity			
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities and obligations of				
U.S. government corporations and agencies	\$ 4,997	\$ 67	\$ -	\$ 5,064
Mortgage-backed securities	699	43	-	742
Total securities held-to-maturity	<u>\$ 5,696</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 5,806</u>

(\$ in thousands)	Available-for-Sale			
	Amortized	Gross	Gross	Estimated
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. treasury securities and obligations of				
U.S. government corporations and agencies	\$ 401,009	\$ 279	\$ 4,553	\$ 396,735
Obligations of states and political subdivisions	249,312	10,561	7	259,866
Mortgage-backed securities	18,724	939	75	19,588
Public utility securities	6,003	297	-	6,300
Debt securities issued by foreign governments	6,940	77	25	6,992
Corporate securities	99,931	3,642	594	102,979
Total fixed maturity securities	<u>781,919</u>	<u>15,795</u>	<u>5,254</u>	<u>792,460</u>
Common stocks	66,671	29,767	284	96,154
Non-redeemable preferred stocks	5,500	144	-	5,644
Total equity securities	<u>72,171</u>	<u>29,911</u>	<u>284</u>	<u>101,798</u>
Total securities available-for-sale	<u>\$ 854,090</u>	<u>\$ 45,706</u>	<u>\$ 5,538</u>	<u>\$ 894,258</u>

CONSOLIDATED BALANCE SHEETS - UNAUDITED

	September 30, 2006	December 31, 2005
ASSETS		
Investments:		
Fixed maturities:		
Securities held-to-maturity, at amortized cost (fair value \$5,805,809 and \$18,287,704)	\$ 5,695,970	\$ 17,927,478
Securities available-for-sale, at fair value (amortized cost \$707,695,887 and \$740,845,145)	718,800,670	753,399,943
Fixed maturity securities on loan:		
Securities held-to-maturity, at amortized cost (fair value \$0 and \$1,891,504)	-	1,866,928
Securities available-for-sale, at fair value (amortized cost \$74,223,300 and \$41,922,225)	73,659,615	41,656,150
Equity securities available-for-sale, at fair value (cost \$72,170,532 and \$66,115,755)	101,797,870	93,343,172
Other long-term investments, at cost	2,225,475	4,269,566
Short-term investments, at cost	54,989,851	37,345,456
Total investments	<u>957,169,451</u>	<u>949,808,693</u>
Balances resulting from related party transactions with		
Employers Mutual:		
Reinsurance receivables	39,007,606	46,372,087
Prepaid reinsurance premiums	5,509,531	4,846,084
Deferred policy acquisition costs	36,229,151	34,106,217
Defined benefit retirement plan, prepaid asset	3,887,091	5,633,370
Other assets	3,312,739	2,281,025
Indebtedness of related party	22,394,234	-
Cash	186,850	333,048
Accrued investment income	11,528,137	10,933,046
Accounts receivable (net of allowance for uncollectible accounts of \$0 and \$0)	262,687	211,595
Income taxes recoverable	-	-
Deferred income taxes	14,739,535	13,509,369
Goodwill, at cost less accumulated amortization of \$2,616,234 and \$2,616,234	941,586	941,586
Securities lending collateral	75,766,743	44,705,501
Total assets	<u>\$ 1,170,935,341</u>	<u>\$ 1,113,681,621</u>
LIABILITIES		
Balances resulting from related party transactions with		
Employers Mutual:		
Losses and settlement expenses	\$ 538,608,680	\$ 544,051,061
Unearned premiums	171,244,923	160,693,288
Other policyholders' funds	6,910,301	5,359,116
Surplus notes payable	36,000,000	36,000,000
Indebtedness to related party	-	19,899,329
Employee retirement plans	14,984,145	13,681,388
Other liabilities	20,786,161	21,764,259
Income taxes payable	6,837,492	5,644,516
Securities lending obligation	75,766,743	44,705,501
Total liabilities	<u>871,138,445</u>	<u>851,798,458</u>
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, authorized 20,000,000 shares; issued and outstanding, 13,733,984 shares in 2006 and 13,642,705 shares in 2005		
	13,733,984	13,642,705
Additional paid-in capital	106,728,775	104,800,407
Accumulated other comprehensive income	25,894,031	25,470,039
Retained earnings	153,440,106	117,970,012
Total stockholders' equity	<u>299,796,896</u>	<u>261,883,163</u>
Total liabilities and stockholders' equity	<u>\$ 1,170,935,341</u>	<u>\$ 1,113,681,621</u>

