THE GAME

By DENNIS K. BERMAN

Tisch Hews to the Prudent Approach

Loews's Chief, Sitting on $12.5 Billion, Bides His Time for Next Corporate Bargain

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Bargain-hunting and caution run deep in the Tisch family. Right now, caution is the watchword.

"I'm happy not to be a hero now," says James Tisch, the 55-year-old chief executive of Loews Corp., from an office full of bric-a-brac and a life-size cutout of goofy Mad magazine icon Alfred E. Neuman. He proudly displays photos of himself with the likes of Condoleezza Rice and Ariel Sharon, shot by his own hand with a disposable camera.

David M. Russell

Loews CEO James Tisch

This is a time of big change for Mr. Tisch and Loews, the conglomerate of insurance, pipelines, energy exploration and hotels founded by his father and uncle in 1954. Last week Loews, which began with a single hotel, exited from a profitable, but wearying 40 years in the tobacco business.

Today the company is valued at $27 billion and sits on $12.5 billion in cash. Loews stock has quintupled this decade and trades near its record high. Monday it secured the coveted single-letter "L" ticker symbol from the New York Stock Exchange.

With financial assets in pitched decline, wouldn't now be the perfect time to do what Tisches do, and shop for some serious corporate bargains?

He shrugs his shoulders and, as if at a Thanksgiving dinner, pulls out some Tisch family lore.

> **LOEWS LORE**
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> **Three Investing Rules From the Tisch Family**
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> • **Always Assess Your Downside:** Over time, quality assets should appreciate, so downside risk is the most important part.
> • **Invest in Assets, Not Management.**
> • **Our Day Will Come:** Eventually, most things will return in value via normal economic cycles.

"No. 1, don't bet the company," he says. "First and foremost, everything we have is fully protected. Second, watch out for the downside. The businesses we like are ones with long-term assets, that are going to be here for a long time and aren't dependent on management. Our day will come."

That means avoiding financials, which, a year into the credit crisis, are still "like catching a falling knife," he says.

Loews's sedate Manhattan headquarters sits just blocks from Park Avenue, where loss-riddled banks are trying to recover from billions worth of bad decisions. Mr. Tisch marvels at what happened, but finds it inevitable: "If there's nothing to do, do nothing. But many CEOs can't do that. If you're an action junkie it's going to get you in trouble."

That doesn't mean that Loews's strategy is stasis. Just last year it sold off its Bulova watch division for $250 million. Its spinoff of Lorillard tobacco dramatically changed its overall corporate profile, exposing Loews more to its CNA Financial insurance business and its offshore oil-drilling business called Diamond Offshore. Loews is sinking $4.5 billion into a pipeline project that will eventually give it control over 10% of the nation's natural-gas shipments.

And yet caution seems to surround Mr. Tisch. It feels ingrained from youth, perhaps from having spent decades at the side of his father, Laurence Tisch. Maybe he is chastened by his father, who famously and wrongly shorted the S&P 500 during the great bull run of the 1990s.

Take commodity prices, in particular oil. "Overpriced," he says. "It's a demand issue, not a supply issue." He cites a decline in the amount of driving by U.S. motorists in March. "We're seeing fast adjustment, and we're going to see that world-wide. It makes sense that this last price shock is going to cause very long-lasting changes in behavior."

Besides, Mr. Tisch likes to buy into markets when they are at record lows, not record highs.

That's why he sunk about $2 billion of CNA's assets into portfolios of senior bank loans, sold off by banks desperate to move the paper off their books. He's also dabbled in senior tranches of mortgage loans, but admits that it's something "you should not try at home."

Mr. Tisch says that his only objective is to deliver returns to shareholders, which makes sense given that his family controls nearly a quarter of the company. Loews, he says, is "unabashedly a conglomerate," despite persistently trading below the value of its assets. Given the company's success, shareholders are happy to give him the latitude.

And yet he might remind, as he did from his office, that "nothing fails likes success."

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