Transcript of
EMC Insurance Group Inc. (EMCI)
New York City Investor Day
July 9, 2008

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Participants

Anita Novak, Director of Investor Relations
Bruce Kelley, President, CEO
Bill Murray, EVP, COO
Loras Neuroth, President of Independent Insurance Services of Central Iowa
Steve Peck, SVP Actuary
Rick Schulz, SVP Claims
Ray Davis, SVP Investments, Treasurer
Mark Reese, SVP, CFO

Presentation

Anita Novak - EMC Insurance Group - Director of Investor Relations

Good afternoon. Thank you for joining us today. In the interest of time, I am going to make some very quick announcements. Once again thank you for coming to EMC's very first Investor Day. A supplemental investor packet is available on the Investor Relations page of our website because this event is being webcast. It can be found at www.EMCInsurance.com. The webcast replay for replay purposes is also available at the site until October 8, 2008. The transcript of this webcast will be available for one year.

Our purpose today is two fold. First of all, it gives us an opportunity to meet all of you and secondly gives all of you an opportunity to meet our management team.

I do have a few housekeeping items. You noticed in your packet today we have a couple of things that I will draw your attention to. We do have our management team introduced with their pictures and bios there. You'll also see them in that Power Point presentation today. The second document in there that we hope will be very valuable to us. It is a very brief questionnaire as to how you found our presentation today. It will help us in future events going forward.

As always, this presentation includes some forward-looking statements about our expectations for future performance. Actual results could differ materially from those suggested by our comments today. Additional information about factors that would affect future results is addressed in our SEC filings including forms F-1, 10-K, 10-Q and 8-K. Any information provided today should be reviewed in conjunction with the 2008 first quarter earnings release with the company financial tables contained in the packet distributed to you as you entered today.

With that, I will introduce our CEO Mr. Bruce Kelley.

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Bruce Kelley - EMC Insurance Group - President, CEO, Director
Thank you Anita. Welcome everyone. EMC Insurance Group Inc is a Midwestern property casualty holding company with a Midwestern focus. We have a long history -- we were -- our predecessor -- our owner organization Employers Mutual Casualty Company was founded in 1911 to write workers' compensation insurance in Iowa. We formed this downstream holding company in 1974 and took it public in 1982 with an offering and then had another offering in 1985 and then a follow-on offering in 2004.

As a company, we derive our income from two separate sources. One is the property-casualty segment where we have an opportunity to participate in the Employers Mutual Casualty Company pool where we receive 30% of that pool and this provides us with a direct business from 41 states. So we are able to benefit from a larger organization that has 85% of its business on the commercial side and 15% personal and surety bonds. So this segment represents about 83% of the total written premium from last year.

The other 17% comes from our reinsurance segment. Where we reinsurer other insurance companies either through our Home Office Assumed Reinsurance Department where we are able to participate on brokered treaties throughout the world or from the Mutual Reinsurance Bureau which provides about one-third of that where we're able to directly through with five other companies insure those companies and their risk exposures. We have been reinsuring since 1951. So we have been in the reinsurance business a long time and that has allowed us to participate on some real good treaties. We also have a limitation on the amount of money we can lose in any one event and that is that $2 million per event cap. So if a hurricane would come through our reinsurance company would only be exposed to a 2 million-dollar level.

I guess the question you're asking today is what does it take for a company to get through a soft market. I believe that we have the structure, the management team and the book of business that will carry us through this soft market as it has carried us through soft markets in the past. I will start with the corporate structure. You can see that Employers Mutual Casualty Company owns 57% of EMC Insurance Group Inc. the company. Over the years, we have owned over 80% at one time and down close to 50%. The public has always had an interest in this company. Right now, the public owns 42.9% of the company.

There are two stock buyback programs. One where Employers Mutual Casualty Company is increasing its share of EMC Insurance Group Inc. That buyback is right now in a band. The second one is where EMC Insurance Group Inc. is buying back its own stock. You can see as of the 30th of June we are about half done with that buy back.

You can see also at the bottom of the corporate structure, we’re at the two segments. The 30% that we get through our branch operations, direct business and also the reinsurance segment.

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We also have a diversified Board of Directors that oversees this company. This board many of them are long-term members. The chairman of the board George Carpenter has been on the board since 1982. He comes from the broadcasting industry. To his right is Gretchen Tegeler. Gretchen was Chief of Staff for the Governor of Iowa Terry Branstad. Before that, she ran the budget for the state of Iowa. She is a very accomplished individual and also was the Chief Financial Officer of a telephone company and also is currently with the American Cancer Society in the Midwest. On the other side of Mr. Carpenter is Margaret Ball who is a longtime employee of EMC Insurance Group Inc who retired over five years ago. She was in charge of underwriting. She was a female pioneer in the insurance industry and was responsible for some important decisions that we made in the late 1990's when we bought additional reinsurance coverage for storms and also in turning down certain proffered plans to get involved in of reinsurance that turned out for other companies not to work. She was also very involved in our mergers and acquisition and turned down an acquisition that for another company really turned out poorly. Margaret Ball is a very experienced individual. Our chairman of our audit committee is David Fisher and Ray Michele is a long-term board member. He was involved in road building in Iowa. We're also pleased to have Bob Howe on our board. Bob was the chief examiner for the state of Iowa. Our Secretary Richard Hoffman has been with the company 19 years. So we do have a diversified Board of Directors. They are long-term members and have been through the cycle and they know what it takes to go through soft markets.

We also have an experienced management team at EMC Insurance Group Inc. Starting at the top, Ray Davis. Twenty-nine years ago we wanted to bring our bond buying in house. Ray was hired after an extensive search and since that time has been buying bonds and adding them to our book of investments. And you can see that our results have been excellent because we have taken the risks on the underwriting side and Ray has managed our investment risk on the bond and also overseen our equity investments. Ron Hallenbeck who is not here today who oversees our reinsurance business. That 17% for the reinsurance the assume side. Ron came up through the underwriting department, purchase reinsurance for our company and then moved over to the assuming side several years ago. Kevin Hovick, after Mr. Hoffman our secretary, is Kevin Hovick who is involved in business development for the company. He served in four different branches. He has been through several cycles as well. Ron Jean our Executive Vice President was hired to found our Actuarial Department 30 years ago and has moved on from there to now overseeing planning, productivity, technology as well as budgeting and human resources and actuarial. Kristi Johnson is an attorney who handles our human resources. Bill Murray, who will be speaking right after me, has been through the cycles in a very direct way. He was in charge of our Charlotte office. In the last cycle he made a bonus every year when he ran his branch. He knew what it took to write business through the difficult times of the soft market and for that he was promoted to his position as Chief Operating Officer. Steve Peck who you'll be hearing from after several speakers is the head of our Actuarial Department. A fellow of the Casualty Actuarial Society. He has signed our opinions for many years and is in charge of both reserving and pricing of our business. Mark Reese is our longtime Chief Financial Officer who oversees the reporting of our numbers and the transparency of our results

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and Rich Schulz who you'll also be hearing along with Mark is in charge of claims. Rich has not been with the company a long time, but has been through a number of soft markets with some companies that are much larger than us, so he has an ability to compare and contrast us with other companies. We believe we have the management team to get us through the soft market.

A few more comments on the benefits of the pooling agreement. We spread risk over many geographic territories, lines of business, rates, forms and filings so we are able to get a diverse book of business that allows us to not have those large losses that can cause our stock some real trauma. Again we get a benefit from a billion dollar pool that Employers Mutual Casualty Company runs even though EMC Insurance Group Inc. is a smaller entity. We have an A minus rating from Best. We are certainly hoping to increase our rating. We are hoping to demonstrate that as we go through this soft market.

We will be talking about are independent insurance agents. We have 2400 of them. We were able to convince one of them to come today and we are pleased that Loras Neuroth is here today. We have those agencies in 41 states. We also write in the other nine states and the District of Columbia. We don't have independent agents in those territories.

One of the things that we bring to an investor is merger and acquisitions flexibility. We can bring a company -- Employers Mutual Casualty Company can buy another company and add its business to the pool or we can align ourselves with another mutual as we did with Hamilton Mutual in 1997 and bring its book of business into the pool. So EMC Insurance Group Inc. does not have to go out and actually purchase another company or align itself with another company it participates in this pool. So we have a merger and acquisition flexibility. We can merge two companies together or we can purchase a company. This structure although complicated does allow a lot of flexibility. We also receive economies of scale in our operations.

This is our footprint, the 41 states that we operate in. Iowa is only 15% of our business even though we were founded there. Twenty years ago Iowa was 25% of our business, so we have cut back in Iowa and added in other states, but we have managed our risk. You can see we are on the coasts, but we manage our risks and one of the ways we do that is through these branch offices.

We have 16 branch offices and five service offices that report to one of those 16 branch offices. This decentralization allows for the underwriting, marketing, claims handling and risk-management functions be handled locally. The agents are appointed locally and our home office in Des Moines oversees that and provides the systems and the money handling that goes along with the. This enhances our relationships with our agents. Mr. Neuroth does not report to Home Office, he reports to the Des Moines office as do each of our agents report to their local branch office so that they can create programs and underwriting that fits that territory. If there is a coastal exposure they manage it locally. If there is a type of liability situation there that we don't want to get involved in that is managed locally and we avoid that. So

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again the structure allows us to develop marketing strategies, pricing and products designed for local territories.

Looking at our book of business with a pie chart is the next slide. You can see the slice is the reinsurance part, the 17% that is reinsurance. You can see the dominant book of business that we get from our Branch offices. You can see we are mostly a commercial company. We write business insurance and we write the package. The package includes commercial auto, workers comp, commercial liability and commercial property. We also write a small amount of personal lines business carefully selected by the independent agents that we rely and throughout as profit for the last six years.

