

## NEWS RELEASE

### **Majority of Singapore's small businesses do not have strong succession plans**

*One in two small businesses will take up at least nine months to replace their key person*

**Singapore, 4 November 2014** - One in two small businesses<sup>1</sup> is at risk of not being adequately insured against the loss of their key person, according to a survey by United Overseas Bank (UOB). This key person is usually considered to be the business owner, the main revenue generator or the product developer.

The UOB small business survey<sup>2</sup> found that while the majority of small businesses recognised the financial impact of losing their key person, they had yet to take action to protect their company against the loss of revenue and profit should their key person leave.

Mr Mervyn Koh, UOB's Country Head of Business Banking for Singapore, said "Core to the long-term success of any business is effective risk management. However, we find that many small businesses tend to focus more on building their business rather than protecting it by managing risks. The lack of awareness among small businesses to safeguard their company against risks such as the loss of their key person makes them vulnerable to financial failure.

"The fact remains that many small businesses rely on a few core people to keep the company going. This is why eight out of ten respondents in the UOB survey admitted that they would lose revenue and face cashflow problems if they lost their key person. In addition, as many small businesses often use the personal assets of their key person as security for a bank loan, the risk extends to the financial health of that person's family," Mr Koh said.

Another key challenge highlighted by small businesses was the difficulty in finding a suitable successor to replace their key person, especially in today's tight labour market.

In fact, one in two small businesses predicted that it would take at least nine months to find the right candidate.

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<sup>1</sup> UOB defines small businesses as firms with annual turnover of up to S\$20 million

<sup>2</sup> The survey was conducted in August 2014 among 200 small businesses in Singapore with annual turnover of up to S\$20 million.

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Mr Koh said, “As most small businesses do not have an internal succession plan, losing their key person can seriously threaten the sustainability of their company. To avoid such a situation, small businesses should identify the ones in their firm who are irreplaceable. They should also consider how they would run the business and protect their profits in the short term if that key person were to leave.”

### **UOB’s new insurance solution provides loan protection on the loss of a key person**

To help small businesses manage the risks as listed in the UOB survey, the Bank has launched a key person insurance called *UOB BizMoney Guard*<sup>3</sup>. The new insurance solution is complimentary for UOB’s clients who have taken up an unsecured term loan under the *UOB BizMoney*<sup>4</sup> programme.

*UOB BizMoney Guard* provides life insurance coverage of up to S\$350,000 on the main holder of the loan and it is the only key person life insurance in Singapore that does not require the person insured to go through financial and medical screening.

Besides *UOB BizMoney Guard*, UOB offers a suite of key person life insurance solutions that are based on the business’ financial needs and cashflow position. The solutions, which start from a minimum coverage of USD\$500,000, are designed to help ensure a company’s cashflow and revenue remain unaffected by the loss of its key person. For instance, the insurance can be used to cover the company’s operating expenses until a successor is found and if necessary, to pay off the company’s debts so that its financial health remains strong.

For more information on UOB business Banking and UOB key person insurance, visit [http://www.uob.com.sg/business/business\\_insurance/index.html](http://www.uob.com.sg/business/business_insurance/index.html)

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<sup>3</sup> UOB BizMoney Guard is provided by Prudential Assurance Company Singapore (Lte) Ltd for which UOB is the Policyholder.

<sup>4</sup> The UOB BizMoney is an unsecured term loan facility that is designed for companies with up to S\$20 million in annual turnover. For the full terms and conditions of UOB BizMoney, please visit [uob.com.sg/bizmoney](http://uob.com.sg/bizmoney)

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### **About United Overseas Bank**

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Western Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. In Asia it operates through its branches and representative offices as well as banking subsidiaries in China, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

UOB plays an active role in the community, focusing on the arts, education and children. For more than three decades UOB has held the prestigious UOB Painting Of The Year Competition and Exhibition. In recognition of its contributions to the arts, UOB was conferred the National Arts Council's Distinguished Patron of the Arts Award for the ninth consecutive year in 2013. UOB also encourages its employees across the region to be involved in its regular volunteer activities. This includes the annual UOB Heartbeat Run/Walk which is held in Singapore, Malaysia, Indonesia, Thailand and mainland China.

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