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HSBC SURVEY SHOWS MOST HONG KONG SMALL BUSINESSES OPERATING WITHOUT SAFETY NET

One in three Hong Kong small businesses say they have experienced a serious business disruption in recent years, but more than half of those surveyed do not have insurance protection, according to a new HSBC survey.

Despite the high risk of disruption and financial loss – from accidents or injuries to employees to stock damage to theft – 64 per cent of small businesses without insurance said insurance coverage is “not important”. Twenty per cent said “it’s too expensive” and another 15 per cent said “it’s not necessary”.

“SMEs tend to focus on running their businesses day-to-day and risk management can be overlooked. But for a small business with small staff, small capitalization and small margins, the risk of business failure due to disruption is high,” said Albert Chan, Senior Executive Commercial Banking, The Hongkong and Shanghai Banking Corporation Limited.

“SMEs need to be aware of the importance of insurance protection,” said Mr Chan. “They need to make informed decisions about financial protection, not just hope that nothing bad will happen.”

Small businesses which have insurance are seeing the value of that protection. Three in 10 SMEs with insurance said they have filed claims. Nearly half of those (44%) have claimed for accidents or injuries to workers, 1 in 3 (34%) have filed claims for damage to property or stock due to fire, water damage or robbery, and nearly 1 in 5 (19%) have filed for loss of key personnel due to injury, illness or death.

Only 19 per cent of SMEs with insurance have third-party liability coverage, despite the significant financial risk.

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“Third-party liability can cover everything from a customer slipping on a wet floor of a shop to product liability,” said Mr Chan. “And if Hong Kong follows the trend in other parts of the world, the public may become more inclined to seek compensation, and the financial awards to these claimants could be large.”

The survey findings also suggest that small businesses are lax in their contingency planning. When asked if they think a pandemic could hit Hong Kong in the next 10 years, 45 per cent said yes. But only 8 per cent have contingency plans for such a disruption and less than half of those plans include insurance.

To help small businesses choose the right insurance protection for their individual needs, HSBC has launched a new insurance package, FlexiCommercial Insurance – an innovative insurance solution that provides all-round business coverage in a single policy.

Agnes Choi, General Manager and Head of Corporate Insurance of HSBC Insurance said, “An internal HSBC study found that 84% of SMEs look for insurance coverage tailored to fit their needs. In fact, different industries face different risks and their insurance needs vary. FlexiCommercial Insurance was created to make choosing and buying the right protection easy for small businesses.”

HSBC FlexiCommercial Insurance offers a range of customer benefits, including:

- 190 possible combinations of protection in eight insurance lines (property all risks, business interruption, money, fidelity guarantee, public liability, group medical, group life and group personal accident) with three different levels of coverage to choose from
- Simplified underwriting procedures to enable instant coverage upon purchase
- Enhanced coverage offered – claims can be reimbursed up to 100% of insured value

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From now until 31 January 2008, HSBC Commercial Banking customers with a net annualised net premium of \$500 or more will receive Maxim's gift coupons worth \$150. Those with an annualised net premium of \$300,000 or more will receive a Sony Bravia 40-inch full HD LCD TV. All FlexiCommercial Insurance customers will be entered into a lucky draw to win a Sony laptop or an HP all-in-one printer.

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Media enquiries to Treena Nairne at 2822 4923 or treenanairne@hsbc.com.hk.

Notes to editors:

1. More details of the survey

Please see the document titled *HSBC Commercial Banking Hong Kong Small Business Insurance Survey* for more information.

2. The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with around 10,000 offices in 83 countries and territories and assets of US\$2,150 billion at 30 June 2007, is one of the world's largest banking and financial services organisations.

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