EMC CORP
Form 8-K
August 08, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 4, 2006

EMC CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts	**1-9853**	**No. 04-2680009**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

176 South Street, Hopkinton, MA	**01748**
(Address of principal executive offices)	**(Zip code)**

Registrant s telephone number, including area code: (508) 435-1000

N/A

(Former Name or Former Address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On August 4, 2006, the Board of Directors of EMC Corporation (EMC) named David I. Goulden EMC s Executive Vice President and Chief Financial Officer. Mr. Goulden succeeds William J. Teuber, Jr. as Chief Financial Officer. Mr. Teuber will continue in his role as EMC s Vice Chairman. A press release announcing the change in Chief Financial Officer position is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Mr. Goulden has been EMC s Executive Vice President, Customer Operations since April 2004. He served as EMC s Executive Vice President, Customer Solutions and Marketing and New Business Development from November 2003 to April 2004 and as Executive Vice President, Global Marketing and New Business Development from July 2002 to November 2003. Prior to joining EMC, Mr. Goulden served as a member of the Board of Management, President and Chief Operating Officer for the Americas and Asia Pacific of Getronics N.V., an information technology services company, from April 2000 to July 2002, as President and Chief Operating Officer for the Americas of Getronics from June 1999 to April 2000, and in a number of executive positions at Wang Global, an information technology services company, from September 1990 to June 1999. Getronics acquired Wang Global in June 1999.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release of EMC Corporation dated August 8, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EMC CORPORATION

By: /s/ Paul T. Dacier
Paul T. Dacier
Executive Vice President and
General Counsel

Date: August 8, 2006

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release of EMC Corporation dated August 8, 2006

/ SAR Exercises in Last Fiscal Year

and Fiscal Year-End Option/ SAR Values

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End Exercisable	Number of Securities Underlying Unexercised Options at Fiscal Year-End Unexercisable	Value of Unexercised In-the-Money Options/SARS at Fiscal Year-End(1) Exercisable	Value of Unexercised In-the-Money Options/SARS at Fiscal Year-End(1) Unexercisable
Stephen L. Way	0	$ 0	500,000	0	$ 6,365,000	$ 0
Edward H. Ellis, Jr.	25,000	$ 513,587	105,000	95,000	$ 813,100	$ 830,150
Craig J. Kelbel	50,000	$ 415,458	0	50,000	$ 0	$ 396,000
Christopher L. Martin	10,000	$ 163,405	46,000	64,000	$ 406,320	$ 635,530
Michael J. Schell	0	$ 0	80,000	120,000	$ 972,800	$ 1,459,200

(1) The values were determined on the basis of the closing stock price of $33.12 at fiscal year-end December 31, 2004, and equal the aggregate amount by which the market value of the option shares exceeds the exercise price of such options.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2004, with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	4,764,935	$ 23.98	5,197,432
	20,000	$ 24.00	

Equity compensation plans not approved by security holders(1)				
TOTAL	4,784,935	$	23.98	5,197,432

(1) On March 29, 2001, the Compensation Committee of the Board of Directors approved the issuance of 20,000 options to James C. Flagg, a member of the Board of Directors. Such options vested over a period of three years and have an exercise price of $24.00 (the closing price of HCC s Common Stock on the NYSE on March 29, 2001). The options expire on March 29, 2007.

Employment Agreements

The Company has entered into employment agreements with the Chief Executive Officer and each of the other Named Executive Officers which set forth the general terms and conditions of each Executive s

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employment by the Company. Each of the Executives has the right to voluntarily terminate his employment at any time. The following summarizes the terms of each of these Agreements:

