Everest Re Group, Ltd Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. And we will go to Tom Cholnoky with Goldman Sachs.

Thomas V. Cholnoky - Goldman Sachs

Hi. Good morning everyone. I have three questions, if I can. I know you didn't want get too much into the asbestos study, but if could give me... give us a little bit of background as to what changed, because it seems to me and having listened to other primary companies, asbestos seems to be relatively stable from a primary side; and yet you seem to indicate that there may be some trends that are somewhat troubling. And in part two of that question, so I guess it's a two-part question, you've kind of historically adopted a bit of a pay as you go approaching. Would this suggest that you may change the way that you look at asbestos?

Joseph V. Taranto - Chairman and Chief Executive Officer

Okay Tom. Yes. What we're doing here is we are responding to the uptick that we're seeing in reported losses and principally what we are looking at is the reinsurance book. So there's a lag between what the primary companies see and when the reported losses get to us, and as a consequence to that, we're continuing to see leakage. We feel that we need to do a study and potentially post additional reserves to represent what we're seeing...representative of what we're seeing so....

Thomas V. Cholnoky - Goldman Sachs

Will this be an outside study?

Joseph V. Taranto - Chairman and Chief Executive Officer

We're, not at this point planning on using outside consultants, although this may change. We really think that our own people, our trained professionals, our actuaries, underwriters, auditors, etcetera are really well qualified to do this. You know and as I said, it's in response to an uptick that we're seeing, not necessarily a big change in direction.

Thomas V. Cholnoky - Goldman Sachs

Okay. And then my second question revolves around capital management. I mean clearly given the kind of earnings that you are generating, even if your premium writings are relatively flat in a normal Cat year, you are going to be generating a tremendous amount of operating income in 2007. Would it be wrong to assume that you wouldn't become more active in capital management if you can't deploy that capital?

Joseph V. Taranto - Chairman and Chief Executive Officer

I would say it would not be wrong and we certainly don't expect looking at our expenses reserves to have a significant impact on our capital management activities. Yes we are generating very strong earnings. I think we signaled earlier in the year that we really didn't plan to be active in the third quarter in the market, just because we are in the midst of the U.S. hurricane season and we, I think indicated we wanted to husband our capital through that. So as of this point in time, yes. We are probably in the best financial condition we have ever been in. Our capital position is real strong and so we can continue those activities.

Thomas V. Cholnoky - Goldman Sachs

Okay. And sorry, my last question. Just these wildfires in California; should we be concerned from your perspective on how everything is unfolding?

Thomas J. Gallagher - President and Chief Operating Officer

At this point... I am Tom Gallagher. The events here in progress right now, I don't have much information right now but based on our portfolio, I don't see it to be material event to us.

Thomas V. Cholnoky - Goldman Sachs

Okay, terrific. Thank you very much.

Operator

We'll go next to Josh Shanker with Citi.

Joshua Shanker - Citigroup

Thank you. Just following up on the investors; in the past few quarters not looking at the study, but when you closed a case, is there any pattern about how much of a premium it cost you compared to what you set up on the reserve to close that case? And given the two cases you closed this quarter, how much more than you had set up did you have to settle that for?

Joseph V. Taranto - Chairman and Chief Executive Officer

I would say no, there hasn't been a pattern. I think... I know on one of the cases we settled for a tab less than we add up for. Does somebody know...?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

Yes. But again the cases we're talking about in this quarter are on the reinsurance book. So be clear: these aren't the cases that we are settling. These are cases that our reinsurance ceiling companies are settling and I guess what we're saying especially with regard to this quarter is we've got some surprises from our ceiling companies that ended up posting reserves or settling cases beyond what we were led to believe by audits and back and forth with those companies previously.

Joshua Shanker - Citigroup

Well in terms of... I'm talking about the open claims to clients by two cases this quarter?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

Yes, you're talking about the insurance side now. There was little activity on that this quarter. Yes, you're right. That's down to just a small number of cases on the direct side, but the reserves for this quarter primarily emanated from our reinsurance book.

Joseph V. Taranto - Chairman and Chief Executive Officer

Yes. And I think if you look at the direct reserves, there wasn't any change or incurred loss for the quarter. So that would signal between case reserve, additional case reserve, and IBNR, we settled that at what we expected to in the aggregate.

