FINAL TRANSCRIPT

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EMCI - Q1 2007 EMC Insurance Group Earnings Conference Call

Event Date/Time: May. 02. 2007 / 10:00AM ET

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first quarter 2007 EMC Insurance Group conference call. My name is Shakwana, and I will be your coordinator for today.

(OPERATOR INSTRUCTIONS)

I would now like to turn the presentation over to your host for today's call, Ms. Anita Novak, Director of Investor Relations. Please proceed ma'am.

Anita Novak - *EMC Insurance Group - Director - IR*

Thank you, Shakwana. Good morning everyone, and welcome to EMC Insurance Group's 2007 first quarter earnings call. The supplemental investor packet is available on the investor relations page of our website, which can be found at emcinsurance.com.

A simulcast for replay purposes is also available at this site until May 9, 2007. The transcript of the webcast will be available for one year.

This presentation include some forward-looking statements about our expectations for our future performance. Actual results could differ materially from those suggested by our comments today.

Additional information about factors that could effect future results is addressed in our SEC filings, including Forms S-1, 10-K, 10-Q, and 8-K.

Any information provided today should be read in conjunction with the 2007 first quarter earning's release or the company's financial tables, issued earlier today.

With us today are several members of EMC Insurance Group's executive management team. They are Mr. Bruce Kelley, President and CEO, Mr. Bill Murray, Executive Vice President and Chief Operating Officer, Mr. Ron Jean, Executive Vice President for Corporate Development, Mr. Steven Peck, Senior Vice President/Actuary, Mr. Rich Schulz, Senior Vice President/Claims, and Mr. Mark Reese, Senior Vice President and Chief Financial Officer.

At this time, it is my pleasure to introduce our President and Chief Executive Officer, Mr. Bruce Kelley.

Bruce Kelley - *EMC Insurance Group - President, CEO*

Thank you, Anita. Good morning, everyone, and thanks for participating in this conference.

The first quarter was a very profitable one for us. Operating income was at $1.01 per share, net income was $1.07 per share, and book value tallied $23.54 per share, an increase of 16.3% compared to one year ago and an increase of 4.9% from December 31.

It was our second most profitable first quarter ever, and we are quite pleased.

Today, I'd like to touch briefly on our expectations for 2007. Our focus is twofold, the bottom line, or net income, and the top line, or premium growth.

The insurance industry remains in a state of moderate competitiveness, and we expect that to continue throughout 2007, barring a major catastrophic event.

As a result, our renewal pricing declined 4.1% in commercial lines and 4.4% in personal lines in the first quarter 2007, compared to pricing for the same accounts last year.

Therefore, our expectation is that our top line growth will need to come from new business writings and continued efforts to maintain or improve policy retention.

New policy counts have been trending upward in recent quarters and first quarter 2007 is no exception. New policies issued are up 16% for commercial lines as compared to the same period last year and new business counts for personal lines are up 17.1%.

Retention levels continue to exceed industry averages and remain at approximately 86% for both commercial and personal lines.

We fully intend to continue to maintain competitive products that are adequately priced. And we are committed to identifying and appointing quality agents with a traditional of profitable business.

At the same time, we are continuing our efforts to more effectively prepare new agents for success through improved agency company planning processes and recently initiated efforts to increase the ease with which agents can do business with us.

We continue our expansion into the Northwest. In addition, we continue to leverage our agency relationships to generate additional profitable growth opportunities.

As we have discussed in recent calls, we have initiated various new products, such as our small business product, which continues to be a profitable product for us.

We will promote our loss control program through 2007, as well. Programs such as our [Roof Review] and Rehab the Lab have considerably decreased our existing exposures, as well as created a financial benefit to our policyholders.

Our expectation is that costs associated with these programs will continue to be outweighted by a reduction in loss cost by the benefit they provide our customers and by affording our agents another means of counting on EMC for superior products and service.

For several years now, we have reported a decline in frequency. However, that was not the case in the first quarter 2007, as frequency increased approximately 4.3%.

It is much too soon to determine whether this will be a continuing trend or just an anomaly, but if frequency continues to increase, we are prepared to evaluate the impact on our pricing, underwriting, and product offering strategies.