Stephen L. Way

Pursuant to the terms of the Amended and Restated Employment Agreement effective as of November 10, 2004, which amended a January 1, 2003 agreement, Mr. Way has agreed to serve as Executive Chairman of the Board and Chief Executive Officer of the Company. The term of the agreement is automatically extended for an additional year each year in the absence of notice of termination so that the agreement will have a five year remaining term after each such extension. At December 31, 2004, the term of the agreement was extended again so that it expires on December 31, 2009. Under the agreement, Mr. Way will receive an annual base salary of $800,000 and annual deferred compensation of $400,000. The amount of any bonus to be paid to Mr. Way is determined in the discretion of the Compensation Committee. Mr. Way may elect under the agreement to resign his position as Chief Executive Officer and remain as Executive Chairman. In such event, he will receive an annual salary of $500,000. Mr. Way is also entitled to certain other perquisites, including the use of Company automobiles, certain club memberships, extended medical coverage, utilization of Company employees, and reimbursement for estate planning expenses. The agreement further provides that upon its termination, Mr. Way will serve the Company as a consultant for a period of five years and receive $450,000 per year. In the event Mr. Way s employment is terminated as a result of his death or disability, he or his legal representative will be entitled to receive the compensation he would have otherwise been entitled to receive throughout the remaining term of the agreement. In addition, any unvested stock options will immediately vest. Mr. Way will be entitled to receive all of the sums and benefits otherwise due to him under the agreement in the event his employment is terminated other than by the Company for Cause or by Mr. Way unless for Good Reason after a Change of Control. The Company will also reimburse Mr. Way if there are any payments made to him which are subject to any excise taxes. If the agreement is terminated, Mr. Way has agreed to certain provisions relating to non-competition, confidentiality and non-solicitation of customers and employees. In addition, effective January 1, 2003, the Company established the HCC Insurance Holdings, Inc. Nonqualified Deferred Compensation Plan for Stephen L. Way, pursuant to which contributions may be made to an interest-bearing account established by the Company for the benefit of Mr. Way. The timing and amount of any such contributions are recommended by the Compensation Committee and approved by the Board of Directors. Contributed amounts accrued under the plan are payable to Mr. Way or his beneficiaries upon his retirement or termination of employment, disability or death under the terms of the plan. For 2004, $5,500,000 was contributed to such account under the terms of the plan.

Edward H. Ellis, Jr.

Pursuant to the terms of the Employment Agreement effective as of January 1, 2002, Mr. Ellis acts as Executive Vice President and Chief Financial Officer of the Company. Mr. Ellis s employment agreement expires on December 31, 2006. Mr. Ellis received a salary of $375,000 in 2004, increasing by $25,000 for each year thereafter during the term of the agreement. In the event Mr. Ellis s employment is terminated as a result of his death or disability, his options will vest and remain exercisable for a three month period and he or his estate will receive his contracted for compensation through the date of his death or, if disabled, for a one year period; thereafter, he will receive an amount equal to the after-tax amount of his compensation prior to the disability, throughout the remaining term. Mr. Ellis will be entitled to receive all of the sums otherwise due to him under the agreement in the event his employment is terminated other than by the Company for Cause or by Mr. Ellis unless for Good Reason after a Change of Control. If the agreement is terminated, Mr. Ellis has agreed to certain provisions relating to non-competition, confidentiality and non-solicitation of customers and employees.

Craig J. Kelbel

Pursuant to the terms of an Employment Agreement effective as of March 1, 2005, Mr. Kelbel acts as an Executive Vice President of the Company and President and Chief Executive Officer of HCC Life Insurance

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Company and oversees the Company s group life, accident and health specialty operations. Mr. Kelbel s employment agreement expires on December 31, 2008. He will receive a salary of $450,000 in 2005. Mr. Kelbel is entitled to an annual bonus of up to $250,000 as part of a bonus pool for a designated subsidiary, an additional $50,000 if the aggregate earnings of a designated subsidiary exceeds budgeted earnings and an additional $25,000 for each other designated subsidiary which exceeds its budget. Mr. Kelbel is also entitled to certain perquisites, including a car allowance and a club membership. The agreement further provides that, upon its termination, Mr. Kelbel will serve the Company as a consultant for a period of time equal to the number of years Mr. Kelbel was employed by the Company after 2002 and receive $50,000 per year as a consulting fee. The Company s obligation to pay Mr. Kelbel s consulting fee will not terminate upon his death or disability. Mr. Kelbel s rights upon termination, death or disability are similar to those provided to Mr. Ellis. If the agreement is terminated, Mr. Kelbel has agreed to certain provisions relating to non-competition, confidentiality and non-solicitation of customers and employees.

