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## **Singapore's SMEs underinsured against major business risks, QBE research reveals**

SMEs in Singapore remain underprepared for dealing with significant business risks and threats, according to a survey of local SMEs by global insurer QBE. The research revealed that as many as in one in seven smaller companies<sup>1</sup> do not have any business insurance at all (representing around 21,183 firms when extrapolated across Singapore), driven by a prevailing perception among the majority of SMEs that insurance is a 'commodity' product, where a basic level of cover is perceived to be sufficient.

Despite recognising its value in helping their businesses operate better, over half of SMEs surveyed (53%) admitted insurance was low on their priority list while 56% agreed that minimum coverage was adequate rather than seeking greater protection of their business and assets. With SMEs employing almost two-thirds of working Singaporeans and delivering 48% of the Republic's GDP value in 2014, this de-emphasis on risk could have worrying long-term impacts.

Karl Hamann, Chief Executive Officer, QBE Insurance (Singapore) Pte Ltd, said: "SMEs play an unrivalled role in mobilising and growing the local economy. But while these organisations remain inwardly-focused on their own profitability, financial survival through difficult economic times remains an ongoing concern that can only be mitigated through comprehensive risk management. With SMEs making up 99% of all registered entities in the Republic, neither the companies nor Singapore itself can afford for these firms to ignore business hazards and fall short of their goals."

### *Lack of deliberation in insurance purchasing and planning*

In addition to overall attitudes regarding the importance of insurance, the research found that local SMEs make insurance purchasing decisions without undertaking adequate research or being informed by deep understanding of the process.

64% of smaller SMEs and 51% of larger SMEs<sup>2</sup> admitted that policies provided by different insurers look relatively similar overall while almost two-thirds of all SMEs believe price is the

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<sup>1</sup> **Smaller SMEs** refers to SMEs with approx. 5-20 staff or revenue of less than approx. SGD 1 million.

<sup>2</sup> **Larger SMEs** refers to SMEs with approx. 21-200 staff or revenue of approx. SGD 1-100 million.

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most important concern when choosing insurance products/policies, failing to take into account how more specific offerings best fit their individual needs.

Smaller SMEs are particularly worrying in this regard, as they have less concern for business risks than larger SMEs, less appreciation for insurance decisions and less appetite for greater protection. This also stems from the fact that smaller SMEs are more focused on short-term considerations like retaining customers and reducing costs, compared to the long-term focus of larger SMEs.

Hamann added: "Failing to make informed insurance decisions hinders business continuity and future success. As such, SMEs need to be better prepared for even the most common risks, whether a small hi-tech parts manufacturer better protecting its equipment against damage or theft, a consultancy insuring itself against the loss incurred due to acting on wrong advice, or any kind of retail-focused company guarding against liability to customers that purchase their products. Ignoring these possibilities by approaching insurance as a one-size-fits-all commodity is a dangerous game to play in Singapore's competitive business landscape."

## *Insuring against staff & talent issues*

Staff and talent concerns such as acquisition, training and retention are proving the greatest ongoing challenge for local SMEs – an important point given the crucial role they play in employing the majority of Singapore's workforce.

However, even with the level of concern among SMEs toward loss of income and key staff due to business interruption being very high, the number of respondents who hold insurance against these risks remains relatively low. The most common insurance policies owned by SMEs are for the risk of employees being injured while working and insurance against theft/robbery.

## *Positive outlook for the future*

Despite the need for greater protection and ongoing reports of sliding performance for SMEs, there were some positive findings in the numbers. 72% of firms surveyed expect to grow sales or at least hold their financial position in 2016 (i.e. 28% expect growth and 44% expect to remain the same), while 40% expect Singapore's economic outlook to improve in the coming year.

The survey also shows that smaller SMEs, SMEs in the service sector, younger SMEs (3-5 years' old) and online-focused SMEs are most optimistic about the year ahead.

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Hamann concluded: "The findings of our research indicate that Singapore remains an opportunity-rich environment in which SMEs can and will thrive. However, with these opportunities also come significant threats, and we see a need for increased awareness among companies here of the consequences of being underinsured. Education into the operational freedom that a comprehensive insurance plan offers, and better engagement by SMEs with these plans, will improve both their prospects and ensure they continue to contribute to Singapore's economic prosperity."

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### **About QBE Insurance (Singapore) Pte Ltd**

QBE Emerging Markets Division - Asia Pacific is part of QBE Insurance Group Limited, one of the top 20 insurers and reinsurers worldwide. QBE Insurance Group's 2014 results can be found at [www.group.qbe.com](http://www.group.qbe.com). Headquartered in Sydney, Australia, QBE operates out of 38 countries and territories around the globe, with a presence in every key insurance market. QBE Asia Pacific has a presence in 16 markets in Asia and the Pacific Islands. For more information, please visit [www.qbeap.com](http://www.qbeap.com)

QBE has been represented in Singapore since 1891. As an industry leader with more than 120 years of proven performance in Singapore, QBE's success is built on the strength of our partnerships with professional insurance intermediaries. A specialist of general insurance, QBE Singapore offers a comprehensive range of products that cover simple solutions through to complex risks, with the strength and depth to fulfil our customers' specific insurance needs. We are recognised as the leader in many of our specialty lines and maintained market leadership in namely marine, liability, and professional indemnity classes. For the year ended 2014 according to General Insurance Association of Singapore Statistics, QBE Singapore maintained at 2<sup>nd</sup> position in marine hull and liability segment with 28% of market share; in Cargo, we ranked 4<sup>th</sup> with 10% of market share for onshore business. Professional Indemnity class continues to do well with a market share of 15%, placing us as 2<sup>nd</sup> for onshore business [www.qbe.com.sg](http://www.qbe.com.sg)

### **About the research**

This survey of SMEs was an online survey designed and conducted from October to November 2015 by ORC International on behalf of QBE in an effort to understand SMEs' behaviours and business challenges. The survey interviewed 450 SMEs in Singapore.

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