

## Supporting Hong Kong's SMEs through the crisis

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Market View

Business Interruption

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Hong Kong

SMEs in Hong Kong have been hit extremely hard over the last 18 months.

After a summer and autumn of unpredictable and dangerous protests in 2019 and a simmering US-China trade war, this year the sector has been reeling through travel bans, a protracted recession, reduced opening hours, school closures, the prioritisation of WFH and an uncertain economic outlook.



It has been a significant challenge for a multitude of industries such as small manufacturers, travel agencies, bars, restaurants, hairdressers, fitness clubs, small retail shops and karaoke houses. And, despite the virus being under control (as of today), as winter approaches, the threat of a so-called 'fourth wave' of Covid-19 hangs over the city.

As a result, a more flexible approach to insurance has been a key market priority. The government, the Hong Kong Insurance Authority and the Hong Kong Federation of Insurers, alongside its members, have been trying their best to help out SMEs (over 300,000 firms) through the likes of premium deferrals, quick claim payouts, business loans, help with wages and other support.

InsuranceAsia News (IAN) reached out to Hong Kong-based Lei Yu, chief executive and North Asia and regional head of distribution, QBE Asia and Laurent Charlier, managing director at broker Clema Risk Solutions, to discuss further.

**IAN: How has the year gone so far for SMEs, can they bounceback next year and which insurances are they prioritising?**



Lei Yu

**Lei Yu, QBE:** This has been a tough year for all businesses in Hong Kong, even more so for SMEs.

A survey QBE conducted with SMEs late last year showed the outlook for 2020 was already tough, given the economic slowdown and social unrest we experienced in 2019, only to see the outbreak of Covid-19, uncertainties over the US-China trade tensions and ongoing financial market turmoil make things even more complicated.

Hong Kong's GDP fell 9% in the second quarter of 2020 (according to official statistics) and the government's most recent monthly survey of SMEs showed sentiment remained pessimistic. Given that environment, what we have seen is SMEs are really targeting cost containment and focusing their insurance spending on protection that is absolutely necessary and most relevant. SMEs that have better risk management and protection stand to benefit more from less claims and better premiums savings.

The outlook for 2021 will really depend on two things: how soon and how fast the local economy will recover from Covid-19, and how long it will take before visitorship is back to a more normal level. The next few months will be critical to many SMEs.

If demand can slowly improve, SMEs will have a good chance and confidence to survive, which may help their investments in many areas, including spending on insurance and risk protection for 2021. The impact of Covid-19 will be long-lasting and I wouldn't be surprised to see SMEs prioritising types of insurance that perhaps weren't in their radar screen before, such as business interruption for example.

### **IAN: What have SMEs been looking for this year from their brokers and insurers in Hong Kong and what are their expectations going into 2021?**

**Laurent Charlier, Clema Risk Solutions:** Covid-19 is impacting firms of all sizes. However, effects on smaller firms is severe and their capacity of resilience is lower than larger firms. Some SMEs in Hong Kong have been closed for a very important period of 2020 (schools, fitness club and restaurants). Others have seen their estimated turnover decreased by two or three times.



Laurent Charlier

Dealing with costs was therefore very important to our clients who were expecting insurers to understand and adapt to this unexpected situation. This isn't about reducing the rate of premium but, rather, providing some payment facilities or new terms and conditions appropriate to the evolving situation. It's the same for claims settlements, SMEs expected and needed quicker and more responsive payments to support them through this time.

For the near future, SMEs in Hong Kong are requesting more flexibility, the shortest onboarding process and access to more comprehensive cover.

I understand the needs of the insurers to create a uniform system of process and cover but the one size fits all approach does not meet the unique needs of the requests of our SME clients. I feel insurers in Hong Kong are missing out on some profitable business and opportunities to grow through their reluctance to tailor make insurance solutions for the diverse needs of SMEs at this time.

Aside from Covid-19, our SME clients in Hong Kong appreciate the guidance, bespoke advice and the individualised support we are providing them. This is not only when they buy their cover but throughout the coverage period or when a claim occurs. To withstand the impact of a crisis, the best insurance for a client's individual needs is essential to the long-term success of business.

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