



EMC INSURANCE GROUP INC. REPORTS RECORD 2007 SECOND QUARTER RESULTS

Second Quarter 2007

Net Income Per Share -- \$1.02

Net Operating Income Per Share -- \$1.01

GAAP Combined Ratio – 91.2%

FOR IMMEDIATE RELEASE

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DES MOINES, Iowa (August 7, 2007) - EMC Insurance Group Inc. (Nasdaq/NGS:EMCI) today reported its best second quarter since becoming a public company in 1982. “We are pleased to report another record-breaking quarter,” stated President and CEO Bruce G. Kelley. “This continues to build on what we believe will be another outstanding year.”

Management also reaffirmed its current earnings guidance of \$2.95 to \$3.15 of operating earnings per share for the year¹. This guidance was announced on July 19, 2007 in response to the excellent operating results experienced during the first six months of the year. This guidance is based on a projected GAAP combined ratio of 97.0 percent for the year.

The Company reported record operating income of \$13,849,000 (\$1.01 per share) for the second quarter ended June 30, 2007, surpassing the previous record of \$10,392,000 (\$0.76 per share) established in the second quarter of 2006. For the first six months of 2007, operating income was \$27,708,000 (\$2.01 per share), compared to the record \$28,457,000 (\$2.08 per share) reported in 2006.

Net income, including realized investment gains/losses, was \$13,990,000 (\$1.02 per share) for the second quarter of 2007 compared to \$11,815,000 (\$0.86 per share) for the second quarter of 2006. Net income for the first six months of 2007 was \$28,692,000 (\$2.09 per share), compared to the record \$31,078,000 (\$2.27 per share) reported in 2006.

Premiums earned increased 1.3 percent to \$99,499,000 for the second quarter of 2007 from \$98,218,000 for the same period in 2006. For the first six months of 2007, premiums earned increased 0.2 percent to \$194,005,000 from \$193,710,000 in 2006. Premium income was down slightly in the property and casualty insurance segment during the second quarter of 2007 as new business premium was not sufficient to offset the premium lost from declining premium rates and business not renewed; however, the reinsurance segment reported a 7.5 percent increase in premium income due to an increase in the estimate of earned but not reported premiums and a large increase in premiums on two existing contracts. On an overall basis, rate competition continued to increase moderately in the property and casualty insurance marketplace during the first six months of 2007 and management expects market conditions to remain competitive for the remainder of the year, assuming there are no market altering catastrophic events. Consequently, the Company’s overall rate level is expected to continue to decline moderately during the remainder of 2007. In addition, there are indications of increasing rate competition in the reinsurance marketplace, which could result in lower rates on future contract renewals and on new contracts.

Investment income increased 2.5 percent to \$11,655,000 for the second quarter of 2007 from \$11,368,000 for the second quarter of 2006. For the first six months of 2007, investment income increased 2.1 percent to \$23,643,000 from \$23,147,000 in 2006. These increases are attributed to higher average invested asset balances and a small increase in the yield on fixed maturity securities.

The Company experienced \$13,411,000 (\$0.63 per share after tax) of favorable development on prior years' reserves in the second quarter of 2007, compared to \$16,341,000 (\$0.77 per share after tax) in the second quarter of 2006. For the first six months of 2007, favorable development on prior years' reserves totaled \$31,501,000 (\$1.49 per share after tax) compared to \$21,376,000 (\$1.01 per share after tax) in 2006. The reported amounts of favorable development for the second quarter and first six months of 2006 reflect 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 amount of favorable development on prior years' reserves that would have been reported in the second quarter and first six months of 2006 had the IBNR reserve accident year allocation factors not been adjusted would have been approximately \$10,949,000 and \$26,735,000, respectively. While the amount of favorable development experienced during the first six months of 2007 is large, it is important to note that, on an aggregate basis, much of the favorable development can be attributed to the final settlement of closed claims. It is also important to note that the most recent actuarial analysis indicates that the Company's carried reserves remained in the upper quartile of the range of actuarial reserves estimates; however, a moderate decline within the range was indicated.

