

## **Berkshire Hathaway Annual Meeting**

**May 4, 2024**

(Notes taken by Professor David Kass, Department of Finance, Robert H. Smith School of Business,  
University of Maryland)

Approximately 40,000 shareholders attended the annual meeting.

A 45-minute film was shown celebrating the life of **Charlie Munger** who passed away on November 28, 2023 at the age of 99.

**Warren Buffett (93)** is on the stage with **Greg Abel (62)** and **Ajit Jain (71)**.

**Buffett** discussed Berkshire's first quarter earnings report with the increase in operating earnings primarily resulting from improved performance in insurance.

Questions were submitted by shareholders to **Becky Quick** of CNBC who alternated with the audience.

**Q1. Becky Quick:** The 10Q released this morning indicates that Berkshire sold another 115 million shares of Apple (13% of stake) during the first quarter. Has your view of Apple's business or its attractiveness as an investment changed since Berkshire first invested in 2016?

**Buffett:** No. At the end of 2024 it is extremely likely that Apple is still the largest stock holding we have. We always look at every stock as a business. We own American Express, which is a wonderful business. We own Coca Cola, which is a wonderful business, and we own Apple, which is an even better business. Unless something extraordinary happens, we will own Apple and American Express and Coca Cola when Greg (Abel) takes over this place. But I don't mind at all, under current conditions, building the cash position. We are paying a 21% federal tax rate on the gains we are taking in Apple. That rate was 35% not that long ago, and its been 52% in the past when I've been operating. Higher taxes are quite likely in near future to reduce the large budget deficit, especially since there may not be a desire to decrease spending a lot. Therefore, I don't think you will actually mind the fact that we sold a little Apple this year.

**Q2. Audience:** Besides BYD, under what circumstances would you consider investing in a Hong Kong or China company?

**Buffett:** Our primary investments will always be in the United States. American Express and Coca Cola do business around the world. We made the commitment in Japan 5 years ago (5 large Japanese trading companies) that was compelling. I understand the United States rules, weaknesses, strengths, whatever it may be. I don't have the same feeling for economies generally around the world. Charlie twice pounded the table with me and just said buy, buy, buy. BYD was one of them and Costco was the other. We bought quite a bit of BYD, but I should have been more aggressive in Costco.

**Q3. Quick:** Will Berkshire, through Berkshire Hathaway Energy, continue to invest resources in jurisdictions where corporate assets may be subject to confiscatory state policies and actions? And how is Berkshire Energy working with officials in Utah to minimize potential corporate losses if and when state control is asserted over the electrical utility sector?

**Buffett:** Utah is very likely to treat us fairly whether the action is in granting appropriate rates that give us the return we expect, that is generally expected in terms of our properties, or if they decide to go to public power will compensate us fairly.

**Abel:** Demand over the next 10 years for AI and the data centers for our Mid-American Iowa utility will double requiring substantial amounts of capital. PacifiCorp will be involved in litigation over many years resulting from significant losses from the wildfires. We had to change our culture (PacifiCorp). We changed our operating systems so that we can turn off power very quickly if there is a fire that's increasing or approaching. We are happy to invest in Utah. It is part of PacifiCorp

**Buffett:** The return on equity (electric utility industry) in recent years has been well below that by American industry in general. And especially below that of Coca Cola, American Express, or to really top it off, Apple. We are not going to throw good money after bad.

**Q4. Audience:** How do you think about the role of technological advances, especially generative AI, on more traditional industries?

**Buffett:** Last year I said we let a genie out of the bottle when we developed nuclear weapons, and that genie has been doing some terrible things lately. AI is somewhat similar. Its part out of the bottle. There is the potential for scamming people.

**Q5. Quick:** Todd Combs told Warren in 2010 that GEICO is better at marketing and branding, but Progressive is a data company and data is going to win in the long run. Is Berkshire's hands off management approach a source of vulnerability to GEICO?

**Jain:** GEICO has not been doing a good job of matching rate with risk. GEICO is trying to catch up. By the end of 2025 we should be able to be along with the best of players when it comes to data analytics, whether it is pricing, claims or any other factor that drives the economics of the insurance business.

**Buffett:** GEICO has lower costs than virtually anybody. That cost advantage has been dramatic. We've driven our underwriting expense ratio below 10%, and there's just very few companies that can compete with that.

**Q6. Audience:** Who are your most trusted advisors today?

**Buffett:** In terms of managing money, there wasn't anybody better than Charlie. Surround yourself and limit yourself to people you trust. Charlie, in all the years we worked together, never once lied to me.

