Bill Pieroni

Episode 193: Executive Spotlight: Bill Pieroni, President and CEO of ACORD

GUEST Q & A

Stewart: Welcome to another edition of the InsuranceAUM.com podcast. My name's Stewart Foley. I'll be your host. We've got a terrific executive spotlight for you today. A repeat guest, someone who needs not much of an introduction. Bill Pieroni, CEO of ACORD. Bill, thanks for being on. Thanks for taking the time, and thanks for being back.

Bill: Stewart, thank you for hosting me again, and thank you for everything you do for the industry. I think your podcast is very unique, in that it's focused on investors. We tend to see a lot in the operational space, the technology space. But your podcast is unique and special, so I'm sure everyone listening appreciates it as well. But I'm thanking you for it.

Stewart: Oh, thank you so much. It is amazing. I'd love to know more about ACORD, and one of the things that I never worry about is being the low-energy person on the podcast. But with you, I can assure you, you bring lots of energy, and I love that. And before we get going too far, I want to kick it off the way we always do. So what's the town you grew up in? What was the first job that you ever had? Not the fancy one, because you've had an illustrious career, and I mean that sincerely. And then what makes insurance so cool?

Bill: So I grew up in Chicago. My first job would've been in my family's restaurant, and I assure you it was unpaid. My memories don't go back that far. So when you own a restaurant, someone doesn't show up, and unfortunately, it's rarely a job you want. So gosh, it would've been, I've been five years old, cleaning something or cooking something, or counting individual clams when the delivery was made, because my father was worried that they would short us a bit. So I probably learned to count there.

Your question about insurance, I feel very blessed and fortunate. Few people, unless they've got family members in the industry, pick insurance. I found my in to it by accident, as many people do. But I'm very grateful. And my first role was at a health insurer who owned a life insurer, and then I was pulled to a property and casualty carrier. And as with most of us in this industry, you wake up 30 years later. And it's been a wonderful career and a wonderful industry. And it terrifies me to think, what if I didn't find it? I could be doing something else. But I do enjoy it very much.

Stewart: Yeah. I mean, I love this industry, too. I really do. And I'm on a different side of it than you, obviously. But there's a lot of really smart people in this business, and a lot of really good people in this business. And it's been fun for me, too. And can you tell us a little bit, ACORD is a global industry standard-setting organization. Is that a fair assessment? And talk to us a little bit about what ACORD's functions are.

Bill: So ACORD's been around for over 50 years. We have 36,000 members globally, spanning a hundred countries. We support roughly 90% of all the world's premium. And in supporting the premium standards, so defined data elements, transactions, forms, actual initially paper forms, and now digitized forms and formats, reference architecture for vendors who are building solutions for industry and for stakeholders who are building their own.

Among those 36,000 members, we have primary carriers in the property and casualty and life insurance space, both commercial and personal lines and individual and group for life. We have reinsurers, brokers and agents and solution providers as well, for everything from consulting firms to major software firms, building for the industry. Standards that span everything from life insurance in South Africa to London, where we're supporting the London market transformation

right now, with ACORD's standards for global reinsurance and large commercial, as well as placement messages and areas like in Australia, for property and casualty in the personal and commercial line space. And clearly, the United States where we started supplying forms and formats, and certificates and data elements and all the rest of it, supporting all of the property and casualty and life insurance stakeholders within the Americas as well.

So it's interesting, most organizations have a difficult time sustaining relevance beyond 50 years. And due to the digitalization, I know we may get into that later, of our industry, ACORD actually has more relevance now, I believe, than when it first started. The impetus for ACORD was as the industry started to leverage technology. And for those of the right vintage, you'll remember, tubes and hardwired network connections, no internet. So agents were being inundated with proprietary terminals from carriers, so that they would have to have online applications. Online at the time was an N-tiered architecture. But the idea was that if there was a single entry, multi-carrier interface with which applications can be developed and endorsements could be developed.

