



# SMEs and Insurance

A pulse check on risk trends for businesses

Singapore



# Summary

According to a research conducted by QBE Insurance Singapore, 69 per cent of Singapore's SMEs ran into at least one business issue in 2019.

## Research found that

69%

**SMEs ran into at least one business issue in 2019**

55%

**SMEs are expecting sales to stay the same or decrease in H1 2020**

62%

**SMEs indicated that many other things come before insurance in the priorities for their business**



Our research has made one thing clear: more needs to be done to educate SMEs around the different business protection products that are available to them and which they can stand to benefit from.

Business protection - especially liability insurance - gives businesses long-term peace of mind to continue operating without the threat of unfortunate eventualities crippling their plans.

Do note however, that this survey was conducted prior to the global spread of COVID-19. As such, SME sentiments reflected on this page and in the report do not account for the currently evolving situation resulting from the COVID-19 pandemic.

## How to use this report

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The report brings together the results of our SME survey that was conducted with 400 Small, Medium and Large Enterprises in Singapore over a three-month period spanning Q3 and Q4 2019.

The survey highlights SME sentiments around business concerns and the economy, while identifying and highlighting the current gaps in insurance coverage among SMEs that could be detrimental to their long-term growth.

“SMEs and Insurance: A pulse check on risk trends for businesses” makes a compelling case for keeping business insurance up to date and can be of use to insurance intermediaries and business owners for starting open and frank conversations about having the right cover.



# Don't make business insurance an afterthought

2020 presents a very challenging operating environment for businesses to maintain their positions, let alone succeed and grow.

Continuing on a growing trend of tense trade relations and nationalism in global geopolitics, both internationalised and domestic SMEs have been continuing to resist the effects a protectionist environment may have on their businesses coming into this new decade.

The most recent version of our annual survey into SMEs, held in October 2019, showed that 55 per cent of Singapore SMEs were expecting their sales to either stay the same or decrease in the first six months of 2020 – a sentiment they held even before the full effects of COVID-19 were felt.

The same can be said about SMEs' outlook on the economy for the first six months of 2020. 60 per cent of them polled that they expected the economy to either be unchanged or worsen in the first half of the year.

SMEs are also increasingly looking towards technology and digital services to help them do business better. 42 per cent of SMEs have indicated that they conduct seven to eight processes online, but many lack basic protection for these technologies with business insurance for technology-related processes – one of the most underserved insurance segments. The advent of COVID-19 and the subsequent movement restrictions imposed by the government has forced SMEs to conduct a greater percentage of their processes online. Before COVID-19, 34 per cent of SMEs indicated concern around unauthorised access into their computer systems, but only 17 per cent hold business protection



for this scenario. This is alarming, considering that more than one-fifth of SMEs (21 per cent) indicated that they had been “hacked into” at some stage in 2019. As more SMEs bring their business processes from offline to online during this period, we can expect concern towards the conduct of online business and the associated risk to grow.

The new decade is also expected to see the onset of a renewed risk landscape that places greater significance in environmental and non-physical threats to businesses, which companies need to be ready for.

# 10 most common business issues encountered by SMEs in 2019

|                                                                                                                                                                                   |                                                                                                                                                                                 |                                                                                                                                                             |                                                                                                                                                             |                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1</p> <p>Key staff left the business</p>                                                      | <p>2</p> <p>Being "hacked" / Sensitive data &amp; information was stolen via the internet</p>  | <p>3</p> <p>Lost income due to a business interruption</p>               | <p>4</p> <p>The business suffered a loss due to equipment breakdown</p>  | <p>5</p> <p>Money/goods were lost due to dishonest acts of employees</p>                         |
| <p>6</p> <p>Being liable to other people due to a problem with products/services produced</p>  | <p>7</p> <p>Inventory was damaged or lost</p>                                                | <p>8</p> <p>Infringement of business intellectual property rights</p>  | <p>9</p> <p>Business property was damaged</p>                          | <p>10</p> <p>Being liable to other people due to accidents or negligence by your business</p>  |

# Insuring beyond the tangible

It is a common perception that insurance is for the protection of physical assets like property, workforce, machinery, goods, etc. However, insurers also work to protect non-physical entities like business interest, liabilities and even indemnities. In fact, while traditional insurance of physical assets has been stable through the years, we've also observed steady

increases in the purchase of cover for liability and non-physical threats to businesses. As we continue to progress towards a future economy built on the advancements of technology, we would naturally also expect non-traditional insurance claims to increase.

