

Delivering on our Promise



FINANCIAL HIGHLIGHTS

(\$ in thousands, except per share data)

	2002	2001	% Change
FOR THE YEAR			
Revenues	\$ 327,528	\$ 297,824	10.0 %
Income (loss) before income taxes	\$ 21,892	\$ (5,542)	495.0 %
Net income (loss)	\$ 16,102	\$ (2,106)	864.6 %
PER SHARE			
Net income (loss) – basic and diluted	\$ 1.42	\$ (0.19)	847.4 %
Catastrophe and storm losses	\$ 0.47	\$ 1.32	(64.4) %
Dividend paid	\$ 0.60	\$ 0.60	0.0 %
Book value per share	\$ 13.84	\$ 12.40	11.6 %
MARKET PRICE			
High	\$ 23.50	\$ 18.75	25.3 %
Low	\$ 13.25	\$ 10.19	30.0 %
Close on Dec. 31	\$ 17.87	\$ 17.15	4.2 %
AT YEAR-END			
Average return on equity (ROE)	10.8	(1.5)	820.0 %
Total assets	\$ 674,864	\$ 671,565	0.5 %
Stockholders' equity	\$ 157,768	\$ 140,458	12.3 %
Price to book value	1.29x	1.38x	(6.5) %
Number of shares outstanding	11,399,050	11,329,987	0.6 %
Number of registered stockholders	1,208	1,250	(3.4) %
Number of independent insurance agencies	3,200	3,200	0.0 %

This 2002 annual report is a reflection of EMC Insurance Group Inc.'s success in delivering on its promise – Count on EMC.



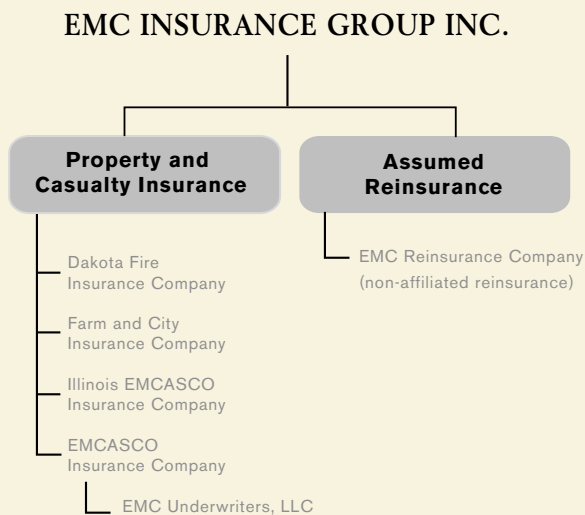
As evidenced by this report, you can count on EMC for building stockholder value while our various companies respond to the needs of agents and policyholders throughout the country.

CORPORATE PROFILE

EMC Insurance Group Inc. (Group) is a holding company with operations in property and casualty insurance and reinsurance. Group, formed in 1974, became publicly held in 1982.

headquartered in Des Moines, Iowa, provides insurance coverage and services through 17 strategically located branch offices throughout the country.

EMC Insurance Group Inc.'s common stock trades on the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol EMCI.



The decentralized branch office structure allows the company to market products and provide pricing to meet each marketing territory's needs and to take advantage of opportunities for profit in the market.

Employers Mutual Casualty Company (EMCC) owns 79.9 percent of Group's stock. EMCC, its affiliates and subsidiaries operate under the trade name of EMC Insurance Companies. EMC Insurance Companies (EMC),

CORPORATE WEBSITE: www.emcinsurance.com
CORPORATE EMAIL: EMCIns.Group@EMCIns.com

To Our Stockholders:

During 2002, EMC Insurance Group Inc. delivered on its promise to build stockholder value and return the company to profitability. It was a year of hard work and significant accomplishments. We delivered on our promises of improved earnings, careful investing, ethical corporate governance and solid claim reserves.