And so it started there, but come full circle, where you've got the entire industry digitalizing right now, ACORD still continues, I think, to not only remain relevant, but increase in relevance. It gives you, I think, a snapshot. And then over time, we evolved, first to the UK, then Australia and New Zealand, and Sub-Saharan Africa and Continental Europe. So we do enjoy a rich set of relationships around the world.

Stewart: So one of the things that Beth was so kind, has set up our podcast, and she sent me a number of studies that ACORD does. And I want to talk with you about them, because I wasn't aware that ACORD was producing this kind of information. And I want to start with ACORD's Global Insurance Stock Index. What can you tell me about it in terms of its uniqueness, insurance stock performance, and who can get access to it?

Bill: Sure. Well, let me give you the genesis of it. So annually, we perform at least three to five new first-of-a-kind studies. And we have a number of studies that we update annually that we've been doing for years. For me, from my perspective, when I measure value creation, I understand that employees matter and customers matter, and the communities matter and regulators matter. But in the end, value creation for me is total shareholder returns, right? Real share price appreciation, plus dividends, right? Adjusted for inflation, obviously. So we were collecting all kinds of total shareholder return data, in order to measure our studies' effectiveness at predicting value creators.

Let me mention a few of those studies. One, we do an annual study on property and casualty value creation. What we do in that study is we look at interest-bearing capital that carriers hold, assign it an annual cost of capital, look at free cashflow, and determine whether or not they achieve their weighted average cost of capital on a free cashflow basis, net of a capital charge. A net operating profit after taxes.

And then what we say is, "If you did it, you're a value creator, but if you did it solely as a result of investment gain, then you're a hollow value creator. If you didn't earn it, you're a value destroyer. But if you did it through positive underwriting returns and exceeded that weighted average cost of capital, we call you a sustainable value creator." This is a study I've been doing for nearly 30 years throughout my career. And can that simple method predict superior total shareholder returns? Well, it turns out that if you produce sustainable value, you outperform the index by about 30%. And so I know you attract investors. Outperforming passively indexed mutual funds is extremely difficult thing, but for over 30 years, depending on what timeframe, our sustainable value creators outperform the industry by 20%, 30%. So we're collecting data.

We do another study on intelligent growth. And intelligent growth, from my perspective, is you grew faster than the industry average, so you gained share, but you also had superior economics vis-a-vis the industry. So pre-tax, ROA, ROE, combined ratios, return on embedded value, and we identify intelligent growers. Those are carriers who grow faster than the industry average and have superior economics. And then there are four other categories on the two by two, we don't need to get into it. Those carriers tend to outperform 20% to 30% better. We were collecting data there.

And lastly, our most recent study that we kicked off 5 years ago, and we do it annually, is digitalization. Investors know that if you look at IT spend, particularly in the insurance industry, if you look at IT spends, a percent of premium, the R-squared, the correlation between total shareholder returns and IT spend is negligible. It's not statistically significant.

So our hypothesis was that how much you spend doesn't matter, but how you spend it, what you spend it on, whether it's aligned with the strategic intent, and I think we're going to get into some of these studies, it matters. And it turns out, there are 5 categories of digital maturity, and the top two categories are digital firms and digital competitors. They outperformed

the industry by 40%. So we were collecting all of these shareholder return data. And we said, "Gosh, let's publish a stock index." Looking at the top 200 carriers globally, 130 are publicly traded. So our index looks at a top 130 publicly traded carriers, brokers, reinsurers worldwide, and we track it by sectors. So reinsurers, P&C, multiline, life and health composite. We have total returns by region, and total return by market cap, small, medium, large, and again, composite, overall.