## Examples of non-traditional insurance

|                                                                                                                                                     |                                                                                                                                     |                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <p>1</p> <p><b>Cyber and Data Security</b></p>                    | <p>2</p> <p><b>Events Liability</b></p>         | <p>3</p> <p><b>General Liability</b></p>         |
| <p>4</p> <p><b>Information and Communication Technology</b></p>  | <p>5</p> <p><b>Professional Liability</b></p>  | <p>6</p> <p><b>Trade Credit and Surety</b></p>  |

What this essentially means for businesses today is that they need to start seeing the protection of their business interests as equally or even more important than the protection of their physical assets. Liability and indemnity insurance is one way for businesses to buy long-term peace-of-mind, knowing that their business interests are taken care of well into the future.



General Liability helps cover your business if someone brings a compensation claim against you for an event connected with your business.

**Public Liability insurance covers claims such as:**

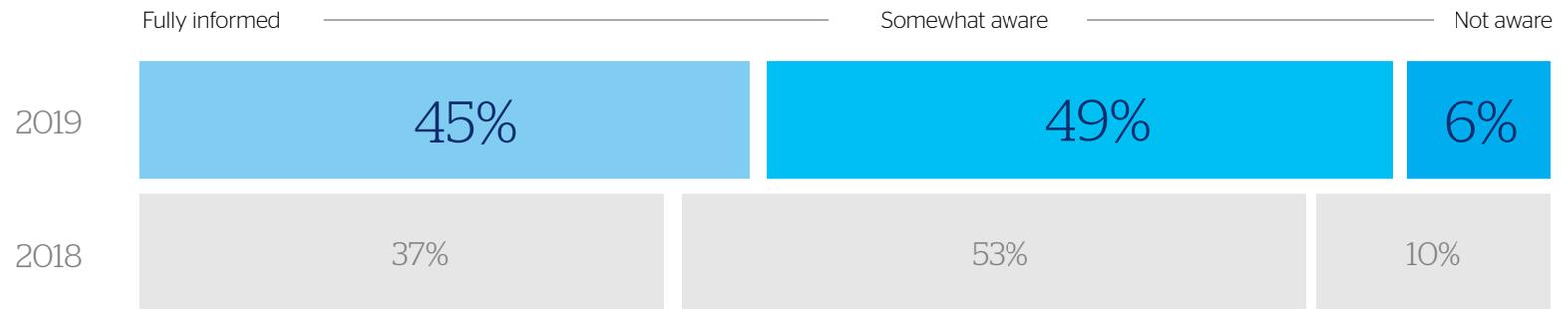
1. Personal injury costs, e.g. a customer is hurt on your business premises and brings claims against you for medical costs and damages.
2. Costs for damage to property of others, e.g. as a result of a fire, water damage, glass breakage, electrical damage or a major spillage.
3. Product Liability, e.g. when a person is injured, or property is damaged as a result of the harmful nature of one of your products after it has left your possession. A “product” can include the servicing of a product as well as the actual product itself.
4. Legal costs. This will cover the costs that your insurer will incur defending you, as well as any reasonable expenses you incur with your insurer’s consent when defending a claim against you.

# SMEs must prepare for a digital, future economy

As businesses and the economy become increasingly more digital, a whole new landscape is emerging that needs to be protected. Our SME survey results highlight that SMEs in Singapore are largely unprepared for the future economy, as they do not have the most basic coverage for digital services and the technologies they employ.

The survey also shows that close to half of all SMEs are unaware of cyber protection products for their businesses. As such, there could be an awareness issue that is also leading to the low uptake of cyber protection insurance.

## Awareness of possible cyber risks



**34%** concerned for unauthorised access into computer systems, only **17%** hold protection for this risk

**37%** concerned for theft of sensitive data and information via the internet, only **19%** hold protection for this risk

**36%** concerned for infringement of intellectual property rights, only **16%** hold protection for this risk

This relaxed attitude could prove detrimental to long-term growth and progress, as the world continues to adopt technology at unprecedented levels and starts to shift its preference for making digital transactions over traditional and physical ones.

virtual reality, machine learning and blockchain, among others, are becoming the new norm. However, risks around the use of these technologies are constantly evolving. As it stands, SMEs are running into more technological and digital business issues over the years.