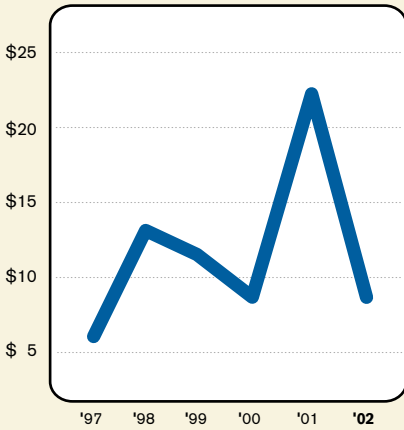
Bruce G. Kelley, CPCU, CLU
President and
Chief Executive Officer

IMPROVED EARNINGS

When the market for property and casualty insurance turned, EMC Insurance Group Inc. was ready with plans to increase insurance rate levels for many insurance lines. In partnership with our 3,200 independent insurance agencies across the country, we implemented the necessary and appropriate rate changes on previously underwritten risks and carefully added promising new risks to our book of business. At the same time, efforts to regain profitability were enhanced by the elimination of less favorable accounts that showed little potential for profitability.

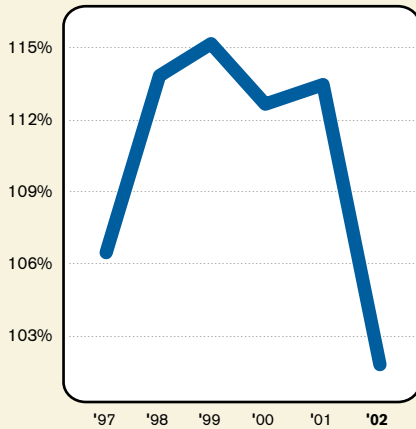
Although Group's results in the prior year (2001) were marred by sizeable storm losses, underlying improvement in pricing and the loss ratio was evident – improvements that continued in 2002. In 2002, Group's GAAP combined ratio of 101.9

Catastrophe/Storm Losses
(\$ in Thousands)



percent was significantly better than the 2001 ratio of 113.9 percent. Group outperformed the industry based on A.M. Best's estimate of 105.7 percent for the industry's 2002 combined trade ratio.

GAAP Combined Ratio



Implementation of our corporate strategic and operating plans, coupled with historically

normal storm and catastrophe losses, has moved the company back to profitability. In 2002, Group posted net income of \$16,102,000 or \$1.42 per share, basic and diluted. Increased book value to \$13.84 per share in 2002, appreciated stock price, and continued dividends of \$0.60 per share also served to fulfill our promise to build stockholder value. The 2002 closing stock price was \$17.87 per share, compared with \$17.15 per share in 2001.

As indicated by Group's earnings and GAAP combined ratio, both operating segments

(property and casualty insurance and reinsurance) showed significant improvement. Group's property and casualty insurance segment experienced profitable growth in most of its commercial and personal lines. Earned premiums for the property and casualty insurance segment increased by 11 percent. The property and casualty insurance GAAP loss ratio improved significantly from 82.8 percent in 2001 to 69.4 percent in 2002. Group's reinsurance segment also posted improved results in 2002, with earned premiums increasing by 16 percent and the GAAP loss ratio falling from 86.6 percent in 2001 to 70.7 percent in 2002.

*In addition to insurance protection, schools **count on EMC** for valuable loss control counsel to help reduce injuries and property losses. As a result, schools are safer environments for students and teachers.*



CAREFUL INVESTING

We delivered on our promise of a conservative investment approach. Group's investment portfolio consists primarily of bond investments