The final slide deals with the structure of our commercial business. This is the nuts and bolts of our organization, how we market. When organizations say they market, they can talk about marketing and sales, but what we have is a marketing structure where we are able to get business that provides us with profit. We have EMC Choice. And what EMC Choice is there are 12 select business coverages that we manage on a national basis, but which the branch offices are able to pick and choose among and emphasize in their territory if they have agents that are favorable to it or they have coverages and exposures that work in their area. So EMC Choice is a special type of business and represents about 7.6% of our book of business.

Now the target markets are programs that are basically handled on a branch by branch basis. Now several branches have the same target market but they are not all the same. For example, some branches write petroleum marketers and some don't because they understand how local rules are may not permit that. Some branches may have a mobile home park program and some may not. Some may have a school program or a municipality program or a county program and those are certain target markets. Often there will be an agent who is leading that target market. That agent will have a real good idea of how to underwrite profitably and not underwrite the markets that will not work out to well.

And finally safety groups are basically mature markets -- excuse me -- mature target markets and what they have are basically dividends that are paid back to either the association that we partner with or to the actual policy holders themselves, to reflect good business. You can see over there on the written premium increases, this slide is through the first quarter of 2008, how we've been able to get some really good premium increases in these programs. These choice target markets and safety groups. This marketing structure allows us during the soft market to continue to retain good business because we know over time it will be profitable, and to grow that business. The incurred there in the middle of the slide it talks about incurred losses through the first quarter. So we have had some really good experience so far this year from these lines of business.

Now the following speakers will detail how we have produced superior results through the years.

William Murray - EMC Insurance Group - EVP, COO

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Good afternoon to all of you. I am Bill Murray. I have been asked to visit with you just briefly today about the sales portion of our business or what I put into the broad category of agency relations. I think Bruce has already provided quite a good segue way to the things that I would like to talk about today. He has already mentioned that we have over 2,000 independent insurance agents located strategically around the country. He has talked about our Midwestern focus. The fact that we were founded in the Midwest and that is where a good bit of our business is written today. He has talked some about the emphasis that we place on commercial lines of insurance. And he has talked about the diversity that we like to see in our book of business. It is the old adage of not putting all your eggs in one basket. He has talked about the importance of local market presence. Including our largely decentralized branch office structure. A structure that enables us to develop the kinds of products and pricing and market strategies that are very, very important if we're going to survive in today's competitive market environment. And most importantly our branch office structure enables us to create and to maintain and enhance agency relations with the independent agents who represent the company.

So now you know that since its inception in 1911, EMC has sold insurance property and casualty products exclusively through the independent insurance agency system. Carefully selected agents that are strategically located around the country. You know that we have over 2200 independent insurance agents in the 41 states appointed and serviced through EMC's 21 branch offices and service offices. Not an extremely large number of agencies certainly for a company our size. That also means that we are not on every street corner. Or more importantly not on every competing street corner. That adds to the franchise value of a contract that an agent has with EMC. We have a marketing plan that is enhanced by both our abilities and our desires to provide competitive products and services to our agents and customers at a competitive price. To promote ease of doing business regardless of what business you're in now days the price and the product and ease of doing business are so important.

Our corporate mission statement I think pretty much says it all. We seek to develop true partnerships with our independent agents that we appoint and then we work hard every day after that to provide them with the kind of support and product and services that they need in order to be successful. If we do those things and if we do them well, then we will be successful in growing with our agents through that partnership to enhance their ability of our partners to develop quality financial protection to the people that we mutually serve. If we do that then of course we are also successful in EMC's insurance mission to create stockholder value through customer satisfaction and employee commitment to excellence.

Some of you probably had the opportunity to see and review the 2007 Corporate -- EMC Corporate review. If you did you saw any number of references in there to being there. We actually believe that it’s a priority for us to be there close to our agents as illustrated by this map that shows where we currently maintain branch offices and services offices as well. EMC has branches in most of the parts of the country where we do business. We think it is very, very vitally important that we be close to our agents and close to their clients. Also as a result of having this branch office

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structure, we tend to know the landscape very well. We know the kinds of competitive situations that our agents and our branches are being faced with.

We are always able to keep up with the legal and the claims environments in those territories which is so important to the overall profitability that we have. We can provide superior customer service regardless of whether the account we are dealing with happens to be a local, a multistate operation or even a national account that we write.

There is where we have these over 2,000 agents located. It might not surprise you to see that we have a large number of agents in the Midwest. These agents also tend to be located in or around areas where we have branch offices and service offices so that we can provide good service.

Bruce mentioned that of our book of business, we are about 85% commercial lines, commercial lines oriented. Independent agents are located throughout the nation virtually in every city or town. So independent agents are located everywhere. There are 30,000 independent agents in the country. All of this gives EMC the ability and good local knowledge and local presence so that we can write business in the territories that are being serviced by our branches today and also tomorrow as we continue to grow our book of business.

We get asked sometimes why do you sell business through independent agents? From the beginning there is a strong distribution system which is the predominant choice of business owners, of institutions and also for some individuals. Independent agents provide advocacy, they provide counsel, choice, personal service to their clients. Keep in mind that these are people that are independent agents know and often times know well. These are people that they may go to church with, work with, live with in their local communities. By representing multiple carriers agents can tailor coverages to meet their specific needs of their clients. They have the ability then to be responsive and provide local service and competitive insurance products to their clients. By now I am sure you know our feelings. The independent agent is a critical part of the insurance buying process. The independent agents are best suited, we think, to serve the needs of the insurance buyers. Of course there other reasons why we tend to do business only through independent agents. As the complexity of the insurance account increases, as it often does with commercial business, customers rely on a trusted adviser and who better than the independent insurance agent in their local community. In fact in 2007, independent agents sold nearly 86% of the commercial insurance in the United States. So notice the dominance that independent agents have in writing and servicing commercial insurance. Notice how that ties directly into the focus that EMC has on commercial lines.

The next few slides tend to focus on some of the success stories that we have working with our agents and building on that success. EMC's success story actually is grounded on our Branch office structure as we have mentioned several times. It also centers on supporting our agents, providing great insurance protection, and providing great insurance service. Obviously the key, as you can tell from the presentation, we believe our full-service branch offices are a real key to our success. Our local offices

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have strong relationships with their agents. They call on them; they make the appointments so that they can represent them. They know these agents very, very well. As a result, agents have access to local management when it comes to decisions relating to underwriting, marketing, risk improvement, claims or technology. I have never had an agent tell me that they did not appreciate the opportunity to sit down with the actual decision makers that are located in our branch offices.

And we have Award winning technology that makes it easier for agents and policyholders to do business with EMC. EMC has become a leader in helping to develop and enhance the technology. We are members of the Agency Council on Technology and several other agency technology groups as well. We have received some awards as a result of the work we have done to make it easier for our agents to interface with our company in doing business.

Our branch offices have local expertise which assist agents when handling complex accounts, target markets, and safety groups. Bruce touched on this a little bit earlier. Some of these safety dividend groups and target markets are business that was developed specifically because of needs in local areas. It is not uncommon at all for an agent to have one of our employees that they have been working with for 10 or more years on some of these accounts and some of these programs. It adds a lot to the profitability and the retention. It also responds real well to the loss control services that we extend. So as a result, agents favorite EMC as a company. It represents a consistent and stable market for them.

Here is one sign of agency satisfaction I would say. This slide shows the results of agents commitment to the Independent Insurance Agents by indicating that 750 agents, nearly one-third of the agent force that represents EMC, has been contracted with us for 25 years or more. Speaks well to the longevity of those relationships.

The importance of being there as I talked about was probably never demonstrated more than it was recently when an EF-5 tornado hit the small town of Parkersburg in Iowa, in north central Iowa. It did a lot of damage to the community including totaling out their high school in that area.

This slide shows a real-life example of the local branch providing great service to our agents and their high-profile policy holders there. There is our branch manager in our Des Moines office providing a deposit or a down payment on the loss that they sustained in the Parkersburg area.

There is a quote from the agent. I met with Kevin Truax. He had no complaints about the way that we handled their loss so far. Of course we are still dealing with it. I think we got in their early into the process and we have done a good job of working with them in order to handle the claims that have been presented. That deposit that I mentioned was actually to help them start some rebuilding on their athletic field. That may not sound like something to important to some. But on the other hand in a small community like that where that school is so important it was the first tangible sign people in Parkersburg had that a recovery was under way.

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Another success story that we have has to do with the loss control services that we extend to our policy holders. So whether we are doing some flow testing like we are in the upper left-hand slide where we are checking to see if they have enough water to put out fires and in the lower left we are doing some environmental health work to check on some mold issues that may exist. The upper right hand we are showing some correct ways to do some lifting to avoid strains and claims that we see in workmen's compensation that is not done properly. You probably can't see it, but the fellow in the lower right-hand slide has some earplugs so we are doing some noise testing on some of the large manufacturing and some of the heavy equipment that they have. All of these services that we provide through Loss Control are provided generally free of charge to the policyholders.

Here is a quote from one of our larger Indiana agents talking about how serious EMC is about risk improvement services. Our studies indicate we spend basically twice as much as our peer group in providing risk improvement services. We believe there is a good return in terms of the better experience that we have.

There is another statement by a school official after we were in and did some security assessments. It was not a coincidence that with the advent of terrorism we did not have trouble getting schools attention when we wanted to talk about security. After the situation at Virginia Tech, we did not have a problem getting in to the schools and getting appointments to talk about security. We feel real good about the services that we are providing. As we provide these services our local independent agents are involved along the way because of course we need their help and support in seeing that the reasonable recommendations for improvements that we make are handled.

As you can tell we are convinced that for us at least business is best conducted through local independent agents and it makes sense. So we continue to look for ways to build on those past successes so that we can secure future profitable growth.

