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HCC Insurance Holdings Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

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

Beth Malone - KeyBanc

I just want to get some clarification on the guidance. You provided a range of \$2.90 to \$3.20, but you have a combined ratio of 85 and the top line is targeted as a certain amount. And I am just trying to understand how do you reconcile the fact it got a range with specific combined ratio and specific topline. What is the variable that's going to range between the \$2.90 to \$3.20?

Frank Bramanti

Well, again, we've given numbers as guidance. Those are in absolutes. We are in a declining rate environment, as John described. We think some of our businesses are a little more protected for one reason and another. But there are certainly potential fluctuations on the top line, and there are 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 the number is pretty tough. In a declining environment, we've added a little more range to our guidance this year. In a declining rate environment, you're just not as comfortable as you are in a rising rate environment that you're going to be able to come in at or above the number.

So I think we're just -- I don't want people to read into this that we're sandbagging it. We think our numbers are conservative, and we said a set guidance that we've got to more 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 that's got some range to it is that that can fluctuate actual.

Beth Malone - KeyBanc

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

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