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CRITICAL ILLNESS IS NO. 1 WORRY FOR HONG KONG PEOPLE, SAYS HSBC INSURANCE SURVEY

****Six in 10 people in Hong Kong are worried most about getting cancer or critical illness****

****Thirty-eight per cent are worried about losing their jobs while 21 per cent are worried about investment losses****

****Half of respondents have done nothing about their finances over the last 12 months****

More people in Hong Kong are concerned about ill health than job security and investment losses despite the current market volatility and global depression, showed a recent survey by HSBC Insurance. The survey was conducted by The University of Hong Kong's Public Opinion Programme in January 2009 across some 500 working individuals in the territory.

Fifty-nine per cent of respondents said getting cancer or critical illness was their biggest health concern. But when asked about their greatest financial concerns, no one item carried comparable weight. Thirty-eight per cent of respondents were most worried about losing their jobs, 21 per cent cited investment losses and 19 per cent cited insufficient retirement income.

Jason Sadler, Managing Director, Insurance Business Hong Kong, HSBC Insurance (Asia) Limited, said: "Hong Kong people are clearly concerned about loss of health and the devastating impact a major illness can have on them. In general, people are afraid of getting into unexpected situations where, without warning, they are most vulnerable because they lack adequate financial protection. What used to be people's worst case scenarios – critical illness, losing a job, and lack of a financial safety net – are increasingly becoming a reality for many Hong Kong people. This is forcing them to recognise the importance of planning for life's unthinkable events and in so doing make even life's most difficult and tragic personal events manageable."

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When asked about what they are doing to protect themselves financially from these risks, 67 per cent of respondents said they bought life insurance, 64 per cent bought medical/critical illness insurance and 39 per cent saved more cash in the bank.

Mr Sadler added: “There is a clear trend of people going back to basics – looking for simple and effective ways to protect themselves and their families and to offer them comfort and security in the future. This renewed focus on protection, which had been derailed by recent years’ market exuberance, is important not only as a short-term response to the current crisis, but as part of a long-term financial planning strategy. Whole of life and medical insurance provide a safety net to help customers protect themselves and their families in case of unexpected events.”

The survey also asked people about the make-up of their long-term financial plans. Bank savings (68%), MPF or pension funds (62%), critical illness insurance (55%) and whole life insurance (45%) were among the top financial products mentioned.

However, more than half (51%) of respondents said they have not made any changes to their financial plans over the past 12 months, despite the global financial crisis. One-fifth said they are keeping most of their holdings in cash (20%) and another fifth said they unloaded stocks to prevent further loss (19%).

Bruno Lee, Head of Liabilities Business and Wealth Management for Personal Financial Services in Hong Kong said: “It appears that people have been slow to recalibrate their financial plans despite the market volatility in recent months. Many have not reviewed their plans or sought guidance from a financial planner, even in these challenging times. For the minority who made changes to their financial plans, their actions reflect a move to conservative investment strategies to protect assets.”

In terms of long-term financial goals, Hong Kong people aim for steady and regular retirement income (59%), adequate medical protection in old age (56%) and long-term protection for the family (54%).

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But negative market sentiment and uncertainty has prevented people from taking action to achieve these goals. The survey showed that 43 per cent of respondents considered lack of confidence in the market as the greatest barrier to planning for long-term financial security. Job insecurity (41%) and a lack of investment instruments with good returns (30%) were also cited as major barriers to planning for the future.

Mr Lee added: “Short-term worries are distracting people from planning properly for financial security in the long term. While financial solutions that have provided historically attractive returns are limited and people remain hesitant about re-entering the market, people’s long-term aspirations have not changed. People still need to prepare for retirement, cover medical bills in old age and secure their family’s future.”

Mr Sadler expects Hong Kong people to remain cautious about their wealth management strategies over the course of the year but warns against complacency, and worst, paralysis in financial planning.

Mr Sadler said: “For most people, the financial crisis will only widen the protection gap – the income you need to generate between now and when you retire, to send children to school or to cover medical bills. While people may be wary of making further investments, they cannot afford to delay planning for the future.”

Mr Sadler advises people to consider the following in their financial planning:

- a regular review of your life insurance coverage to see whether it is still enough for present and future needs;
- annuities and savings plans to supplement retirement income;
- riders such as critical illness and disability to provide essential protection from events that can have a significant impact on their lives and their future earning ability; and
- topping up company medical plans to benefit from additional cover for emergencies and unexpected situations.

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Notes to editors:

More details of the survey

Please see the attached presentation slides Back to Basic 2009 for more information. Fieldwork for the survey was conducted in January 2009.

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