On the other hand, the first quarter 2007 severity increase of about 1% was relatively small compared to prior years. In fact, excluding bonds, severity declined slightly compared to first quarter 2006.

With that, I will ask for comments from Mark Reese, Senior Vice President and CFO. Mark?

Mark Reese - *EMC Insurance Group - SVP, CFO*

Thank you, Bruce. I'd like to begin my discussions today with a few comments on the issue of reserve development.

We reported a large amount of favorable development on prior-year reserves in the first quarter of 2007, with the majority of the favorable development occurring in the property and casualty insurance segment.

On a direct basis, approximately 53% of the favorable development came from case reserves and, in aggregate, all of this development is associated with the final settlement of closed claims.

Approximately 30% of the favorable development came from IBNR reserves and was partially driven by a decline in IBNR emergence during the first quarter. Most of the remaining favorables development came from settlement expense reserves.

I would like to caution our investors against getting overly concerned with the composition of our underwriting results, that is, the amount of favorable development reported on prior-year reserves versus current accident year results because our reserving methodology does not lend itself to that type of analysis very well.

Let me explain what I mean.

At December 31, 2006, approximately 62% of the carried reserves in our property and casualty insurance segment were comprised of case reserves, which are the individual reserves established for each reported claim, based on the specific facts associated with each claim.

We reserve reported claims based on the probable or most likely outcome for each client. Probable outcome is defined as what is most likely to be awarded if the case were to be decided by a civil court in the applicable venue or, in the case of a worker's compensation case, by that state's worker's compensation commission. On an individual claim basis, these cases represent our best estimate of exposure.

However, when these individual case reserves are accumulated, the total is somewhat conservative, because all claims will not be settled at the probable outcome amount.

The remaining 38% of the carried reserves in the property and casualty insurance segment were comprised of IBNR reserves and settlement expense reserves, which are established through an actuarial process for each line of business.

IBNR and certain settlement expense reserves are allocated to the various accident years using historical claims emergence and settlement expense payment patterns. Other settlement expense reserves I allocate to accident years on the basis of loss reserves.

The current and more recent accident years have a larger proportion of case, IBNR and settlement expense reserves than earlier accident years.

Since the company's reserve levels are established somewhat conservatively, the relatively high proportion of reserves in the more recent accident years generates relatively high loss and settlement expense ratios in the early stages of an accident year's development.

However, as those accident years mature, claims are gradually settled, the reserves for those years become smaller and the loss and settlement expense ratios generally decline.

Without a proper understanding of our reserving methodology, the current and more recent accident year combined ratios can be misleading.

For example, the property and casualty insurance segment reported an 89.6 combined ratio for the first quarter of 2007.

If you add back a large amount of favorable development experienced on prior-year reserves during the first quarter, you might conclude that the 2007 accident year is generating a combined ratio of 109.6.

However, our current actuarial indications indicate that the 2007 accident year should ultimately produce a combined ratio of less than 100%.

It is our intention to continue to apply this reserving methodology on a consistent basis.

With consistent levels of reserve adequacy, we expect earnings from [darmor] development of prior accident years to continue in future years.

For that reason, we believe that investors should place less emphasis on the composition of the company's underwriting results between current and prior accident years and to place more emphasis on where the company's carried reserves fall within the range of actuarial indications.

Now I would like to make a few comments on our first quarter results.

Operating income for the first quarter was $13.9 million, which is down 23.3% from the record $18.1 million reported in the first quarter of 2006. Net income for the first quarter, $14.7 million, compared to the record $19.3 million reported in 2006.

Net written premiums increased 2.1% to $90 million in the first quarter. However, this increase includes a negative $3.4 million portfolio adjustment made in the first quarter of 2006 in connection with Employers Mutual's reduced participation in the MRB pool.

Excluding this adjustment, written premiums declined $1.6 million, or 1.8%, with all of the decline occurring in the reinsurance segment.

On an overall basis, rate competition continued to increase moderately in the property and casualty insurance marketplace during the quarter, resulting in an approximate 4.5% decline in premiums rate levels from the first quarter of 2006.