Catastrophe and storm losses increased to \$9,790,000 (\$0.46 per share after tax) in the second quarter of 2007 from \$4,762,000 (\$0.23 per share after tax) in the second quarter of 2006. For the first six months of 2007, catastrophe and storm losses totaled \$12,261,000 (\$0.58 per share after tax) compared to \$6,902,000 (\$0.33 per share after tax) in 2006. Losses associated with the May tornado that devastated Greensburg, Kansas totaled \$6,093,000 (\$0.29 per share after tax).

The Company's GAAP combined ratio was 91.2 percent in the second quarter of 2007 compared to 96.3 percent in the second quarter of 2006. For the first six months of 2007, the Company's GAAP combined ratio was 91.2 percent, compared to 90.3 percent in 2006.

At June 30, 2007, consolidated assets totaled \$1.3 billion, including \$993.3 million in the investment portfolio; stockholders' equity was \$332.7 million; and net book value of the Company's stock was \$24.18 per share, an increase of 7.8 percent from \$22.44 per share at December 31, 2006.

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, August 7, 2007. Dial-in information for the call is toll-free 1-866-202-4683 (International: 617-213-8846); passcode 26004705. The event will be archived and available for digital replay through August 14, 2007. The replay access information is toll-free 1-888-286-8010 (International: 617-801-6888); passcode 76921807. 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. When management uses the words "believe", "expect", "anticipate", "estimate", or similar expressions, it intends to identify forward-looking statements. Undue reliance should not be placed 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 June 30, 2007 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|---|---------------------------------------|---------------------|--------------------|----------------------|
| Revenues: | | | | |
| Premiums earned | \$ 79,803,159 | \$ 19,695,525 | \$ - | \$ 99,498,684 |
| Investment income, net | 8,667,075 | 2,926,302 | 61,196 | 11,654,573 |
| Other income | 151,024 | - | - | 151,024 |
| | <u>88,621,258</u> | <u>22,621,827</u> | <u>61,196</u> | <u>111,304,281</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 45,735,919 | 10,678,193 | - | 56,414,112 |
| Dividends to policyholders | 2,794,606 | - | - | 2,794,606 |
| Amortization of deferred policy acquisition costs | 18,650,398 | 3,843,089 | - | 22,493,487 |
| Other underwriting expenses | 8,900,095 | 114,823 | - | 9,014,918 |
| Interest expense | 193,125 | 84,975 | - | 278,100 |
| Other expenses | 176,329 | 171,008 | 202,355 | 549,692 |
| | <u>76,450,472</u> | <u>14,892,088</u> | <u>202,355</u> | <u>91,544,915</u> |
| Operating income (loss) before income taxes | <u>12,170,786</u> | <u>7,729,739</u> | <u>(141,159)</u> | <u>19,759,366</u> |
| Realized investment gains | 184,283 | 32,568 | - | 216,851 |
| Income (loss) before income taxes | <u>12,355,069</u> | <u>7,762,307</u> | <u>(141,159)</u> | <u>19,976,217</u> |
| Income tax expense (benefit): | | | | |
| Current | 4,125,132 | 2,342,205 | (49,406) | 6,417,931 |
| Deferred | (437,158) | 5,017 | - | (432,141) |
| | <u>3,687,974</u> | <u>2,347,222</u> | <u>(49,406)</u> | <u>5,985,790</u> |
| Net income (loss) | <u>\$ 8,667,095</u> | <u>\$ 5,415,085</u> | <u>\$ (91,753)</u> | <u>\$ 13,990,427</u> |
| Average shares outstanding | | | | 13,761,285 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 0.63 | \$ 0.39 | \$ - | \$ 1.02 |
| Decrease in provision for | | | | |
| insured events of prior years (after tax) | \$ 0.46 | \$ 0.17 | \$ - | \$ 0.63 |
| Catastrophe and storm losses (after tax) | \$ (0.44) | \$ (0.02) | \$ - | \$ (0.46) |
| Dividends per share | | | | \$ 0.17 |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 83,788,100 | \$ 19,566,392 | \$ - | \$ 103,354,492 |
| Decrease in provision for | | | | |
| insured events of prior years | \$ (9,724,759) | \$ (3,686,198) | \$ - | \$ (13,410,957) |
| Catastrophe and storm losses | \$ 9,417,254 | \$ 372,662 | \$ - | \$ 9,789,916 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 57.3% | 54.2% | - | 56.7% |
| Expense ratio | <u>38.0%</u> | <u>20.1%</u> | <u>-</u> | <u>34.5%</u> |
| | <u>95.3%</u> | <u>74.3%</u> | <u>-</u> | <u>91.2%</u> |