Joshua Shanker - Citigroup

Thank you.

Operator

We'll go next to Susan Spivak with Wachovia.

SusanSpivak - Wachovia Securities

Good morning. Joe, I was hoping you could go into some more detail about the competitive environment and what it means, having Munich making acquisition and say that they are really looking for profitable growth potential within the U.S., and how you think that will impact the competitive environment in U.S. going forward?

Joseph V. Taranto - Chairman and Chief Executive Officer

Well I'm not so sure exactly what Munich will bring to bear going forward. But looking at the marketplace today, it's a mixed bag. We certainly are seeing more competition in the U.S. casualty business and that's most impacting insurance rates. I would say reinsures have been pretty disciplined about resisting some of the changes that have taken place in avoiding business. And within the U.S. casualty world most of the competition we're seeing is on tougher business, big premium items, like medical malpractice, like huge products liability cases, time track to liability and that's the part of our insurance book I think that's been most impacted. Now a big part of our insurance book is really small premium items and highly specialized niche business like landscaper liability and security guard liability, and that is much less impacted at this stage, and I think will be much less impacted going forward.

Property cap rates have held pretty well. We'll see what happens this January. Property insurance rates are off a bit, but again if it's cap business, they are not bad. International rates are up modestly but we still kind of like in the main where they are especially the better end of the business.

So clearly, we're seeing more competition and that's to be expected after two wonderful years, and really a benign loss activity, but still the better end of the market which we can access, given our ratings and distribution and people, we're still pretty pleased about. And if you know, we are willing to change the pro rata deals that we've done on the property side, especially in Florida something that we are happy about. The retro business that we did in last couple of years is something that we've been very pleased about. We're still the market leader on the casualty side. So we can get the best end of the business. And on the insurance side, we are looking at the smaller premium highly specialized business. So more competition and frankly there will be more to come, going forward, from Munich and from everyone else. But given a snapshot as to where things are at, and the part of the market that we can, we are pleased.

SusanSpivak - Wachovia Securities

Thanks Joe, that's helpful.

Operator

And we'll go next to Vinay Misquith with Credit Suisse.

Vinay Misquith - Credit Suisse, North America

Hi good morning. Could you provide us with some color on the mid-teens growth in the Bermuda and the International segment, and how pricing is outside the U.S. versus the U.S.?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

Pricing on international business versus U.S. business?

Vinay Misquith - Credit Suisse, North America

Yes, correct.

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

You want to talk a little about...

Thomas J. Gallagher - President and Chief Operating Officer

Yes, sure. The International business, our portfolio internationally is predominantly a property portfolio. And though the rates have seen some decline as Joe indicated, it has held pretty well worldwide. Some places as Joe indicated also that we have CapEx at least so that should make it stay. It is quite different than that in the U.S. which the U.S. market had dramatic increases for a couple of years, both on the property cap side or the Cat exposed business as well as the casualty, and have more room to shrink which have had shrunk particularly on the casualty side. But overall I think, the international portfolio is in a much better position today and the rate of decline, I will give you an example just take cat rates. Internationally cat rates are probably down about 6%, wherein the

U.S, it's down 9% or 10% as an example, because of the increase for some rates over the last few years. It gives you some idea?

Vinay Misquith - Credit Suisse, North America

Sure. And your growth in those areas has been a function of your strong ratings?

Thomas J. Gallagher - President and Chief Operating Officer

Well I think the growth in the international areas been a combination of not only the strong ratings but the fact that we're located in most regions of the world where local staff has given us good insights into local market. By doing so we're able to have good contacts with our client base thereby being able to knowingly increase the shares of the programs we have today, will increase our new program activity.

Vinay Misquith - Credit Suisse, North America

Okay, that's great. The second question was on your accident margin statement really strong this year and better than last year in part because you've moved more towards property business and more Florida pro rata business. How do you look at your business mix going forward next year? Do you see there more property and less casualty business next year and the offset to that being lower pricing, because we've had a pretty benign hurricane season this year.