Market conditions are expected to remain competitive in 2007, which will likely result in a further decline in premium rate levels as the year progresses.

On a byline basis, net written premiums for the major commercial lines of business increased during the first quarter as follows -- commercial auto, 1.9%, commercial liability, 4.3%, commercial property, 1.6% and worker's compensation was basically flat.

In total, commercial lines net written premium increased 2% in the first quarter. Net written premiums declined 1.7% in personal auto and 8.8% in personal property, but increased 4.4% in personal liability.

In total, personal lines' net written premiums declined 7.6% in the first quarter. Even though we continued to experience declines in personal lines written premiums in the first quarter, the declines continued to be smaller than in recent quarters as a result of an increase in new policy count.

For the year, new commercial lines premium is up nearly 19% over year ago and new personal lines premiums is up over 17%, with much of that coming in selected territories where we think we can make money.

Catastrophe and storm losses were slightly higher during the first quarter, totaling $0.12 per share, compared to $0.10 per share in 2006, but were well within expectations for the period.

Investment income increased 1.8% in the first quarter, primarily due to an increase in invested assets. The total rate of return on our equity portfolio for the quarter was 4.47%, which compares to 0.64% for the S&P 500.

The current annualized yield on our bond portfolio is 5.35% and the effective duration is 3.83 years, which is down slightly from 3.91 years at December 31, 2006.

At this time, I would like to open the phones for questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS)

And your first question comes from the line of Mr. Robert Farnam with KBW. Please proceed.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Good morning. I wanted to make sure I have the new reserve commentary down pat. So if we take a look at your total book, you take out the cap, you take out the favorable development, you have like a 108 combined -- quote-unquote accident year combined ratio.

What you're saying is that don't get concerned with the 108 because it includes some margin in there. You think ultimately that will develop downwards somewhere below 100. Do I have that correct, that part of it?

Bruce Kelley - *EMC Insurance Group - President, CEO*

That is correct. We tend to reserve conservatively and more of our reserves are allocated to the current accident year because there is a chance for greater volatility in that year.

Therefore, it is somewhat misleading when you back into a current accident year ratio, because we know we're kind of heavy on reserves in the more recent years.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Right, we have to keep in mind that what's your initial accident year loss ratio is. It's not what the ultimate will be, so you're presuming that there's favorable development that's baked into that number.

Bruce Kelley - *EMC Insurance Group - President, CEO*

Yes, and I believe over the last five years, we've actually gone gradually down to less than 10% for each of the last five accident years, so we do have a track record to support that.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Okay, and you think that the first quarter '07 will develop somewhere down below 100%? Can you give us a ballpark as to how far down you think that's going to go, or is it somewhere just south of 100?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

For the year --

Bruce Kelley - *EMC Insurance Group - President, CEO*

This is Steve Peck talking.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

We're projecting a 99.3 accident year 2007 ultimate combined ratio.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

For the full year, okay.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

For the full year.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Okay. Now, I know you consider your reserves to be helped very well. Can you quantify how much margin you believe are still in your total carried reserves at this point?

I'm trying to get a feel for kind of how much in total development we may see going forward, if you can get into that.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

At the end of March, for the direct loss and ALAE reserves, we estimate that reserve levels for those two segments are about 100% of the indicated level.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

For both the P&C and reinsurance segments?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

That's just for the -- I'm sorry, that's just for the P&C segment, loss and allocated expense reserves combined.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Okay.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

In terms of the range of actuarial indications, the P&C reserves are somewhere in the neighborhood of the 88th percentile.

For EMC Re, the percentile is about 91% and we believe that that puts us about 7.5% above the indicated level.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Okay, now, when you've -- just one additional question.

When you have your guidance, you assume the combined ratio, can you tell us what the combined ratio assumption is at this point with your guidance, and how much, if any, you have of cats and development included in that number?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Yes. For accrual and EMC Re combined, the calendar year projection is a 100.6. That assumes a cat loss ratio of 5.9%. It assumes possibly rather conservatively a 4% downward impact from case reserve development.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

Okay, that's specifically case only?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Case is the only area where I make a specific assumption about reserve development.

Robert Farnam - *Keefe, Bruyette & Woods - Analyst*

All right, I'll get up in line for some other person to ask questions. Thanks.

