

**Media Contact:**

Sally Barwell  
evolution media  
+61 2 8969 6077  
+61 431 932 198  
[aonnews@evolutionmedia.com.au](mailto:aonnews@evolutionmedia.com.au)

*For immediate release*

## Aon's Risk Survey exposes increasing anxiety amongst business leaders

Results of Aon's 2010/11 Risk Survey show growing concern around brand and financial issues

Aon's 2010/11 Australasian Risk Management Benchmarking Survey highlights:

- Damage to brand and reputation remains most important risk concern
- Rapidly growing concerns around 'liquidity' and 'capital availability'
- Importance of 'human resources' risks continues to rise
- Total Cost of Insurable Risk decreases as a result of rebounding company revenues and a soft insurance market

[Watch](#) Paul Venning, National General Manager, Aon Corporate Risk Solutions examine the drivers of this year's top risk concerns



**Sydney, 11 April, 2011** – The after effects of the global recession may not yet have fully abated, with Aon's *Australasian Risk Management Benchmarking Survey* revealing that over the past 12 months businesses have grown increasingly concerned about financial and economic based risks.

Aon's ninth annual *Risk Survey* saw significant shifts across key areas of risk concerns. Of the 20 concerns tracked in the survey, the risks that increased in importance throughout 2010/11 included 'liquidity', 'market environment', 'capital availability/structure', 'credit' and 'sales', reflecting a growing concern around economic and financial issues amongst businesses.

Steve Nevett, Chairman, Pacific Region, Aon Risk Solutions said: "In 2010, the major banks were still tightening their lending capacity and the United States and European countries remained in an economic down turn. This financial pressure saw concern around financial risks such as 'liquidity', 'capital availability/structure' and 'credit' increase significantly in terms of their importance in this year's Risk Survey."

"Whilst the Australian economy remained relatively strong throughout the aftermath of the Global Financial Crisis, Australian businesses are looking forward optimistically but continue to see risk management as an increasingly important part of corporate strategy," explained Mr Nevett.

### **Brand and image remains the top risk concern**

For the fourth consecutive year, damage to brand and reputation remained the most important risk concern for Australian and New Zealand organisations. In addition, since this survey's inception 'brand and image' has been ranked among the top four risk concerns every year.



Paul Venning, National General Manager, Aon Corporate Risk Solutions explained there were a couple of reasons why damage to brand and reputation has remained the number one risk concern for so long.

“Firstly, businesses are concerned around the increased use of social media, which has the potential to damage a company’s brand. Secondly as we recover from the financial and economic downturn, organisations are seeing the importance of maintaining the value of their brand,” said Mr Venning.

### **Liquidity jumps into second place as a top risk concern following the GFC**

‘Liquidity’ and ‘capital availability’ were the fastest moving risk concerns in this year’s survey: rising six and seven places respectively.

Four to five years ago, ‘liquidity’ did not register within the top ten risk concerns, however in 2009 it rose significantly to be ranked the number seven risk concern and this year has risen further to be ranked as the number two risk concern for 2011.

Mr Venning explains, “This shift in emphasis has been facilitated by financial institutions continuing to tighten their lending capacity post the Global Financial Crisis. Likewise, ‘capital availability/structure’ has not appeared in the top ten risk concerns since 2006 and this year rose seven places to be ranked the number ten risk concern for 2011.”

### **Human resource achieves increased focus as a risk concern**

The importance of ‘human resource’ as a key risk concern continued to rise this year. This can be attributed to continued pressure on the employment market from the mining sector, publicity surrounding the David Jones sexual harassment case, and a renewed focus on workforce diversity and productivity.

### **Total Cost of Insurable Risk decreases amidst rebounding company revenues**

The median Total Cost of Insurable Risk (TCOIR)<sup>1</sup> across all organisations for 2010 was \$4.76 per \$1,000 of revenue or approximately 0.5% of revenue. This represents a decrease of 8% from 2009.

Prior to 2009 the median TCOIR declined consistently for 5 years (from \$11.97 per \$1,000 revenue in 2003 to \$4.52 per \$1,000 of revenue in 2008). TCOIR then rose to \$5.20 in 2009 which was largely due to decreasing revenue levels in the Australian economy.