Christopher L. Martin

Pursuant to the terms of the Employment Agreement effective as of January 1, 2003, Mr. Martin acts as an Executive Vice President, General Counsel and Secretary of the Company. Mr. Martin s employment agreement expires on December 31, 2005. Mr. Martin received a salary of $240,000 in 2004 and will receive a salary of $265,000 for 2005. Mr. Martin is also entitled to certain perquisites, including a car allowance and a club membership. Mr. Martin s rights upon termination, death or disability are similar to those provided to Mr. Ellis. If the agreement is terminated, Mr. Martin has agreed to certain provisions relating to non-competition, confidentiality and non-solicitation of customers and employees.

Michael J. Schell

Pursuant to the terms of the Employment Agreement effective as of June 3, 2002, Mr. Schell acts as Executive Vice President of the Company and President and Chief Executive Officer of Houston Casualty Company. Mr. Schell oversees the Company s property and casualty operations. Mr. Schell s employment agreement expires on December 31, 2007. Mr. Schell received a salary of $500,000 in 2004, increasing $25,000 each year thereafter during the term of the agreement. He also receives an agreed annual bonus of $12,500 for each subsidiary designated in the agreement that exceeds its approved budget and an additional $50,000 if all designated subsidiaries exceed their approved budgets. Mr. Schell is also entitled to certain perquisites, including a car allowance, certain club memberships, and life insurance. Mr. Schell s rights upon termination, death or disability are similar to those provided to Mr. Ellis. If the agreement is terminated, Mr. Schell has agreed to certain provisions relating to non-competition, confidentiality and non-solicitation of customers and employees.

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REPORT OF THE COMPENSATION COMMITTEE

During 2004, the Compensation Committee (the Committee) consisted of James R. Crane, Walter J. Lack (Chairman) and Michael A. F. Roberts.

All decisions by the Committee relating to the compensation of the Company s executive officers are reviewed by the full Board of Directors. The philosophy of the Company s compensation program is to employ, retain and reward executives capable of leading the Company in achieving its business objectives. These objectives include creating and then preserving strong financial performance, increasing the assets of the Company, positioning the Company s assets and business operations in geographic markets and industry segments offering long-term growth opportunities, enhancing Shareholder value and ensuring the survival of the Company. The accomplishment of these objectives is measured against conditions prevalent in the industry within which the Company operates.

The Committee s executive compensation policies are intended to provide competitive levels of compensation in order to attract and retain qualified executive officers. The forms of executive compensation utilized during 2004 by the Committee included base salary, cash bonus awards, deferred compensation awards and stock options. Stock price performance of the Company is a key consideration for the Committee in considering executive officer compensation. The Company s compensation policy recognizes, however, that stock price performance is only one measure of performance and, given industry business conditions and the long-term strategic direction and goals of the Company, it may not necessarily be the best current measure of executive performance. Therefore, the Company s compensation policy also gives consideration to the Company s achievement of business objectives when determining executive officer compensation.

The Committee has, with the approval of the full Board of Directors, determined that the interests of the Company and its Shareholders are best served by the Company s entering into multi-year employment agreements with certain executive officers, including the Chief Executive Officer and the Named Executive Officers. A summary of the principal terms of such employment agreements is included under the caption Employment Agreements above. The Committee believes that such multi-year employment arrangements benefit the Company and its Shareholders by permitting the Company to attract and retain executive officers with demonstrated leadership abilities and to secure the services of such executive officers at agreed upon terms over an extended period of time. The compensation payable to the subject executive officers pursuant to the employment agreements is consistent with the compensation policies of the Company as established by the Committee.