When we want to grow with agents we generally talk about six strengths at the EMC brand. We talk about our approaches; we want them to be comfortable with how EMC does business. We demonstrates our support to the agent as we go along and do business. We believe that these six strengths are differentiating issues. Things that we ask our agents to consider at the point of sale. Certainly our stability. Stability in the agency relationships that we maintain. Stability in the services and coverages that we provide to meet our agents and our customers' needs. In addition to stability, consistency is so important. Consistency in the coverages that we provide, consistency in the service that we provide. We don't jump in and out of markets, as some companies tend to do. We don't close branches. We don't have large-scale changes in leadership.

We have experienced staff as Bruce has indicated. No one knows our business any better than we do. Many of our employees have been with us for the majority of their careers. They have dealt with situations, just about every situation that the insurance business can throw at them. We have flexibility in our branch office structure. That makes it possible for agents to do more business with us because we are adaptable. We are open-minded to business opportunities as they exist in their local

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communities. And nowadays everyone needs to be innovative. So we are innovative as well in looking for ways that we can do more business with our agents as we go along. And professionalism, professionalism is a part of our corporate culture. We are dedicated to professional conduct and we're also dedicated to continuous improvement including education.

Of course we recognize that like many other industries, insurance agents are struggling to keep up or to increase their revenue. They are off and looking for ways to merge or acquire other businesses. EMC is helping independent agencies succeed in this challenging marketplace. One way is Trusted Choice. This is the independent agents consumer branding initiative, a key part of our distribution system is to increase market share. EMC has become a Trusted Choice partner company with financially supporting the efforts of our agents while also asking in return our agents to support EMC initiatives. As a result, early results would indicate that we are gaining market share against direct writers and (inaudible) agents.

There is the Trusted Choice brand. I have it on my lapel today as an indication of the support that we have for the independent agent system. There is a quote from Bruce Kelley mentioning how important the brand is for Trusted Choice and how well it aligns to the Count On EMC brand that we have as well. There is a quote from one of our agents talking about the importance and appreciation they have as a result of our becoming involved in Trusted Choice.

Other ways that we help our agents. We have developed our own objective way of evaluating agencies. It is called the Agency Performance Value System. By using this system, we can identify business trends, and look at that agents book of business and visit with them about their performance. The program incents agents and it rewards agents that are doing a very good job in top performing agencies. We work with our agents closely to develop joint business plans and to develop mutual productions and profitability goals. As a result of that planning, here is a statement from one of our agents, Dale Van Dam in Madison. He is talking about the EMC's willingness to be open to discuss business opportunities as they exist as a result of the planning we have done. Here is another comment from an agent in Birmingham Alabama, same situation where we have worked closely in order to develop planning so that they can become even more successful with EMC.

A lot of the best practices that we are following have been developed by the Independent Insurance Agency Association and so we are providing benchmarks to our agents so that they can look at their metrics and compare them to other top performing agencies that they are competing with. As a result of that we have received the Best practices awards from the association in 2007 and 2008.

I will close with a statement from Bob Rusbuldt who is the President and CEO of the Independent Insurance Agents and Brokers of America. He sites our formula for success and our dedication to the local agent by saying, "The local presence EMC maintains through local branch office structure and consistent marketing philosophy and approach has resulted in a true partnership with the EMC's independent agency force."

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Of course most of this day as you know is sort of self-serving. We are sort of blowing our own horn. I guess you probably expect that in a setting like this. We thought that you might like to hear from a more independent person. We asked one of our good agents, Loras Neuroth who is the President of Independent Insurance Services of Central Iowa with main location in Marshalltown Iowa to join us today. Loras was born and raised and received some of his education in Marshalltown. He is a graduate of Minnesota State in Mankato. As you might expect for someone who has been in the community as long as Loras has, he has been on many boards and received awards and recognition within the community. That is typical of the EMC agents that we do business with. They are very involved in community activities. But I've picked out just one thing that I wanted to mention from Loras' resume. When we were preparing for this presentation he said it was not a big deal, but that he wanted us to know what his involvement with Vision Iowa. The state of Iowa funded organization that has helped the development of quality life assets in Iowa in recent years. As a result of his involvement he has been working on the Marshalltown Aquatics Center, the Marshalltown new library that is under construction, working on a (inaudible) theater project with one of the community colleges their area. Loras we think that is a big deal because we know that it is a big deal in your community, it is a big deal in the state of Iowa. We appreciate all that you do in the community and also for EMC.

Loras Neuroth - President of Independent Insurance Services of Central Iowa
Welcome everybody and Bill thank you and Bruce thank you for including me. As you might understand this could be an awkward position for an independent contractor because we represent many companies. But I think you'll find out with my remarks that the cultures that my small business in a small little town of 28,000 people in central Iowa and the culture of EMC, they are very similar. We are committed to our clients, we are committed to continued improvement, we are committed to our employees and we are committed to our communities. I will make more comments about that.

As a little background to let you know where I am coming from with some of my remarks, we are not a major player. I purchase a little agency from my father after having moved back from Michigan in the mid-1970s. An agency that produced total revenues of $58,000. We can't pay our company's cost of our medical insurance with $58,000. EMC at the time, was not a carrier that contracted with our agency. They have been a major player since that time in providing for the support and the tools and products to help us grow.

Being a small player in the agency business and being in central Iowa, we are generalists. We do have some large commercial accounts, one that pays us in excess of $1 million in premiums. Others that pay us in excess of $500,000 a year in premiums. But we serve farm accounts, we serve personal lines accounts, home and auto insurance, we serve small business. We are a generalists and EMC has the products and the support to help us be successful in a small community such as Marshalltown. We have a total revenues now of over $4 million. We are an agency that is split 68% between commercial lines and 32% personal lines. EMC Insurance is maybe not known nationally as a personal lines insurance carrier but they are our

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largest personal lines insurance carrier. EMC represents 12.45% of our agency revenue. Now when you look at this and you say what is an agent doing standing up here with EMC that may be produces 12.45% of revenue. That is a big deal. That is our largest carrier in terms of revenue producers. We represent Chubb, we represent Travelers and other carriers. EMC is our largest contract in terms of revenue. To give you some different perspective on that, you need to know that 17.41% of our revenue comes from crop insurance. Crop insurance is something that EMC does not underwrite and does not provide.

Our history with EMC, as with many agencies, goes back beyond 25 years. I believe it was in 1982 when we became contracted with EMC. As an indication of the commitment to our agency, in 1983 after we had contracted with EMC I sold my agency to a bank holding company by the name of Renton (ph) Bank. The largest bank holding company in Iowa at the time. I thought that banks getting in to the insurance business may not leave me much opportunity to do business as an independent contractor in the future. I became President of Renton (ph) Independence Insurance Services of Iowa and I learned over the next 15 years that banks were never going to be that much of a factor in the insurance business. EMC Insurance was my backstop and my support in getting back in to ownership of the independent agency. EMC insurance based on my good looks alone loaned me $1,200,000 to help me purchase our agency back from Renton Banks (ph). We did that with the 10 year plan to pay them back. And we paid them back in five years. In return they did not require me to produce X amount of business, they did not require me to produce any additional business for EMC based on an incentive, forgiving the loan or any of that. We did work as business partners, we stayed close. They were obviously interested in my ability to perform and pay it back. But through that we became extremely successful far beyond what I had expected to be able to do in terms of repaying them in such a short period of time. Most of our growth actually had taken play since that acquisition of the agency back in 1997. This may not have been something that they expected me to comment on, but the Kelley family and EMC I thank you very much for the success of our agency and for the fact that we have become significant players in our community, for our community because of your support (inaudible).

Let me also tell you about their support of our community. I have been the chairman of a golf tournament fund-raiser for 21 years now. It's called The Lenox Quakerdale Prime (ph) Golf Tournament in Marshalltown. Lenox is the manufacturer of the furnaces of air-conditioner that started in Marshalltown. For many years we went through this process and contributed $55,000 per year in net proceeds to Quakerdale which is a residential Foster Care Facility. After EMC got involved a few years ago and Quakerdale is also close to Mr. Murray's heart. After they got involved, we started increasing our take and also our contribution to Quakerdale. This year we provided them with $115,000 net proceeds. Out of the town of 28,000 thanks to companies like EMC and their significant role in it. They have supported other projects as you might understand that I would get them involved with a hand out saying EMC help me out with this project. They put their money where their mouth is in terms of community.

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EMC to me as a national carrier that is more effective than companies like Chubb or Travelers because of the focus that they have on the local market through these local underwriting facilities that they have. Iowa is focused on Iowa. We can communicate, the underwriting is there and the products are there to support me in Iowa. It is not based on what Travelers is doing in New York. Although EMC writes business in New York. EMC is able to focus on Iowa and they focus on other states because of the underwriting and marketing offices within those states. I think that is a tremendous advantage. Travelers and Chubb cannot be as effective in the marketplace because they don't have the model that EMC has. EMC's viability and stability in the marketplace with regard to products offering, underwriting, claims, loss control services and consistent pricing is a big deal to us. Soft markets, hard markets, EMC does not pull out of the marketplace. They are there, they are there with consistent underwriting. They are there with consistent pricing. You might be surprised, but they don't write every piece of business that I present to them, that our people present to them. They want good profitable business. If they can't get it from me, if they can't get it from somebody else, they don't write it. That's why we need more than one company. We try to take care of our clients but in many cases, in many cases, in most cases, accounts that we present to EMC can be underwritten profitably by EMC and put on their book of business.

I would like to give you a couple examples of this. You may know of a company by the name of Marshalltown Trowel. Marshalltown Trowel is now called the Marshalltown Company. They are the leader in hand tools in the masonry business worldwide. If you had a hand trowel and look at it, it will probably say Marshalltown Tool on it or Marshalltown Trowel. I write that company. That is a client of mine. They have operations in Marshalltown. Most of their operation is in Fayetteville, Arkansas. I am not a big player. EMC allows me to compete against the Marsh Max (ph) and so forth to retain an account like that. They come forth with the products, the underwriting, the pricing, the loss control and the risk management. This spring as we work through that account, a case manager in workers' compensation claims and that individual's supervisor sat with me with the client going through the process and the protocols that we use to handle workers' compensation business. They have done environmental checks, air quality, sound, in their plant. EMC has a CAD program where they can lay out the manufacturer' systems of an account so if someone wants to look at relaying out the manufacturing process, EMC can come in and assist them with that.