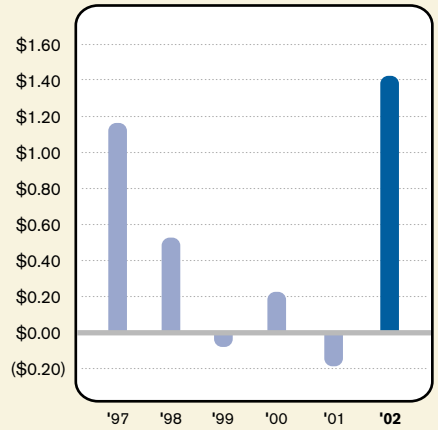
(over 90 percent) and those investments grew more than \$54 million in par value during 2002. Our portfolio's average investment grade quality remained at AA2, despite a

record level of downgrades in corporate bond quality and some high-profile corporate bankruptcies in the U.S. economy. We were unable to avoid all of the 2002 credit problems, however. In June, EMC Insurance Group recorded a \$3.8 million security impairment write down of MCI Communications Corporation bonds. (MCI is owned by WorldCom, which later declared bankruptcy.) MCI bonds were the only

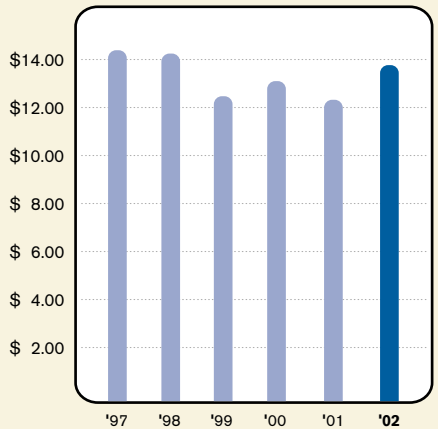
bonds in our portfolio in default during 2002 and since June, the market value of these bonds has increased significantly. We continue to hold these bonds as we are optimistic for further improvement in their value. Ratings were lowered to below investment grade for the Qwest, United Airlines and American Airlines bonds currently being held in our investment portfolio. Only three percent of Group's investment portfolio bonds were below investment grade at year-end, well below the industry's expectation of six percent of bonds rated below investment grade at year-end.

Our equity portfolio declined 20.0 percent compared with our benchmark of S&P 500, which declined 22.1 percent.

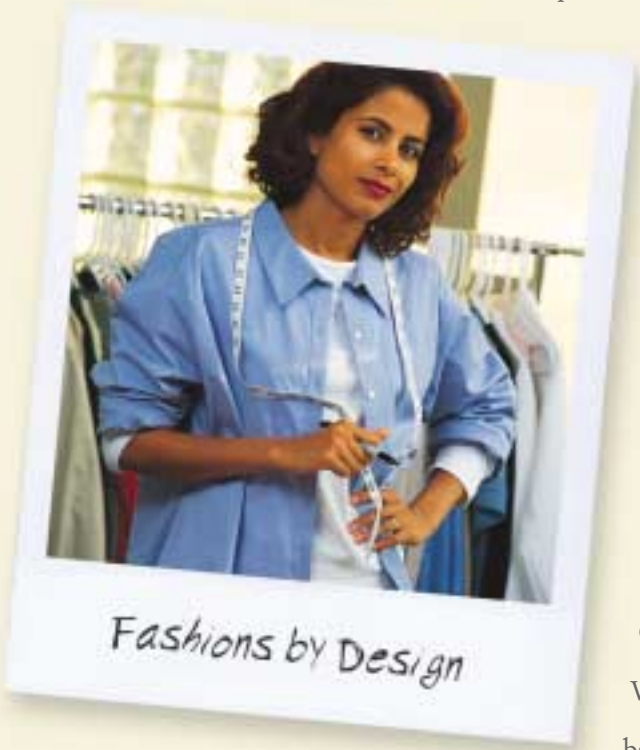
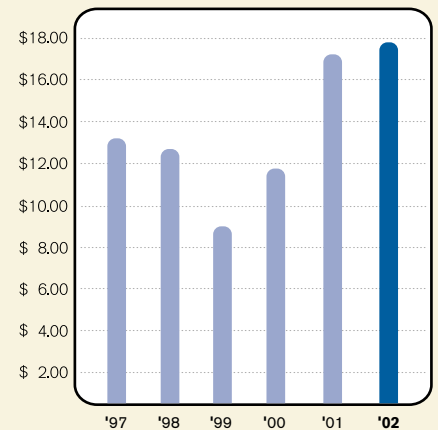
Net Income/(Loss) Per Share, Basic and Diluted



Book Value Per Share



Stock Price



As a business grows, so does its insurance needs. Businesses of all types and sizes count on EMC to respond to their growing needs with everything from workers' compensation to property insurance and business auto coverage.