Compensation paid to executive officers is based upon a company-wide salary structure consistent for each position relative to its authority and responsibility compared to industry peers. Stock option awards have historically been used to reward executive officers and to retain them through the potential of capital gains and equity buildup in the Company. In 2004, the number of stock options granted, whether in conjunction with a written employment agreement or otherwise, was determined by the subjective evaluation by the Committee of the executive s ability to influence the Company s long-term growth and profitability. The Board of Directors believes the award of equity-based incentives such as stock options represents an effective incentive to create value for the Shareholders.

In 2004, the Committee reviewed base salary and annual bonus recommendations made by the Chief Executive Officer based upon his assessment of the performance of individual executive officers and his assessment of each executive officer s past performance and expectation as to future contributions. The Chief Executive Officer and other executive officers also made recommendations to the Committee concerning the grant of stock options to other officers.

Section 162(m) of the Internal Revenue Code of 1986 (the Code), generally disallows a tax deduction to public companies for compensation over $1.0 million paid to the corporation s Chief Executive Officer and the four other most highly compensated executive officers.

Section 162(m) further provides that qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Company currently intends to structure grants under future stock option plans in a manner that complies with this statute. The Company does not currently intend

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to structure the discretionary annual bonus for executive officers to comply with Section 162(m). Such bonuses do not meet Section 162(m) s requirement that they be payable solely on account of the attainment of one or more performance goals. Therefore, the Committee believes the annual discretionary bonuses, as currently structured, better serve the interests of the Company s Shareholders by allowing broader discretion in recognizing an executive officer s contribution and performance.

In connection with the compensation of the Company s executive officers, the Committee is aware of Section 162(m) of the Code as it relates to deductibility of qualifying compensation paid to executive officers. The Committee believes that compensation to be paid in 2005 may exceed the deductibility limitations on non-excluded compensation to certain of the Company s executive officers.

Chief Executive Officer Compensation

As referenced above, the Company has entered into an employment agreement with Mr. Way upon terms approved by the Committee, pursuant to which Mr. Way would serve as Executive Chairman of the Board of Directors and Chief Executive Officer of the Company. Summaries of the principal terms of Mr. Way s employment agreement and the HCC Insurance Holdings, Inc. Nonqualified Deferred Compensation Plan for Stephen L. Way are included under the caption Employment Agreements above. The Committee believes the Chief Executive Officer s compensation for 2004 and as contemplated by the employment agreement and the deferred compensation plan is warranted by the Company s continuing performance and the substantial growth and diversification of the Company s operations experienced by the Company under his leadership. The Committee believes that the Company s demonstrated ability to grow its business under a variety of market conditions and over an extended period is primarily attributable to Mr. Way s direction. In this regard, the Committee notes that 2004 represented a record year for the Company s financial performance and that the Company has averaged a 15% return on shareholders equity over the past 10 years. The Company s underwriting experience continues to be exceptional and during the period 2000 through 2003, which is the latest period for which industry data is available, the Company had an average statutory combined ratio of 93.9% versus the less favorable 108.4% (source: A.M. Best Company, Inc.) recorded by the U.S. property and casualty insurance industry overall. During the period 2000 through 2004, the Company s gross written premium increased from $967.5 million to $2.0 billion, an increase of 104%, while net written premium increased 290% from $283.8 million to $1.1 billion. During this period, the Company s revenues increased from $474.6 million to $1.3 billion, an increase of 170%. Additionally, during the period December 31, 2000 through December 31, 2004, the Company s Shareholders equity increased from $530.9 million to $1.3 billion, a 149% increase, and the Company s assets increased from $2.8 billion to $5.9 billion, a 113% increase.

Submitted by the Compensation Committee:

Walter J. Lack, *Chairman*
James R. Crane
Michael A. F. Roberts

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of three Independent Directors and acts under a written charter adopted by the Board of Directors. During January to July 2004, the Audit Committee consisted of Patrick B. Collins, J. Robert Dickerson (Chairman) and James C. Flagg. Following Walter M. Duer s appointment to the Board of Directors in July 2004, Mr. Duer replaced Mr. Dickerson on the Committee and Dr. Flagg became Chairman. Thereafter and currently, the Audit Committee consisted of Mr. Collins, Mr. Duer and Dr. Flagg (Chairman).

