

HALF OF COMPANIES DO NOT OWN BUSINESS LIABILITY INSURANCE
QBE survey of SMEs and large companies in key Asian markets reveals significant under-protection against liability risks

Hong Kong, 20 July 2017 – A new report released today by QBE Insurance reveals that while most companies (95%) have some form of general business insurance such as accident and property cover, roughly half of the companies surveyed in Asia do not carry any business liability insurance. Ownership of business liability insurance is 54% in Indonesia and Singapore, 47% in Hong Kong and 45% in Malaysia.

This dramatic drop-off in coverage is despite the fact that 63% of all the companies surveyed experienced liability-related incidents within the last year.

For important types of business liability insurance, both knowledge and ownership is significantly low. For example, within the four markets:

- **Public and product liability insurance:** Awareness - 31%. Ownership - 19%. **Ownership lowest in Indonesia (16%) and highest in Malaysia and Hong Kong (21%).**
- **Professional indemnity insurance:** Awareness - 29%. Ownership 15%. **Ownership lowest in Hong Kong (13%) and highest in Singapore (21%).**
- **Directors' and Officers' liability insurance:** Awareness - 24%. Ownership 15%. **Ownership lowest in Malaysia (8%) and highest in Singapore and Indonesia (16%).**

QBE's 'The Risks of Regret' report is based on interviews with nearly 1,200 SMEs and large corporations in Hong Kong, Indonesia, Malaysia and Singapore between 31 March and 17 May. It looks at current and future business challenges, and how well-prepared companies are to deal with risk.

"Our research shows that liability risks are among the most unrecognised and under-protected business issues in the region," said Mr. Marcelo Teixeira, Global Head of Bancassurance and Head of Strategic Development, Emerging Markets Division at QBE Insurance Group.

"This is very concerning, because it potentially puts businesses, clients and the public at risk, raising issues around social responsibility. Many businesses are also missing out on compensation opportunities."

Companies tend to be reactive

QBE's research further reveals a trend for companies to be reactive rather than proactive when it comes to business risks. Of the companies that had public or third-party liability issues due to accidents or business negligence, 42% invested in business liability cover after an incident occurred. Business liability insurance was purchased afterward by 50% of companies who experienced customer or payment internet fraud.

Overall, the IT and Telecommunications industry is the most proactive when it comes to taking protection against risk, and Construction and Engineering firms are the least active.

"While it is, perhaps, understandable that many companies tend to react after an incident, we were surprised by how many said they still took no protection action whatsoever," said Teixeira.

On average, 17% of companies across all four markets took no action before *or* after experiencing a public or third-party liability issue due to a problem with products or services, and 16% took no action after losing income from a business interruption. Liability-related business risks were the most commonly-ignored risks in two out of the four markets, and four out of six industries surveyed.

But the risks are real

The fact that businesses take little notice of risks, even after experiencing one, is the most surprising when considering the quantity of risks experienced. More than two thirds (68%) of businesses surveyed in Indonesia and Malaysia experienced liability-related incidents in the past year, as well as 65% of respondents in Singapore, and 51% in Hong Kong.

Typical risks experienced included:

- **22%** of companies suffered from legal or regulatory compliance issues.
- **15%** of companies experienced public or third-party liability risks associated with product and service problems.

Measured by industry, Construction and Engineering (71%) and Manufacturing (68%) across all four markets experienced the most liability-related risks. Financial Services suffered the least liability-related incidents at 54%.

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The most common risk experienced by each sector overall was:

- **Loss of income due to business interruption** - Professional and Business Services (28%); and IT and Telecommunications (27%)
- **Legal and regulatory compliance issues** - Financial Services (29%)
- **Staff injuries at work** - Construction and Engineering (34%); Manufacturing (30%); and Healthcare (26%).

Business liability insurance not seen as priority

When asked why companies did not own business liability insurance, a third (32%) said they had too little budget for insurance. One quarter (23%) said that they did not own insurance because they are limited companies and believe the financial risk is sufficiently reduced. Around one in five said they had insufficient time to research the various insurance offers (19%) and that insurance policies are too complex (18%). Another 16% of respondents said that having business liability insurance has “never crossed their minds.”

“Clearly an educational effort is needed as far too many companies appear unaware of the value of insurance versus the costs that they will incur if they experience an incident. Insurance companies need to make business liability insurance easily understandable and more accessible to all types of companies, large and small. We hope the insurance industry will follow our lead,” said Teixeira.

Business protection vital as headwinds continue

Looking ahead over the next 12 months, companies in the four markets expect challenging business conditions to continue, with one-third anticipating technology advancement and innovation to affect their business. Some companies (24%) also anticipate greater demand for personalisation of products and services.

“Given current economic challenges and increasing pressure to invest in new technologies and business models, companies need to be sure they are safeguarding their businesses adequately,” continued Teixeira. “With a rising middle class across Asia, we are seeing a cultural change as employers and employees understand the importance of managing risk – not only to reduce financial loss but, more importantly, because it is the socially responsible thing to do.

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“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 the region,” he said.

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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 Hong Kong, Indonesia, Malaysia and Singapore. 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 between 31 March and 17 May 2017

About QBE Emerging Markets – Asia Pacific

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