

ONE IN FOUR HONG KONG COMPANIES HAVE EXPERIENCED INCOME LOSS DUE TO BUSINESS INTERRUPTIONS

Many Hong Kong companies likely to seek liability insurance only after an incident

HONG KONG, 14 June 2017 – A new report released today by QBE Insurance reveals 26% of businesses surveyed in Hong Kong have suffered a loss of income due to a business interruption in the past year.

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

“Our research revealed that many companies are more likely to seek business liability and professional indemnity insurance only after something has happened. What this means is that by waiting until after the fact to protect themselves, they are missing out on any compensation for the initial event and in the process potentially putting business stability in jeopardy,” said Mark Walker, Chief Executive Officer, QBE Hong Kong.

The research found that in the past 12 months, the most frequently encountered risks in addition to loss of income due to business interruption were: equipment breakdown (23%); legal and regulatory compliance issues (21%); and staff injured while working (20%).

Tendency is to be reactive rather than proactive

QBE's research reveals that the tendency of companies to react afterwards is common across various types of risk. Of the businesses that experienced customer fraud or fraudulent payments via the internet, two thirds (65%) took action afterwards. Meanwhile, 60% of the businesses that had sensitive data stolen via the internet took action afterwards. For those experiencing other liability problems, the post-event reaction was also high: public or third-party liability due to accidents or business negligence (54% took action after); business systems or computers being hacked (46% reacted); and public or third party liability issues (38%).

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“Surprisingly, there were a number of respondents in Hong Kong who also said they took no action even after experiencing an incident,” said Walker. For example, one quarter (24%) of the companies interviewed acknowledged that they had encountered public or third-party liability due to problems with products or services but had still not made any changes to their risk controls or insurance protection after the incident.

Companies need for protection in challenging times

“Quite frankly, it is alarming that companies are not seeking to better protect themselves through business liability and professional indemnity insurance given all the risks and challenges that exist out there,” said Walker. “In an increasingly litigious world, with professional liability moving up on the agenda, Hong Kong’s companies need to be encouraged to do more to protect themselves and their customers.”

‘The Risks of Regret’ report also reveals that nearly all Hong Kong respondents (93%) have some form of business insurance, including general accident and employee compensation cover. However, awareness and purchase of business liability insurance protection is far lower. Only 67% of Hong Kong respondents were aware of the business liability cover and less than half (47%) had taken out such insurance.

The same research also found that both awareness and usage for public and product liability insurance further decreases at 36% and 21% respectively, while professional indemnity insurance stands at 24% awareness and 13% usage. Figures for director and officer liability insurance were similar at 24% awareness and just 12% usage.

Risk, what risk?

When asked why companies did not own business liability or indemnity insurance, 34% said they believe their financial risk is reduced sufficiently because they are limited companies. A third of Hong Kong companies (32%) cited budget issues and 23% said their business is too small.

“It is also somewhat scary to me that 13% of the companies interviewed said that having business liability insurance is something that never actually crossed their mind,” noted Walker.

Future challenges

Respondents were also asked what were the biggest challenges they face currently. Business cost reduction (40%) and customer retention (37%) scored highest, followed by customer acquisition (35%), talent acquisition (34%) and business profitability (34%).

The future potential for risk could further depend on three key trends that Hong Kong respondents view as important to their business in the next 12 months: technological innovation (23%), rising expectations for personalised customer services and products (22%) and a continued business slowdown (20%).

“Our research found that there is a gap between what companies view as acceptable risk and what they think needs to be protected by business liability and professional indemnity insurance,” Walker added. “Given the various challenges from economic to competitive – including the increasing pressure to adapt to new trends – companies need to safeguard their businesses. QBE, for its part, provides risk management solutions for businesses and professionals in companies of all sizes, across a broad range of industries.”

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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, Singapore, Malaysia and Indonesia; of which 297 were based in Hong Kong. Respondents were equally divided among six key industries: IT & Telecommunications; Healthcare; Financial Services; Manufacturing and fabrication; Construction & Engineering; and Professional and Business services. The research was conducted in Hong Kong between 10 April and 17 May 2017.

About QBE Insurance Hong Kong

Established in Hong Kong 100 years ago, QBE Hong Kong operations today include QBE Hongkong & Shanghai Insurance (QBE HKSI), QBE General Insurance and QBE Mortgage Insurance (QBE MI). As a leading general insurer, QBE Hong Kong delivers a wide range of non-life insurance solutions for both corporate and personal customers.

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