**Q7. Quick:** Climate change seems to be impacting the insurance industry heavily with major players pulling out of markets like California because of wildfire and flooding risks combined with payouts increasing. How does Mr. Jain see this risk expanding to other regions?

**Jain:** Climate risk is certainly a factor. One thing that mitigates the problem for us, especially in some of the reinsurance operations is that our contractual liabilities are limited to a year in most cases. At the end of a year, we get the opportunity to reprice, including the decision to get out of the business altogether if we don't like the pricing in the business. This makes it possible for us to stay in the business longer term. Because of climate change, prices need to go up a lot. Regulators are waking up to the fact that insurance carriers need to make a decent return for us to keep deploying our capital. Everyone's now making record profits.

**Buffett:** Climate change increases risks and in the end it makes our business bigger over time. But if we misprice them, we'll go broke. I would rather have Ajit assessing us than any thousand underwriters or insurance managers in the world.

**Jain:** By making cars much safer, they have also made it much more expensive to repair.

**Q8. Audience:** What do you think about the Canadian economy?

**Abel:** We are fortunate to have a number of operations in Canada. We understand the business environment in Canada, similar to the U.S.

**Buffett:** Some years ago there was a financial institution in Canada that had a problem. Ted Weschler from our office went up there. We offered a solution in a couple of days to something that was getting close to the brink. We do not feel uncomfortable putting money into Canada. In fact, we're actually looking at one thing now.

**Q9. Quick:** Who will one day replace Ajit? (insurance)

**Buffett:** We won't find another Ajit, but fortunately, he's a good bit younger than I am. The operation that he has created will be almost impossible for competitors to imitate. We have institutionalized some of our advantages. Insurance is the most important business at Berkshire. I first went to GEICO in 1950. We first bought National Indemnity in 1967.

**Jain:** Nobody is irreplaceable. We have Tim Cook here in the audience. He has proved that and has set an example for a lot of people to follow. (Referring to successfully replacing Steve Jobs at Apple.) There is a short list of people I think ought to be candidates to replace me.

**Q10. Audience:** If you had one more day with Charlie, what would you do with him?

**Buffett:** Charlie liked learning. We played golf together, we played tennis together, we did everything together. He never did a day of exercise except where it was required when he was in the army. He never did a day of voluntary exercise. He never thought about what he ate. We would probably have done the same thing we were doing the earlier days. In recent years we were on the telephone for long periods of time. We liked learning together. He said he had no one else to meet because he'd read all their stuff and he liked Ben Franklin's stuff better than he liked mine. You should figure out who you want to spend the last day of your life with. Then start meeting them as often as you can.

**Q11. Quick:** What are your views on cybersecurity insurance?

**Jain:** Cyber insurance is at least a \$10 billion market now globally and profitability has been high. At least 20% of total premiums has ended up as profit. But it is very difficult to know the quantum of losses. The aggregation potential can be huge, and not being able to have a worst case cap on it is what scares us.

**Buffett:** As Charlie would say, it may be rat poison.

**Q12. Audience:** Why is NV Energy, which is owned by Berkshire, building new gas plants instead of investing in solar energy?

**Abel:** We are transitioning from carbon resources to renewable resources. The transition will take many years. Renewable resources such as solar and wind are intermittent, and we do try to combine it with batteries. But at this point in time, we cannot transition completely away from the carbon resources. In

Nevada, in the next year our last two coal units will retire. But we are replacing them with a new gas unit which is needed to make sure that the system remains reliable and available to our customers. In Iowa, 100% of our energy comes from wind.

**Buffett:** You can't create a baby in one month by getting nine women pregnant.

**Q13. Quick:** What do you think about the car and property insurance market in Florida?

**Jain:** There are two problems we face in Florida. One is the lawyers and the amount of corruption that takes place in the Florida market keeps skyrocketing, making it difficult for us to price the product and make a profit. Second, the amount of activity in terms of storms, both the frequency and the severity that the losses in Florida tend to make it very difficult for a risk bearer to make money. Fortunately, we had a very good run in Florida last year. We increased our exposure in Florida and fortunately nothing bad happened. Florida is the market that subsidized the rest of the country. Prices will go up fairly substantially, but I think we will make a decent profit and will be deploying capital there.

