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## **Survey shows almost 10% of Singapore's smaller SMEs have no insurance**

With more than a third of SMEs having a generally grim economic view on both sales and profitability for the next 12 months, almost 10% of smaller small- and medium-sized enterprises (SMEs) in Singapore still do not carry any insurance to mitigate such risks. A survey of local SMEs by global insurer QBE, also found that more than half of the companies polled are content to operate with only the most basic, mandated levels of insurance.

“While there was a slight improvement in the number of smaller SMEs who do carry at least some insurance compared to 2015, there continues to be a disturbing disconnect between the issues SMEs are most concerned about and the insurance cover that some of them actually carry,” said Karl Hamann, Chief Executive Officer, QBE Insurance Singapore. “With volatility expected to persist through much of 2017, SMEs should seriously consider mitigating their business risk through comprehensive risk management, ensuring they continue to positively contribute to Singapore’s economic success, while operating their businesses with peace of mind.”

The survey found that SMEs in Singapore recognise the value of owning insurance – with 64% agreeing that having insurance helps their business operate better. However, slightly more than half (51%) of the SMEs polled still hold the opinion that other things come before insurance in the list of priorities for their respective businesses. With 6% of SMEs saying they do not hold any insurance, this finding suggests about 11,400 firms do not have any protection when this statistic is extrapolated across Singapore. SMEs account for 99% of all enterprises in Singapore and contribute to half of the country’s GDP.

### ***SMEs hold only basic levels of insurance, leaving them uninsured against specific risk***

A majority (67%) of SMEs still find the price of insurance products their most important concern, reflecting a similar attitude to the previous year. As such, SMEs continue to operate with basic, mandated levels of insurance. Beyond issues directly related to the economic downturn and other common business issues, unfulfilled client payments was the most common issue

encountered by SMEs over the past 12 months. This was followed closely by liability issues resulting from failure to deliver products.

The survey has also found that 53% of SMEs are not interested in buying extra insurance as long as their minimum cover is met.

“This is an alarming fact given these companies have run into more specific business issues like unfulfilled client payments and liability in the past 12 months,” noted Hamann. “Operating with only basic, mandated levels of insurance leaves SMEs vulnerable and susceptible to risk brought about by more specific but equally common business issues.”

### ***Business interruption and inventory issues remain underserved***

While the majority (75%) of SMEs polled had a moderate to high level of concern against the loss of income due to business interruptions, a minority (21%) actually hold insurance to mitigate this risk. Similarly, 64% of SMEs expressed concern about damage or loss of inventory, but just 26% said they hold insurance for this risk.

These gaps between the levels of concern exhibited by SMEs toward certain issues and the actual level of insurance they hold against such risk suggest some SMEs are ignoring or de-emphasising key risks to their businesses.

“Adopting a laid-back ‘wait-and-see’ attitude to business protection could affect their prospects for business survival if the unexpected or unplanned happens. Choosing to operate without insurance may result in the loss of companies’ competitive edge as they are operating in a position of vulnerability, making them susceptible to risk and threats arising from the global and local business landscape,” Hamann added.

### ***“Wait-and-see” approach detrimental to business and economic growth***

This year’s research found that 41% of SMEs would only consider buying insurance after unfortunate occurrences strike other businesses.

The Workplace Safety and Health Council has recorded 35 fatal and 233 major injuries for the top three sectors of Singapore’s economy (Manufacturing, Transportation and Storage, and

Construction) from Q1 to Q3 this year, recording similar numbers for the same period in 2015<sup>1</sup>. These statistics attest to the relentless nature of the risks businesses need to take into account when planning for success.

### ***SMEs expect volatility, but are unprepared for it***

When queried on their outlook on sales and profitability, 36% of SMEs think sales will decrease, while 37% think profitability for their businesses will decrease over the next 12 months. Conversely, less than 30% of SMEs think profitability and sales will increase over the next 12 months. Given their generally negative outlook and a lack of even basic protection, the results suggest many SMEs are choosing to operate in a precarious position, exposing themselves to unnecessary risks in the process.

“These findings come at a crucial time for SMEs. With the significant global events that have unfolded recently adding to the uncertainty in Singapore’s business environment, this survey measures the pulse of SMEs operating here, determining their viability amidst ongoing volatility in the global and local market,” Hamann noted. “QBE continues to be committed to serving the SME community, taking initiative to understand businesses’ concerns toward various business risk to aid us in developing business protection products that are tailored to meet the exact and specific needs of each business. This ensures their success – and their contributions to Singapore’s economy – will continue.”

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<sup>1</sup> <https://www.wsh-institute.sg/files/wshi/upload/cms/file/2016%20Q1-Q3%20WSH%20Stats.pdf>

# News release



## **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 2015 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 2015 according to General Insurance Association of Singapore Statistics, QBE Singapore maintained at 2<sup>nd</sup> position in marine hull and liability segment with 23% of market share; in Cargo, we ranked 4<sup>th</sup> with 10% of market share for onshore business, and ranked 3<sup>rd</sup> for the Professional Indemnity class with a market share of 14% for onshore business [www.qbe.com.sg](http://www.qbe.com.sg)

## **About the research**

This SME research was the second iteration of a survey designed and conducted in September 2016 by ORC International on behalf of QBE, in an effort to better understand SMEs' behaviours and business challenges. Interviews were conducted with 450 SMEs across various industries in Singapore.