ETHICAL CORPORATE GOVERNANCE

Extensive media attention has been focused on ethical corporate governance as a result of the bond defaults and bankruptcies of major companies. High standards of ethical conduct are a key factor in our way of doing business, and we believe we have a responsibility to exercise good judgment and integrity. For example, we adopted a formal Code of Corporate Conduct in 1998, not because we were required to, but because we believed it was the right thing to do. Issues addressed in the code include safeguarding corporate assets, insider trading, professional confidentiality, political activities/contributions, and confidential reporting of violations. A board resolution was adopted in 2001 requiring all directors to comply with the Code of Corporate Conduct. Other practices that demonstrate our responsible approach to corporate governance are highlighted in the accompanying sidebar. Beyond those, we are studying the Sarbanes-Oxley Act of 2002 and incorporating the developing requirements into our corporate governance.

STRONG RESERVES

Historically, our solid reserves have not been materially affected by mold, asbestos, construction defects or unusual claim activity. Reserves in 2002 were no exception. In recent years, our asbestos claims have increased slightly, but Group has not seen the level of activity experienced by others in the industry. However, recent increases in litigation against “peripheral defendants” and our continuing commitment to maintain adequate reserves, prompted us to commission an independent study to better understand our asbestos exposure. In keeping with our reserving philosophy, we chose to accept the reserve estimates suggested by the study, even though the study’s estimates are considerably more conservative than industry norms. The result was an insignificant increase (less than one percent) in our prior year reserves. More importantly, the study was completely voluntary and done at the discretion of the company – a proactive effort to maintain strong reserves that further demonstrates our commitment to an adequate reserving policy.

CORPORATE GOVERNANCE

- Audit Committee of independent directors (since 1982)
- Additional responsibilities assumed by Audit Committee:
 - review and approve all related-party transactions
 - review and approve all non-audit services performed by external auditors
 - engage other advisors to carry out duties requiring special knowledge
 - hire/fire authority over the independent auditors and internal audit director
 - review all major issues regarding the company's internal controls
 - regularly scheduled meetings to discuss quarterly/annual filings
- Formal Code of Corporate Conduct for all employees and officers (1998)
 - Compliance Line (1998) for anonymous reporting of violations
 - Board of Directors resolution adopted requiring directors adhere to the Code of Corporate Conduct (2001)
- External and internal auditors have unrestricted access to Audit Committee
- Internal audit department reports directly to CEO
- CEO and CFO must certify annual/quarterly reports to the SEC
- Board Chair and CEO are separate positions
- Loans to executive officers and directors are forbidden

PROMISE TO MEET FUTURE CHALLENGES

Future property and casualty earnings are hard to predict, but base earnings should continue to accelerate for 2003 and 2004, as the carry-over effect of rate increases positively affects earnings. New challenges may threaten the company's regained profitability. Storms and other catastrophes have the potential to affect earnings, but reinsurance coverage should soften the blow. As we have stated in prior annual reports, we are confident the continued implementation of our strategic plan and operating objectives should yield the long-term profitability necessary for us to continue to deliver on our promises.

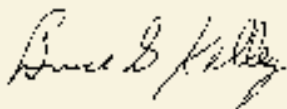
A promise to continue to offer high-quality insurance services delivered by independent agents through our countrywide network of branch offices.

A promise to maintain our reputation of financial stability and superior customer service delivered in a professional and friendly way.