Joseph V. Taranto - Chairman and Chief Executive Officer

Its little hard to tell going for you're correct that if you went back a year two ago we probably on a world wide basis would be would have been 55% casualty and 45% property, and if you took a look at us in 2007, its probably flipped around where we were 55% property and 45% casualty, as we have seen more opportunities in the U.S. property side and less opportunities in the U.S. casualty. Given the market dynamic, I would believe that our reinsurance operation with probably casualty operation would probably be down again next year. As I said we're finding more competition there in terms of lower insurance rates and usually the reinsurance sides supports the bigger, tougher risks that ceding companies have and again those at the large premium risk, those are the ones that are seeing the most rate decline. So we will be disciplined there. Likely that will lead to less volume in the U.S. casualty reinsurance.

Property reinsurance, it's unclear. We are very pleased with the portfolio. We hope we can maintain it into 2008. Lot of business renewed in the middle of the year. So that means that it goes for the six months in 2008. If I had to get into guessing, it may be leveled. As far as the insurance operation in the U.S, which is mainly casualty business, I still believe that we can grow there. So when you start putting all of that together, I'm not sure the mix of 45:55 would change substantially going into 2008. But as always, we will grow where the opportunities are, where the rates allow U.S. and we will move away from the areas that we can no longer achieve the ROEs that we need to achieve.

Vinay Misquith - Credit Suisse, North America

Thank you.

Operator

We will go next to Matthew Heimermann with JP Morgan.

Matthew G. Heimermann - JP Morgan

Good morning everyone.

Joseph V. Taranto - Chairman and Chief Executive Officer

Good morning.

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

Good morning.

Matthew G. Heimermann - JP Morgan

Craig, quick question and Joe may be you could have a point on this as well but, when you think about the reserve study that's undergoing right now; from an outsider's perspective, is it fair to think of I mean your direct operation has... you are in there, you are in the weeds, you have a better sense of the right reserve number is, the consequences, the survival ratio is pretty low? But, as you're looking at your reinsurance reserves, as an outsider is that is fair for us to look at some of the bigger primary companies in the states and their survival ratios are indicative of where you think you might need to get going forward?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

That's not... it may or may not be indicative, I think is the best think for me to say. I think you can look at that and think of it as you will. We're unique situation having been in a fairly near window and as I said we're just, we are responding what we're seeing and where we come out on the continuum of survival ratio's is I think where we come out as a result of the study.

Matthew G. Heimermann - JP Morgan

Is it fair to say though given that this seems to be a new reported trend kind of looking at three years lagging page probably under states?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

We're not under states where the ratio needs to be. I don't think I draw that conclusion. We're not fond of [ph] for me to really apply on that but I think it's risky to draw that conclusion.

Matthew G. Heimermann - JP Morgan

Okay, and I guess the last thing was you said you're going to do this internally. Is there a parallel we can make with asbestos vis-?-vis Eccentric where that was an internal review but the last time you looked at it, I guess what I'd say as you took a much more conservative view of ultimately where the trends are going to converge to and the consequence was a much higher reserve than you would have taken even using your internal metrics relative to the past. Is there a parallel we can draw with this?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

I'd say not I mean the situation with Eccentric is we were attempting to develop an ultimate loss with faulty and incomplete data, and as a consequence we missed it the first time through. I think we're in very good shape with that at this point. So when we had enough information we were able to analyze it carefully. I think we came to a really good place. This is different than that. I mean we've had these liabilities in these ceding companies for years and years. We know our book of business. We know the ceding companies and know what we've seen as Joe indicated is an increase in reported losses and so we need to respond to that. So I would say no that's not a parallel.

Joseph V. Taranto - Chairman and Chief Executive Officer

I'm saying the only thing you would take away is once surprised by Eccentrics, we went in and really brought to their older resources in the organization to look at it as fairly from as many different angles as we could and yes you are correct that we've been posted additional reserves and those reserves have looked and continued to look quite solid which is why you've heard no more mention with regard to Eccentrics. So similarly here we got some reports from outsiders that we had to bump up the reserves and we have this quarter and in prior quarters but it's going to cost us to bring increased focus on this as well.