| Quarter Ended June 30, 2006 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|---|---------------------------------------|---------------------|--------------------|----------------------|
| Revenues: | | | | |
| Premiums earned | \$ 79,895,345 | \$ 18,322,576 | \$ - | \$ 98,217,921 |
| Investment income, net | 8,428,243 | 2,875,891 | 64,293 | 11,368,427 |
| Other income | 207,499 | 16,834 | - | 224,333 |
| | <u>88,531,087</u> | <u>21,215,301</u> | <u>64,293</u> | <u>109,810,681</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 46,965,551 | 13,146,247 | - | 60,111,798 |
| Dividends to policyholders | 1,739,425 | - | - | 1,739,425 |
| Amortization of deferred policy acquisition costs | 18,347,577 | 4,146,844 | - | 22,494,421 |
| Other underwriting expenses | 10,208,438 | 32,160 | - | 10,240,598 |
| Interest expense | 193,125 | 84,975 | - | 278,100 |
| Other expenses | 466,678 | (2,015) | 164,053 | 628,716 |
| | <u>77,920,794</u> | <u>17,408,211</u> | <u>164,053</u> | <u>95,493,058</u> |
| Operating income (loss) before income taxes | <u>10,610,293</u> | <u>3,807,090</u> | <u>(99,760)</u> | <u>14,317,623</u> |
| Realized investment gains | <u>1,852,727</u> | <u>335,167</u> | <u>-</u> | <u>2,187,894</u> |
| Income (loss) before income taxes | <u>12,463,020</u> | <u>4,142,257</u> | <u>(99,760)</u> | <u>16,505,517</u> |
| Income tax expense (benefit): | | | | |
| Current | 4,474,488 | 1,087,270 | (34,916) | 5,526,842 |
| Deferred | (842,031) | 6,180 | - | (835,851) |
| | <u>3,632,457</u> | <u>1,093,450</u> | <u>(34,916)</u> | <u>4,690,991</u> |
| Net income (loss) | <u>\$ 8,830,563</u> | <u>\$ 3,048,807</u> | <u>\$ (64,844)</u> | <u>\$ 11,814,526</u> |
| Average shares outstanding | | | | 13,718,236 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 0.64 | \$ 0.22 | \$ - | \$ 0.86 |
| Decrease in provision for | | | | |
| insured events of prior years (after tax) | \$ 0.69 | \$ 0.08 | \$ - | \$ 0.77 |
| Catastrophe and storm losses (after tax) | \$ (0.23) | \$ - | \$ - | \$ (0.23) |
| Dividends per share | | | | \$ 0.16 |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 82,028,290 | \$ 16,573,437 | \$ - | \$ 98,601,727 |
| Decrease in provision for | | | | |
| insured events of prior years | \$ (14,517,808) | \$ (1,823,364) | \$ - | \$ (16,341,172) |
| Catastrophe and storm losses | \$ 4,758,386 | \$ 3,229 | \$ - | \$ 4,761,615 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 58.8% | 71.7% | - | 61.2% |
| Expense ratio | <u>37.9%</u> | <u>22.9%</u> | <u>-</u> | <u>35.1%</u> |
| | <u>96.7%</u> | <u>94.6%</u> | <u>-</u> | <u>96.3%</u> |