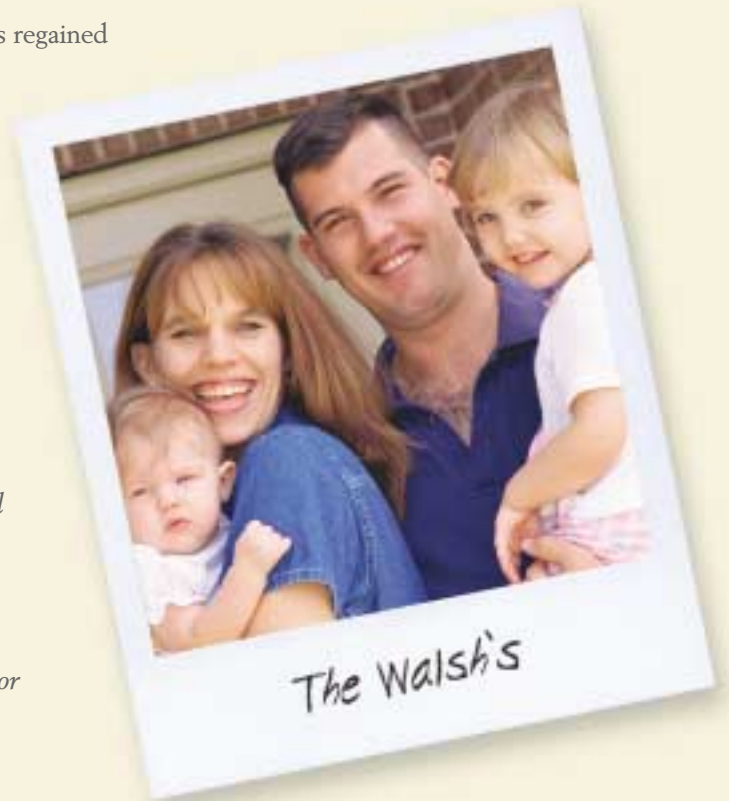
A promise to ethically deliver value to the people we serve – our employees, agents, policyholders and stockholders.

You can count on us to build stockholder value – because only by building stockholder value can we consistently add to our financial strength and grow to profitably underwrite more risks.

Thank you for your continued interest in EMC Insurance Group Inc.



Bruce G. Kelley, CPCU, CLU
President and Chief Executive Officer



Homeowners **count on** **EMC** to help protect what they have worked so hard to get. They count on EMC for the right insurance coverage as well as an ongoing commitment to respond in a prompt and professional manner in the event of a loss.

Our primary objective in 2002 was to improve profitability – and we succeeded. Effective execution of the strategic and operating plans by our employees produced positive results in many areas.



Ronald W. Jean, FCAS, MAAA
Executive Vice President for
Corporate Development (left)

William A. Murray, CIC, AU
Executive Vice President and
Chief Operating Officer (right)

Operating under the key assumptions that the market would continue to harden during the year and catastrophe and storm losses would be closer to historically normal levels, we aggressively worked to execute our operating plan. By maintaining a focus on the fundamentals of profitability, developing an effective staff and delivering superior service, we were able to achieve our corporate objectives.

GROWTH AND PROFITABILITY

EMC Insurance Group's GAAP combined ratio was 101.9 percent in 2002 – fulfilling our expectations. These results, which reflect a successful companywide effort to improve profitability, can be attributed to the following:

- Previously initiated rate increases
- More disciplined underwriting practices
- Adequately pricing new business
- Catastrophe and storm losses at historically normal levels
- Carefully-crafted underwriting and marketing strategies enabling us to evaluate and control terrorism exposure as defined by the Terrorism Risk Insurance Act of 2002
- Better-than-anticipated pricing opportunities in most territories and lines of business

Net written premium grew by 8.0 percent. The bulk of premium growth came from rate level increases. At the same time, we eliminated marginal business and sought to appoint only top agents with a tradition of profitability.