Matthew G. Heimermann - JP Morgan

Okay. On a different note, do you see any changes in the environment with respect to ceding company retentions going forward? Do you feel like companies have set a threshold where they don't want to take them any higher? Or do you expect that trend potentially to increase as we go through '08?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer
We are still seeing...it may change but we are still seeing companies looking to keep more net. And you know it kind of comes from the fact that they are having a difficulty growing with rates going down, and I'm talking primarily about the casualty - by the way on the Cat side there's still limits as to what people can keep net. Going forward may be it will start to level out but I think most recently we've seen that trend continuing. Let me say this, that who knows what may happen on forward, there is an upside on the thought of the ceiling companies, and as Joe indicated, the primary sector is still having a fair amount of competition, particularly in the U.S. so to keep their premiums level they would have to keep a higher retention.
Joseph V. Taranto - Chairman and Chief Executive Officer
There are some pockets where rates have decreased to the point where it's not really problematic for us that they are keeping it net. We are not particularly thrilled to take it on especially when they want more favorable reinsurance terms.
Matthew G. Heimermann - JP Morgan
That's fair enough. I guess the last question is, you've seen an appetite by some other companies to do deals where they are acquiring also brokers' MGAs and rather than just being a capacity for those companies being the owners. Is that something that has any interest... is that something you are interested in at all?
Joseph V. Taranto - Chairman and Chief Executive Officer
Yes it actually is something that we are interested in with the right people and the right book of business. If it's business that really fits into our insurance operation where it's again specialized niche business that we think is somewhat insulated from the softening that's taking place in the marketplace and if we like the people and if the chemistry is good, that is a situation that would be of interest and we would check out.
Matthew G. Heimermann - JP Morgan
Okay. I Appreciate it. Thank you.
Operator
We'll go next to David Small with Bear Sterns.
David Small - Bear Sterns & Co.
Yes. Good morning. Just going back to your capital base for a second, so we can understand better how much capital you need to operate the business. I mean this year if you look at it your premiums were essentially flat quarter-over-quarter and your earnings were about the same, but obviously the ROE was down. I just want to figure out how much more capital do you think you need to keep now, versus last year, now that the new model's are fully in place to rating it. You know what the rating agency requirements are and of course as you talked here before you have more Cat in the book of business.
Craig E. Eisenacher - Executive Vice President and Chief Financial Officer
Where we stand at this point, I mean the capital base is up almost $600 million for the year. We're very, very comfortable where we are relative to the rating agencies. We've been through reviews with A.M Best and Moody's, we're in process with S&P. And where we were, as we had a redundancy as of last year end, nothing much has really changed relative to our Cat exposures or other capital needs to support our enterprise risks generally. So, we are quite comfortable from a capital position and I would say any earnings that we generate potentially we can use in capital management endeavors.
David Small - Bear Sterns & Co.
Okay. And then could you just give us... Joe you mentioned the three new programs, could you maybe just give us a little more detail there?

Joseph V. Taranto - Chairman and Chief Executive Officer
I'll ask Tom to do that.
Thomas J. Gallagher - President and Chief Operating Officer
Sure, we have, I had mentioned it before, we have three new programs that were initiated this year. One was the FX71 [ph] which was a program which is possibly about $40 million. It is a combination of agricultural logging and moving resource. Number two program is one that took effect in October, is chipsets. That is a tow truck and [ph] operation and lastly, which is probably about $49 as well on annualized basis, and the last one is the Brownstone program which is a just as it says, it's a Brownstone program, it's a commercial package policy covering buildings in New York, Boston and Chicago. Estimated premium is probably on an annualized basis somewhere in the neighborhood of about $16 million and that will take effect as on '11.
David Small - Bear Sterns & Co.
Okay, great. Thanks.
Operator
We'll go next to Jay Gelb with Lehman Brothers.
Jay H. Gelb - Lehman Brothers
Thank you. I just want to get a sense perhaps on the timing of the release of the results of the PACIS review, would you anticipate putting that out in conjunction with first quarter earnings results or if it's done earlier would you put it out before year end separately?
Craig E. Eisenacher - Executive Vice President and Chief Financial Officer
No. It's our hope that we will complete it earlier and be able to make a release later on in the fourth quarter ahead of our earnings release for the year.
Jay H. Gelb - Lehman Brothers
Okay. And do you anticipate the buying back stocks in the fourth quarter, given you are going through the review?
Craig E. Eisenacher - Executive Vice President and Chief Financial Officer
No. We take a lot of things into consideration; our overall capital position, market conditions, etcetera, etcetera. And we purchase stock when we think it makes sense so we may or may not be in the market just depending on overall assessment. It's very difficult for us to commit ahead of time.
Joseph V. Taranto - Chairman and Chief Executive Officer
And we haven't, we haven't offered guidance on stock buyback and we really will not be offering the guidance. We'd like the flexibility of taking a look each quarter if not each month, in what are the business opportunities and what are the capital needs.
Jay H. Gelb - Lehman Brothers
Okay. Next issue on the investment side the other... the partnership income as you pointed out has been quite strong, is that reported on a current quarter basis or is that lagged, and given the issues that you are all capital markets dealt with in the third quarter do you anticipate being able to maintain that run rate?
Craig E. Eisenacher - Executive Vice President and Chief Financial Officer
It is reported on a one-quarter lag. Most of our limited partnerships are not public equity market-related. They are generally early-stage capital or specifically oriented to real estate, power plants, healthcare, etcetera, etcetera. So it's difficult for me to comment on what the return might be in the fourth quarter. I did indicate I think we thought the third quarter was a little above our expectations but we're not aware of any significant issues with respect to the limited partnership portfolio as a result of the turmoil in the third quarter apparently continuing.
Jay H. Gelb - Lehman Brothers