Operator

(OPERATOR INSTRUCTIONS)

And your next question comes from the line of Paul Newsome with A.G. Edwards. Please proceed.

Paul Newsome - *A.G. Edwards - Analyst*

Good morning, everyone. Thank you for the call. I'm a little bit confused by some of the statements, Jack. You just told us that you are projecting to have an unacceptable rate of return with a 99 combined ratio on your current year accident year.

You just said that you are allowing the renewal rates to go down almost 5%, which would in theory take that accident year in '08 into a clearly unprofitable decision.

And then you said that you're going after new business, which we've been hearing -- aggressively -- which is we're hearing is kind of where prices are down actually more like 10% or 15%.

So I'm a little bit concerned that -- I'm hoping I'm getting something wrong, but that picture would suggest that if you look into '08, you're looking at an accident year that would be significantly above 100% and I'm just wondering why that decision was made as opposed to, say, what some other companies have tried to do, which is not sell more, let the book shrink and keep the renewal rates flat as best you can. Am I off base here, or I'm just a little confused?

Bruce Kelley - *EMC Insurance Group - President, CEO*

Let's start with Ron Jean to give his commentary on this.

Ron Jean - *EMC Insurance Group - EVP - Corporate Development*

Yes, I'd like to make just a couple of comments and then turn it over to Steve Peck to maybe give you a little bit more background. But I think the idea here is we're not planning to grow if we can't write business profitably.

I mean, we're aggressively trying to market our products and so forth as long as we can price it properly and write the kind of risks that we want to write.

We do have several tools available to us to help us segment that business, including some very sophisticated predictive modeling tools on the commercial side and similar to what everyone else has on the personal lines side, the insurance scoring tools.

So we can segment that business, and if we're going to write new business, we want it to be the better-quality business that we think we can still make money at, even at some reduced prices.

And renewals, again, we're being very selective in terms of how we price that renewal business. It's a high-quality business. We're trying to be as aggressive as necessary to retain that business. On the other hand, if we can't get a good price for it, we're going to let it walk out the door.

So our plan is not to grow at any cost, but to grow if we can write business profitably.

Paul Newsome - *A.G. Edwards - Analyst*

So do you believe that the new business is at an accident year that is better than the 99% that you're projecting for '07?

Ron Jean - *EMC Insurance Group - EVP - Corporate Development*

Well, interestingly enough, we recently provided some information for A.M. Best and our discussions with them and we pulled together some loss ratio data.

And the new business that we've written over the last few years has actually produced lower loss ratios than our renewal business, so I think the strategy has been working.

The tools that we have in place have enabled us to price that business better and be more selective in terms of what we write. Because of the technology that's available now and the tools we have available to us, you don't quite have the penalty on new business that you used to have.

Bill Murray - *EMC Insurance Group - EVP, COO*

Paul, this is Bill Murray. I think the key, or one of the keys, is to be sure we are monitoring the amount of new business and where that's coming from and by line of business throughout the year. Because we realize that it's likely to be a dynamic market here through the year.

We'll monitor competition and we'll have to monitor how much business is being written through our branch operations, and how that's being priced, new versus renewal.

Paul Newsome - *A.G. Edwards - Analyst*

Okay.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

I would -- this is Steve Peck -- just make one update to what Ron mentioned. We have looked at frequency of new business on commercial lines in the first quarter, compared to frequency on commercial and, in fact, the frequency on new business is lower than renewals.

So that, I think, supports the point that Ron was making, that with our new technology we do have some tools to select risks that are appropriate for the rate level.

The other thing I would mention is that I obviously can't disagree with you that a 5% reduction in rate level, all else remaining equal, is going to result in an increase in the combined ratio.

However, you also have to look at what is happening to a couple of things, first, loss costs and the historical pattern has been a loss cost decline.

Now, we had a little bit of a blip in that in first quarter this year, but if that longer-term pattern continues, then we would expect pure premiums to decrease.

The other thing we sometimes forget about is that there is a built-in premium increase generator. We have some inflation-sensitive exposure bases, which we estimate increase premium about 2.3% on an annual basis.