Businesses are expected to respond by digitalising their operations and supply chains. New technologies like artificial intelligence, augmented reality,



The time to set the groundwork for a digital-ready business is now. It is important for companies to have sound contingencies as they start to become more familiar with and rely more heavily on these new technologies - especially since COVID-19 has given many of them a first taste in conducting business online.

## SMEs are seeing the relevance of insurance but are still hesitant toward specialised cover

67 per cent of SMEs polled said having insurance helps their business operate and serve customers better, which suggests they acknowledge the critical importance of business protection.

However, a similar number of them (62 per cent) indicated that many other priorities come before insurance. This highlights a gap in awareness versus uptake among SMEs and indicates a potentially dangerous situation where SMEs may be choosing to forego business protection.

Our survey goes on to show that many SMEs are only interested in obtaining basic cover for their businesses, not paying much heed to protecting for more intricate needs. 62 per cent of SMEs indicated that as long as they have the minimum cover needed, they are not interested in buying extra insurance for their businesses.

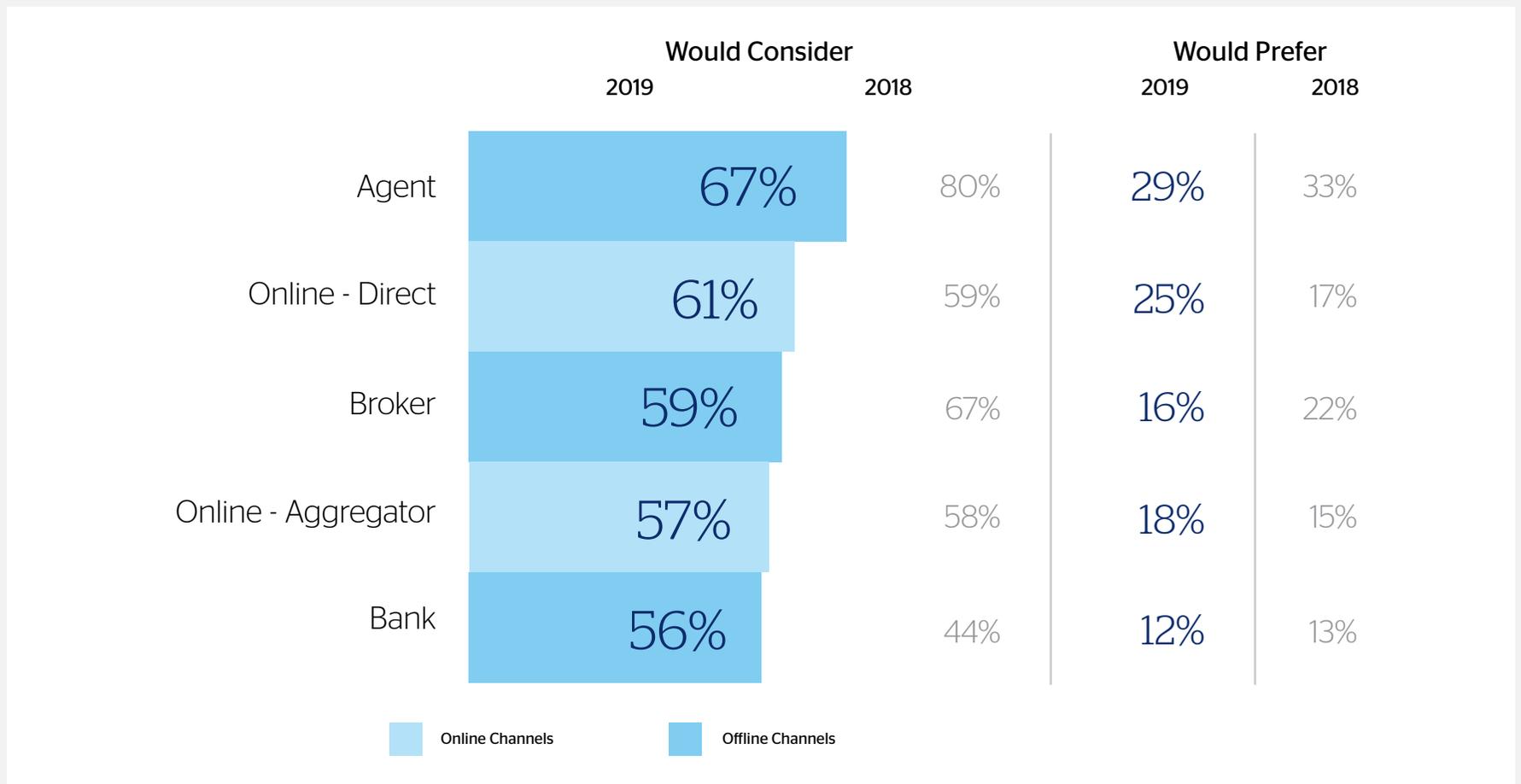
This kind of risky approach leaves SMEs unnecessarily exposed to dangers that can be easily covered by suitable insurance products.