And something we've been doing for years now, and we do it quarterly, it's available to all the members via our website, and we identify who's outperforming. Interestingly, reinsurers trailing 12 months, 46.5% TSR, tremendous, right? P&C 28.6%, multiline 27.9%, life and health, well, 20.5%, still outperforming the S&P and the FTSE All-World Index as well. And interestingly, by region, US equities have done extremely well over the last 12 months. But for insurance, it's Latin American carriers, 34.4%, EMEA 31.6%, but that's because of the reinsurers, because most of the large reinsurers are located. So I would say that dragged up the average. And smaller cap stocks have not done as well in most mature markets around the world. However, for our industry, surprisingly, small cap carriers, 31.6% over the trailing 12 months. So it gives you a sense of the level of granularity. What makes us special is it's just insurance. It's linked to our studies, and we really dig in and highlight how they're growing, how they're gaining share. Are they creating value? How do they use technology? Things like that.

So it brings together in a multivariate way. So I think it's special. I've never seen anything like it. And again, it's available to all of our members on a quarterly basis. And it goes back in time as well. So you can look at individual companies and carriers, and how they outperform or underperform, and see where they've been tracking. But I think we get very positive feedback, particularly amongst the investor community who are members of ACORD as well. Many of the investment banks, private equity firms, venture capital firms, they tend to be members just to get access, not only to our standards, but a lot of the research that we do.

Stewart: That is very interesting. I love the metrics. They make sense to me. You mentioned P&C value creators. What have you identified as the attributes for companies that are consistent value creators, and what are the carriers doing right to create value for shareholders?

Bill: So I mentioned briefly the methodology. I'll mention it again. We look at all of the interest-bearing capital that these carriers have, policy over surplus. We do not punish them for unrealized gains. So we take care of that. And then we look at that annual cashflow segmented across investment returns, as well as underwriting returns. So the sustainable value creators, first of all, they're making underwriting profit. Now, when we first started doing this study years ago, less than 10% of the carriers actually were sustainable value creators. Now it's 41% of the top 100 carriers in the United States. So in a Darwinian way, I think value destroyers have either been eliminated from the gene pool, so to speak, or they've begun to create what I'll call sustainable value.

Now, sustainable value, as I mentioned, you can't rely upon investment returns. So they're making underwriting profit, obviously. Now, interestingly, we won't get into all the operating ratio tree, but despite the fact that sustainable value creators aren't relying upon investment returns to generate that cost of capital, they have the highest investment returns. And it's a hint at one of the reasons why, talent. Our industry, I think for how important we are, does not attract our fair share of high-scale, high-level talent. These sustainable value creators really have talent across the organization, and A players attract A players. So interestingly, the investment return were incredible. Now from an underwriting standpoint, underwriting is approximately 25% of premium dollars, and 75% go out the door through claims. So let's look at underwriting. First of all, sustainable value creators had had the lowest acquisition and general expense ratio. So that tells me right there, they're digitized. They're using technology to get that, but not so much so that it drives up their general expense ratio. When you dig into their IT spend as a percent of premium, they're average. But it goes back to that digitalization study which says, "How are they, in fact, using it?"

Now interestingly, for the commercial lines writers, they have the highest commission ratio. They pay agents. They pay agents for attractive business. So they're not writing direct. Within the sustainable value creators in a personal line standpoint, there's the expected value of direct writers, but independent agency-based writers do extremely well additionally. It's not as if in paying a commission, you can't make it. So from an underwriting standpoint, lots of technology, lots of talent, lots of straight-through processing and automation, but agents and relationships and brand positioning matter.

Now, within the claims space, I mentioned the, let's call it roughly 75% of premium dollars. Well, there's pure loss, the indemnity costs of 60%, and 15% for loss-adjusted expense. Now, for claims professionals, you're always trying to maintain the balance between customer satisfaction, loss adjustment expense, and pure loss. So you want to keep your

customers happy. 90% of customers leave their carrier for one of two reasons. You grossly mishandle a claim, or you raise their premium more than 10% a year. Now, assuming that the indicated rate is that it should go up more than 10% a year, we'll forget about that one.