I have another account by the name of Interface. Interface is the old Armstrong Materials Company. Interface purchased a company by the name of Cooper Manufacturing in Marshalltown, Iowa. They are a separate entity within the Interface organization, I continue to be able to insure them because of underwriting this account prior had moved away from EMC because of some worker compensation issues. I retained it. EMC is probably going to get it back this year because they will probably now accept the account. But the reason they will probably get it back is the carrier that I had it with is actually licensed to write in New York. We picked up an operation in New York state. The carrier that I have it with does not have forms filed in New York. Mind you that EMC does not write the rest of the account. EMC through their Special Risk Department stepped forward and wrote the New York exposure for me

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and I retained an account and through that partnership I was successful and EMC is now taking another look at this October renewal.

Those are just some of the examples, I believe that EMC and I as an independent agent, have tremendous opportunities in the marketplace and it is because of the EMC's stability and the commitment that they have to the independent agent system which you have heard about. When the cycle returns to more of a hard market, from the current soft market, there is potential in increased premiums. As long as we raise and increased our risk count we are there to take care of the market when it comes back. EMC is there, with the products and the underwriting to get an increased market share as the hard market or as the soft market continues to harden.

They are also there with new products. One of the last examples of that I will give you is through our crop insurance business we have a contract with John Deere. We market with John Deere dealerships. We sell profit-sharing through one, but until the last year and Employers Mutual developing a product for the property and the liability of the implement dealer we did not have an opportunity to write the rest of it. So now we are able to write that business and complete the product offering that we have in our partnership with John Deere.

Thank you. I appreciate your attention. I would be happy to answer any questions. EMC, thank you.

Richard Schulz - EMC Insurance Group - SVP/Claims

Good afternoon my name is Rich Schulz. I am the chief claims person at EMC. I will get that out of your way. I will provide just a very quick and brief overview of our preserve process. Steve Peck, the actuary will pick up the rest of the story. I will talk primarily about our case reserve estimate. The estimates that each one of our adjusters puts on a file as it comes in the door. I wanted to give you a sense of the new reserve processes and new reserve verification systems that EMC has implicated since 2004. These systems allow us to obtain timely and consistent and that is a key words here direct case reserve estimates. The processes and tools I will be briefly summarizing besides providing reserved consistency allow us to actively track and monitor our direct case reserve results. We have the ability to drill in with different reporting that I will be showing you in a bit and see exactly what is happening with our case reserves throughout the course of the year.

In 2005 EMC fully implemented a new claim management process and a new automated claim system. We attacked the problem of accurate and consistent reserves with three major prongs. The first one is our management processes, automated processes and finally we followed it up with design and deployment verification tools.

Under management processes, the case reserving guidelines is probably the most important. What we have done is set up guidelines for how to price workers' comp and casualty cases based on the probable outcomes of those claims. There are specific guidelines looking at for example, let's say an injury case involving a broken hip, we know that in the Cook County venue, the average verdict value of the case is

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$100,000. We know due to liability issues that we are likely to get a not guilty or a "no" liability finding against our insured 20% of the time. That means that 80% of the time we will be paying something based on that number an 80,000-dollar reserve is what I wanted that staff to put out there. The old Bell Curve concept. Most of the time if we try that case it will come in at that 80,000-dollar number. So I am not looking for worst-case or best case pricing, most likely outcome. In order to get that we have the reserving guidelines that we put in place in 2005, we have run training for all of our adjustors during 2005, we continue to follow up with training and this last May we had all of our supervisory level personnel in and spent a day and half training them on the evaluation and pricing of these cases.

The next point is the home office claims technical specialist, my superintendents' in the home office, now have the ability to monitor reserve adequacy on our automated systems and they are looking at these files on a regular basis to make sure that the adjusters are adhering to our guides, that they are adequately estimating the reserves on these files and when they see a problem they provide the feedback and go in and use the traditional management tools to get what they need. EMC has held extensive specific training for every worker's compensation adjuster in the company. File reserving is carefully monitored on a monthly basis and feedback is provided to the managers and supervisors in specific branches regarding reserve a consistency. For example, last year we hired a new supervisor into our Valley Forge office on workers' comp. After about two months we noticed some inconsistency in the way the reserving was done. The person came over from a different company. We went out and met with them and held some training and once again we could see a leveling out in the consistency of our reserving.

Finally workers' compensation file reviews. All back strain cases, which are traditionally a problem in workers' comp, require that they be reviewed every two weeks at the initial set up by advisory people. We found that this gives us better consistency in pricing in these types of files.

The actual automated processes, in 2005 we moved all of EMC's legacy claims into our new claims system. It is completely automated. The change has produced a number of benefits to outcomes, but perhaps most importantly made a positive impact on the timeliness and consistency of our individual case reserves. At the opening of a file there is an automatic diary that is set for each adjuster. It is also set for the supervisor so there is no file that disappears. Reserving authority limits are set in the system by adjuster and by branch. If there is a reserve that goes over a certain amount, the next layer is notified and each day I get a listing of all of the reserves that are changed and in my case I am looking at everything that has changed by more than $250,000. That listing comes with specific notes as to why the reserve has changed which takes us to the next type of thing where you have automated flags that alert the supervisors if the reserve had not been set within a specific amount of time. So after seven days the next supervisor is notified, 14 days branch manager, 21 days home office superintendent. All the supervisors in the home office have the ability and actually all managers have the ability to see all of the files and all of the information that went into the files. Each time a reserve is changed, it requires a note. I can go in and pull up a file and roll those notes up and see the reserve development history for

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every file that is out there in the company. We also have some specifically -- specific tools that are automated in our system. We have medical information that drops down that is available to both the casualty and the work comp adjustors that we pull from our vendor Fair Isaac (ph). It shows this is what we know is our average medical pay for a broken hip or broken ankle and here is what our normal period of disability is. This is constantly updated. It is a drop down guide for the adjusters in order to set those initial reserves more accurately.

Finally the last piece of this is the verification and follow up tool. As part of the function at the automated claim system we work with our P & T (ph) department to build a monthly reserve development tool. This is a report that is actually an interactive tool that presents all the file reserve changes in a tabular format. It allows us to see the claims that have had a reserve change for a specific period time, the last month, the last year, year-to-date. The report then breaks the date out into specific bands. I can go in and look for all the reserves that changed last month by more than $5,000. So I have a number, I click on that number, it opens up a specific list of files. I can now go in and review the specific files to find out what is going on. For example, my superintendents are charged each month for the branches they are assigned to to go in and look at all of the reserve changes to find the hot spots, to identify problem areas. And then we can go in and use that as a training opportunity to deal with those specific branches or adjusters. What we have found is that we had some branches that had reserving needs. We go in and do training, meetings whatever it takes to get to that consistency.

Twice a year we have a reserved verification. This is basically our fail-safe. Every open file is reviewed by the adjusters, then there is a roll up report that goes to the next level of supervision. They have to pass on it, they have to review a specific number of files with in that the adjuster has reserves and verify they are okay. If they are not, they have to go in and review another 10%. All of those are rolled up and then reported to the home office. Now initially when you go through your whole book of business and look at the pricing you get some swings. But for the last four reserve reviews we have done, the swings have been very minimal. The last May review was 700,000-dollar increase and that is for all reserves on the open book of business.

Finally, Poly Vista. This is an analysis tool that we created a data warehouse late last year combining our claim and policy data. Poly Vista is a software program that we purchased from an outside vendor that basically allows us to build what is referred to as an OLAP cube. It is a data warehouse that is divided by dimensions which would be nonnumerical items and measures. So for example, we can go in and look at, take a look at all of the reserves that have changed in different lines of business and get an idea as to why. So in 2008, the first quarter, we had an uptick in the frequency of work comp claims under $10,000. We used this tool and went in and looked at it to see if we had a trend going on in frequency. It turns out that it was weather related. We were able to look at the book of business, segment it out and find out that we had an increase in claims in Iowa and Kansas. It was small, back injury claims in our municipal book of business, secondary schools, weather-related slips and falls. What do we have in the first quarter in Kansas and Iowa? A lot of ice storms. It is a really

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promising tool. It is just coming on line for us, but it will allow us to mine the data that we have.

So we have improved processes in place for establishing all cases reserves, tools for analyzing reserve adequacies and a system for enforcing reserve process. We will continue to improve our technology to mine the huge amounts of information we have available in our systems and we will continue to use the information to design processes and tools that we can push out to the claim staff to increase their efficiency. I found the reserves that we have these tools that we are using are fairly unique to us. If somebody else has them I don't know who it is. We also are using these tools to get good indemnity results and work on our expenses, but that's for another talk.

Which brings us to our claims philosophy. It is apparently thinking about our claim philosophy. It is pretty easy. You investigate every claim, you explain the process and you pay the claims you owe. Throughout my career in claims I have worked to make the actual claims process as transparent as possible. The better you are at setting expectations, the more clearly you explain the process, the more likely you are to have a good outcome on the indemnity side, in other words, you are only paying when you owe, and the better the service that you end up providing to the policy holders. We give the adjusters the tools which I have been talking about and the discretion to do what they need to do to provide good service. From this flows good outcomes and I think this clearly sets us apart from our competition. With any luck we will get the claim philosophy about the time I'm finished. Thank you very much.

Steven Peck - EMC Insurance Group - SVP/Actuarial
Well if we don't have the claims philosophy, oh, we do. We can bypass that really fast.

