



MEDIA RELEASE

Elevated Political Risk Levels to Continue in 2010, says Aon

SYDNEY, 28 January 2010:

Political and financial instability remain a feature of the business landscape as a result of the recession, according to Aon Risk Services, the global risk management and insurance brokerage business of Aon Corporation. The company launched its 17th annual Political Risk Map in a global webcast today.

Miles Johnstone, director of Aon's Political Risk team, explained: "Rising risk levels in 2009 have led to a significant volume of credit and political risk claims in international insurance markets which is driving many of the 18 downgrades in this year's map. For instance non-payment of sovereign and sub-sovereign debt obligations is a major issue for underwriters insuring risks in Ghana, and underwriters continue to experience a multitude of claims stemming from payment defaults by private sector banks in Ukraine."

Food & Water Insecurity

The 2010 map introduces new indices looking at food, agricultural commodity and water supplies.

Sam Wilkin, associate director of the consultancy practice at Oxford Analytica, explains: "For the past 20 years, global population growth has outpaced growth in agricultural output. A run up in world food prices in 2007 and 2008 led to dramatic geopolitical events, from food riots in India to worker unrest in Cambodia. Last month the Food and Agriculture Organisation of the United Nations warned that global food prices could quickly rise again.

"With global warming changing regional climates and weather patterns and driving demand for bio-fuels, the world faces unprecedented food and water risks. Aon and Oxford Analytica have developed a pair of forward looking indices analysing global food and water insecurity."

There are two new icons on the 2010 map: Food and Water Insecurity. They have been applied to the 30 most 'high risk' countries - that is those countries potentially facing the most severe food and water insecurity in the medium to long term. These are all developing countries, mostly in Africa, which is in keeping with the conventional wisdom that the impacts of climate change will rebound hardest on the countries least responsible for global warming.

Global Agricultural Commodity Supply

The Agricultural Commodity Supply Risk Index offers a supply-side view, identifying the internationally-traded agricultural commodities at greatest risk of a supply shock – and thus a sudden global price spike.

Many of the world's most productive agricultural regions are expected to see a decline in productivity if temperatures rise.

“Cocoa tops the 2010 Agricultural Commodity Supply Risk Index by some margin, as more than 75 percent of global production is concentrated in four countries at significant risk of supply disruption,” said Wilkin. “These threats to cocoa supplies include political instability, natural disaster, and water supply insecurity.”

Now and Then

The Food and Water Insecurity Indices are not meant to be alarmist, according to Roger Schwartz, senior vice president of Aon Trade Credit. “They are forward looking assessments designed to be an ‘early warning’. While the increasing supply-side pressures of Global Warming are more of a long-term issue, there are more immediate concerns.

“We are already seeing instances of countries that can’t produce enough of certain foods and in these financially difficult times cannot afford to import these food supplies. This places localised pressures on a country’s social balance and can lead to the sort of geopolitical events we saw in 2007/8.

“With the prospect of real economic recovery over the next year or so, we are likely to see increased demand for food and water globally. With current supply-side issues being experienced in some areas, this will only add to the existing pressures.”

Movements on the 2010 Map

Eight countries/territories have been upgraded to a lower risk level - Albania, Myanmar/Burma, Colombia, South Africa, Sri Lanka, East Timor, Vanuatu, Vietnam and the Hong Kong Special Administrative Region of the People's Republic of China.

Eighteen countries have seen conditions worsen leading to a downgrade: Algeria, Argentina, El Salvador, Equatorial Guinea, Ghana, Honduras, Kazakhstan, Latvia, Madagascar, Mauritania, Philippines, Puerto Rico, Seychelles, Sudan, United Arab Emirates, Ukraine, Venezuela and Yemen.

Sudan, Venezuela and Yemen have been added to the Very High category, joining Afghanistan, Congo DRC, Iran, Iraq, North Korea, Somalia and Zimbabwe.

Miles Johnstone concluded: “Aon believes 2010 will see elevated political risk levels continue before an overall tendency for improving global business conditions becomes established. For many companies and across different sectors, including credit and political risk insurance, the business environment remains uncertain when trading with or investing in politically or economically unstable countries.

“With a global business landscape that continues to shift and change, our interactive Political Risk Map provides our clients with up-to-date and relevant tools to assess the various contingencies and determine the impact on their ability to ensure continued survival, growth and profitability.”

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About the 2010 Political Risk Map

Aon ranked the political risk of 209 countries and territories, measuring risk of currency inconvertibility and transfer; strikes, riots and civil commotion; war; terrorism; sovereign non-payment; political interference; supply chain interruption; legal and regulatory risk. The risk in each country was ranked as Low, Medium-Low, Medium, Medium-High, High or Very High. A country with an “elevated” risk is defined as any country with a risk ranked at Medium-Low, Medium, Medium-High, High or Very High.

The results of the analysis are detailed on the 2010 Political Risk Map, produced by Aon Risk Services in partnership with Oxford Analytica, an international consulting firm. Oxford Analytica draws its analysis from a global network of more than 1,000 experts – including senior faculty members at Oxford University and at major research institutions worldwide – to make independent judgments about geopolitical risk.

The Political Risk Map is published annually by Aon Risk Services, a unit of Aon Corporation. With more than 400 specialists in 60 offices around the world, Aon has been providing political risk and trade credit insurance and consulting services, such as country audits, since 1912. For more information, visit <http://www.aon.com/2010PoliticalMap> .

Aon Crisis Management is a division of Aon Risk Services, the global risk management and insurance brokerage business of Aon Corporation.

Delivering global capabilities locally, Aon Crisis Management (ACM) partners with organisations that have people, assets and investments exposed to the risks of terrorism, political risk, kidnap & ransom and product recall. We help our clients fully understand and quantify their exposure so that they can make informed decisions around how to best mitigate and manage the risk and put the most appropriate measures in place to meet their duty of care.

We work with our clients as a trusted advisor, providing advice, training, risk management and transfer services and representing their true risk to the insurance market to gain access to the most comprehensive, cost-effective solutions. Our unique consultative approach enables our clients to protect their balance sheet, people and brand reputation.

Aon Corporation (NYSE: AON) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Through its more than 36,000 colleagues worldwide, Aon readily delivers distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally through more than 500 offices in more than 120 countries. Named the world's best broker by Euromoney magazine's 2008 and 2009 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's largest insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008 and 2009. A.M. Best deemed Aon the number one insurance broker based on brokerage revenues in 2007, 2008, and 2009, and Aon was voted best insurance intermediary, best reinsurance intermediary and best employee benefits consulting firm in 2007, 2008 and 2009 by the readers of Business Insurance. For more information on Aon, log onto <http://www.aon.com>.

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