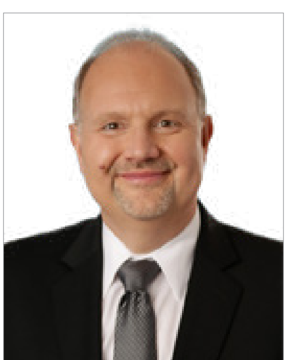
Thinking ‘Broadly and Boldly,’ Allstate Brings Diversity to a Bond Sale

A conversation with Mario Rizzo, CFO at Allstate

George Floyd’s death in 2020 brought about a national discussion about racism and inequality in America. It’s a conversation that has corporate leaders also thinking about the role of business in these issues, and how corporations can bring about change to America.



MARIO RIZZO

At Allstate, these discussions entered a perhaps-surprising arena: the company’s standard processes for raising debt, led by the insurance giant’s chief financial officer, Mario Rizzo.

“When you’re confronted with significant systemic issues, they require rethinking certain strategies and certain approaches, and implementing bolder ideas and actions to make a difference,” Rizzo said. “We felt like we could make an impact both in the issuance of securities, as well as through trading activity in our investment portfolio.”

The result of these efforts, in the fall of 2020, was a record debt offering for a major company: Allstate priced $1.2 billion of 5- and 10-year senior notes through a syndicate comprised exclusively of minority-, women- and veteran-owned business enterprises (MWVBEs), the largest ever offering managed exclusively by diverse financial firms, to partially fund its acquisition of National General. Allstate also committed to doubling its trading volume with diverse firms for its investment portfolio; five months into 2021, Rizzo said, the company had achieved nearly double the goal.

Spencer Stuart’s Karen Quint and Bob Stark recently sat down with Rizzo for a virtual discussion, where they talked about Allstate’s groundbreaking debt offering, the key steps in the process, and the leadership lessons Rizzo learned as he led his team and his company.

Following is our interview with Rizzo, edited for brevity.

Walk us through the path to Allstate's decision. How did this discussion begin?

The events of last summer put an increased focus on diversity and equity. Although those have always been core elements of Allstate's values, it was an opportunity for us to just acknowledge that even if we felt positive about our progress in that space, we could always do more.

One area we quickly landed on was this idea of economic equity, particularly on Wall Street. We felt like we could impact that area through the issuance of securities. Historically, we had always included minority-, women- and veteran-owned financial firms in the syndicate, but they had always played a secondary role, so we started discussing how to give them a bigger one.

As I talked to (CEO Tom Wilson) about this, he really pushed my thinking. "Well, what if we just used diverse firms, the whole syndicate?" That was interesting — no one had done that before, so we started exploring it. What we found was that there had been transactions that were done using almost exclusively diverse firms, but there was always a big bank chaperoning the transaction to make sure it went off without a hitch. So we decided this was going to be different: Every firm involved was going to be minority-, women- or veteran-owned, and they were going to lead the deal exclusively.

> **"The events of last summer put an increased focus on diversity and equity. Although those have always been core elements of Allstate's values, it was an opportunity for us to just acknowledge that even if we felt positive about our progress in that space, we could always do more.**

What risks did you identify and how did you address them?

The first conversation we had was on this deal specifically. We did our due diligence: What might prevent this from being successful? We thought about things like their technology capabilities compared to big banks with tried-and-true technology, and whether it was strong enough for them to play a lead role. We considered their sales and distribution capabilities: Do they have the breadth of investors needed for a billion-dollar transaction? We strategized about whether the smaller size of these banks' balance sheets introduced risk into the discussion. What happened, however, is that the more we talked about the potential risks and barriers, the less formidable they seemed, and the more comfortable we got with these firms' ability not just to do this, but to do it well.

As we talked, we got less hung up on whether this deal might cost more to achieve. We both concluded that this was important enough for us to do that we were actually willing to pay, if we needed to, a little bit more to get it done. We felt it was a meaningful step to make a statement that this kind of deal could be done, and done effectively. We viewed this as an investment that we were willing to make, to create a real impact.

However, the more traction this got, the more unique we realized this deal was, the more confident we were that investors were going to want to participate in this deal, and that the risk of us having to pay more was actually quite small.

Ultimately, we didn't pay any more than we would have in a more traditional deal. It was multiple times oversubscribed and executed extremely well. We actually had some new investors that generally we wouldn't have gotten through a more traditional deal.

Was there anything that you did differently on these deals to help them succeed?

One thing was that we invested in roadshows, which Allstate does not typically do for debt transactions since we're such a well-known issuer. We wanted to highlight the firms we were using, and for investors to get to know them. We also talked to the banks that we typically would have used and asked for their opinions. To their credit, their reaction was overwhelmingly positive, they thought it was a great idea and fully supported it.

And again, as an issuer, we wanted this thing to go off without a hitch and to be successful. Because we thought it was important that these firms get a shot, and because there were no traditional banks in the syndicate, we wanted these firms to have the opportunity to showcase that they have really strong capabilities and really talented people, and that they could get the job done.

Historically, these firms were frustrated by only playing secondary roles in deals. What's so satisfying on our side is that these firms, when given the opportunity, took full advantage of the opportunity and their execution was flawless. It was like any other deal we've done.

What was the reaction internally at Allstate to this deal?

When we announced this deal, and then when we completed it, the feedback was overwhelmingly positive — there was just a sense of pride of being part of Allstate that our team and our employees had.

It came on the heels of a number of things we did last summer. We declared Juneteenth a company holiday, and we really leaned in on conversations at all levels in the organization, about personal experiences with discrimination and some of the challenges people had faced.

On the finance team, we did a session on unconscious bias, where we had our employees talk about their views and different circumstances and situations where they've experienced this first hand. We talked to our board about the goals and commitments that we were going to make and creating a strategic plan around inclusive diversity and equity, just like you'd do a strategic plan from a business standpoint. We were having a lot of conversation and communication at various levels, both internally and externally with various stakeholders. This deal helped create a lot of momentum.

What lessons did you take away from the process of getting this deal done?

To make a real difference you have to think broadly and boldly. It doesn't matter if it's a financial transaction, or something like a hiring decision — there may be something that historically you've been a little hesitant to do, or some risk you've been afraid to take on. To really make a difference, you have to identify opportunities, think more broadly about what's possible — rather than think about what's considered the norm — and work your way through it. We learned throughout this process. Rather than just coming up with all the reasons why this might not work, it was much more effective to think instead about what could be done proactively to manage down some of those risks.

Certainly it meant a lot to the folks who worked on it, but even more broadly at Allstate, there has been a deep sense of pride about being part of an organization that thought to do this, had the commitment to make it happen, and then did it and did it well. There's a sense of being part of something bigger, and of being part of an organization that was willing to be a driving force in something so forward-looking.

SpencerStuart

Authors

Karen Quint (San Francisco)
Bob Stark (San Francisco)

About Spencer Stuart

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

@Spencer Stuart