**Q14. Audience:** What advice would you like to share today that you believe everyone needs to hear?

**Buffett:** Marry the right person and find things that interest you when you are young.

**Q15. Quick:** Do the operating CEOs still reach out to Warren Buffett?

**Buffett:** The operating executives prefer to talk to Greg and Ajit. Greg has incredible amounts of energy and has much expanded things since he became the vice chairman. He will do something about people who are coasting, whereas Charlie and Warren did not. The number of calls Warren gets from managers is close to zero.

**Abel:** We do have an exceptional set of managers across the non-insurance and insurance businesses.

**Q16. Audience:** Is Berkshire actively looking for opportunities in the Indian equity market?

**Buffett:** The question is, do we have any advantage in either insights or into those businesses or contexts? There may be an unexplored or unattended opportunity in that area, I'm not the one to do it. We'll see how the next management plays the game at Berkshire. I don't adapt myself terribly well to different cultures. Japan was great and India could be great, but India and Japan are not the same.

**Q17. Quick:** Question about adding the next generation of top managers at Berkshire.

**Buffett:** It would be absolutely crazy for anybody, for our board of directors to ever pick anybody to run this business that thought, you should retire at 65. It may be that they should retire the next day when you learn what they are really like managing something. If they pick the right CEO, that's 99% of the job of directors. The other 1% is, do you have a good method to correct it if you've made the wrong decision? And that is extremely hard to do in our present system. It's too good a job to be a director, to try and throw over somebody, particularly if you can use the money from directorships and you want to be on boards. We've really got the problem solved for the next 20 years unless something untoward happens. And if something untoward happens then the directors need to find probably within our own organization somebody that they've confidence in maintaining the special advantages over another 20 year period.

**Abel:** It's that culture that makes it special, and that's not going to change.

**Q18. Audience:** What has been your team's greatest lessons from your business, capital allocation, stock picking and portfolio allocation throughout Covid and over the past 5 years?

**Buffett:** Capital allocation is my job. Tom Murphy was the best manager I've ever met. He was in a good business (TV).

**Q19. Quick:** You mentioned that Berkshire has more than \$182 billion in cash. What is Buffett waiting for and why not deploy some of it?

**Buffett:** We are not using it now at 5.4% (3-month and 6-month Treasury Bills) and we would not use it if it was at 1%. Things aren't attractive, and there's certain ways that can change, and we'll see whether they do.

**Q20. Audience:** What are your thoughts on buying and selling a home in light of this recent settlement (real estate agent commissions)?

**Buffett:** I don't buy them that often, as some people have noted.

**Abel:** The real estate agent is still an important part of these transactions. It's the one time in our lives where we make these massive investments, and having that counsel and guidance is critical.

**Buffett:** I've sold two houses in the last 93 years and I've bought one that I still have and I have not negotiated down the commission. People do negotiate down commissions to some extent but the system has really worked out very well. I don't think we will end up with a better system. 90% of the people need help in buying a home or selling one.

**Abel:** It is a completely different experience to buy a home outside of the U.S. Our agents take great responsibility for the whole transaction. In the U.S., they put time and capital at risk to ensure the transaction closes. You get what you pay for. Real estate agents will continue to thrive.

**Q21. Quick:** Assuming Elon Musk succeeds in reducing autonomous car accidents by 50% versus human drivers, wouldn't auto insurance rates fall to reflect the reduced underwriting risks, thereby adversely impacting GEICO's revenues and float and perhaps margins, too?

**Buffett:** The prices will come down. Insurance always looks easier than it is. If accidents get reduced 50%, it's going to be good for society and it's going to be bad for insurance companies' volume.

**Jain:** What needs to be factored in as well is the repair cost of each one of these accidents has skyrocketed. If you multiply the number of accidents times the cost of each accident, I'm not sure that total number has come down as much as Tesla would like us to believe.

**Q22. Audience:** Do you see any opportunities for Berkshire with respect to zero emission vehicles which may have reached the cusp of massive adoption?

**Buffett:** I hope you are right. I hope we get to massive adoption. But Berkshire will not be participating. I don't think that we bring any special talent to this field. You've got vehicle manufacturers and I would certainly not know how to pick the winners in an industry like that. Climate change is a terrible problem, and the United States has been the one that's caused the problem the most.

**This concludes the Q&A morning session.**

Buffett then introduces Carol Loomis who is seated in the first row. She will be 95 on June 25. Carol has edited the Berkshire annual reports since 1977. He refers to her as the best business writer. As a side note, Buffett mentions that Carol Loomis briefly dated Ty Cobb who has the highest lifetime batting average in major league history (.367).