| Six Months Ended June 30, 2007 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|---|---------------------------------------|---------------------|---------------------|----------------------|
| Revenues: | | | | |
| Premiums earned | \$ 159,007,479 | \$ 34,997,590 | \$ - | \$ 194,005,069 |
| Investment income, net | 17,561,611 | 5,947,671 | 133,258 | 23,642,540 |
| Other income | 270,901 | - | - | 270,901 |
| | <u>176,839,991</u> | <u>40,945,261</u> | <u>133,258</u> | <u>217,918,510</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 87,733,362 | 22,156,710 | - | 109,890,072 |
| Dividends to policyholders | 3,736,715 | - | - | 3,736,715 |
| Amortization of deferred policy acquisition costs | 37,630,571 | 6,641,057 | - | 44,271,628 |
| Other underwriting expenses | 17,982,447 | 998,364 | - | 18,980,811 |
| Interest expense | 386,250 | 169,950 | - | 556,200 |
| Other expenses | 473,226 | 175,800 | 484,026 | 1,133,052 |
| | <u>147,942,571</u> | <u>30,141,881</u> | <u>484,026</u> | <u>178,568,478</u> |
| Operating income (loss) before income taxes | <u>28,897,420</u> | <u>10,803,380</u> | <u>(350,768)</u> | <u>39,350,032</u> |
| Realized investment gains | <u>1,326,276</u> | <u>187,015</u> | <u>-</u> | <u>1,513,291</u> |
| Income (loss) before income taxes | <u>30,223,696</u> | <u>10,990,395</u> | <u>(350,768)</u> | <u>40,863,323</u> |
| Income tax expense (benefit): | | | | |
| Current | 9,911,901 | 3,448,199 | (122,769) | 13,237,331 |
| Deferred | (739,551) | (326,285) | - | (1,065,836) |
| | <u>9,172,350</u> | <u>3,121,914</u> | <u>(122,769)</u> | <u>12,171,495</u> |
| Net income (loss) | <u>\$ 21,051,346</u> | <u>\$ 7,868,481</u> | <u>\$ (227,999)</u> | <u>\$ 28,691,828</u> |
| Average shares outstanding | | | | 13,756,816 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 1.53 | \$ 0.57 | \$ (0.01) | \$ 2.09 |
| Decrease in provision for insured events of prior years (after tax) | \$ 1.21 | \$ 0.28 | \$ - | \$ 1.49 |
| Catastrophe and storm losses (after tax) | \$ (0.56) | \$ (0.02) | \$ - | \$ (0.58) |
| Dividends per share | | | | \$ 0.34 |
| Book value per share | | | | \$ 24.18 |
| Effective tax rate | | | | 29.8% |
| Annualized net income as a percent of beg. SH equity | | | | 18.6% |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 158,941,580 | \$ 34,373,121 | \$ - | \$ 193,314,701 |
| Decrease in provision for insured events of prior years | \$ (25,509,757) | \$ (5,991,590) | \$ - | \$ (31,501,347) |
| Catastrophe and storm losses | \$ 11,851,896 | \$ 409,134 | \$ - | \$ 12,261,030 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 55.2% | 63.3% | - | 56.6% |
| Expense ratio | 37.3% | 21.8% | - | 34.6% |
| | <u>92.5%</u> | <u>85.1%</u> | <u>-</u> | <u>91.2%</u> |