Alright this afternoon I will briefly address five areas. First reserve adequacy, loss reserving methodology, accident year combined ratios, financial stability, and rate level adequacy. Both actuarial analysis and subsequent reserve developments suggest that in recent years EMCI reserves have been reasonably strong. For instance at year end 2004, we estimated that the adequacy levels of EMCI reserves ranged from a shortage of $12 million to a margin of $67 million. Subsequent development has been consistent with these estimates as the 2004 year end reserves and have developed downward by $39 million. In other words as of year-end 2007, the 2004 reserves appear to have had an adequacy margin of close to $40 million which is in the upper half of the range of actuarial estimates. Year end 2005, 2006, for both years estimated and developed adequacy followed a pattern similar to 2004. Finally for 2007 the original estimates are fairly similar to prior years. Of course at this point it is too early to know much about the subsequent developed adequacy. At this time it appears that recent reserve levels have been adequate and in fact have contained the risk margins. Of course adequate reserves are generally one key to a strong balance sheet and certainly maintenance of a strong balance sheet is one of EMC's priorities.

Loss reserving methodology. Specifically methodology for direct business. EMC's approach to reserving we believe is relatively straight forward. First individual case

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reserves. These are the reserves that Rich was talking about. Reserves for claims that have already been reported to the company and these reserves are established by the claims department based on the specific characteristic of each reported claim. Next bulk reserves. For losses at EMC these consist of two things, first bulk case reserves, second reserves or accidents that have occurred but have not yet been reported to EMC. In other words, IBNR reserves. Total bulk reserves are established on the basis of actuarial reserve evaluations. The bulk reserves are then distributed to accident years using a consistent reserve allocation methodology. More about that in a minute. Then the allocated accident year bulk reserves are added to the individual case reserves to obtain the total accident year loss reserves. Please note that accident year reserves are completely determined, completely determined, without reference to explicit loss picks. That is EMC does not adjust reserves to force accident year incurred losses to come in at some predetermined loss ratio. To illustrate the accident year allocations we will examine IBNR reserves at the end of 2007. The allocation of IBNR reserves is based on historical emergence of IBNR claims, historical emergence of IBNR claims. And year in 2007, over half of the IBNR reserves was allocated to accident year 2007. What that means is that we expect that more than half of the IBNR losses reported after the end of 2007, will come from accidents that occurred during that year. Then smaller portions of the reserve -- animated city and we lost the animation. The smaller portion of reserves were allocated to earlier accident years again based on historical IBNR emergence patterns.

Now take a look at a graphical representation of the overall reserving process. I hope this will give you a better feel. We begin with the accident year case reserves. These of course are assigned to the years in which the individual accidents occur. IBNR reserves derived independently, that is a key, IBNR reserves derived independently from case reserves are simply added on top. Finally the bulk case reserves forms the third layer. This reserve, this bulk case reserve is also distributed to accident years using a consistent allocation methodology. That is it. There are no adjustments to achieve a set of accident year loss picks. In our opinion, in our opinion, this is an extremely transparent reserving process.

Now before leaving this slide we should note that over one-third of the total direct loss reserves at the end of 2007 were concentrated in the latest accident year. Therefore all else remaining equal, if year end 2007 reserves including the risk margins which we believe that they did, then we would expect about one-third of that margin to be located in most recent years. Of course that can lead, that can lead, to a relatively high initial loss ratio for the latest accident year and consequently to a high initial accident year combined ratio. However, however this is key, if the reserve risk margin really does exist, then we would expect that the regional combined ratio to decline over time. The question is does recent history actually bear that out.

Let's begin with accident year 2002. At the end of that year, that is as of 12 months of development, the initial 2002 accident year consolidated combined ratio was 98.7%. However by year end 2007 it has risen to 100.4. Consequently as it turned out the risk margin was nonexistent at the end of 2002. In fact the initial accident year 2002 reserves turned out to be somewhat short. But now let's look at accident year 2003.

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Initially the combined ratio was 98.3%. By the end of 2007 it had dropped to 94.7. Accident year 2004, 2005, 2006. In each case the combined ratio at year end 2007 was noticeably lower than the initial ratio. Finally the initial ratio for accident year 2007.

Now I certainly stress that we do not use loss picks and you're probably tiring of hearing that to establish reserves. However we do independently of the reserving process formulate projections of ultimate accident year combined ratios. For example, at year end of 2002, we projected that the accident year 2002 combined would ultimately settle out and 96.3. By year end 2007 however the estimate had increased to 100.4. In this case the original estimate does appear to be understated. Moving to accident year 2003. The initial projection was 94.9. It dropped slightly to 94.7 by year end 2007. But now look at accident years 2004, 2005, 2006. Initial projections and current projections. And then finally the initial projections in accident year 2007 which by the way is six points below the actual ratio shown on the previous slide.

So summing up -- excuse me -- sorry about that. So summing up the last two slides, before accident years immediately prior to 2007, 2003 to 2006, the actual combined ratios have declined substantially over time. In addition the initial projected ultimate combined ratios on this screen have also apparently been over conservative, been conservative. I won't say over conservative. Of course as accident year 2002 demonstrates, we cannot guarantee that this will always be the case. The recent track record is reasonably consistent. Furthermore, accident year reserve development suggests that over the last decade EMC has been more successful than its peers in establishing initial accident year reserve that are adequate.

This next slide will compare EMCI accident year reserve development with that of peer companies. For this comparison, I have selected commercial casualty companies which form EMC peer group used in A.M. Best evaluations. The full peer group contains about 550 companies. On the basis of premium as of the end of 2007 at least nearly 60% of that group had and A.M. Best rating of A plus or A double plus. Keep that in mind as we look at these comparisons. Specifically for the purposes of comparing the EMCI and using only the stock companies within the commercial casualty group.

We begin with accident year 1998. From the end of 1998 through 2007 EMC's or EMCI's original accident year 1998 reserves were developed upward by 1.3% indicating an initial deficiency of 1.3% of the original reserves. The peer group reserves on the other hand developed a deficiency of 24.9%. 60% of that is roughly A plus and A double plus rating by A.M. Best. Here are the remaining years, 33-point gap. All of these are deficiencies, as a percent of the original reserves. Now some downward development. All the way up. For these nine accidents years combined, EMCI reserves have an average developed adequacy margin of 4.6%, average developed adequacy margin of 4.6%. The peer group's reserves on the other hand, show an average developed deficiency of 8%. In other words as a percentage of original reserves based on developments to 2007, EMCI's original accident reserves appear to have been on average about 13% more adequate than those of the peer

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group. Furthermore the adequacy of EMCI's original accident year reserves is more consistent than the peer group. One measure of that, again based on the development of 2007, EMCI's original adequacy level had a standard deviation of 10.5 percentage points. The peer group adequacy level is considerably more volatile with the standard deviation of 20.7, nearly twice that of EMC Insurance Group. Again these are at 60% in terms of premiums, A plus and A double plus rated companies. (off mic comment). I won't attribute a reason there because I don't know. My point I think is that over the period of time our reserving methodology is producing better results than is the methodology being used by this peer group for whatever reason. I would also say, now here we are looking just at the initial accident year reserve development. But you see this same type of relationship if you look at total reserve development at all the reserves that say at the end of 1999, 1998, 2000, so forth. There is a big gap in this period 1998 to 2002. A big gap between the development of EMCI reserves and those of our peer group. (off mic comment). A logical deduction if we're are using the same assumptions in the pricing areas as the reserving areas. (off mic comment). It was a long deep and difficult soft market in the 1990's for sure. I don't know necessarily however that the assumptions that go into the reserves necessarily went through to the pricing. (off mic comment). Yes, we do talk about what we are seeing in terms of frequency and severity, adequacy of case reserves, that is discussed. Since I'm in charge of both, it is easy to talk about to the pricing people, and vice versa. We do that. (off mic comment).

In recent years EMC's financial stability also compares relatively favorably with the peer companies. Same group of peer companies. Here we will examine four operational and straight ratios. First the combined ratio for the past five years the commercial casualty stock peer group averaged 98.5%, a good number. EMCI's is slightly better at 97.5%. Total return on equity, this is on a statutory basis, statutory basis, the peer group's five-year average statutory ROE is 15.1%. For that same period, EMCI averaged 17%. Again a slight advantage. Next gross leverage which is simply the ratio of gross written premiums liabilities that is a premium liabilities before (inaudible), the ratio of those to surplus. At the end of 2007 the peer group's ration stood at 3.8, EMC comes in a half a point stronger with a ratio of 3.3. And finally A.M. Best capital adequacy ratio, or the BCAR, this ratio in simple terms is the ratio of adjusted policyholders' surplus to net required capital. The peer groups latest available composite ratio, and I should say the latest that was available to us at the time of this presentation was 209.1. Again 60% A and A double plus rated companies. EMC's current BCAR is over 80 points higher at 290.4. Clearly on these four operating and financial strength ratios, EMC measures up reasonably well.

Finally reserve -- rate level adequacy. No question we are as a company concerned about the soft market that we are currently in. It is now in its fourth year. 2005 through the first quarter of 2008 we have reduced rate levels by more than 13%. Obviously that reflects the much intensified level of competition. However, however some perspectives. This next slide will show EMC's cumulative rate level changes beginning in 2000. In that year 2000, we increased rates 4.7%. At the end of 2001, the two-year increase totaled 14.2%. The increases accelerated during 2002 and by year end 2004 we were writing at a rate level that was almost 43% higher than the rate level that existed back in 1999. Well the current soft market rate reductions as I

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mentioned began in 2005 and they are continuing. The first quarter of 2008, we have reduced rates 13.3% below the peak level of 19 -- 2004. 15.3% below 2004. Nevertheless, rates at the end of the first quarter were nearly 28 -- 24% above the 1999 rate level. From this information one might be tempted, might be tempted, to conclude that rate levels at this time are significantly more adequate than they were during 1999. However that conclusion does not necessarily follow because you must also in particular consider what has happened during loss costs over the same period. For example if losses per dollar of premium had also increased 24% since 1999, current rates are probably no more adequate than they were at the end of the last soft market. Not a happy thought.

Therefore let's take just a minute to examine loss trends over approximately the same period.