Okay good. And then on the tax rate, you said 17% to 18% for the fourth quarter is that a good run rate expectation for 2008 as well?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

I think all other things being equal, yes. And that is, our underwriting profitability, the percentage of our portfolio that's invested in tax exempts, etcetera, etcetera. So underwriting income really and how much of it is onshore, how much of it is really offshore, is really significant driver of the tax rates so it... I think at this point I think it's fair to assume a continuation at about the current rate.

Jay H. Gelb - Lehman Brothers

Okay. And then finally on the capital side, debt-to-capital is going to go down quite a bit after you redeem your trust preferred. Do you have any sense of whether you might re-lever, given whether the stocks multiple is and how much excess capital you're driving?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

That's something that we continually look at. As you know we've indicated that we are focused on capital management activities, so that fits in the overall mix depending upon what we might do in terms of shrinking our equity base, returning capital to shareholders in that manner that would all fit into our talks about what we want do in that side.

Jay H. Gelb - Lehman Brothers

Great. Thanks for the answers.

Operator

We'll go next to Bill Wilt with Morgan Stanley.

William Wilt - Morgan Stanley

Hi. Good morning. I can't resist a few more asbestos questions. They're with me. Craig, in your prepared remarks, you quantified the acceleration in the reported losses but I missed it I thought it was $75 million but if that's the right number I might have missed the time frame?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

Right. It was $75 million over the last four quarters, and in fact we had nothing in the first quarter of this year.

William Wilt - Morgan Stanley

Okay. That's helpful, thanks. Related to it, I may be behind the times here, but I think your chief actuary left a couple of months ago. Any relationship between this study and that is end to or anything you can add on and who'll be leading the study internally?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

There is no connection whatsoever with those two events and it's going to be a joint effort using our actuaries claims people, underwriters and auditors. And so I'll sit very carefully, very tightly on top of it and I'll be involved.

William Wilt - Morgan Stanley

Understood. Have you named a new chief actuary yet or not?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

No. We have not. You know I'm really happy with the people that we have on staff in each of the disciplines in our chief reserving actuary, my chief pricing actuary any other people on staff, so well at some point we certainly intend to, refill the position. At this point I think we can work fine with the people we have on staff.

William Wilt - Morgan Stanley

Helpful. Thanks. Two more quick ones if I may. First on the wildfires; past practice or industry convention, maybe just an education here, multiple fires, different locations from a reinsurance perspective is that typically considered multiple events or is there any industry convention that would be helpful?

Joseph V. Taranto - Chairman and Chief Executive Officer

There is no industry convention. Right now there are twelve wild fires. Whether that would be considered one event or twelve events is really based on a contract and I don't know if you could pick any convention that would be perfect. And then the same question arose with the UK storms.

William Wilt - Morgan Stanley

Sure. Okay, understood. Thanks. And then Joe, you had mentioned in the prepared remarks that there was some modest deterioration in the reinsurance terms and conditions, if that's the correct characterization could you maybe give a few specific examples?

Joseph V. Taranto - Chairman and Chief Executive Officer

Well, you see some of the obvious things like request for higher ceding commissions, but when you actually get to some of the other terms that just get into nitty-gritty of how contracts are going to be handled if you get into arbitrations or all the other issues. There has really been a push for the ceding companies to make the conditions better for them and consequently more difficult for reinsurance, so there's an awful lot of discussion that's been going on in the last few months on treaty terms, as well as the economics like ceding commission.