But so claims matters. It's a real moment of truth in our industry, and the customer sat matters. But if you overly worry about customer satisfaction, historically, you'll overpay a claim, because you want to keep them happy. So you'll overpay the claim. If you overly worry about pure loss expense, you'll create low levels of customer satisfaction, and you'll probably overspend on loss adjustment expense, because you're really spending a lot on investigation and analysis.

And finally, if you overly worry about LAE and you underspend there, well, you might keep the customer happy, but while your severities are going to go up. What we found is that sustainable value creators had the lowest total loss ratio, the lowest LAE, the lowest pure loss, and had the highest customer satisfaction. We measured customer satisfaction by retention, cross-sell, and complaints to the regulators. So within that claim space, I don't want to have everything look like it's technology, but how do you simultaneously have lower LAE, lower pure loss and higher sat? Again, that's going to be automation, it's going to be technology, it's going to be colleagues and professionals.

And lastly, understanding lifetime value of both producers and customers is key, right? So when you think about what drives lifetime value of a customer while acquiring high-lifetime value customers, loyal customers who aren't going to price shop, who tend not to have excessive claims, developing them, selling that customer more things to create that virtuous cycle, and driving more retention, keeping them for longer periods of time. So acquire, develop, and retain. But that also not only pertains to customers, it also pertains to agents and relationships in the field.

Now, one final observation. When you look at strategies that organizations can have, well, you can have a strategy of customer intimacy. I'm going to treat customers better than everyone else. Next product leadership, I'm going to sell a product that no one else sells. If you need this, I'm it. Innovation, I'm going to do things really different, really special, 10X advantage, faster. And lastly, operational excellence. It's a nice way of saying, "I'm going to compete on price." So historically, the number one strategy for sustainable value creators was product leadership. When we first started doing this study decades ago, product leadership was it. It makes sense, right? If you're the only one selling it, then price, elasticity of demands fairly different, and all the rest. So product matter. The next one was customer intimacy, obviously, treating customers better. And then operational excellence, innovation.

But over the last several years, we became perplexed. We couldn't slot the carriers in our study into one of these strategies. And then it occurred to us over the last several years, if not longer than that, carriers no longer need to be T-shaped. By that, I mean, "Hey, I got a great price. I'm deep on that part. I'm decently on product. I do decently on customer intimacy at some innovation. Now I'm going to deliver a great product. Yeah, the price can't be too outlandish. I can't abuse the customer." What we found is that sustainable value creators are executing two or more of these strategies, and some of them are doing everything. In other words, they treat their customers the way they want to be treated. They have great products, they're doing so in an innovative way, and it's all wrapped in high levels of operational efficiency. So the big thing for me, having done this study for decades, was something has occurred. And again, I think it's going to be digitalization, right?

This idea somehow that I can only do one thing really well and accommodate those other strategic levers. Winners, moving forward, are going to have to do everything. And I think it reflects consumer demands. Consumers, both personal and commercial, yeah, they want a good price, but that product better fit. And they want good service levels, and they want some level of innovation that you're bringing to them. So very powerful study. We do it every single year, and we just updated it for 2023 as well. But powerful stuff. Powerful. Again, we have time to go into all of it, but hopefully, that gives you and your listeners a perspective on that study.

Stewart: It's fascinating that you've broken that down in those ways. And having worked in a carrier as well, some of those things are difficult to achieve, as you well know.

Bill: Well, they almost seem paradoxical, right?

Stewart: Right.

Bill: You underspent on the adjustment of the claim, you underspent on the claim, and the customer's happy? Oh, and by the way, you have the lowest acquisition in general expenses? Really? And you don't have to be a direct writer. You're paying agents substantially more than others to get that business and keep them happy because of the lifetime value. I think it intuitively makes sense when you say it, but there's a lot of paradoxical levers in there.

Stewart: Agree.

Bill: Right? Difficult to execute, but increasingly, it's being pulled off. And I think digitalization is at the root of it.