The Audit Committee is responsible for overseeing the Company s financial reporting process on behalf of the Board of Directors. The Audit Committee has the sole responsibility for the appointment and retention of the Company s independent auditors and the approval of all audit and other engagement fees. The Audit Committee meets periodically with management, the internal auditors and the independent auditors regarding accounting policies and procedures, audit results and internal accounting controls. The internal auditors and the independent auditors have free access to the Audit Committee, without management s presence, to discuss the scope and results of their audit work.

The Company s management is primarily responsible for Company s financial statements and the quality and integrity of the reporting process, including establishing and maintaining the systems of internal control over financial reporting and assessing the effectiveness of those controls. The independent auditors, PricewaterhouseCoopers LLP, are responsible for auditing those financial statements and for expressing an opinion on the conformity of the financial statements with accounting principles generally accepted in the United States and expressing an opinion on management s annual assessment of internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2004 and management s report of the effectiveness of the Company s system of internal control over financial reporting with the Company s management and representatives of the independent auditors. The Audit Committee discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees,* as amended. In addition, the Audit Committee discussed with the independent auditors their independence from the Company and its management, including the matters in the written disclosures required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees,* and has received from PricewaterhouseCoopers the written disclosure required by Standard No. 1. The Audit Committee has considered the compatibility of non-audit services, primarily tax consulting and merger and acquisition activities.

PricewaterhouseCoopers audited the accounts of the Company and its subsidiaries for the fiscal year ended December 31, 2004 and has served as the Company s auditors since 1987. Representatives of PricewaterhouseCoopers are expected to be present at the Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

In reliance on its review of the audited financial statements, the review of the report of management on the effectiveness of the Company s internal control over financial reporting and the discussion referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the SEC.

Submitted by the Audit Committee:

James C. Flagg, Ph.D., *Chairman*
Patrick B. Collins
Walter M. Duer

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Audit Fees

During the years ended December 31, 2004 and 2003, the aggregate fees billed by PricewaterhouseCoopers for the audit of the Company s consolidated financial statements and statutory financial statements of its insurance company subsidiaries, actuarial certifications, review of the Company s interim financial statements and, in 2004, review of the Company s systems of internal controls over financial reporting and other professional services related to an SEC registration statement were $3,200,000 and $1,600,000, respectively.

Audit-Related Fees

The aggregate fees billed for the years ended December 31, 2004 and 2003 for assurance and related services rendered by PricewaterhouseCoopers that are reasonably related to the performance of the audit or review of the Company s financial statements but not reportable as Audit Fees were $30,000 and $69,000, respectively. Audit-related fees in 2004 and 2003 were primarily for acquisition due diligence and for services related to regulatory examinations and, in 2003, for the Company s benefit plan audits.

Tax Fees

The aggregate fees billed for professional services rendered by PricewaterhouseCoopers for tax compliance, tax advice and tax planning for the years ended December 31, 2004 and 2003 were $219,000 and $334,000, respectively. Tax fees in 2004 and 2003 included professional services for preparation of selected domestic and foreign tax returns for the Company and its subsidiaries and advice with respect to domestic and international tax issues related to tax return compliance and acquisition and disposition of subsidiaries.

All Other Fees

The aggregate fees billed for services rendered by PricewaterhouseCoopers not reportable as Audit Fees, Audit-Related Fees or Tax Fees for the years ended December 31, 2004 and 2003 were $2,500 and $0, respectively. In 2004, such fees related to licenses for electronic databases.