Buffett also mentioned that Berkshire shareholder, Ruth Gottesman, gave \$1 billion to Albert Einstein College of Medicine in Bronx, NY (as a result of selling her shares in Berkshire Hathaway). Her late husband, Sandy Gottesman, was on the Board of Director of Berkshire, and a long-time friend of Warren Buffett as well as an early investor in Berkshire.

### **Afternoon Session**

**Q23. Quick:** As CEO, will Mr. Abel be in charge of the portfolio of common stocks that Mr. Buffett has been managing, or will this function be exercised by Mr. Combs and Mr. Weschler? Can major capital allocation decisions, such as large acquisitions, be separated from the common stock selection process?

**Buffett:** That decision will be made when I'm not around and it will be made by a board. If I were on that board and were making the decision, I would leave capital allocation to Greg. He understands businesses extremely well. And if you understand businesses, you understand common stocks, If you really know how business works, you are an investment manager. The responsibility ought to be entirely with Greg. The responsibility has been with me, and I have farmed out some of it. I used to think differently about how that would be handled, but I think the responsibility should be that of the CEO. The chief executive should be somebody that can weigh buying businesses and buying stocks.

**Abel:** We'll always look at equities as we're investing in a business, either 1% or 100%, but we're looking at the business, we're looking at the economic prospects of that business, how sustainable it is, and what it will look like 10 years from now. We will continue to always put excess cash in the safest investment there is, in U.S. Treasuries.

**Buffett:** We're not positioned to earn extraordinary returns versus what American business generally earns. I would hope we could be slightly better.

**Q24. Audience:** Could you elaborate on the criteria you look at when evaluating IT distribution businesses like tech data and their competitive position?

**Abel:** In 2019 we saw tech data as a unique opportunity. We made our bid. Unfortunately, it was then topped by the original bidder, and we moved on.

**Buffett:** The distribution business is not a wonderful business, but it is a business, and it's a business that, if it's big enough, it's one we would look at and we would buy.

**Q25. Quick:** Today, by my math, the S&P 500 has a market capitalization of around 44 trillion, with profits of around 45 trillion. This a very similar return on investment to the 1999 levels. Do you see similarities in the market today and the 1999 levels?

**Buffett:** There have been times in my life that I've been awash in so many opportunities that I could have invested everything by nightfall. But now we haven't seen anything that makes sense that moves the needle.

**Q26. Audience:** What is your thought process when you exit positions?

**Buffett:** There are various reasons for exiting positions. One is if you need the money, but that doesn't happen very often with us. With respect to Apple, if people have an iPhone and they have a second car, the second car cost them \$30,000 or \$35,000, and if they were told that they never could have the iPhone again, or they could never have the second car again, they would give up the second car. But the second car cost them 20 times. The iPhone is one of the great products, maybe the greatest product of all time. And the value it offers is incredible. I actually saw it with GEICO when I went there in 1950. Occidental Petroleum happens to be a continuation of Cities Service which was the first stock I bought (1942). I never heard of Vicki Hollub, CEO of Occidental until a Friday or Saturday, and we met on Sunday morning and made a deal. We still don't know what the price of oil is going to be next year. Nobody does. We've got options to buy more stock. We're in it for keeps. There are other things that we own that we aren't in for keeps. I was 100% responsible for the Paramount decision. We sold it all and we lost quite a bit of money.

**Q27. Quick:** What is being done to address the profit margins at BNSF have slipped relative to the other 5 railroads?

**Abel:** There's not a lot of growth in this industry. There are opportunities to become more efficient, our margins can go up. But the reality is that the demand is going to be flat. We need to get our cost structure right. We compete with the other rails and we also compete with the truck industry.

**Buffett:** At Berkshire, we want everybody to have the idea that there's a lot to be done with every business. Omaha is a railroad town. In 2008 I started buying three railroad stocks in Union Pacific, BNSF and Norfolk Southern. Railroads are absolutely essential to the country, and they would be impossible to construct now. We love owning a business that's going to be around 100 years from now, it won't be the best growth business in the world, but it will be essential. We had the opportunity to buy BNSF, and it's been good for them, and it's been good for us.

**Q28. Audience:** Mr. Buffett in 2018 you mentioned that you could earn a 50% annual return if you had to start again with under \$1 million. What method or methods would you use to achieve that return? Would it involve flipping through 20,000 pages of Moody's Manual as you have done before?