Stewart: That's so cool. So M&A, big trends in M&A, private equity showing up, acquiring life assets and annuity assets in a big way.

Bill: Yes.

Stewart: What do you see as the big trends in M&A, and how do you think it looks in '24 and beyond?

Bill: One of the studies we forwarded to you was our mergers and acquisition study. Now, Stewart, the last time I did this study was over 20 years ago. So this is not one that we do on a regular basis, but we did it 20 years ago, and we want to keep things fresh and innovative ourselves. So I thought, "Let's refresh that study, right? Let's do it again." So we just completed it literally a month ago. We looked at 15,000 M&A transactions over the last 10 years.

Stewart: That's an incredible number in and of itself.

Bill: So I think fairly unique, right there. There it is, right? 15 years' worth. And what we did was we identified "Why did they do it?" Oh, by the way, and it was life and primary life, and it would include P&C, it included reinsurance, it included health. It also included closed book. You mentioned that. You got a lot of private equity companies. Buying closed books, and I consider that an M&A transaction. And there are four reasons that carriers or private equity firms or brokers engage in M&A and core expansion. "Look, I'm doing what I do. I want to get bigger at what I do, in that geography, in that line." So scale and scope. "I want to get bigger at what I do, but I want to increase the scope of products, services, geographies, channels." Subtly different than core expansion. Capability acquisition. "That thing that I'm going to buy, it does something that I can't do, and I'm just going to buy it." And diversification. "It's unrelated, but I'm going to have a play there." Now, the last time we did the study, the only rationale that generated positive total shareholder returns, and by the way, we look at it at announcement, we look at it 10 days after, and then we look at transaction to date. So we've got immediate 10-day transaction to date. So it's fairly rigorous. The only one that consistently produced value was core expansion.

Stewart: Interesting.

Bill: Yeah, it was so interesting for us. Now, what we found is that within that core expansion, reinsurers engaging in M&A on average outperformed the index by 629 basis points. So 6.29. So wow. Now, reinsurers have done fairly well. We've got hardening rates, but on an index basis, they're compared to the industry, but also their peers. Property and casualty carriers for core expansion had 434 basis on performance. So they did extremely well. For scale and scope, P&C carriers had 576 basis points better. Now I have to tell you this: The life insurance industry, only 35% of life insurance transactions led to value creation. And value creation means, you outperform the index. Now, there's lots of noise in here, and you could argue, but we held everything constant. Property and casualty carriers, 70% created value.

Now of course, when you dig into this, we've got it by geography. We've got it by size. We've got it by personal, commercial, group and individual. What we do notice... No surprise, you've got investors listening to us... If you pay a high price-to-book, you're almost guaranteed to destroy value. This was counterintuitive. We looked at shareholder value at risk, SVAR. So you would think that the greater the shareholder value at risk, the better the performance. No, no, it's not true. I think it could be the scale and scope of the transaction. It could be that even though this poses an existential risk, higher levels of shareholder value correlate inversely to shareholder returns. It was so incredibly interesting. And when we dug into value creation and we dug into value destruction, we found some common trait. Value destruction. And again, the study is a hundred pages, so we don't have time. But why did these transactions tend to destroy value? Inadequate benefit timing and magnitude. You overestimated what you thought, right?

Here synergies get scared, right? Inadequate risk analysis associated. Even though that we're in the risk business, did you really look at structural, cultural, insured, channel risks, right? Pressure to complete the deal, right? Got to get it done. Not

knowing what you want to pay a priori. Assumption that strategic value requires less effort versus operational. Operational, we're going to rip the costs. Well, wait a second. You want to increase share, growth? That requires just as much work that tends to be attributed. Cost takeout, well, we have to get that money, but strategic value is hard.

