

More SMEs Fall Victim To Unforeseen Disruptions



Cashflow and liquidity is without a doubt one of the biggest concerns for any small to medium enterprise (SME). Without an adequate financial cushion, many SMEs are vulnerable to external shocks arising from incidents such as fires, accidents, injuries or employee negligence.

"Because SMEs often operate on a tight budget, if there's an unfortunate incident, it can affect cashflow disproportionately and could be disastrous for their business," says Andy Tsui, SVP, Head of Personal and SME Packages Division in Asia Pacific at Allied World Insurance.

"Statistics from the Monetary Authority of Singapore and the Department of Statistics recently revealed that half of new businesses fail within the first three years and that a growing number are finding it difficult to pay back their creditors," says Tsui.

"In this context, insurance plays a critical role in providing peace of mind and empowering SMEs to focus on the key priorities of growth and innovation," he continues.

Data Breaches from Employee Negligence

As more companies embrace digitalisation to stay on top of their game, the adoption of new technologies has made SMEs even more vulnerable to new threats such as data breaches. Just this year, a record 26 companies in Singapore have been fined a total of S\$1.28 million for breaching the Personal Data Protection Act 2012. This is almost four times the total amount of fines recorded from 2016 to 2018.

The Data Protection Excellence Centre said the number of organisations that would be issued warnings or fines was expected to rise until year-end.

About 80% of all valid cases were due to the breach of the protection obligation where personal data was compromised or leaked, mostly due to the organisation's employee error or negligence instead of malicious activity.

It is therefore important SMEs not only install protection from being hacked or viruses, but also ensure they protect themselves from costly mistakes. In an increasingly digitalised world, SME insurance could go a long way to protect a business from being sued by their customers or another third party due to a breach.

Falls, Fires and Food Poisoning

However workplace risks go much further than the desk. According to the Ministry of Manpower, the overall number of workplace injuries rose by 2.5% to 12,810 in 2018 from 12,498 the year before, with the Minister of State for Manpower Zaqy Mohamad saying it was a "cause for concern".

Authorities also cited the "pronounced increase" in major injuries from slips, trips and falls seen across a variety of industries, including traditionally low-risk ones as another area of worry.



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The increased incidents of fires should also be an area of concern for business owners. In 2018, there was a 39.2% increase in the number of fires in shopping centres and supermarkets. Meanwhile, fires in industrial premises rose 22.3% to 170.

For companies in the food and beverage sector, negligence resulting in food poisoning is unfortunately taking up more and more headlines. One of the largest cases this year took place in early 2019 when over 200 people fell ill with gastroenteritis symptoms at a local primary school.

This is where insurance could prove to be a company's salvation at a very critical juncture. While most SMEs are of course trying their best to uphold health and safety regulations, unfortunately human errors still occur and can be costly. Government fines have the ability to put quite a substantial strain on SMEs' finances.

Too Little, Too Late

But cost is by no means the only consideration. Committing any violation could mean shutting down the business for a certain period of time while perhaps losing valuable manpower. Meanwhile, the reputation of the business is also likely to take a beating and hurt the bottom line. The problem is that without much of a financial cushion, these mistakes have the potential to be devastating for many SMEs.

ABOUT THE AUTHOR

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Andy has more than 16 years of experience in SME and Personal Lines insurance, in both consulting and corporate environments. Prior to joining Allied World, Andy held positions at PriceWaterhouseCoopers and Suncorp Metway in Australia. Through a rich mix of operational and strategic management, underwriting, product and distribution skills, Andy has been able to deliver transformational change across his career. Currently Andy is responsible for driving and optimising the growth and performance of the underwriting portfolios for SME and Personal Lines within Allied World's Asia-Pacific business.



"Many of our first-time SME insurance customers have come to us after an incident has occurred because they've realised they need it, but it is too late – the damage is already done," says Tsui. "The sad part is this has lasting affects on the business operations and the company's reputation."

"While many may see insurance as an added cost, the truth is that insurance helps companies operate their business and serve their customers better. Without having to worry about these issues, bosses can concentrate on expansion and generating revenue."

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