

## **MANY MALAYSIAN COMPANIES REACT ONLY AFTER AN INCIDENT TO PROTECT AGAINST BUSINESS RISKS**

*Significant gap exists between awareness and usage of business liability insurance*

**MALAYSIA, 5 July 2017** – A new report released today by QBE Insurance reveals many Malaysian companies only take action to address business liability risks after experiencing an incident.

QBE's "The Risks of Regret" report is based on interviews with some 300 SMEs and large corporations in Malaysia that took place in April and May 2017. It looks at both current and future business challenges and opportunities, as well as how well-prepared companies are to deal with risk.

"We were surprised to see a pattern where companies are likely to take out business liability insurance only after a crisis hits. This is a concern, because it potentially puts their businesses, clients, and the public at risk - and they are missing out on compensation opportunities," said Leo Zanolini, Chief Executive Officer, QBE Insurance Malaysia.

In the past 12 months, the most frequent risks faced by Malaysian companies included: legal and regulatory compliance issues (28%); loss of income due to business interruption (27%); staff injuries while working (24%); damaged or loss of inventory (22%); equipment breakdown (21%); and public or third-party liability due to issues with products or services (18%).

"With more companies experiencing legal and regulatory compliance issues in the past year, business liability insurance is becoming increasingly important for businesses," said Zanolini.

### **Tendency is to be reactive rather than proactive**

QBE's research reveals the trend of companies reacting after an incident is common across a range of business risks. Of the businesses that had public or third-party liability issues due to accidents or business negligence, 38% took out business liability insurance only after the incident occurred, and 6% took no action at all.

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Companies with other problems had a similar post-event reaction – business liability insurance was purchased afterward by 24% of companies who experienced customer or payment internet fraud; 22% who had sensitive data stolen over the internet; 22% whose staff were injured at work, and 20% of companies who experienced public or third party liability product and service issues.

“While many businesses are reacting after an incident, we were also surprised by the number of businesses who said they took no protection action whatsoever after an incident,” said Zanolini.

One in five (19%) Malaysian companies who experienced public or third party liability issues due to products or services took no action at all. Another 18% took no action after experiencing fraudulent payments over the internet.

## **Gap between awareness and usage**

The Risks of Regret report also revealed a gap between awareness and usage of general business insurance and business liability insurance. Nearly all Malaysian respondents (96%) have some form of business insurance, including general accident and employees compensation cover. However, awareness and take up of business liability insurance protection is far lower. Less than half (45%) of Malaysian SMEs and large companies currently have business liability cover, and 64% of businesses are aware of it.

The research also found that both awareness and usage for professional indemnity insurance further decreases at 27% awareness and only 19% usage. Public and product liability insurance stands at 31% and 21% respectively, while the figures for director’s and officer’s liability insurance fall to 17% awareness and just 8% usage.

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## **Risk, what risk?**

When asked why companies did not own business liability insurance, nearly half of the respondents (45%) said their businesses were too small and the costs were bigger than the risks. Another 41% of companies cited budget issues, and a further 29% said they had other business priorities. One in five (20%) said insurance policies were too complex, and 14% responded that they did not have time to research different liability solutions.

“Alarming, 16% of respondents in Malaysia said that having business liability insurance has never crossed their minds,” said Zanolini.

## **Business protection vital as headwinds continue**

Looking ahead over the next 12 months, Malaysian businesses expect challenging business conditions to continue, with 37% of businesses forecasting a slowdown in business as well as higher input costs and lower profitability (36%). More SMEs identified slowing business conditions as an issue than large corporates, at 43% and 29% respectively. A quarter of companies (24%) also expect to see more intense business competition.

More positively, 28% of Malaysian businesses expect to see increased advancement investment in technology, which 79% forecast will bring positive change to their industry.

The outlook was also reflected in the biggest current challenges for businesses, which respondents identified as business profitability (46%); cost reduction (40%); staff retention (36%); customer retention plus maintaining technology and systems (both at 35%); and talent acquisition (30%).

“Given current economic challenges and increasing pressure to invest in new technologies, companies need to be sure they are safeguarding their businesses adequately. QBE understands these issues and provides risk management solutions for businesses and professionals in companies of all sizes, across a broad range of industries in Malaysia,” said Zanolini.

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**For further information please contact:**

**Antonia LEUNG**

Senior Communications Manager  
QBE Emerging Markets – Asia Pacific  
Direct: +852 2253 3687  
Mobile: +852 9187 6370  
Email: [Antonia.leung@qbe.com](mailto:Antonia.leung@qbe.com)

**Calvin SYMONS**

Senior Account Manager  
Priority Communications  
Direct: +60 3 7954 5336  
Mobile: +60 12 215 8525  
Email: [Lorne.Christensen@qbe.com](mailto:Lorne.Christensen@qbe.com)

**Research Methodology**

QBE conducted research via telephone and online among 1,198 business and financial decision makers from small and medium enterprises and large corporations in Singapore, Hong Kong, Malaysia and Indonesia; of which 301 were based in Malaysia. Respondents were equally divided among six key industries: IT and Telecommunications; Healthcare; Financial Services; Manufacturing; Construction and Engineering; and Professional and Business Services. The research was conducted in Malaysia between 31 March and 28 April 2017.

**About QBE Malaysia**

QBE Insurance (Malaysia) Berhad is part of the QBE Group's Emerging Market division. QBE first entered the Malaysian market in 1905, and over the years we are proud to have actively contributed to Malaysia's growth and success. With our decades of local experience and innovative approach, we are well-positioned to provide specialist insurance cover that helps businesses manage their risks. At QBE Malaysia, we offer local knowledge, regional expertise and worldwide strength to our clients.

Our strong reputation is a reflection of the dedication of our people and the close working relationships we enjoy with our intermediaries. We focus on business clients – both corporates and SMEs (with particular emphasis on the specialist classes of insurance) – and underwrite a variety of personal insurance covers for individuals.

In addition to our specialist technical expertise, the QBE Malaysia team takes prides in its local knowledge and service. Our extensive branch network supports agents, brokers and clients throughout Malaysia.