From 2000 to 2007, EMC's claim frequency declined at a modeled annual rate of 8.1%. At the same time claim severity increased at an average rate of 8%. Combining these, loss costs were just about flat over this period. Actually decreasing slightly at a modeled annual rate of 7/10 of a percent. The point is for this period 2000 to first quarter 2008, the 24% increase in rate levels from 1999 which use on the previous slide was not being eaten up or offset by an increase in loss costs. Consequently it does in fact appear that the current rates despite the recent reductions, remain considerably more adequate than at the end of the last soft market. So although we are certainly -- we certainly have some general apprehension about the general direction of this market, we are at the present time, at the present time, not particularly uncomfortable with the overall rate hikes. Thank you. (applause)

Raymond Davis - EMC Insurance Group - SVP/Investments & Treasurer
Wow Steve, that was a great presentation. On our right-hand side of the balance sheet, our reserves and liabilities and our capital strength, stockholders equities, we really are in good shape on the right-hand side of our balance sheet. I am here today to talk about the left-hand side of the balance sheet or assets. I am reminded of a couple analysts that were looking at a company and evaluating things and they were looking at the left-hand side of the balance sheet and saw that nothing was right and they looked at the right-hand side of the balance sheet and saw that nothing was left. We can see from Steve's reports that the right-hand side of the balance sheet is really strong and I think I can demonstrate to you that the left-hand side of the balance sheet is also really strong. I am happy to be here and not embarrassed at all to tell you that EMC does not have problems on the asset side. We don't have blow outs like a lot of other financial institutions have had. This has been reported on in the press over and over. We don't have those blow outs. We are in really good shape. We don't have huge write-offs to talk about, like we have seen from other financial institutions. And why is that? Probably the best reason I can give you is the things that we don't do.

Let me cover a few things that we don't do with our investments. The first thing is we don't invest in sub-prime mortgages or assets. We don't buy CDO's (ph) and we don't buy junk bonds. We don't get into derivatives, we don't buy credit default swaps. We don't have that risk there. And we don't do off-balance sheet deals. Everything you see on the asset side is what we truly have. We don't do leverage. We don't do anything that would involve leverage. The closest thing that would come to it is our securities lending program that is a standard program, I will cover it more later. It is not really considered a leveraged like (inaudible) and a lot of other institutions. We don't do auction rate notes. A lot of companies have gotten in trouble there. And we don't invest our money through hedge funds where we don't have transparency. Those are just a few of the examples of what we don't do.

Let me tell you now what our investments look like. We have a billion-dollar investment portfolio in EMC Insurance Group Inc. Here is a breakdown of those assets. You can see government agencies and mortgage-backed securities, is the largest category. We have over the years, bought a lot of government agencies, (inaudible) Fannie Mae and Freddie Mac, Federal Farm Credit Bank and bought a lot of callable agencies. When rates came down this year a lot of those callable agencies got called. We have a lot of cash and as you can see, as of March 31, 14% of our assets were in cash. This has worked out pretty well for us. We have seen a lot of really good opportunities in things this year.

First in the muni market. Muni market had problems early this year (inaudible) and gave us a great opportunity to buy municipal bonds. We bought municipal bonds yielding anywhere from 5 to 5.25, 5.30 for our portfolio. Our total portfolio in municipals you can see we have 29% of our assets in municipal bonds. Most of the GOs (ph) (inaudible). We have an average coupon on our municipal bonds of right at 5%. So we have locked in very high after-tax yields for our portfolio in high-quality municipals. Very little in the Treasury market and you can understand why with the 10 year Treasury at a 390 (ph) it just does not make sense to buy Treasuries today.

We bought corporate bonds and have added to corporate bonds and added to commercial mortgage-backed securities and we have also added to preferred stock. That market looks extremely attractive right now. We buy a lot of preferred. We see equities of 12.1%. That is a little over 2% of that is preferred stocks and the rest is common stocks. I will touch more and common stocks later. We think we will be seeing some real attractive opportunities in the market and putting our cash to work and we think that they will show good investment opportunities. We do have a new strategy that I will talk more about later that we just started in the second quarter of this year. Again our quality, we don't do any sub-prime mortgages so our exposure there is really nothing. We have 4 million in Ginnie Maes, but that is a completely different category. So quality of our bond portfolio, we have $880 million in bond is very high. We have less than 1% that is below investment grade. We will cover those in just a minute. So about 95% is A or better. A real strong high-quality bond portfolio.

What is not so strong is our below investment bonds and we look at these all the time and continue to monitor them. We have 4 million out of 880 million that is below investment grade. Here you can see what they, are, two issues. Greatlakes Chemical we have 3 million and Freightways (ph) we have 1 million. And you can see the maturities on these are fairly short. One matures next year and the other two years from now. You can also see the prices of these has held up pretty well. If we

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wanted to sell them, we could get out of them pretty easily without taking hardly any loss at all. So we are in good shape on our bond portfolio.

I mentioned that we had a new strategy and I would like to tell you a little bit about that. We noticed that with the mortgage market and the sub-prime problems and the blow up with the Bear Stearns debacle that it looked like there were a lot of forced sellers and very few people were willing to buy. It was not an area that we had done much in. We have very little mortgage-backed loans on our books. So we started to recognize that we could get a very high rate of return by buying super senior tranches that are money good, very sound, just to stay out of liquidity problems right now and that is not a problem for us because we are a buy and hold to maturity investor anyway. So we can buy residential mortgage-backed securities, and get returns of 7% or 8%, hold them to maturity and get great cash flow off of them. We have hired an outside manager (inaudible) to this for us. We have gotten started on this program already, we expect to get yields of 7% to 8%. So far that is what it is coming in at. It is going to be a small part of our total portfolio, we don't plan to do more than 4% of the total assets into this strategy. We feel like it is money good and great return and another example where we think we can find value for the cash we have by putting that money to work.

Also want to talk about our equity. We have a pretty good investment in common stock, these are large cap domestic stock that we have an outside manager for. We had this manager for quite a few years. They have done a great job for us. They have returned, if you look at the five-year returns, of 14.65% return for the last five years and compare that to the S&P 500 with an 11.3% return. They outperformed the S&P 500 by a very nice margin and we've had our equity manager operating on a tax aware basis so that the turnover is not real high in trying to keep the capital gains manageable for us so we are now reporting a lot of gains. We would rather keep the turn over down and that is what he is doing for us. And even with the low turnover he is outperforming the market by a very nice margin. We are happy to see. We work closely with the manager on equities and they are doing a real good job for us.

Told you I would talk about securities lending a little bit. That has been in the news recently. Some of the insurance companies have reported taking losses on securities lending. It is not really the lending itself that gets them in trouble it is reinvestment of the cash collateral that they get in. They can do it very conservatively or aggressively. The ones that have gotten in trouble are buying the longer maturities and lower quality bonds where the cash comes in and then when they have to return that collateral it may be the market has moved on them, the price of that investment has gone down and so they have lost money. That is not what we do. We have all of our securities lending is done through our facilities, Bank of New York Mellon and they have been doing securities lending for years. They have a huge securities lending operations. They really watch this carefully. We don't get a lot of earnings on it. You can see our 2007 earnings were $174,000, about 1 penny per share, but we don't expect to report any losses here. It is something that Mellon watches closely for us and they audit it closely. They send us monthly statements. We watch it and we don't expect to have any problems with securities lendings like some of the other companies have reported problems.

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Show you our history of investment income. Once again we are running a little behind here. But we had a real good history of increasing our investment income. Had one down year, but generally we have been able to increase our investment income nicely year-after-year. I don't know if that will come up or not. If it does not we have it in your packet if you look at the annual report, the 10 year history of investment income there. There we go. There is the chart showing our investment income.

And the summary. Investments are right at $1 billion, 75% fixed income securities, 99.5% investment grade duration just under four years. Annualized yield on the bond portfolio close to 5%. I think you'll see that number moving up. We had a lot of cash at the end of March that was earning 2% and now it will be earning much better than that. And a real good equity portfolio.

That is what we have on the assets side. We feel we have a good story to tell you. And with that I will turn it over to Mark Reese. (applause)

Mark Reese - EMC Insurance Group - SVP, CFO
Good afternoon everyone. I will start out with just a quick review of 2007. We did end up with a GAAP combined ratio of 97.6. Net operating income of $2.91 per share. Net income of $3.09 per share and a book value of $26.15 per share.

I want to talk briefly about our objectives when we began 2007. We were looking for consolidated combined ratio of 101 or less which obviously we did achieve. We're looking for growth in net written premium of at least 2% and we were able to achieve that. I'll talk about that a little bit later on. And three other ones, increase overall effectiveness of our employees, provide superior service and create shareholder value. We feel we were successful in all those areas as well. Strategy, probably the first two are the most important to us, maintain sound consistent underwriting standards. That is a key to success in the insurance industry and promote profitable growth. We are not out there trying to gain market share just to be larger. We want to grow profitably and responsibly.

Look a little bit at our historical profitability of the last several years. The one thing you notice in this chart is the year 2004. That will show up in several of the charts I will talk about. I just want to talk about briefly right now. That is the year we did our secondary offering in 2004 October. In the few years prior to that we were -- our actuarial department was noticing that our case reserves were actually developing somewhat short. The actuarial department had always looked at reserves, but they had done it on a total basis and the development that was occurring in the case reserves side really did not get noticed soon enough. But we did implement in March of 2004 a new procedure where the actuarial department actually reviewed case reserve adequacy on an individual basis. And when we did our secondary offering in October utilizing our September financial statement, the actuarial department truly felt that our reserves were adequate. Unfortunately our branch offices who have been described previously are responsible for establishing case reserves continued to strengthen reserves. Even though the actuarial department felt that the reserves were adequate at that point. Therefore we had a large amount of adverse development in

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the fourth quarter of 2004 right after our secondary offering. It was unfortunate timing, but it also led to changes. Rich Schulz came into the operation from our Chicago office in 2005 and he really has strengthened and improved our reserving procedures and processes. I think we benefited in the long run.