ENHANCING EMPLOYEE EFFECTIVENESS

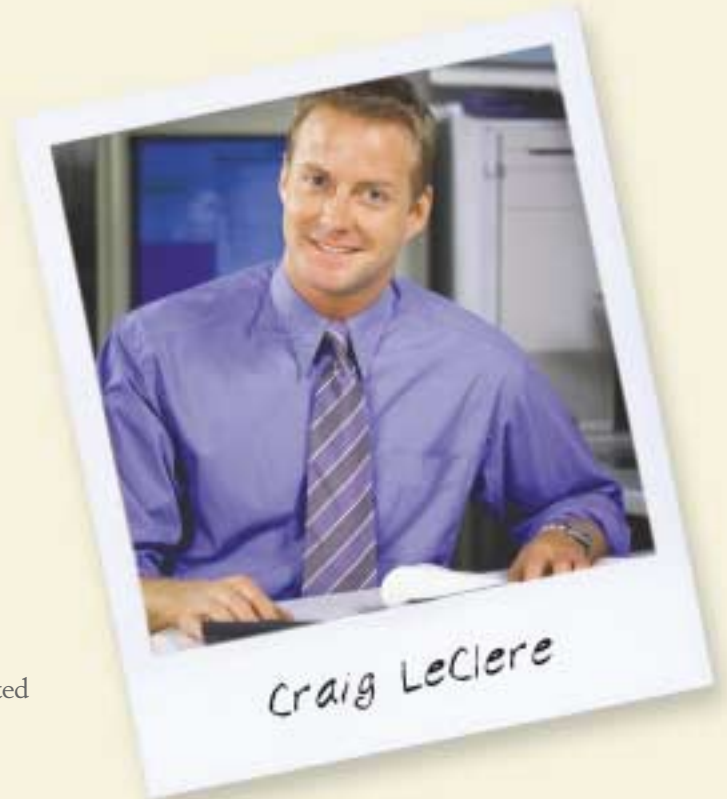
Employees who understand the overall plan and specific company objectives – and their role in achieving them – will be more effective and productive. To increase the effectiveness of our employees, initiatives undertaken in 2002 were to:

- Discuss the strategic plan and corporate objectives with all employees
- Coordinate employee communications through the corporate communications department
- Hold additional meetings and conference calls, and make companywide announcements regarding the company results, plans and objectives
- Create an employee development department to implement training and educational programs
- Conduct a survey to determine employee engagement
- Implement corporatewide leadership workshops
- Establish leadership teams to assess performance management and leadership practices

SUPERIOR SERVICE STRATEGIES

Many of our strategies to provide superior service continue to be technology related.

Our new electronic claims system enables us to give insureds and agents better service and assists our claims staff to be even more productive. Enhancements to



*Independent insurance agents **count on EMC** for the products, services and information necessary to attract and retain customers. That includes an ever-expanding scope of online resources available through the EMC NETWORK.*

www.emcinsurance.com make it easier, faster and more efficient for agents to use our website. Three leadership teams formed in 2002 will focus on ways to improve claims, underwriting and internal service throughout the organization – extending the process of continuous improvement for 2003 and beyond.

MAINTAINING OUR MOMENTUM

In order for us to grow and prosper, we will continue to rely on our strengths:

- Strong, credible balance sheet
- Stable local market presence
- Competitive and innovative products
- Disciplined underwriting and pricing approaches
- Fair and timely claim service
- High-quality service provided by dedicated employees

We will sustain and build upon the positive momentum that's been created over the last several years. We will continue our efforts to improve underwriting profitability, enhance staff effectiveness and provide superior service. We will deliver on our promise to work with independent agency partners and their clients to find solutions to their insurance needs.

Count on EMC!