The services provided by PricewaterhouseCoopers described above were approved by the Audit Committee. The Audit Committee has determined the rendering of the above-mentioned non-audit services by PricewaterhouseCoopers was compatible with maintaining the auditor s independence.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee s policy provides that the Company s independent auditor may provide only those services pre-approved by the Audit Committee or its designated subcommittee. The Committee is required to pre-approve all auditing services and non-audit services that are provided to the Company. If the Committee approves an audit service within the scope of the engagement of the independent auditor, such audit service will be deemed to have been pre-approved.

Committee pre-approval is not required under the policies of the Audit Committee for non-audit services provided by the independent auditor, if the aggregate amount of all such non-audit services provided to the Company constitutes not more than the 5% of the total amount of revenues paid by the Company to the independent auditor during the fiscal year in which such non-audit services are provided, such non-audit services were not recognized by the Company at the time of the independent auditor s engagement to be non-audit services, and such non-audit services are promptly brought to the attention of the Committee and approved by the Committee prior to the completion of the audit.

The Committee may delegate to one or more members of the Committee the authority to grant pre-approval of non-audit services. However, the decision of any member to whom such authority is delegated to pre-approve non-audit services shall be presented to the full Committee for its approval at its next scheduled meeting.

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PERFORMANCE GRAPH

The following graph shows a comparison of cumulative total returns for an investment of $100 made on December 31, 1999 in the Common Stock of the Company, the Standard & Poor s 400 Midcap Index and the Standard & Poor s 1500 Super Composite Index. The graph assumes that all dividends were reinvested.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN
Total Return to Shareholders
(Includes reinvestment of dividends)

	Years Ending					
Company/Index	**12/31/99**	**12/31/00**	**12/31/01**	**12/31/02**	**12/31/03**	**12/31/04**
HCC Insurance Holdings, Inc.	$ 100	$ 206.65	$ 213.33	$ 192.39	$ 251.12	$ 264.15
S&P 1500 Super Composite	100	93.02	83.13	65.41	84.77	94.75
S&P Midcap 400 Index	100	117.51	116.80	99.85	135.41	157.73

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OTHER BUSINESS

The Board of Directors has no knowledge of any other matter to be submitted at the Meeting. If any other matter shall properly come before the Meeting, the persons named in the Proxy will have discretionary authority to vote the shares thereby represented in accordance with their best judgment.

INCORPORATION BY REFERENCE

Notwithstanding anything to the contrary set forth in any of the Company s previous filings under the Securities Act of 1933, as amended, or the Exchange Act, that might incorporate future filings including this proxy statement, in whole or in part, the Performance Graph, the report of the Compensation Committee and the report of the Audit Committee included herein shall not be incorporated by reference to any such filings.

SHAREHOLDER PROPOSALS

Any Shareholder proposal intended to be presented for consideration at the 2006 Annual Meeting of Shareholders and to be included in the Company s Proxy Statement must be in proper form and received by the Secretary of the Company at the principal executive offices of the Company by the close of business on December 16, 2005. It is suggested that a proponent submit any proposal by Certified Mail Return Receipt Requested and all proposals should be sent to the attention of the Secretary.

Shareholder proposals submitted outside of the procedure set forth above, including nominations for Directors, must be mailed to Christopher L. Martin, Secretary, HCC Insurance Holdings, Inc., 13403 Northwest Freeway, Houston, Texas 77040-6094, and must be received by the Corporate Secretary on or before February 14, 2006. If the proposal is received after that date, the Company s proxy for the 2006 Annual Meeting may confer discretionary authority to vote on such matter without any discussion of such matter in the proxy statement for the 2006 Annual Meeting.

Form 10-K

The Company will furnish without charge to each person whose proxy is being solicited, upon request of any such person, a copy of the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2004, as filed with the SEC, including the financial statements and schedules thereto but not the exhibits. Requests for copies of such report should be directed to L. Byron Way, Investor Relations, HCC Insurance Holdings, Inc., 13403 Northwest Freeway, Houston, Texas 77040-6094. Copies of any exhibit to the Form 10-K will be forwarded upon receipt of a written request therefore addressed to Mr. Way.