William Wilt - Morgan Stanley

Okay. Thanks very much.

Operator

We will go next to Mark Serafin with Citadel.

Mark Serafin - Citadel Investments

Thank you. First just to clarify, there are no reserve changes for the one-off credit program in the quarter?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

No.

Mark Serafin - Citadel Investments

So as the odd alone credit environment continues to deteriorate, there is no way to cross having increased exposures.

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

No that's the one-off book of business and we are continuing to see a run-off well within our range of expected loss.

Mark Serafin - Citadel Investments

Okay. And then regarding the additional tax provision in the quarter; is this a current quarter issue, or is this something the IRS is concerned with over past financials?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

This has to deal with the examination of our 2004 return.

Mark Serafin - Citadel Investments

Okay. So the provision in the current quarter, is there an attempt to avoid restating historicals or --?

Craig E. Eisenacher - Executive Vice President and Chief Financial Officer

No. It doesn't have anything to do with restatement. We followed a methodology for foreign exchange that historically going back years and years, they have accepted. This examination team has decided not to accept it, and so what we've done is not only have we put a provision, if you will, for the 2004 year, but for the 2005 and 2006 years. And this basically a FIN 48 requirement that we do this; it doesn't mean that we will lose on the issue when we get into appeals, but given the accounting requirements we are mandated, we're required to put the reserve up, so we did.

Mark Serafin - Citadel Investments
Thank you.
Operator
And due to time constraints, we we'll take our final question from Kevin O'Donoghue with Banc of America Securities.
Kevin O'Donoghue - Banc of America Securities
Thanks. Good morning. You mentioned that in Florida primary companies not being required to reduce rates beyond what's justified by the changes to the Florida Cat front. But now that we have the OIR issuing Sapina's rejecting rate increases by some primary companies and reaching settlements for others. I'm wondering if you see the possibility that that could change and if it could affect demand or reinsurance in Florida?
Thomas J. Gallagher - President and Chief Operating Officer
Well again I will just repeat that are our clients have been really been able to try the rates that they believe proper and adequate for their homeowner business and there was a serious concern a year ago that it would be mandated, that they have to come up with rates that were going to be inappropriate and too low and that just hasn't come to be case. So I am expecting this year and going forward that they will still be allowed to charge a proper rate, in terms of weather or not they want more or less reinsurance certainly for the last year or two, many of these companies that are not big companies with lot of surplus have needed reinsurance to support their operation. So they've made plenty of money last year and hopefully there's no more storms this year and they make plenty of money along with us this year and into next, and so that would mean growing surplus it might be on the back of that they need less reinsurance going forward. But getting back to the rate environment, it's been what it should be and I believe it will stay that way.
Kevin O'Donoghue - Banc of America Securities
Okay thanks. And the fact I'll ask one follow up about Florida; I think you mentioned that are you saw some decline in your Florida property business in the insurance segment and I'm wondering if you're referring to your excess and surplus lines program down there and if so, if you found that business in many way disappointing in sort of where the prospect for this going forward.?
Thomas J. Gallagher - President and Chief Operating Officer
That has been I'd say... that is exactly what we were I think Craig was referring to earlier is the commercial business not the homeowner business but the commercial business that we do on an insurance basis has been disappointing. I think we went into that market a year a year and a half ago, we really thought their would be a big need a shortage of companies like ourselves are providing capacity but more company have come in it and provided capacity in the commercial property world and we believe what happened at that stage of the game. So we are still in the market and we are still writing business but there are plenty of other people in the market too, and we have not seen the demands or the rates to be what we originally hoped they would be.
Joseph V. Taranto - Chairman and Chief Executive Officer
Yes and we only do a small book of business there. I suspect at this point of time, by year end we will probably do about $25 million for the property business... commercial property business in Florida
Kevin O'Donoghue - Banc of America Securities
Okay that's very helpful. Thank you very much.
Joseph V. Taranto - Chairman and Chief Executive Officer
Well thank you for joining us on the call, and as I said we are pleased with the nine months results and we expect to have a terrific 2007, and are very optimistic about 2008. Thank you.
Operator

This does conclude today's conference. Thank you for your participation. You may now disconnect.