# SMEs' growing preference to transact online

As technology continues to become more prevalent in our everyday lives, the delivery of products and services is evolving to accommodate shifting preferences for online transactions. While insurance agents were traditionally the go-to option for businesses seeking insurance, online

transactions have been growing steadily for several years. The proportion of SMEs who prefer transacting insurance directly online grew by 8 per cent between 2018 and 2019.



## More ways to get insured

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As insurers, we understand that efficiency, agility and speed of delivery are of the utmost importance to the SME community in Singapore. QBE has pioneered an online platform, Qnect, that allows intermediaries to issue quotes to prospective clients remotely, giving buyers instant cover as and when it is needed.

The success behind the platform is in its use of artificial intelligence to underwrite common risks to SMEs and provide a fully formed policy to deliver insurance coverage to clients instantly. QBE will continue to build on Qnect, incorporating new product segments, so the platform is able to underwrite a greater variety of risks to provide easy access to more types of cover for our customers.



# Why Business Insurance for SME is essential

SMEs form 99 per cent of enterprises in Singapore. As such, the success and viability of this community of businesses is vital to the success of Singapore's economy. SMEs need to ensure they have an adequate policy

tailored to their exact needs. Otherwise, they could end up overpaying for their premiums or have insufficient cover to be properly protected.

**Here are a few questions that a business owner should ask when considering insurance. They should be revisited every time there is a major change to their business, whether in its business model, physical facility or size.**

|     |                                                                                                                  |      |                                                                                                                          |
|-----|------------------------------------------------------------------------------------------------------------------|------|--------------------------------------------------------------------------------------------------------------------------|
| Q.1 | Does your policy cover liability of employees, temporary staff and independent contractors?                      | Q.6  | Does your policy cover your legal expenses if you need to defend a lawsuit - even if your company hasn't made a mistake? |
| Q.2 | Consider your excess. Would you pay a higher premium for a lower excess, or a lower premium for a higher excess? | Q.7  | Are the monetary limits of coverage adequate for your needs?                                                             |
| Q.3 | Does your policy cover you for negligence if you make a mistake in running your business?                        | Q.8  | Does your policy cover you for all your risks?                                                                           |
| Q.4 | If you operate a specialist business, is your insurer experienced in insuring other companies in your sector?    | Q.9  | Are there any exclusions you need to be wary of?                                                                         |
| Q.5 | Are you covered for claims that may arise from work done overseas?                                               | Q.10 | How would you like to pay the premium? Are annual, quarterly or monthly payments an option?                              |