Now, there is some increase in exposure with that, of course, but the increase in exposure is not commensurate with the increase in premium. So there are some countervailing factors to the current thrust of rate reductions.

Paul Newsome - *A.G. Edwards - Analyst*

But do you think we're seeing a net deterioration in the accident year as time goes on, given what we're doing? Or is the better results on the new business enough to offset this?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Well, it would be difficult for me to say that we may not see some increase in the combined as we continue into the soft market. I don't think that's going to be unique to EMC. I think that is probably going to be an industry phenomenon.

Paul Newsome - *A.G. Edwards - Analyst*

I guess the concern is that your accident year is something like 10 to 15 points worse than most of your peers.

So unless there was some offsetting -- unless your commentary is very conservative, you are aware that peers are saying that they would not go from a pricing perspective, already.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Paul, this is Steve again. I clarify that you're saying the 99.7 is 10 to 15 points higher than peers?

Paul Newsome - *A.G. Edwards - Analyst*

Yes. Most peers are reporting an accident year that is at least in the 90s, if not in the 80s.

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Well, I do think there may be -- certainly I intend to build some conservatism into the projection, but I think that the projection we have is fairly realistic. We may come in somewhat lower.

Ron Jean - *EMC Insurance Group - EVP - Corporate Development*

This is Ron Jean again. Just one comment on that. I have no idea which companies you're talking about, exactly what their projections are and I have no idea how they write with their projections.

But if you look at, again, our accident year results, they typically tend to develop favorably, and compared to the peer group, any accident year development generally is -- we show up much better than accident year development.

So whether it's someone being overly optimistic in their initial accident year projections and they're going to see some upward development and we're going to meet in the middle someplace, I can't really address that, because I don't know where those numbers are coming from.

Paul Newsome - *A.G. Edwards - Analyst*

We can talk about them offline, but I'm pretty certain I have some confidence that -- I don't want to mean to monopolize the call, please, let somebody else ask a question. Thank you.

Operator

(OPERATOR INSTRUCTIONS)

Your next question comes from the line of Craig Rothman with Millennium. Please proceed.

Craig Rothman - *Millennium Partners - Analyst*

Hey, guys, can you just elaborate on what lines you're seeing the higher frequency in?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Yes, and remember that we are talking about one quarter compared to another quarter, so it's not a long experience period we're looking at, but in the first quarter, once you've thrown out storm claims, we're seeing some frequency increase in all lines of business, except other liability.

Craig Rothman - *Millennium Partners - Analyst*

Okay, and what type of assumptions are you making on your comment on the projected 99.3 ultimate accident year combined? What type of assumptions are you making on loss costs?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

We're assuming a loss cost increase at the rate of 2.3% annually and that is offset by 2.3 premium trend, so in effect a net loss cost, premium trend, is zero.

That is, in fact, higher than the net trend from 2001 to 2006. That trend was somewhere in the neighborhood of negative one to negative two.

And one part of our methodology does project a prior years forward to the projection year, and we're using 0% as the projection trend, even though the actual projection -- the actual trend over that period was something negative.

Craig Rothman - *Millennium Partners - Analyst*

Okay, so when you say the historical pattern is for a loss cost decline, you're talking about the last five years. And you are using that, to some extent, in your pricing assumptions?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

We are, and I should clarify what I mean is that the net loss cost premium trend has been negative over the last five years.

Bruce Kelley - *EMC Insurance Group - President, CEO*

I think Rich Schulz can add some color to that loss cost issue and what he's doing in order to reduce our lost costs.

Rich Schulz - *EMC Insurance Group - SVP - Claims*

Actually, what I'd like to address first is the frequency issue that you talked about. When Steve first brought this in in early March, we went out and looked at the various branches, and we are not seeing a trend at this point.

What we are looking at is in our Midwest, in the individual branches, we're seeing different factors that are involved in increasing the claims.

For example, in Wichita, they had a lot of ice and snow. They saw more work comps, slips and falls. Des Moines, ice and snow caused additional auto accidents, and in Cincinnati it was actually the reverse. They had good weather, so their contractors had a lot more outdoor activity and they saw an increase in their work comp claims.