NET WRITTEN PREMIUMS

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	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 (1)				
<u>Commercial Lines:</u>				
Automobile	17.8 %	(0.4) %	18.8 %	(1.5) %
Liability	18.3 %	3.0 %	18.5 %	3.0 %
Property	18.0 %	4.8 %	16.3 %	0.4 %
Workers' Compensation	19.4 %	3.3 %	16.4 %	0.2 %
Other	2.3 %	11.9 %	2.2 %	14.7 %
Total	75.8 %	2.9 %	72.2 %	0.9 %
<u>Personal Lines:</u>				
Automobile	5.4 %	(12.1) %	6.2 %	(15.0) %
Property	5.3 %	(6.0) %	5.4 %	(7.4) %
Liability	0.2 %	3.2 %	0.2 %	2.2 %
Total	10.9 %	(9.0) %	11.8 %	(11.5) %
Reinsurance (2)	13.3 %	(37.6) %	16.0 %	(27.7) %
Total	100.0 %		100.0 %	

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

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



EMC Insurance Group Inc.

Third Quarter 2006 Earnings

October 26, 2006

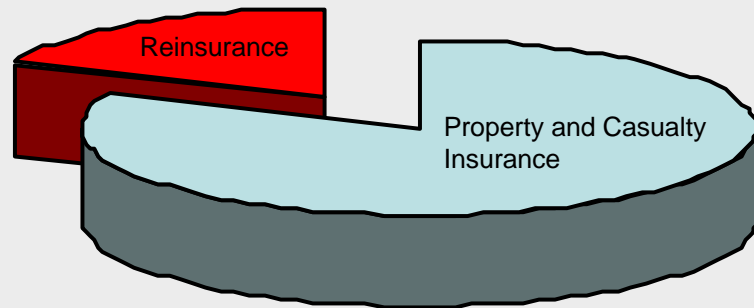
Legal Disclaimer

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 expectations and actual results of the Company may differ materially from such expectations. 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; state and federal legislation and regulations; rate competition; changes in interest rates and the performance of financial markets; the adequacy of loss and settlement expense reserves, including asbestos and environmental claims; rate 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.

Diversified Book of Business YTD as of September 30, 2006

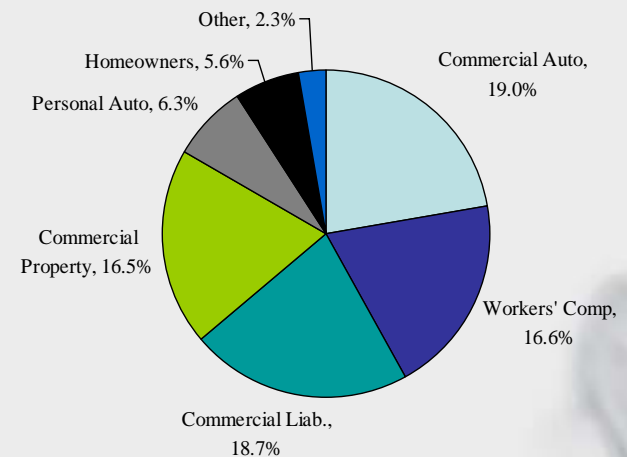
Net Premiums Earned – Total *

\$51.4 million



\$288.9 million

Net Premiums Earned – P & C only *

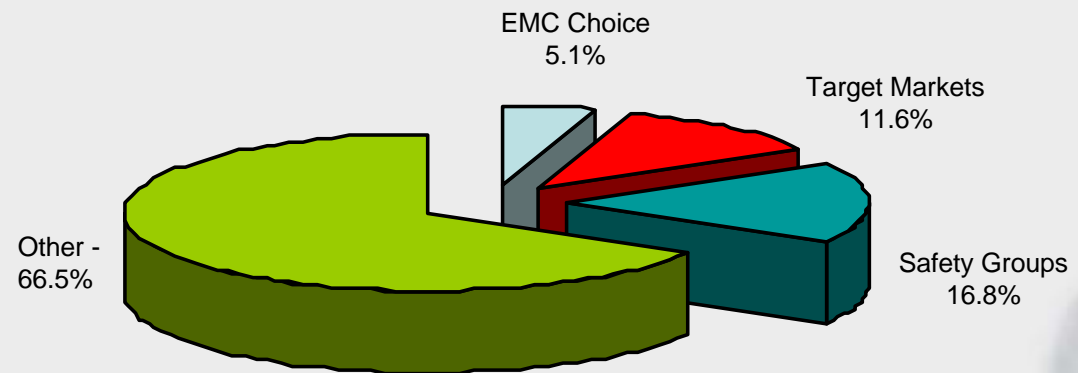


\$234.5 million

Note: P&C breakdown represents business produced by pool participants.

