



Insurance Prices May Continue to Decline

by Bloomberg News

PASADENA, Calif. (Bloomberg)—Berkshire Hathaway Inc.'s Charles Munger, who has helped Chairman Warren Buffett reduce the firm's reliance on insurance sales, said declines in policy prices may continue, even as the economy shows signs of recovery.

"I would not bet the farm" on price increases, Mr. Munger said Wednesday in Pasadena, Calif., at a shareholders' meeting of Berkshire's Wesco Financial Corp. "It's so easy to underprice and under-reserve."

Mr. Buffett, 79, scaled back coverage of natural disasters in the last two years and invested Berkshire's cash in bank shares and the \$27 billion takeover of railroad Burlington Northern Santa Fe Corp. Mr. Munger, who oversees businesses insuring banks and airlines as Wesco's chairman, pushed Mr. Buffett to buy a stake in Chinese automaker BYD Co. in 2008. U.S. commercial insurance rates have fallen since 2004 as carriers compete for business.

"We're more tough-minded" than rivals who cut prices, said Mr. Munger. "Berkshire is different."

Mr. Munger, 86, helped Buffett evaluate the takeovers that in the last three decades turned Omaha, Neb.-based Berkshire into a \$190 billion firm that sells energy and diamonds, hauls freight and underwrites earthquake insurance. He's been Berkshire's vice chairman since 1978 and shares the stage with Mr. Buffett at the company's annual meeting in Omaha.

Messrs. Munger and Buffett drew a crowd of 37,000 people to the May 1 meeting of Berkshire shareholders and they answered questions for five hours on the economy, public policy, business ethics and the company they run. Berkshire swung to profit in the first quarter as an economic recovery boosted results at operating units like tool maker Iscar Metalworking Cos. and railroad Burlington Northern Santa Fe Corp.

Business improving

"Business is picking up," Mr. Buffett said at an Omaha press conference on May 2. "American business is improving from everything I can see now."

Travelers Cos. Inc., the property insurer added to the Dow Jones Industrial Average last year, said it raised renewal rates in its three business segments in the first quarter. Industrywide, rates fell 5.3 percent in the first three months of the year, according to the Council of Insurance Agents and Brokers.

Mr. Munger told shareholders in his annual letter in March that the “Great Recession” pushed Wesco’s profit down 34% last year from 2008. Wesco’s CORT Business Services Corp., the furniture renter that had a \$1.4 million loss last year, took a “hammering” and the businesses of Precision Steel Warehouse Inc. were “pounded,” he said.

©2010 Bloomberg News