Look at our return on equity over those time frames and you see a nice growth again in 2004 the drop. Again what we consider to be a one time event we got the reserving issue behind us and things looked up.

Net written premium growth. Over the last seven years two things I want to point on this chart. The first one occurred in 2004 -- excuse me 2005 and that is when we changed our pooling percentage as a result of our secondary offering. We went from 23.5% of the pool to 30% of the pool so we had a large increase in our premiums written that year. And then the following year 2006 we actually had a decline in our premiums written and that was really attributed to our reinsurance segment. We had a decrease in premiums from our participation in the MRB pool and really driven by two separate factors, one there was an increase in the number of participants in the pool. We had been down to three participants and that was increased to five participants and our participation percentage dropped. And then the MRB pool actually experienced a decrease in production at the same time. So that is the rationale for that decline in 2006.

Earned premiums followed a pretty similar pattern to growth in 2005 as a result of the pool change and then a decrease in 2006 for the same reason.

The market barometer as presented by the National Underwriter. I think everyone in here is aware of where we are in the marketplace, but is kind of interesting to see how the market evolves over time. Hopefully we will see a trend upwards here shortly. We do want to point out the we don't see in the Midwest the large swings that you might see in this chart. This is national experience. Midwest fortunately does not see the large ups and down that we see on a national basis.

Talk briefly about our retention ratios. We have been very happy with the retention. We think it's very important in the insurance industry have a high retention ratio. We spend a lot of time and energy getting the business in the door so we want to retain the good business. We spend a lot of time working with our agents, developing those long-term relationships and we think that serves as well. Both the personal and commercial lines are in the upper 80s for retention and we think that is very good.

Net income per share. Again good growth over this time frame with the exception of 2004 which we discussed before. Actually 2005 and 2006 were record years for us in terms of net income as did most of the insurance industry had good results during that timeframe. 2007 was down a little bit from the prior year, but still a very good result for us.

Net operating income per share, similar trend to what you saw on the net income but I thought it would be interesting to put a couple of the other dynamics that affect our results on this chart. The first one being our Cats and storm losses. Obviously there

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are fluctuations in Cats and storms from year-to-year, but if you look at the chart it doesn't deviate that much. The thing that has really been driving our results over the last couple of years is reserve development. Again we were experiencing shortages in our case reserves in the early 2000's and that kind of culminated in 2004 when our branches took that extra step of getting the reserves very adequate, but since that time frame we have actually experienced record amounts of favorable developments on our reserves. And I want to point out that even though we have experienced these large amounts of favorable developments our reserve adequacy levels have remained fairly consistent. So that tells me that the reserves that are being established on a going forward basis are just as adequate as what was being released. I think that is important in the analysis.

I threw this chart in just to kind of put in perspective our second quarter results that we announced last week on our Cats and storm losses. As you can see on a percentage of premiums earned basis we have been in a fairly consistent range of 5%, 6%, 7%. The one exception prior to this year was back in 2001 when we had a high level Midwest storms as well. But our revised projection for 2008 as a result of not only the very high level of Cat storm activity that we had in the second quarter, but on top of the first quarter level as well is we now anticipate Cat and storms to approximate 11% of our earned premium. On an historical basis that is almost unheard of. Very, very high levels. That goes a long way toward explaining not only what happened in the second quarter, but we what we expect for the remainder of the year in our revised guidance.

Looking back over our profitability over several years we have some done better than the industry average on loss ratio, total loss ratio which is your losses plus your loss adjustment expenses by 4.1% since 1990. There have been a few exceptions along the way and I will start back with 1992 when Hurricane Andrew hit. At that point our reinsurance subsidiary was purchasing its reinsurance coverage on an stand-alone basis. They got hit very hard by losses from Hurricane Andrew and then had to come up with the reinstatement premiums on top of those losses. That severely impacted our results. That is what really lead to us implementing this cap on losses per event that Bruce spoke about in the beginning of the presentation. We now limit losses per event to $2 million. We will not see that type of results on a going forward basis. We do pay for that coverage, Employers Mutual provides that protection and we pay 10.5% of our assumed premium for that protection. But it definitely helps us to smooth our results over time frame so we don't see these huge blips. The period of 1998 through 2001 was a period of heightened storm activity in the Midwest. We have been through this before. Hopefully we will not see a repeat of three of the four years like we did in that time period with what happened in 2008. We have got through that before. It is a product of being in the Midwest. We feel we have a well diversified book of business but yet when you have multiple storms it is hard to escape them. They hit everywhere.

And then again in 2004 our reserves strengthening that occurred impacted our results. A quick look at our balance sheet. Ray has kind of covered the assets side and Steve has covered the liability side, but I want to make a couple of comments on the liability side primarily, in the fact that we do quarterly internal actuarial reviews. We make

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adjustments on a timely basis if deemed necessary. We don't believe in the big bad theory where you go along for a long time frame and see indication that reserves may be inadequate, but you don't take action. If we see that type of activity, we take action right away. And a comment on our reserve adequacy going back to 1993 we had cumulative releases of our reserves in excess of $117 million. So another indication of how seriously we take the reserving philosophy at EMC.

On the debt side, we only have $25 million of surplus notes that have been issued by our subsidiaries to our parent, Employers Mutual. We did pay off $11 million of surplus notes at the end of 2007 that had been issued by our reinsurance subsidiary.

Looking at our selected financial results over the last five years, you notice that our debt has gone down with the payoff of the surplus notes. Book value has gone up fairly steadily over this time frame, over 13%, had a slight decrease in the first quarter of 2008, but other than that it has been doing really well. And you'll notice in 2004, total assets increased, that was from our offering, secondary offering. And then in 2005, we also have another increase in assets and that is due to the way that we handle pooling changes. We went from 23.5% to 30%. Those reserves were transferred to the public company from Employers Mutual our parent company and cash was also transferred at that same time to offset those reserves and that leads to increased investment income which we will see here shortly.

Again selected financial results looking at the income statement. In 2005 you see the large increase in the investment income and that was a direct result of the investment of the proceeds that we receive from Employers Mutual in connection with the pool change. Also had investment income on the proceeds from the offering as well. Mentioned earlier that 2005 and 2006 were record years for us, back-to-back record years, slight decrease in 2007. Down at the bottom you can see the reserve development numbers that have impacted our income. Had the adverse development in 2004 and then we have seen a steadily increasing amount of favorable developments since that time frame. We expect to see favorable development on a going forward basis as well. As Steve indicated in his presentation we build what we think is a risk factor into our reserves and we expect to see favorable results on a going forward basis.

Book value per share, nice chart. Very proud of this one. We have seen that grow very well over this time frame. I wanted to throw in here that if we exclude the adjustments that we made FAS 115 and 158 we still see nice growth in that book value per share.

This is another chart that I like to show. This is a comparison of our returns to the comparison of our peers. We're at the top of this chart, 188% over this time frame. I want to point out that we have paid 106 consecutive quarterly dividends since the company's inception in 1982. Our current quarterly payment is 18 cents per share. We are very proud of that record.

Stock price over the last year. We've had some ups and some downs. We feel we are kind of caught up in the financial sector right now. We feel very comfortable with

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our balance sheet, well capitalized, we have a good book of business and yet we feel like our stock prices being penalized just because of the financial services sector. Given our current price we think it's a very good buying opportunity. We are trading below book value right now, we were in the low 25's the last time I looked.

2008 guidance, we did revise this just last week as the result of the extreme storm activity we've experienced during the second quarter. Our prior guidance was $2.10 to $2.35 and we have now reduced that to $1.20 to $1.45. We are projecting an underwriting loss for 2008 based on a GAAP combined ratio of 106.9%. As we mentioned before projected investment income, Ray had shown that number, that a equates to about $3.71 per share. You might notice that our tax rate is relatively low and that is due to the large amount of investment income, tax-free investment income that we have in our portfolio right now compared to our net income results. That gets us down to an internal projected number of about $1.38 per share. We build our range around that.

Might mention that case loss reserve development in this projection is a -3.5% to the pool and -2.9% overall. Again that is just on case reserves. We don't do projections on IBNR or settlement expense reserves.

With that I will turn it back over to Bruce.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Thank you Mark. I want to close the formal presentation the Investor Day with a review of the investment highlights on why we believe you should consider EMC Insurance Group Inc. especially at this time in the market.

By purchasing EMC Insurance Group Inc. you have access to a large capital base and a diversified book of business to participate in the EMC pool. So by buying into this company you are really buying a lot more because it participates in that pool. You get a regional decentralized operating structure that we emphasized through our independent agents writing through those branch offices so you are able to access a lot of good business that those independent agents control.

As a company we had a proven ability to deliver attractive returns to stockholders. As Mark showed we have done better than our peers in stock appreciation plus dividends over 10 year period. So we have been able to provide that. We have had compound annual total shareholder return 8.3% over the past five years and 13% over the past three years. We have an attractive dividend yield of 3%.

We also have a conservative balance sheet, both on the liability side with our professional Actuarial Department and on the asset side with our professional Investment Department.

And we have an experienced senior management team that can take this company through another soft market, retain the good business, and have good profitable business going forward in the hard market.

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So are there any questions that we might be able to answer? Please raise your hand and Anita will get you the microphone so that you can be heard.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Do you want to identify yourself so we know --

Paul Bernstein Black Diamond
Paul Bernstein Black Diamond.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Thank you.

Paul Bernstein Black Diamond
Just curious when you have an underwriting loss -- historically and try to raise pricing to offset some of that, is the market receptive to that in terms of -- I don't know what the other players are doing out there so you can benefit a little from the current losses that you have on your balance sheet.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
I will let Bill Murray start to answer that because he went through this when he was the branch manager in Charlotte and how they handled the pricing in the soft markets.