Diversified Book of Business YTD as of September 30, 2006

COUNTRY-WIDE COMMERCIAL LINES WRITTEN PREMIUM



Written Premium Increases

EMC Choice	12.0 %
Target Markets	11.4 %
Safety Groups	(0.3)%

Incurred/Earned Ratio

EMC Choice	36.0 %
Target Markets	38.1 %
Safety Groups	37.4 %

Selected Financial Results

(in thousands, except per share amounts)

	Year Ended December 31,			Quarter Ended September 30,	
	2003	2004	2005	2005	2006
Revenues					
Premiums Earned	\$ 330,623	\$ 345,478	\$ 415,625	\$ 103,414	\$ 95,149
Investment Income, excl. Realized Gains	30,872	29,900	40,696	10,573	11,641
Other Income	862	601	657	150	99
Expenses					
Losses and Settlement Expenses	(226,505)	(249,806)	(257,926)	(69,591)	(55,839)
Acquisition and Other Expenses	(107,870)	(114,982)	(142,776)	(34,520)	(34,701)
Operating Income (Loss) Before Taxes	<u>27,982</u>	<u>11,191</u>	<u>56,276</u>	<u>10,026</u>	<u>16,349</u>
Income (Loss)	<u>\$ 20,349</u>	<u>\$ 13,185</u>	<u>\$ 43,009</u>	<u>\$ 8,329</u>	<u>\$ 10,974</u>
Income (Loss) Per Share	<u>\$ 1.78</u>	<u>\$ 1.10</u>	<u>\$ 3.16</u>	<u>\$ 0.61</u>	<u>\$ 0.80</u>
Losses and Settlement Expenses Ratio	68.5%	72.3%	62.1%	67.3%	58.7%
Expense Ratio	31.7%	32.6%	33.6%	32.8%	35.7%
Combined Ratio - GAAP	<u>100.2%</u>	<u>104.9%</u>	<u>95.7%</u>	<u>100.1%</u>	<u>94.4%</u>
After-Tax Impact Per Share:					
Catastrophe and Storm Losses	\$ (1.19)	\$ (1.01)	\$ (1.16)	\$ (0.15)	\$ (0.29)
Reserve Development	(0.42)	(1.10)	0.74	0.69	0.81
Total	<u>\$ (1.61)</u>	<u>\$ (2.11)</u>	<u>\$ (0.42)</u>	<u>\$ 0.54</u>	<u>\$ 0.52</u>

* The reported amount of favorable development for the property and casualty insurance segment reflects an adjustment in the factors utilized to allocate the March 31, 2006 incurred but not reported (IBNR) reserve by accident year.

Development

	Quarter Ended			Nine Months
	Mar. 31, 2006	Jun. 30, 2006	Sep. 30, 2006	Ended Sep. 30, 2006
Property and Casualty Insurance Segment				
(Favorable) adverse development experienced on prior years':				
Direct case loss reserves	\$ (11,250,000)	\$ (7,680,000)	\$ (5,700,000)	\$ (24,630,000)
Direct IBNR reserves	(1,346,516)	(459,482)	(1,152,432)	(2,958,430)
Direct settlement expense reserves	(3,239,110)	(1,015,815)	(1,401,635)	(5,656,560)
Assumed and ceded reinsurance, net	787,884	29,637	588,978	1,406,499
Amount of favorable development on prior years' reserves that would have been reported if the IBNR reserve accident year allocation factors had not been adjusted	(15,047,742)	(9,125,660)	(7,665,089)	(31,838,491)
Adverse (favorable) development on prior years' reserves resulting from the adjustment of the IBNR reserve accident year allocation factors on:				
IBNR reserves	9,304,688	(4,671,847)	(4,632,841)	-
Settlement expense reserves	1,447,034	(720,301)	(726,733)	-
Total	10,751,722	(5,392,148)	(5,359,574)	-
Reported amount of favorable development experienced on prior years' reserves after the adjustment of the IBNR accident year allocation factors	\$ (4,296,020)	\$ (14,517,808)	\$ (13,024,663)	\$ (31,838,491)

2006 Guidance

2006 Guidance of \$3.30 to \$3.45

Projected Underwriting Income	\$ 1.53
Projected Investment Income	3.35
Projected Other Income (Loss)	(0.08)
Projected Interest Expense	(0.08)
Projected Operating Income	<u>4.72</u>
Taxes (28.6% effective tax rate)	1.35
Projected Net Operating Income	<u><u>\$ 3.37</u></u>

Calculation is based on achieving a GAAP combined ratio of 94.5.

Thank You!

Count
on **EMC**®