*Business owners **count on EMC** for a high degree of localized service delivered through a branch office in their area. Being close to customers allows the company to tailor products and services to fit the different regional needs of policyholders.*



William A. Murray, CIC, AU
Executive Vice President and
Chief Operating Officer

Ronald W. Jean, FCAS, MAAA
Executive Vice President for
Corporate Development

Stockholder Information

COMMON STOCK

EMC Insurance Group Inc.'s common stock trades on the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol EMCI. As of February 28, 2003, the number of registered stockholders was 1,208.

PRICES AND DIVIDENDS PAID

by quarters as reported by NASDAQ

	2002			2001		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$ 19.90	\$ 15.95	\$ 0.15	\$ 13.13	\$ 10.19	\$ 0.15
2nd Quarter	\$ 23.50	\$ 15.00	\$ 0.15	\$ 15.85	\$ 11.72	\$ 0.15
3rd Quarter	\$ 17.20	\$ 13.25	\$ 0.15	\$ 16.00	\$ 13.34	\$ 0.15
4th Quarter	\$ 19.40	\$ 13.50	\$ 0.15	\$ 18.75	\$ 13.01	\$ 0.15
Close on Dec. 31	\$ 17.87			\$ 17.15		

There are certain regulatory restrictions relating to the payment of dividends by Group's insurance subsidiaries. (See Note 6 of Consolidated Financial Statements.) It is the present intention of Group's Board of Directors to declare quarterly cash dividends, but the amount and timing thereof, if any, is to be determined by the Board of Directors at its discretion.

DIVIDEND REINVESTMENT AND COMMON STOCK PURCHASE PLAN

The EMC Insurance Group Inc. Dividend Reinvestment and Common Stock Purchase Plan provides stockholders with the option of receiving additional shares of common stock instead of cash dividends. Participants may also purchase additional shares of common stock without incurring broker commissions by making optional cash contributions to the plan and may sell shares of common stock through the plan. (See Note 13 of Consolidated Financial Statements.)

In 2002, Employers Mutual Casualty Company reinvested 25 percent of its dividends in additional shares of common stock under this plan. Employers Mutual Casualty Company will increase its participation in the plan from 25 percent to 50 percent for the first quarter of 2003 and expects to surpass the 80 percent ownership threshold of EMC Insurance Group Inc. in 2003. Employers Mutual has indicated that it may continue to participate in the dividend reinvestment plan in the future; however, its reinvestment percentage will likely be reduced to a level necessary to maintain the 80 percent ownership threshold. More information about the plan can be obtained by calling UMB Bank, n.a., the stock transfer agent and plan administrator.

BOARD OF DIRECTORS EMC INSURANCE GROUP INC.

George C. Carpenter, III, 75, A, I
Retired Executive Director
Iowa Public Television (broadcasting)

E. H. Creese, 71
Retired Senior Vice President,
Treasurer & Chief Financial Officer
Employers Mutual Casualty Company

David J. Fisher, 66, A, I
Chairman of the Board & President
Onthank Company (wholesale distributor)

Bruce G. Kelley, 49, E
President & Chief Executive Officer
Employers Mutual Casualty Company

George W. Kochheiser, 77, E
Chairman of the Board
Retired President
Employers Mutual Casualty Company

Raymond A. Michel, 77, A, I
Director & Retired Chief Executive Officer
Koss Construction Company (road construction)

Fredrick A. Schiek, 68, E
Retired Executive Vice President &
Chief Operating Officer
Employers Mutual Casualty Company

Committee Members

E member of Executive Committee
A member of Audit Committee
I member of Inter-company Committee

EXECUTIVE OFFICERS

Bruce G. Kelley
President & Chief Executive Officer

William A. Murray
Executive Vice President & Chief Operating Officer

Ronald W. Jean
Executive Vice President for Corporate Development

Raymond W. Davis
Senior Vice President & Treasurer

John D. Isenhardt
Senior Vice President/Technology

Donald D. Klemme
Senior Vice President & Secretary

David O. Narigon
Senior Vice President/Claims

Mark E. Reese
Vice President & Chief Financial Officer

Ronald A. Paine
Vice President

Steven C. Peck
Vice President

Richard W. Hoffmann
Vice President & General Counsel

Robert L. Link
Assistant Vice President & Assistant Secretary

Carla A. Prather
Assistant Vice President & Controller

Stockholder Services

CORPORATE HEADQUARTERS

717 Mulberry Street
Des Moines, IA 50309
515-280-2511
EMCIns.Group@EMCIns.com

TRANSFER AGENT

UMB Bank, n.a.
Securities Transfer Division
P.O. Box 410064
Kansas City, MO 64141-0064
800-884-4225

