

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

HCC Insurance Holdings, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Thank you. [Operator Instructions]. Your first question comes from the line of Beth Malone with KeyBanc.

Elizabeth Malone - KeyBanc Capital Markets

I just want to get some clarification on the guidance. You've provided a range of 290 to 320, but you have a combined ratio of 85 and the top line is targeted at a certain amount. I am just trying to understand how do you reconcile the fact that you have got a range with specific combined ratio and specific top line. What is the variable that's going to range between the 290 to 320?

Edward H. Ellis, Jr. - Executive Vice President and Chief Financial Officer

Well, again we have given numbers as guidance, those aren't absolute. We are in a declining rate environment as John described. We think some of our businesses are little more protected for one reason or another, but there is certainly potential fluctuations on the top line. There is potential fluctuations in the loss ratios on their business, although we think our loss picks are fairly conservatively stated. You can get a pretty good feel for an insurance company's book of business at the beginning of the year for the next 12 months out, but to pinpoint it on the numbers, pretty tough and in a declining environment and we have added a little more range to our guidance this year and the declining rate environment, you are just not as comfortable as you are in a rising rate environment that you are going to be able to come in, at or above the number. So, I think, we are just ... and I don't want people to read into this that we are sandbagging here. We think our numbers are conservative, we set a said guidance that we have got to work hard to achieve and we think these numbers are achievable and that's why we came out with the numbers. But I think, every number potentially best got some range to it that, that can fluctuate actually.

Elizabeth Malone - KeyBanc Capital Markets

And I know you've talked about pricing competition in the market, we also have heard that the niche or specialty nature, hard to place the nature of HCC's business tends to be a little bit more insulated as you mentioned. So has the environment in... the pricing environment you are in, changed materially from the beginning of last year when you gave guidance for last year, which proved to be conservative to what you are seeing today that would cause you to expect a meaningful decline from 2007 and 2008 in earnings?

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.