William Murray - EMC Insurance Group - EVP, COO
(off mic comment). One thing that we do have with our branch office structures is access to good competitive information relating to pricing. From what we're seeing right now, it would be difficult in a soft market in order to edge pricing up significantly.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Did that answer your question? Or do you want a follow-up?

Paul Bernstein Black Diamond
Historically that has always been a problem in this business. I used to work at Travelers way back.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Thank you. Next question.

Unidentified Member of the Audience
For Raymond. Who is your equity manager?

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Our equity manager is the Harris Bank in Chicago and we also have an S&P 500 Fund with the Mellon Bank.

Unidentified Member of the Audience
Okay, thank you. And then if you actually think about it you have $100 million in common stock and you have maybe $300 some million in book value. So one-third of your book is allocated to investments in equities. How high of a percentage of your

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shareholder's equity could you see the equity exposure become? At the moment it is capable of generating almost half of your return on equity if it continues to grow 15% per year.

Unidentified Member of Management
We don't really have plans to increase it although our mutual company is a little higher than that. We have a range of 40% to 60% of equities to surplus. Stockholders' equity like any mutual company. We are a little lower in the public companies then we are in the mutual companies. We would like to see that get a little closer, but we don't have any plans to do that immediately. But close to 30% of our stockholders' equity is in common stock. (off mic comment).

Unidentified Member of Management
We have $1 billion in surplus for total companies and $360 million for the public companies.

Unidentified Member of the Audience
I have another question on the agencies. You have a lot of agents obviously in Des Moines and then spread out in the other cities. Are you going to go into any other cities or expand the agent based within those cities or is the current base pretty adequate in terms of getting you new business as you see it.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
I will start out and then Bill can follow on. We only have 15% of our business coming out of Iowa. There are agents in other parts of Iowa that are included in that 15%. Each branch manages their territory differently. I will let Bill comment on that.

William Murray - EMC Insurance Group - EVP, COO
Actually over a period of time the number of agents that we have representing the company has not changed all that much. Several years ago I think what we have done is to have a more systematic way of evaluating those agencies in terms of though performance. In my presentation earlier I mentioned the Agency Performance Value as an illustration, joint agency planning and so forth. As a result of those efforts I think we know the agents that we can grow with and those that don't have our shared vision. We have parted company with a few agents and we have put a few others on. In terms of coverage, I think we generally have enough agents I think we need to do a little better job of writing more business with the agents we do have. In addition you may have noticed the one area of a company where we are basically void of representation today is in the northwest where we are recently starting to write more business in a state like Oregon. That may require us to add a few agents. We are always looking for a few new agents where we can do business. Quite honestly in the Midwest, we have been doing business there long enough so we have been in many of the agencies that are there. That is considered for us a mature territory.

Unidentified Member of the Audience
Hi. Thank you. A couple of questions for Steve.

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

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Could you identify yourself please?

Mike Phillips (inaudible)
Sure. Mike Phillips (inaudible). Steve in your comments at the very end of your comments you're talking about the level of rate adequacy so on page 30 I think your ending comments were, "We are not that concerned about rate adequacy. 2008 first quarter compared to 1999 we are up about 23% and in the interim loss trends have been pretty flat." I guess I hear you on that, but another way to look at that is to look at that slide is if I compare that slide with the combined ratios a couple slides previously and just draw some examples. 2007 your combined ratio current estimate was 128%, your rates are down 2.6 points. 2002 current accident year combined your ratio was 100.4% and your rates are down 7.7 points. That would seem to imply something different. I just want to hear your comments on that.

Steven Peck - EMC Insurance Group - SVP/Actuarial
Well depending on the rate of return that you assume, the profit margin can be negative and the rate level still be adequate. In a soft market, like this, our normal long-term rate of return that we use probably is not applicable. And also you have to keep in mind that even on a countrywide basis with the size accrual that we have, you have volatility in the results and 2007 for example, was a short held record year but I believe was a record year I know in terms of dollars of storms. I know it's a record year in terms of percentage of storms, storms as a percentage of loss going back at least 15 years. So 2007 was also heavily impacted by storms and you don't in pricing make up for bad storm years in one or two years. You are looking at a long framework for catastrophe pricing. Does that answer your question? If not try, it again and I will try it again.

Mike Phillips (inaudible)
That is helpful. I guess we can talk after. Thank you.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
I would just note to that that we don't write in all territories. We have specifically not written personal lines in California, Texas, and Florida. And one reason for Florida is we don't believe over time you can get an adequate return in that territory. So we are selective because we have made these underwriting decisions that we want to write property. What is the next question?

Charles Nelson - Baron Group
Charles Nelson, Baron Group. You mentioned you paid a dividend since inception, what is your dividend policy?

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Our dividend policy is that in the fall of the year, we have a pretty good indication of how the year has gone and we determine if our reserves are adequate, if our pricing is adequate and if we have had a good year, and we make a determination on whether to increase that dividend or not based on those three criteria. We started out with a very high dividend payout ratio and slowly that has come down on over time and we watch that payout ratio closely. We also watch our peer group in how they are paying

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out. So that is generally how we do our dividend analysis. So generally when we raised our dividend, we have raised it in the fourth quarter. Is that responsive? Next question up here in the front.

Alex with Hamilton Trust
Alex (inaudible), Hamilton Trust. I would be interested to hear about your reinsurance unit. It was barely mentioned in the presentation.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
The assumed reinsurance or the assumed reinsurance?

Alex with Hamilton Trust
Yes, your subsidiary. Also for the second (inaudible) on your potential extension if you are considering any new lines of business in your policies?

Bruce Kelley - EMC Insurance Group - President, CEO, Director
I will let Bill Murray take that second question about the new line of business and I will follow with the discussion on the reinsurance company.

William Murray - EMC Insurance Group - EVP, COO
I don't believe that we have any immediate plans for entering into new lines of business. As I mentioned we are always looking for new territories that we think represent good opportunities for us and so we will continue to search those out. Does that -- (off mic comment). The most recent new policy development that we had, Loras mentioned is the Equipment Dealers Program. Typically what we have done is if we have a program like that that has been successful in one territory and if we believe that it is marketable in another then we will sometimes transport them. That was a program that we did real well on in a limited number of states and so we brought it in and filed it in additional states and we have seen good results from that so far. (off mic comment). Yes, that was an account that Loras handled and that he was able to use that program to write other forms of coverage for them. (off mic comment). That's right. No, the program is a file program that we have that is available and I believe we filed it in about 30 some states.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
Just to follow along on that, we started that in October and a believe we are about $2 million in business overall for the whole company. The group is getting 30% of that. And please you asked a question about our Assumed Reinsurance Department. We have been assuming reinsurance since 1951. In 1957 we got involved with the Mutual Reinsurance Bureau out of Cherry Valley, Illinois that Mark talked about. What that does is that goes around and reinsures other companies. Church Mutual is an example, Preferred, Chenangle (ph) smaller companies, smaller Mutuals. We would insure them on a direct basis through this operation in Cherry Valley, Illinois and we would craft for them primarily property programs. You see we were founded to write casualty insurance. We are heavily casualty. In our reinsurance operation we try to get 80% property and 20% casualty. So about one-third of that is through the Mutual Reinsurance Bureau. The other two-thirds is through the broker market. And so what we do is we go out and we take parts of programs that are produced by brokers and

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then we will get into different layers of them. When the World Trade Center came down, we had a gross loss of $25 million. That year we wrote $60 million in premium volume. Of course we had reinsurance on that and the public company only had a 2 million-dollar -- it was a 1.5 million-dollar loss that year. So -- we have continued to write reinsurance until we have more than $60 million as you can see, from the financials in reinsurance. So what I am saying is that when we take parts of the program, for example, Travelers, we will take part of the Travelers program at a certain layer, maybe at a high catastrophe layer or a high per risk property layer and take that small layer and if they would happen to have a loss that would go to that level, we would be impacted. But again it is more of a property driven program to complement the casualty business that we write on the direct side. (off mic comment). What percentage? 17% of the premium volume for our EMC Insurance Group Inc. The other 83% is from the branch operations that Mr. Murray oversees. (off mic comment). He buys all the bonds and he oversees the stock portfolio at the Harris Bank for the reinsurance unit. (off mic comment). Yes. Do you want to have the microphone so they can hear on the webcast?

Alex with Hamilton Trust
I apologize. Also when you do consolidated a portion of your reinsurance unit also included or they don't do anything separately --

Bruce Kelley - EMC Insurance Group - President, CEO, Director
They're all part of the consolidated numbers that are reported for EMC Insurance Group Inc.

Alex with Hamilton Trust
And I assume they are 100% owned by the parent company.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
They are 100% owned by EMC Insurance Group Inc.

Alex with Hamilton Trust
Thank you. Thank you.

Bruce Kelley - EMC Insurance Group - President, CEO, Director
The next question. Yes.

Thomas Bruce - Gardner, Russo, Gardner (ph)
Hi. Thomas Bruce from Gardner, Russo, Gardner. Can you describe who your shareholders are, profile of the main share holders of the company by insiders and then also by other significant holders.

Bruce Kelleey - EMC Insurance Group - President, CEO, Director
I will let Anita describe that since she is the Investor Relations Specialist.

Thomas Bruce - Gardner, Russo, Gardner (ph)
Thank you.

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Anita Novak - EMC Insurance Group - Director of Investor Relations
Thank you. As they mentioned it earlier in a couple of different presentations, 57% of our shares are owned by our mutual parent, Employers Mutual Casualty Company. The other 42.9% consists mostly of institutional shareholders and about 4% is held by Executive Officers. The rest is held by individual shareholders. (off mic comment)

Thank you ladies and gentlemen for being here today; we certainly appreciated your presence. Just a couple of household items. Again in your packet today there was a questionnaire. This is our very first Investor Day. We would appreciate your cooperation with filling out this very brief questionnaire so we have a better indication of how we might meet your questions or your needs in the future. Thank you very much and have a great day. (applause).