| Six Months Ended June 30, 2006 | Property and Casualty Insurance | Reinsurance | Parent Company | Consolidated |
|--|---------------------------------------|---------------------|---------------------|----------------------|
| Revenues: | | | | |
| Premiums earned | \$ 157,638,116 | \$ 36,072,003 | \$ - | \$ 193,710,119 |
| Investment income, net | 17,092,187 | 5,945,722 | 108,964 | 23,146,873 |
| Other income | 316,059 | 16,834 | - | 332,893 |
| | <u>175,046,362</u> | <u>42,034,559</u> | <u>108,964</u> | <u>217,189,885</u> |
| Losses and expenses: | | | | |
| Losses and settlement expenses | 82,605,473 | 25,924,354 | - | 108,529,827 |
| Dividends to policyholders | 2,731,143 | - | - | 2,731,143 |
| Amortization of deferred policy acquisition costs | 36,694,468 | 7,297,082 | - | 43,991,550 |
| Other underwriting expenses | 18,812,043 | 859,152 | - | 19,671,195 |
| Interest expense | 386,250 | 169,950 | - | 556,200 |
| Other expenses | 726,585 | - | 351,868 | 1,078,453 |
| | <u>141,955,962</u> | <u>34,250,538</u> | <u>351,868</u> | <u>176,558,368</u> |
| Operating income (loss) before income taxes | <u>33,090,400</u> | <u>7,784,021</u> | <u>(242,904)</u> | <u>40,631,517</u> |
| Realized investment gains | 3,383,768 | 649,001 | - | 4,032,769 |
| Income (loss) before income taxes | <u>36,474,168</u> | <u>8,433,022</u> | <u>(242,904)</u> | <u>44,664,286</u> |
| Income tax expense (benefit): | | | | |
| Current | 12,462,626 | 2,485,237 | (85,016) | 14,862,847 |
| Deferred | (1,034,017) | (242,929) | - | (1,276,946) |
| | <u>11,428,609</u> | <u>2,242,308</u> | <u>(85,016)</u> | <u>13,585,901</u> |
| Net income (loss) | <u>\$ 25,045,559</u> | <u>\$ 6,190,714</u> | <u>\$ (157,888)</u> | <u>\$ 31,078,385</u> |
| Average shares outstanding | | | | 13,690,586 |
| Per Share Data: | | | | |
| Net income (loss) per share - basic and diluted | \$ 1.83 | \$ 0.45 | \$ (0.01) | \$ 2.27 |
| Decrease in provision for | | | | |
| insured events of prior years (after tax) (1) | \$ 0.89 | \$ 0.12 | \$ - | \$ 1.01 |
| Catastrophe and storm losses (after tax) | \$ (0.32) | \$ (0.01) | \$ - | \$ (0.33) |
| Dividends per share | | | | \$ 0.32 |
| Book value per share | | | | \$ 20.29 |
| Effective tax rate | | | | 30.4% |
| Annualized net income as a percent of beg. SH equity | | | | 23.7% |
| Other Information of Interest: | | | | |
| Net Written Premiums | \$ 156,707,889 | \$ 30,023,351 | \$ - | \$ 186,731,240 |
| Decrease in provision for | | | | |
| insured events of prior years (1) | \$ (18,813,828) | \$ (2,562,390) | \$ - | \$ (21,376,218) |
| Catastrophe and storm losses | \$ 6,697,724 | \$ 203,999 | \$ - | \$ 6,901,723 |
| GAAP Combined Ratio: | | | | |
| Loss ratio | 52.4% | 71.9% | - | 56.0% |
| Expense ratio | 36.9% | 22.6% | - | 34.3% |
| | <u>89.3%</u> | <u>94.5%</u> | <u>-</u> | <u>90.3%</u> |

(1) The reported amount of favorable development reflects an adjustment in the factors utilized to allocate the property and casualty insurance segment's incurred but not reported (IBNR) reserve by accident year. Had the factors not been adjusted, the favorable development would have been \$24,173,402 (\$1.15 per share after tax) for the property and casualty insurance segment and \$26,735,792 (\$1.27 per share after tax) on a consolidated basis.