Overemphasis on scale and scope. "I'm going to get bigger." Look, today, everybody can buy technology at a good price. Everybody has access to all kinds of capabilities that historically weren't there. Unclear near and long-term strategy and misaligned incentives. What were the common traits of sustained value creation? Explicit identification of all the opportunities that we have to accomplish the same kind of objectives.

When you really look at M&A transactions, the reality is you can forge an alliance, you can collaborate, you can do a build-out, you can co-marketing, distribution agreements, JVs, licensing and franchises. There's all kinds of things you could do. So did you look at all those first? Because this stuff can be nasty. Approach it conservatively. Don't overpay. Oh, I do need to tell you this one. We looked at deals that were stock, deals that were cash, deals that were stock and cash. Stock and cash, cash destroyed the most value. And we know why, organizational slack. Stock know when it's a combination that had a very strong correlation. Anticipate competition for price, for the requirements of the atmosphere, and be ready to walk away. Maintain both a strategic and external focus, because you can get so excited about the deal that you lose track of what the marketplace and what external stakeholders are saying. Maintain lower integration slack, aggressive day one planning. Get that M&A, do it like a machine. Make sure you communicate benefits to stakeholders throughout the life cycle. "Here's why we're doing this. Now go get the money. Go get the value."

That gives you a sense. I think a lot of what I said is formalized common sense, but much of life is formalized common sense. This is an execution-based business. You price the product, you sell the product, you manage lost costs, get a good investment return, and forge meaningful relationships around. Doing M&A correctly is common sense.

Don't get overly excited here. Have the capacity and competency to do this. Maintain a focus on value. This is about value creation for shareholders. And make sure you've got the measures, incentives, and implications for non-performance. So this study, we have not shown this publicly. I believe I'm going to be videoing it, this presentation, in the first quarter, and beginning to show it publicly. First, it will be shown in the UK in the first quarter of next year. So you're hearing it for the first time. We have not revealed this study publicly, but I'm happy to share it with you and your listeners. So very interesting and powerful.

Stewart: So my final formal question is we all know that the insurance industry is struggling to keep up with technology. I don't think it's just the insurance industry, by the way. I think that we had a woman on who's the CEO of 1871, which is a tech incubator here in Chicago.

Bill: Yeah, I worked with some of those. Former colleagues of mine there. Yeah.

Stewart: And as you were, she was a McKinsey consultant as well.

Bill: Yes.

Stewart: But she said, "Today is the slowest pace of change that you're going to face for the rest of your life." And I think that insurance companies have a reputation of sometimes moving more slowly. What does the future of InsurTech look like? Are there good examples of people who are doing it well and reaping the benefits? And are those the folks who are actually becoming stable value creators?

Bill: So you triggered something. We didn't talk about our change studies. We look at major change efforts in the insurance industry. We tracked about 600 major changes. And I mean, they're significant, their material and their scale and scope. Two-thirds of change efforts in the insurance industry fail along one or more of the following three dimensions. Cost, cost more than. So time, it's late. And scope, it didn't deliver what it said it would. So two-thirds don't make it.

Now, when you look at our industry, we are conservative. We don't like risk. People who like risk are not drawn into insurance. And if we find yourself here, you'd say, "Even though we're in the risk management business, we don't like it. We want to codify it, manage it, transfer it to another party, and get rid of it." So you think we were risky people? No, I don't play the lottery. Every time I stay in a new hotel, I know where the fire exits are. I want to see sprinkler heads all over. I drive a Volvo. I would never think of not wearing a helmet, riding a bike. So we don't like risk. Okay? So we've got that. And that makes us a bit risk-averse, and it makes us not good at change. We're conservative. We attract people who don't

like the change necessarily. We're highly regulated. We're compensated and rewarded for consistency and constancy. You don't want a 1:20 combined ratio, then an 80. You want continually steady performance. So we've got that. So we've got this culture. Now, I do need to point out the fact that insurance, as an industry, were some of the earliest adopters of technical innovations, whether it was mainframe computing and client server technologies, and N-tiered architectures, and relational databases. So I think for a lot of newcomers to our industry, they look at it and say, "Look at all this old stuff." Yes, it became old. But when you look at it, you can almost look at our industry from an anthropological or archaeological perspective, and see when we deployed it. So we have lots of technical debt that we've accumulated over time. The average carrier globally has a dozen-plus policy admin systems of various vintages, some ranging from assembler to brand new AI-based Python systems. So everything's here. So I do agree that change is increasing at an increasing rate, absolutely.

