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LandAmerica Financial Group Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator Instructions) Our first question is coming from Nat Otis with KBW.

Nat Otis - Keefe, Bruyette & Woods

Good morning gentlemen.

Ted Chandler

Hey, Nat.

Bill Evans

Hey, Nat.

Nat Otis - Keefe, Bruyette & Woods

I guess the first question, can you give a little bit more color on '07 reserving. You moved it up from 6.4 to 6.8. Did that uptick have anything to do with increased defalcations? We saw at one of your competitors yesterday, and I just want to see if you saw something similar?

Ted Chandler

No. I mean, Nat, we typically expect to see some increase in defalcations when we get into an environment like this. We have not seen anything that would have exceeded what we would have expected. So the strengthening was just a general strengthening based on discussions with the actuaries and overall payment trends for 2007.

Nat Otis - Keefe, Bruyette & Woods

Okay. Second, you talked a little bit about where the operating expense run rate is, and how much you cut expenses as you leave '07, moving into the first quarter. You talked about that 270 headcount that's being reduced already in January. Can you give any added color on maybe what we can look for, for what could possibly come out for the reset of the year, or any type of added color on expense savings? In the past, I think you talked about 73,000 per FTE that came out. Just any added color would be helpful.

Bill Evans

Okay, Nat, this is Bill, I'll take a stab at that one. I think with the additional 270,000 FTEs in January, that number we quoted at 73,000 is probably a reasonable number. We had a lot of reductions that continued both office closings and FTEs through the fourth quarter. So those would not be fully baked into the overall expense load in the fourth quarter. I would note that the fourth quarter of 2006 was the high watermark for our total expenses. Continuously, throughout 2007, our expenses were coming down every quarter. So that should be considered as well when you try to do comparisons in '08 versus '07.

I think as far as additional cost management through the years, that will really depend on the market. I mean, we're assessing market by market. As we indicated, opened order accounts in January were up quite a bit from where they had been in December. So right now, we're just looking at holding the line on any staffing additions to handle those volumes.

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