CONSOLIDATED BALANCE SHEETS - UNAUDITED

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | |
| Investments: | | |
| Fixed maturities: | | |
| Securities held-to-maturity, at amortized cost (fair value \$5,699,881 and \$5,768,918) | \$ 5,650,710 | \$ 5,679,960 |
| Securities available-for-sale, at fair value (amortized cost \$623,884,205 and \$706,273,867) | 628,439,837 | 716,927,579 |
| Fixed maturity securities on loan: | | |
| Securities available-for-sale, at fair value (amortized cost \$172,538,354 and \$89,841,454) | 169,033,208 | 88,909,477 |
| Equity securities available-for-sale, at fair value (cost \$81,977,014 and \$77,089,044) | 125,703,328 | 112,527,480 |
| Other long-term investments, at cost | 119,495 | 552,202 |
| Short-term investments, at cost | 64,319,647 | 76,722,652 |
| Total investments | <u>993,266,225</u> | <u>1,001,319,350</u> |
| Balances resulting from related party transactions with | | |
| Employers Mutual: | | |
| Reinsurance receivables | 41,136,830 | 37,805,569 |
| Prepaid reinsurance premiums | 4,315,675 | 4,807,822 |
| Deferred policy acquisition costs | 33,581,444 | 33,662,408 |
| Defined benefit retirement plan, prepaid asset | 7,266,199 | 7,836,958 |
| Other assets | 4,792,323 | 2,410,120 |
| Cash | 147,470 | 196,274 |
| Accrued investment income | 11,201,248 | 11,363,814 |
| Accounts receivable (net of allowance for uncollectible accounts of \$0 and \$0) | 405,296 | 205,046 |
| Income taxes recoverable | 1,439,884 | 1,888,935 |
| Deferred income taxes | 13,569,323 | 12,403,141 |
| Goodwill | 941,586 | 941,586 |
| Securities lending collateral | 174,174,619 | 91,317,719 |
| Total assets | <u>\$ 1,286,238,122</u> | <u>\$ 1,206,158,742</u> |
| <u>LIABILITIES</u> | | |
| Balances resulting from related party transactions with | | |
| Employers Mutual: | | |
| Losses and settlement expenses | \$ 544,739,596 | \$ 548,547,982 |
| Unearned premiums | 154,729,067 | 155,653,799 |
| Other policyholders' funds | 8,067,869 | 7,320,536 |
| Surplus notes payable | 36,000,000 | 36,000,000 |
| Indebtedness to related party | 1,442,492 | 18,621,351 |
| Employee retirement plans | 18,424,753 | 17,700,372 |
| Other liabilities | 15,940,070 | 22,702,661 |
| Securities lending obligation | 174,174,619 | 91,317,719 |
| Total liabilities | <u>953,518,466</u> | <u>897,864,420</u> |
| <u>STOCKHOLDERS' EQUITY</u> | | |
| Common stock, \$1 par value, authorized 20,000,000 shares; issued and outstanding, 13,761,408 shares in 2007 and 13,741,663 shares in 2006 | | |
| | 13,761,408 | 13,741,663 |
| Additional paid-in capital | 107,595,222 | 107,016,563 |
| Accumulated other comprehensive income | 24,748,542 | 24,934,903 |
| Retained earnings | 186,614,484 | 162,601,193 |
| Total stockholders' equity | <u>332,719,656</u> | <u>308,294,322</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,286,238,122</u> | <u>\$ 1,206,158,742</u> |

The Company had total cash and invested assets with a carrying value of \$993.4 million as of June 30, 2007 and \$1.0 billion as of December 31, 2006. The following table summarizes the Company's cash and invested assets as of the dates indicated:

| (\$ in thousands) | June 30, 2007 | | | |
|--|-------------------|-------------------|-----------------------------|-------------------|
| | Amortized Cost | Fair Value | Percent of Total Fair Value | Carrying Value |
| Fixed maturity securities held-to-maturity | \$ 5,651 | \$ 5,700 | 0.6% | \$ 5,651 |
| Fixed maturity securities available-for-sale | 796,422 | 797,473 | 80.3% | 797,473 |
| Equity securities available-for-sale | 81,977 | 125,703 | 12.6% | 125,703 |
| Cash | 147 | 147 | - | 147 |
| Short-term investments | 64,320 | 64,320 | 6.5% | 64,320 |
| Other long-term investments | 120 | 120 | 0.0% | 120 |
| | <u>\$ 948,637</u> | <u>\$ 993,463</u> | <u>100.0%</u> | <u>\$ 993,414</u> |

| (\$ in thousands) | December 31, 2006 | | | |
|--|-------------------|---------------------|-----------------------------|---------------------|
| | Amortized Cost | Fair Value | Percent of Total Fair Value | Carrying Value |
| Fixed maturity securities held-to-maturity | \$ 5,680 | \$ 5,769 | 0.6% | \$ 5,680 |
| Fixed maturity securities available-for-sale | 796,115 | 805,837 | 80.4% | 805,837 |
| Equity securities available-for-sale | 77,089 | 112,527 | 11.2% | 112,527 |
| Cash | 196 | 196 | - | 196 |
| Short-term investments | 76,723 | 76,723 | 7.7% | 76,723 |
| Other long-term investments | 552 | 552 | 0.1% | 552 |
| | <u>\$ 956,355</u> | <u>\$ 1,001,604</u> | <u>100.0%</u> | <u>\$ 1,001,515</u> |