Now, we mentioned our digital study. 11% of carriers globally are what we call digital laggards. So they're not spending a lot on technology. They're digital laggards. Interestingly, they are growing the slowest, and pre-COVID, they had better-than-average cashflow. They did. Because underspending on technology means you can buy stock back, declare dividends, cut rate, do all kinds of things with that money. But I do feel as if COVID was a moment of truth, and it accelerated that rate of change. Because when you have to let all of your colleagues operate 24-by-7, untethered, unable to come to work, well, now it matters that you've got fat client solutions.

So at the other extreme, there are 6% that we call digitized competitors, who actually use technologies as a source of competitive advantage. Driving the market, driving change. And then we've got 48% in the middle, digital aspirations, and 18% are digitized firms. And just below that are the localized digitization. The 17% there. Now, the 50% of carriers, 48%, that have digital aspirations, they're on the journey. And we don't say you're on the journey until you have a plan and a budget. It's not enough to have a plan. "Yeah, I should fund it." So 48% actually have a plan, an explicit plan, and a budget. But remember, if two-thirds are going to fail, the question is will the carriers continue on the journey, or will they lapse down to localized digitization, or all the way down to digital laggards? So that is a challenge. Now, digitized competitors, this study we've been doing for eight years, just because you're there, you can't sustain it.

So we talked about sustainable value creation. There's churn at the top, because I think unfortunately, a lot of carriers invest in best-in-class capabilities and they think they can rest. It costs money, time, effort to get there, and you have to continue to do it. There's no stopping. And let me disabuse everyone of the notion that new technology's cheaper. New technology is not cheaper. Nothing costs less than fully depreciated, obsolete technology that's off support. So this idea that "I'm going to use technology and save money. And I'm going to save money in technology." And we have seen IT budgets over the last 20 years creep up in P&C from 3.5% of premium to 3.9%. So back to where we started with the InsurTech question. So we track about 2000 InsurTech investments globally. And we categorize them life and P&C across the entire value chain.

Let me bring up one troubling point. I mentioned earlier that underwriting is about 25% of premium dollars. In claims, it's 75%. Underwriting and claims together comprised less than 6% of all the spend globally on InsurTech. For listeners, do you want to build solutions that are going to have impact both for your investors and your clients? Hey, I got a crazy idea. How about claims, where 70% of all the premium dollars is? How about underwriting the actual pricing and rating? And just price comparison websites, chatbots, AI? Stop, stop. We do not have enough InsurTech solutions focused on, as Willie Sutton would say, where the money is. Look at where this is. So when I meet with startups, I always encourage them, "Do something in the claim space."

Interestingly, I have to get this off my chest, I don't know why people think it's a badge of honor that they have no insurance expertise. "I don't know what's wrong with you guys as an industry. You're so conservative." Well, guess what, Stewart? We tracked InsurTech startups by age of founder, and guess what? There's a linear positive correlation between age and success. I will admit this to you, it peaks. After a certain point, they do start to become less successful. But these should be people who should be retired, probably, when you look at that average age. So this idea somehow that "I'm unfettered by all that accumulated technical debt, Bill. I don't know anything about this." Well, if I'm an investor, I like to know that you know the industry problems. You know what's going on. You understand where they are. So I don't know that it's such a badge of honor that you have utterly no experience in our industry, and you can't understand why.

