

# MEMO

TO: Berkshire Hathaway Managers ("The All-Stars")

FROM: Warren E. Buffett

DATE: September 26, 2001

The last few weeks have been tough times for all of us in our personal lives and for many of us in our business activities.

At Berkshire we have estimated our September 11 insurance loss was \$2.2 billion. We've labeled this a "guess" because that's all it is. It will be many years before we can tell the world within a narrow range what the true figure was.

A very high percentage of the loss occurred in our U.S. insurance companies, with the balance in German and U.K. entities. Because we have regularly paid very large amounts of U.S. income taxes, we will bear 65% of the cost applicable to the U.S. operations; the government will bear 35%. Many insurers will not have their loss mitigated in this manner and some may not survive. Though much of our loss will be paid very soon, significant payments in the liability area will take a considerable time to settle.

Even with tax recoveries, our loss is huge. Nevertheless, it's one Berkshire can easily bear. We have long been in the super-cat business and we have been prepared, both financially and psychologically, to handle them when they occur. This won't be our last hit, though we fervently hope disasters in the future arise from natural causes, rather than be man-made. (We also would hope they would be of lesser magnitude.)

What should you be doing in running your business? Just what you always do: Widen the moat, build enduring competitive advantage, delight your customers, and relentlessly fight costs. With the exception of insurance pricing and coverages, almost all operating decisions that made sense a month ago make sense today.

For my part, I'll keep looking for sensible acquisitions and continue to manage our resources so that Berkshire remains a financial Rock of Gibraltar. I'm sure we are in a recession, probably a relatively deep and extended one, but they are part of business life and we are prepared.

In short, you do the managing and I'll do the worrying. That's a division of labor that's worked for us in the past, and it will continue to work well in the future.

Thanks, as always, for the great job all of you do that, in turn, makes my job so easy.

Warren

P.S. If you wish, share this message with any of your associates.