



News From Aon

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For immediate release

Political risk rising: 2011 Aon Political Risk Map

Sovereign non-payment remains a real threat to business

AUSTRALIA (January 21, 2011) – While the world economy is broadly on the road to recovery, the level of political risk has risen in more countries than it has declined, according to Aon’s 18th annual Political Risk Map. Aon Risk Solutions, the global risk management business of Aon Corporation (NYSE: AON) measures the political risk of 211 countries and territories based on the level of risks such as currency inconvertibility and exchange transfer; strikes, riots and civil commotion; war; civil war; sovereign non-payment; political interference; supply chain disruption and legal and regulatory risk.

Aon’s Political Risk Map, accessible via <http://www.aon.com/2011politicalriskmap> and ranks countries on a six-point scale from Low risk to Very High risk. A downgrade indicates that the severity of the risk has heightened, while an upgrade indicates that the risk is less severe. Nineteen countries were downgraded on the 2011 map, while 11 countries were upgraded. A list of these countries and the risks facing entities doing business with or in them are described below.

Beverley Marsden, Associate Director of Aon Risk Solutions’ Crisis Management team in London explained: “The perceived or actual risk of sovereign non-payment continues to be an issue in countries across the globe. For example, we have seen thirteen island nations move into a higher risk category this year because of the effect of a decline in tourism on their economy.

The negative effects of the global financial crisis impacted the economies of nations with traditionally low levels of risk. Iceland this year became the first Western European country to be downgraded to Medium.

This year’s map also highlights the continued emergence of several markets in Africa, such as Ghana, Gabon and Nigeria, where more international trade and investment is occurring, leading to a greater need for political risk insurance cover.”

A slow march to the middle

Marsden continued: “There is good news too; over the past five years, the Aon Political Risk Map has seen a nearly 30 per cent increase in the number of countries in the middle of the risk rankings - the Medium Low to Medium High categories - as these countries have become more active in the world economy and their prosperity has increased.

Globalisation has been blamed for recent incidents of economic volatility, but it has also had a positive impact on global political and economic stability. Many countries previously designated as Medium High or High have taken advantage of global trade links and have seen political risk levels decrease. This trend is demonstrated in South America, where countries like Brazil, Colombia and Mexico have all seen sustained improvements over the last five years.

Political risk will continue to be a major influencer for businesses transacting in emerging markets in 2011. While the apocalyptic predictions many made at the beginning of the financial crisis did not come to fruition, a new norm in world trade is being established. We believe that political risk will remain elevated while the markets are unstable, but will return to traditional levels as the world economy improves.

Businesses have enough difficulty traversing the complicated landscape of foreign trade and need up-to-date information and tools at their fingertips. Aon's Political Risk Map and its interactive version helps our clients assess their various contingencies and determine the impact on their ability to ensure continued survival, growth and profitability."

Upgrades and downgrades

Downgrades

Algeria, Benin, Comoros, Antigua and Barbuda, Bahamas, Barbados, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Antilles, St Kitts and Nevis, St Lucia, St Vincent, Trinidad, Myanmar, Iceland, Bahrain.

Upgrades

Kenya, Mozambique, Rwanda, Uganda, Zambia, Panama, Georgia, Uzbekistan, Indonesia, Malaysia, India.

The risks facing businesses

Each country on the map is rated according to the different types of risks it faces, and these risks are indicated by icons.

War/Civil War icon

The 2011 map shows five additional countries with a significant level of the risk of war, civil war, or insurrection breaking out, an increase from 29 in 2010 to 34 this year. These countries include Madagascar, Niger, Venezuela, Kyrgyzstan and Thailand.

Exchange Transfer icon

This icon denotes the possibility of being unable to make payment in contract currency due to the imposition of local currency controls and/or the possibility of being unable to transfer currency outside the host country. Twelve new countries attract this icon on the 2011 map: Algeria, Burkina Faso, Central African Republic, Chad, Guinea Bissau, Guinea Conakry, Madagascar, Niger, Afghanistan, Montenegro, Lithuania and Macedonia. Taking into account the five countries that no longer attract this icon, the total number of countries with this icon has risen from 69 in 2010 to 76 in 2011.

Sabotage, Riot, Civil Commotion and Terrorism icon

Eleven new countries face a significant enough level of this risk to warrant an official icon on the map, up from 100 on 2010's map to 111 in 2011. Additions to this list include Angola, Chad, Belize, Austria and Bahrain.

Sovereign Non-payment icon

While the number of countries attracting this icon has remained fairly stable, rising from 87 nations in 2010 to 88 this year, many of this year's downgrades are due to this risk. Twelve island nations, including Antigua and Barbuda, Barbados, Bermuda, the Cayman Islands, Comoros, Dominica, Greenland, Antilles, St Lucia and St Kitts and Nevis have all been downgraded due to tighter credit conditions which could lead to an increase in sovereign non-payment risk.

Legal and Regulatory Risk icon

An additional 10 countries attract this icon, bringing the total number of nations with this icon to 104 in 2011. As previously mentioned, some African nations, including Madagascar, Malawi and Uganda, have been added to this category because of increased levels of trade, as opposed to any specific change in risk profile. Additional countries joining this list in 2011 include Vietnam, Bulgaria and Saudi Arabia.

Political Interference icon

The 2011 map shows a marginal increase in the number of countries with a risk of investors losing their assets due to expropriation or nationalisation by the host government. The increase from 85 in 2010 to 88 in 2011 includes countries such as Afghanistan, Benin and Zambia.

Ends

About the 2011 Political Risk Map

Aon ranked the political risk of 211 countries and territories, measuring risk of currency inconvertibility and transfer; strikes, riots and civil commotion; war; 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.

For the first time, Aon’s Political Risk Map has been made available through the Financial Times website, FT.com. Additional analysis and commentary, provided by the Financial Times, is available at www.ft.com/aon

The results of the analysis are detailed on the 2011 Political Risk Map, produced by Aon Risk Solutions 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 Solutions, the risk management and broking business of Aon Corporation. With more than 400 crisis management 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/2011politicalriskmap>.

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