Well, a lot of the things we do that may look foolish or wasteful to others, yeah, you'll see why we do those. Because when you got a 1-in-every-10 year, 1-in-100 year event, these are existential problems. I'm reminded of the bancassurance trend that occurred decades ago. "Gosh, look at all that capital." Yeah, that policy of the surplus ratio of 3 to 1? Yeah, rainy days? We're here for rainy days. That's not money that you can invest in equities or real estate or hedge funds. That

needs to be invested conservatively overall, because that's there as a reserve for claims. So look, there's a lot of interesting things going on in the InsurTech space, but experience still matters, fortunately. And it's not me rationalizing. The data is empirical and explicit. You see it. The R-squared is nice and solid north of 0.8. Age matters here. It does.

Stewart: I love it. I'm very encouraged by that, because you're talking to a 59-year-old tech guy who's trying to push the envelope in the insurance investment community. So from your lips to God's ears, man. So it is always a blast to have you on, and the time flies by. And so you've covered a lot, and I really appreciate you being on. I've got a couple of questions for you out the door, if you'll entertain them.

Bill: Sure, please.

Stewart: What's the best piece of advice you've ever gotten? And who would you most like to have lunch with, alive or dead?

Bill: Best piece of advice I've ever got?

Stewart: Or just a good piece of advice?

Bill: No, I've got it. I've got it. And this is really important, but if it doesn't mean anything or resonate with you, then you can't fake this. But I think treating people the way you would like to be treated, and remembering people that you work for that were less than ideal and not doing those things, viewing those things, it's such a nicer life to treat people well, to attract and retain talent. It just makes everything so much better. And there are people who think that everyone wants to do a good job, and they just need coaching and guidance. And there are those that think, "Oh, people are lazy, and they don't want to do it. And you have to beat on them." Gosh, the meaning of life is that it ends. Don't work for those people. Enjoy what you do. Have fun, make a difference. Treat people well, you'll be better. You'll get great people working for you.

But if that sounds like profound wisdom, you've got deeper problems, right? You should be saying, "Well, yeah, but sometimes you have to be reminded of that," I think. Right? And if you find yourself having to be harsh on people, do you need to be that way? Do you like being that way? Should you be around different people? We've all won by being part of this industry, and I think, being in mature economies. Take advantage of that. So I think that's the bit of advice. But it's not advice, because you can't make people who want to be mean to other people be nice. But I can tell you, get away from them. Life's too short. You don't need to do that. There are easier ways.

Stewart: That is great advice. Will you entertain the question on who would you most like to have lunch with, alive or dead?

Bill: Yeah, probably Richard Feynman, the physicist.

Stewart: Wow. There you go.

Bill: I listen to his... Now you can get them, they're free... lectures. So gosh, because he was such a great mind in quantum mechanics, but he was also a real person and had a personality, played the bongo drums. And gosh, would I like to have been in that Caltech lecture room, because you listen to him. So if I could do anything, I guess I'd be sitting at the Institute for Advanced Study in Princeton, thinking about physics all the time. So it would be Feynman, for sure.

Stewart: That's cool. I'll tell you, it's a pleasure to have you on. You are an inspirational leader. You've done a tremendous service to this industry. ACORD is just a tremendous organization, and congratulations on all your success. The studies that you shared with us today were really important and difficult information to find. So thanks so much for being with us.
Bill: Thank you, Stewart. And thank you again for hosting the podcast. It's important and unique in our industry. So thank you, and thanks to all of your listeners for supporting ACORD as well, and providing me an opportunity to have impact for all of you. Thank you.

Stewart: Very cool. Thanks for listening. And we've been joined today by Bill Pieroni, who's the CEO of ACORD. Thanks for listening. If you have ideas for a podcast, please drop me a note at podcast@insuranceaum.com. Please rate us, like us, and review us on Apple Podcast, Spotify, or wherever you listen to your favorite shows. My name's Stewart Foley, and this is the InsuranceAUM.com podcast.