Successful investor reporting

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Investor and analyst reporting have changed significantly over the past few years driven by external factors as well as internal best practice considerations. Over the past two years, Swiss Re has sharpened its shareholder-targeting approach and amended its financial disclosures. It has moved its focus from quarterly to half-yearly and integrated reporting, at the same time increased transparency on economic capital and extended its sustainability reporting.

By Jutta Bopp

Any listed company needs to inform its investors and analysts. This includes various facets, such as regular and ad hoc disclosure material such as news releases, investor slides and the Annual Report as well as direct interaction at roadshows and conferences and on the phone.

A successful investor relations (IR) team needs, firstly, to know the investor community, secondly their own company, and thirdly be on top of external developments. An additional aspect gaining importance is the ability to report on sustainability or so-called Environmental Social & Governance (ESG) topics.

Know your current and potential investors

Let's start with the investor community. To target your shareholders in the best possible way, you need to answer a few questions: Who are my main investors? What are their views, concerns, and pet topics? What is their knowledge level? Who prefers to have a one-on-one meeting with management to get all questions answered? Who prefers to be in a group meeting, as he/she does not know the company well enough to ask in-depth questions? Who feels more comfortable to have an IR-only (pre)meeting to get more general questions answered? Who puts questions relevant and strategic enough that top management feels their presence is required? Whom should they be meeting from management? Who is invested in the industry but not (yet) into our stock?

Good knowledge of your shareholder community helps to make best use of investor's, management's, and IR time and to prepare better briefing material for management. The shareholder targeting strategy and approach Swiss Re developed and implemented some years back became even more relevant with the changes triggered by MiFID II.

Know your company, be well connected and well regarded

Extensive company knowledge and insights into what is and may be disclosed are not only success factors, they are also key to avoid selective disclosure. A broad internal network and a strong reputation also help position IR within the company. The network is relevant to answer investor questions quickly. The reputation is key to ensure that IR gets involved early on in any larger projects or envisaged change. These factors are also important for being heard when bringing the "outside view" from investors to the table in internal discussions.

Know the external environment – be prepared and flexible, act timely

Another important factor is to stay on top of external developments. The IR team needs to ask: What will be the impact of upcoming regulatory and accounting changes and related reporting requirements? What are our peers doing and reporting and how will it likely change? Which are the technological advances we could benefit from? Which topics are gaining relevance for investors? The IR team obviously also needs to be alert to news that may trigger ad hoc investor interest like natural catastrophes, Merger & Acquisitions, or an industry scandal.

Recent examples of external developments that triggered changes in Swiss Re's public reporting include the new US GAAP equity guidance that came into effect in 2018, reduced reporting frequency becoming more broadly acceptable, enhanced investor interest in economic solvency, capital generation and performance disclosures as well as increased investor focus on ESG topics.

Changes in content and/or granularity of the regular reporting require a proactive approach. Swiss Re used its Investors' Day in early April 2018 to highlight the volatility expected to be caused by the new US GAAP equity guidance at our first quarter results. The year before, Swiss Re adjusted the format and scope of its reporting for the first and third quarter in order to promote a longer-term view on our results. This change was already highlighted with the annual results a few months earlier. While many long-term investors appreciated the change, the advance information was key to avoid confusion on the disclosure day.

With the introduction of Solvency II and respective reporting requirements, the disclosure of economic solvency capital has gained in importance, as analysts and investors assess the capital generation of re/insurers and their ability to sustain their capital management actions (i.e., dividends and share buy-back programs). Swiss Re is transparent on economic solvency since many years, and has further enhanced respective disclosure in 2018. It integrated economic performance reporting into the Annual Report, published the Financial Condition Report, and provided additional economic capital generation information at the Investors' Day. Triggered by the increased comparability of our information to that of peers, interest from analysts and investors was significantly higher than in previous years. A comprehensive Q&A document was consequently very valuable in responding to the increased number of questions from the investor community.

Upcoming challenges for the re/insurance industry will include IFRS 17 and US GAAP Long Duration Contracts accounting changes. These will require great efforts by the respective accounting teams, but also by IR, to explain the impact well in advance.

ESG reporting – targeted investor information to become the new normal

Given rising interest in sustainability or so-called ESG topics, Swiss Re for the first time published a comprehensive presentation for investors in May 2018 (see https://bit.ly/2UPBAyH). This document summarizes our respective approach, actions, and achievements. The presentation complements the traditional Corporate Responsibility Report and the climate-related financial disclosures (TCFD), and governance reporting, which form part of the Annual Report. The latter documents are highly appreciated by specialized ESG investors, but often too detailed for other investors and analysts who appreciate the new presentation format. We expect the broader interest for ESG information to continue to increase, benefitting players proactively embracing this topic and reporting on it in a concise way.

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