**Buffett:** In my case, it would be going through the 20,000 pages. I don't know the equivalent of Moody's manuals or anything would be now. I would try to know everything small and I would find something. And with a million dollars you could earn 50% a year. But you have to be in love with the subject.

**Q29. Quick:** Mr. Munger said that capitalism often works best when the people managing the property also own the property. In recent years, agents of pension funds and asset management firms who do not have significant ownership stakes in Berkshire have forwarded proposals that were not in the economic interest of shareholders. What can be done to limit the negative influence of these agents in the decades after you're no longer able to cast significant vote against them?

**Buffett:** The best thing to do is just pay them a commission one time and own the stock.

**Q30. Audience:** Please discuss the importance of choosing the right heroes in life.

**Buffett:** Choose the people that you want to be yourself.

**Q31. Quick:** What are some of the lessons learned from the dispute over the final purchase of Pilot?

**Abel:** But we do have a great set of assets. Pilot has 800 stations and travel centers. They serve whatever fuel our customers need. It can be electric. It can be renewable diesel. It has exceptional locations that are on the interstate highways.

**Q32. Audience:** What are your secrets in maintaining your sharp mind, extraordinary judgment, and great physical condition?

**Buffett:** You have to be just plain lucky. My great skill has been avoiding bad luck. You should make the most of your luck when you get it. And sometimes I've done that and sometimes I haven't. If I had to do it over again, there'd be a lot of different choices I would make. But it's hard to imagine how they could have worked out any better. It is interesting how many mistakes you can make if you just keep going. Charlie used to talk about that. You just soldier through, just keep going. But you still need luck.

**Q33. Quick:** In the past you've specified that 90% of your wife's inheritance be invested in a low-cost S&P 500 index fund and 10% in short term government bonds. But the market cap of the magnificent seven tech stocks now represents more than one quarter of the market cap weighted S&P 500 index, which seems like a big bet on the tech sector. I was wondering if you would now recommend investing some portion of the funds in a low-cost equal weight S&P 500 index fund, rather than having all of the equity exposure in a tech heavy market cap weighted fund?

**Buffett:** My wife will never have to worry about whether or not she has outperformed the S&P 500 Index. And the trustee doesn't have to worry about getting sued or anything else. 99% plus of what I have is going to philanthropy, and I've got three children. You want to take care of your family. The one thing lawyers will always tell you is don't use codicils. In other words, when you change your mind on a will, just write a new one, but tear up the old one. Don't do it by just adding codicils. You can change the future. You can't change the past.

**Q34. Audience:** What business in Berkshire may be most at risk with AI?

**Buffett:** I really don't know anything about AI. It is profound. If it's used in a pro social way, it's got terrific benefits to society.

**Abel:** We are thinking how AI makes us more efficient and more effective.

**Q35. Quick:** The Wall Street Journal reported that the Treasury market is six times larger than it was before the 2008-2009 crisis. Do you think at some point in time the world market will no longer be able to absorb all of the US debt being offered?

**Buffett:** I don't know, but my best speculation is that US debt will be acceptable for a very long time because there's not much alternative. Will inflation get loose in a way that really threatened the whole world economic situation? There isn't any alternative to the dollar as a reserve currency.

**Q36. Audience:** With the life experience you have now, if you could start all over again, would you set your priorities any different?

**Buffett:** I don't think there's any room in beating yourself over what's happened in the past. It's happened and you get to live the rest of the life and you don't know how long it's going to be. And you keep trying to do the things that are important to you. I really enjoy managing money for people who



trust me. I just like the feeling of being trusted. Charlie felt the same way. I believe in trying to find what you're good at, and what you enjoy. You can be kind. Then the world is better off.

**Q37. Quick:** Charlie's will was filed on March 4, 2024. The first codicil contained an unusual provision. It reads, averaged out, my long life has been a favored one, made better by duty, imposed by family tradition, requiring righteousness and service. Therefore, I follow an old practice that I wish was more common now, inserting an ethical bequest that gives priority not to property, but to the transmission of duty. If you were to make an ethical bequest to Berkshire shareholders, what duties would you impose and why?

**Buffett:** I'd probably say read Charlie. He's expressed it well. If you are not financially well off and if you are being kind, you're doing something that most rich people don't do even when they give away money. If you are lucky in life, make sure a bunch of other people are lucky too.

**Buffett:** *Thank you very, very much for coming and I not only hope that you come next year, but I hope I come next year.*

**Meeting Adjourned**