AUDITORS

Ernst & Young LLP
801 Grand Avenue, Suite 3400
Des Moines, IA 50309

SEC COUNSEL

Nyemaster, Goode, Voigts,
West, Hansell & O'Brien, P.C.
700 Walnut Street, Suite 1600
Des Moines, IA 50309

INSURANCE COUNSEL

Bradshaw, Fowler, Proctor and Fairgrave
801 Grand Avenue, Suite 3700
Des Moines, IA 50309

ANNUAL MEETING

We welcome attendance at our annual meeting on
May 20, 2003 at 10:00 a.m. CDT.
EMC Insurance Companies
700 Walnut Street
Des Moines, IA 50309

INFORMATION AVAILABILITY

Anyone interested in EMC Insurance Group Inc. can request
news releases, annual reports, Forms 10-Q and 10-K, quarterly
financial statements and other information by contacting:

INVESTOR RELATIONS

Anita Lake Novak
EMC Insurance Group Inc.
717 Mulberry Street
Des Moines, IA 50309
phone: 515-280-2515
fax: 515-237-2152
email: EMCIns.Group@EMCIns.com
website: www.emcinsurance.com



Our Mission is to grow profitably through partnership with independent insurance agents and to enhance the ability of our partners to deliver quality financial protection to the people and businesses we mutually serve.



Janis Koslov

EMC
Insurance Group Inc.

Home Office

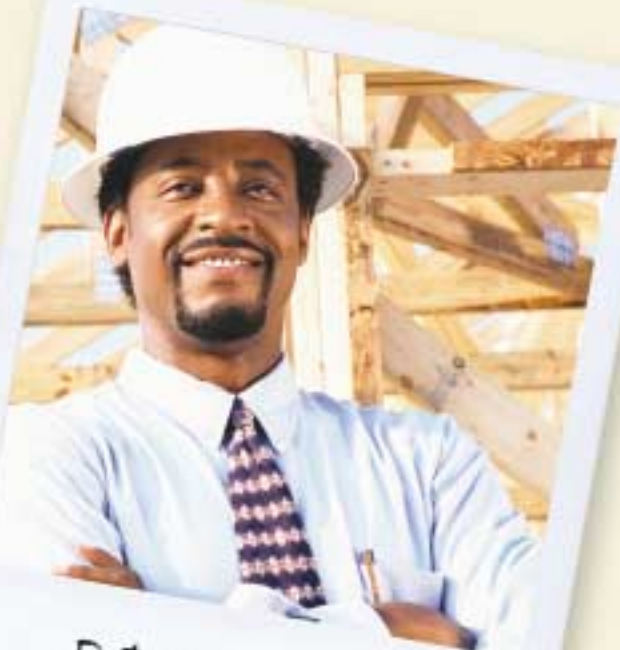
717 Mulberry Street
Des Moines, Iowa 50309

Branch Offices

Birmingham, AL
Bismarck, ND
Charlotte, NC
Chicago, IL
Cincinnati, OH
Denver, CO
Des Moines, IA
Irvine, CA
Jackson, MS
Kansas City, MO
Lansing, MI
Milwaukee, WI
Minneapolis, MN
Omaha, NE
Phoenix, AZ
Providence, RI
Wichita, KS

Service Offices

Dallas, TX
Davenport, IA
Little Rock, AR
St. Louis, MO
Valley Forge, PA



R & C Builders



Cycle Mania

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Count
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