EACH SHAREHOLDER WHO DOES NOT EXPECT TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS IN PERSON IS URGED TO EXECUTE THE PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE OR SUBMIT THE PROXY BY TELEPHONE OR USING THE INTERNET. NO POSTAGE IS NECESSARY IF MAILED IN THE UNITED STATES.

By Order of the Board of Directors,

Christopher L. Martin,
Secretary

April 15, 2005

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You may submit your proxy by mail, by telephone or through the Internet.
Please use only one of the three response methods.

BY MAIL		***BY TELEPHONE***		***THROUGH THE INTERNET***
Mark, sign and date your proxy card and return it in the enclosed envelope to: Wachovia Bank, N.A. Attn: Proxy Tabulation NC-1153 P.O. Box 563994 Charlotte, NC 28256-9912	**Or**	(Available only until 3:00 pm EDST on May 11, 2005) Call toll free **1-866-233-5369** on any touch-tone telephone to authorize the voting of your shares. You may call 24 hours a day, 7 days a week. You will be prompted to follow simple instructions.	**Or**	(Available only until 3:00 pm EDST on May 11, 2005) Access the website at **https://www.proxyvotenow.com/hcc** to authorize the voting of your shares. You may access the site 24 hours a day, 7 days a week. You will be prompted to follow simple instructions.

If you vote by telephone or internet, please DO NOT mail back this proxy card.

ßàFOLD AND DETACH HERE AND READ REVERSE SIDE ßà

HCC INSURANCE HOLDINGS, INC.
Annual Meeting of Shareholders To Be Held May 12, 2005
THE BOARD OF DIRECTORS SOLICITS THIS PROXY

The undersigned hereby constitutes and appoints Stephen L. Way and Christopher L. Martin, and each of them, acting in the absence of others, as proxies of the undersigned, with full power of substitution in the premises to each of them, to appear and vote, as designated herein, all shares of stock of the Common Stock of HCC Insurance Holdings, Inc., (the Company) held of record by the undersigned on April 4, 2005 at the Annual Meeting of Shareholders of the Company to be held at the St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas 77027 on May 12, 2005, at 8:30 a.m., Houston time, and at any and all postponements or adjournments thereof (the Meeting).

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders, the Proxy Statement for such meeting, and the Annual Report of HCC Insurance Holdings, Inc. for the fiscal year ended December 31, 2004.

When properly executed, this proxy will be voted as designated below by the undersigned. If no choice is specified, the proxy will be voted **FOR** the election of all nominees for Director listed below and, according to the discretion of the proxy holders, on any other matters that may properly come before the Meeting or any and all postponements or adjournments thereof.

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ßà FOLD AND DETACH HERE AND READ REVERSE SIDE ßà

1. Election of Directors

To elect the following Directors to serve for one-year terms of office ending at the Annual Meeting of Shareholders in the year 2006, or until their successors are duly elected and qualified.	FOR all nominees listed below (except as marked to the contrary below). q	WITHHOLD AUTHORITY TO VOTE for all nominees listed below. q

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, strike a line through the nominee s name on the list below.)

(01) Frank J. Bramanti	(04) J. Robert Dickerson	(07) James C. Flagg	(09) Walter J. Lack	(11) Michael A. F. Roberts
(02) Patrick B. Collins	(05) Walter M. Duer	(08) Allan W. Fulkerson	(10) John N. Molbeck, Jr.	(12) Stephen L. Way
(03) James R. Crane	(06) Edward H. Ellis, Jr.			

2. In their discretion, the proxies are authorized to vote upon such business as may properly come before the Meeting or any postponement or adjournment thereof.

SIGNATURE OF SHAREHOLDER	Date	SIGNATURE OF SHAREHOLDER (if jointly held)	Date

Note: Please sign exactly as your name appears on this card. On joint accounts each joint holder should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give your full title as such. If a corporation, please sign in full corporate name by President or other authorized person. If a partnership, please sign in partnership name by authorized person.