So, at this point, we aren't seeing a trend. We are seeing some different factors that are involved.

Craig Rothman - *Millennium Partners - Analyst*

And then just some clarification on the pricing numbers you gave, was that renewal or new business pricing?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

I think we have given both the negative 4.1% was commercial renewal, negative 4.4 was personal lines renewal. The overall 4.5% decrease was for the total book - commercial and personal, both new and renewed.

Craig Rothman - *Millennium Partners - Analyst*

How do you measure the new, exactly?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

That one, we do a couple tings. We first -- new business, I'm sorry. New business, basically, we look at the rate changes that were implemented in the last 15 months and project what the manual decrease will be and then on new business and renewal.

And then we look at the change in underwriting [law] during the experience period.

Craig Rothman - *Millennium Partners - Analyst*

Okay, and then for the renewal business, do you exposure adjust that?

Steve Peck - *EMC Insurance Group - SVP - Actuarial*

Yes, we do. On renewal business, we don't do the processes I just discussed, but we also have a rate comparison system and it's only commercial, that basically takes each renewal policy and re-rates the renewal at the rates that were in effect during the prior term.

So that necessary changes that may have occurred in exposure. And I maybe should add, too, that that is certainly a monitoring system, but also the branch underwriters have that information at their fingertips at the time they are processing renewals.

Craig Rothman - *Millennium Partners - Analyst*

Okay, all right. And then just lastly, is there any particular geographic area that's more concerning right now for you, as far as rubbing up against that threshold where you don't want to be writing new business?

Bruce Kelley - *EMC Insurance Group - President, CEO*

Well, Craig, I think that we certainly are making sure that our coastal exposures are properly underwritten, but I'll turn this over to Bill Murray and he can give you a rundown on our geographic areas and which ones we're emphasizing and which ones we're not.

Bill Murray - *EMC Insurance Group - EVP, COO*

Yes, this is Bill Murray. Actually, some of the good experience that we had from last year seems to be carrying over into the first quarter, so essentially most of our branch offices are being profitable at this time, and we haven't made any significant changes on the basis of one quarter results and what we're seeing. Some there's a little distortion, large-loss distortion in a couple of the branches.

So, basically, at the present time, we're pretty satisfied with the underwriting results that we're seeing on a line basis and also in our branch offices.

From a production standpoint, we're seeing some growth. Of course, e had meager estimates from our branches at the beginning of the year.

But we're certainly seeing some growth, and we're pleased, always, to see growth in some of the areas where the demographics would suggest that there is growth in exposures and some good business to be written.

So I think the sum is that the good experience from last year seems to be carrying forward. We haven't seen anything other than a few large losses that are of great concern to us at this point in the year.

Craig Rothman - *Millennium Partners - Analyst*

Okay. I guess I would echo Paul's concern, when you start rubbing up against that level of writing unprofitable business and then you catch that inflection point in loss cost, it's usually totally unexpected.

That's when it starts to be a serious problem and just the level, the cushion or conservatism in the margin is always a good idea for when that time does come.

Bruce Kelley - *EMC Insurance Group - President, CEO*

This is Bruce Kelley again. One comment I'd like to make on that is the fact that our marketing structure, with our safety groups, our target markets and our choice programs, those are very well selected areas that we want to write business in, in certain geographic locations.

And the pricing for that, and the risk improvement activities for that, is really unique in the industry.

And so we're able to get, as Steve and others have said earlier, a look at some real good business in the independent agency system that can really add value and also stay on our books through this difficult time at a well-priced situation.

Craig Rothman - *Millennium Partners - Analyst*

Okay, thanks a lot, guys.

Operator

At this time, we have no further questions. I would now like to turn the call back over to Ms. Anita Novak for closing remarks.

Anita Novak - *EMC Insurance Group - Director - IR*

Thank you, ladies and gentlemen. This now concludes this conference call. I would like to remind you that a playback of this call will be available on the company's website at emcinsurance.com until May 9, 2007, and a transcript of this call will be available through May 9, 2008.

You can also access that transcript later today.

We appreciate your interest in EMC Insurance Group and all of us wish you an enjoyable day. Thank you.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect and have a good day.