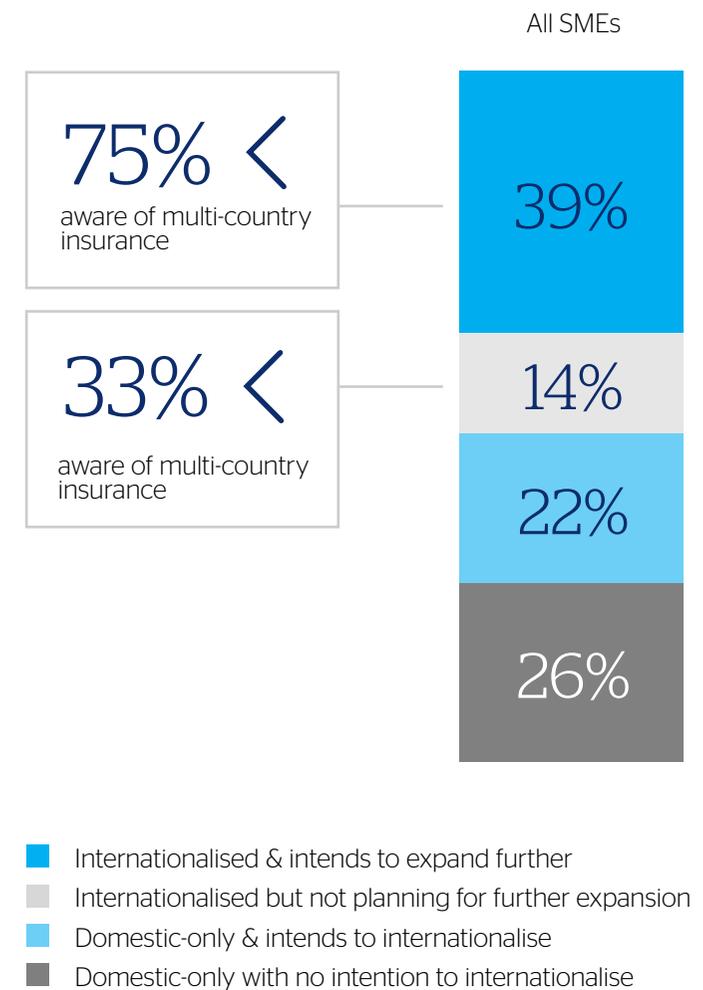
# Internationalisation is risky but insurable



Another key consideration for SMEs in a market like Singapore is the very real possibility of growing into an internationalised business. Given the government's strong support for SMEs to internationalise, coupled with the clear appetite of SMEs to do so, internationalisation is a very real possibility for SMEs here. Our survey shows that 61 per cent of SMEs have an intention to internationalise for the first time or internationalise further if they have already done so before - a very positive showing of global ambition.

However, the reality is that expanding overseas is typically a risk-heavy venture. Differences in regulation, culture and language are some of the top challenges that businesses face as they internationalise. They can look to lower their risk exposures by taking up multi-market insurance solutions tailor-made for their specific globalisation plans.

The benefit of a multi-market insurance policy is that the SMEs have a single touchpoint with insurers in their home market and can manage any insurance-related issues for their businesses around the world - all through their intermediary at home.



# How to find an intermediary

Insurance intermediaries act as the go-between for your business and insurers. They are well-placed to recommend suitable insurance products that are catered to your business' exact needs and requirements. They may also be able to help you negotiate for better prices which can lessen any burden on your bottom line over the long term.



## **An intermediary's role is to:**

- Help you understand what risks your business face and what products are available to protect you
- Find insurance plans that work for you
- Set up policies and ensure the required documentation is in order
- Guide you through the claims process if you need to make a claim (check this is part of the service if it's important to you)

## **Your intermediary needs to be:**

- A specialist - Is the intermediary a specialist in your industry with the experience and insight to meet your needs?
- Responsive - Does the intermediary respond promptly to your enquiries? Is the information they share helpful?
- Persistent - Do they track down the right information for you?
- Honest - Look for an intermediary who tells the truth, not just what they think you want to hear.

## **When choosing an intermediary, it's also wise to check their credentials and decide if they'll be a good fit for you.**

### **Questions to ask include:**

- Do you have any certifications?
- Are there any types of insurance you specialise in?
- Will you be managing my account?
- How will you bill me for your services?
- Can you provide references?

# Insurance you can count on

QBE Insurance Group is listed on the Australian Securities Exchange and headquartered in Sydney. In Singapore, QBE Insurance (Singapore) Pte Ltd is the oldest registered Australian company, having first set up a branch here in 1891.

QBE Singapore is a trusted provider of specialist expertise and professional insurance services. Our insurance specialists develop leading-edge products that are client-focused, delivering cover tailored to deal with everything from complex risks to more simple and straightforward insurance needs.

QBE's success is built on the strength of our partnerships with professional insurance intermediaries to provide businesses with tailor-made insurance solutions that help companies achieve their goals and long-term ambitions.

Please visit [qbe.com/sg](https://qbe.com/sg) for more information.





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