The amortized cost and estimated fair value of securities held-to-maturity and available-for-sale as of June 30, 2007 are as follows:

| (\$ in thousands) | Held-to-Maturity | | | |
|--|------------------|------------------------|-------------------------|----------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. government-sponsored agencies | \$ 4,997 | \$ 8 | \$ - | \$ 5,005 |
| Mortgage-backed securities | 654 | 41 | - | 695 |
| Total securities held-to-maturity | <u>\$ 5,651</u> | <u>\$ 49</u> | <u>\$ -</u> | <u>\$ 5,700</u> |

| (\$ in thousands) | Available-for-Sale | | | |
|--|--------------------|------------------------|-------------------------|----------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| U.S. treasury securities | \$ 4,720 | \$ 4 | \$ - | 4,724 |
| U.S. government-sponsored agencies | 427,336 | 37 | 7,743 | 419,630 |
| Obligations of states and political subdivisions | 249,224 | 6,635 | 723 | 255,136 |
| Mortgage-backed securities | 14,180 | 734 | 25 | 14,889 |
| Public utility securities | 6,003 | 258 | - | 6,261 |
| Debt securities issued by foreign governments | 6,831 | 55 | 33 | 6,853 |
| Corporate securities | 88,128 | 2,319 | 467 | 89,980 |
| Total fixed maturity securities | <u>796,422</u> | <u>10,042</u> | <u>8,991</u> | <u>797,473</u> |
| Common stocks | 70,477 | 43,757 | 74 | 114,160 |
| Non-redeemable preferred stocks | 11,500 | 175 | 132 | 11,543 |
| Total equity securities | <u>81,977</u> | <u>43,932</u> | <u>206</u> | <u>125,703</u> |
| Total securities available-for-sale | <u>\$ 878,399</u> | <u>\$ 53,974</u> | <u>\$ 9,197</u> | <u>\$ 923,176</u> |

NET WRITTEN PREMIUMS

| | Three Months Ended June 30, 2007 | | Six Months Ended June 30, 2007 | |
|---|---------------------------------------|---|---------------------------------------|---|
| | 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 | | | | |
| Commercial Lines: | | | | |
| Automobile | 18.8 % | 0.3 % | 19.2 % | 1.1 % |
| Liability | 18.7 % | 3.9 % | 19.1 % | 4.1 % |
| Property | 15.2 % | 1.7 % | 15.3 % | 1.6 % |
| Workers' Compensation | 14.8 % | 9.5 % | 15.1 % | 4.8 % |
| Other | 2.3 % | - % | 2.2 % | 0.5 % |
| Total Commercial Lines | <u>69.8 %</u> | 3.4 % | <u>70.9 %</u> | 2.8 % |
| Personal Lines: | | | | |
| Automobile | 5.8 % | (4.4) % | 6.2 % | (5.8) % |
| Property | 5.3 % | (5.9) % | 4.9 % | (7.1) % |
| Liability | 0.2 % | 5.5 % | 0.2 % | 5.0 % |
| Total Personal Lines..... | <u>11.3 %</u> | (5.0) % | <u>11.3 %</u> | (6.2) % |
| Total Property and Casualty Insurance | <u>81.1 %</u> | 2.1 % | <u>82.2 %</u> | 1.4 % |
| Reinsurance | 18.9 % | 18.1 % | 17.8 % | 2.7 % |
| Total | <u>100.0 %</u> | 4.8 % | <u>100.0 %</u> | 1.7 % |

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