As predicted by Aon in last year’s report, 2010 saw revenue levels rebound whilst the combined levels of risk transfer and retention costs remained steady, resulting in a slight decrease in TCOIR for 2010.

Aon anticipates a slight increase to overall TCOIR in 2011 due to premium increases and a high proportion of TCOIR spend coming from risk transfer costs.

Aon’s 2010/11 Australasian Risk Management Benchmarking Survey is based on risk management information sourced from 446 major Australian and New Zealand corporate and public sector organisations. The respondents were from public, private and not-for-profit sectors, and from a wide range of industries and revenue sizes. It tracks the top 20 risk concerns and measures the costs incurred in delivering a risk management strategy.

ENDS

---

<sup>1</sup> Aon uses a formula to measure Total Cost of Insurable Risk (TCOIR). This is the cost incurred by a business (beyond the obvious premium costs) to deliver a risk management strategy.

Table 1: Top 20 risk concerns 2006 - 2011

Rank	2006/07	2007/08	2008/09	2009/10	2010/11	Change from 2009/10
1	Corporate governance	Brand and image	Brand and image	Brand and image	Brand and image	-
2	Systems	Systems	Corporate governance	Systems	Liquidity	↑6
3	Human resource	Corporate governance	Systems	Corporate governance	Human resource	↑1
4	Brand and image	Human resource	Human resource	Human resource	Systems	↓2
5	Legal	Information management	Legal	Business interruption	Information management	↑2
6	Information management	Business interruption	Information management	Legal	Impact of regulation	↑5
7	Lack of innovation	Legal	Liquidity	Information management	Corporate governance	↓4
8	Business interruption	Lack of innovation	Market environment	Liquidity	Market environment	↑1
9	Impact of regulation	Market environment	Business interruption	Market environment	Business interruption	↓4
10	Market environment	Impact of regulation	Loss of intellectual property	Lack of innovation	Capital availability/ Structure	↑7
11	Computer crime	Physical assets	Capital availability/ Structure	Impact of regulation	Legal	↓5
12	Physical assets	Liability	Impact of regulation	Market risk/Treasury	Liability	↑1
13	Capital availability/ structure	Liquidity	Physical assets	Liability	Credit	↑7
14	Liability	Computer crime	Lack of innovation	Loss of intellectual property	Lack of innovation	↓4
15	Intellectual property	Capital availability/ Structure	Liability	Physical assets	Environmental impact	↑4
16	Liquidity	Intellectual property	Computer crime	Computer crime	Market risk/Treasury	↓4
17	Internal fraud	Natural disasters/ Climate change	Natural disasters/ Climate change	Capital availability/ Structure	Physical assets	↓2
18	Credit	Market risk/Treasury	Market risk/Treasury	Natural disasters/ Climate change	Natural disasters/ Climate change	-
19	Market risk/Treasury	Environmental impact	Credit	Environmental impact	Loss of intellectual property	↓5
20	Environmental impact	Internal fraud	Environmental impact	Credit	Internal fraud	↑1



## **About Aon**

[Aon](#) Corporation (NYSE:AON) is the leading global provider of [risk management](#) services, [insurance](#) and [reinsurance](#) brokerage, and [human resources](#) solutions and [outsourcing](#). Through its more than 59,000 colleagues worldwide, [Aon](#) unites to deliver 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 in over 120 countries. Named the world's best [broker](#) by [Euromoney](#) magazine's 2008, 2009 and 2010 Insurance Survey, Aon also ranked highest on [Business Insurance](#)'s listing of the world's [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 revenues in 2007, 2008 and 2009, and Aon was voted best insurance intermediary 2007-2010, best reinsurance intermediary 2006-2010, best captives manager 2009-2010, and best [employee benefits](#) consulting firm 2007-2009 by the readers of Business Insurance. Visit <http://www.aon.com> for more information on Aon and <http://www.aon.com/manchesterunited> to learn about Aon's global partnership and shirt sponsorship with [Manchester United](#).

## **About the 2010/11 Australasian Risk Management Benchmarking Survey**

Aon's Australasian Risk Management Benchmarking Survey is based on risk management information sourced from 449 major Australian and New Zealand corporate and public sector organisations. The respondents were from public, private and not-for-profit sectors, and from a wide range of industries and revenue sizes. It tracks the top 20 risk concerns and measures the costs incurred in delivering a risk management strategy. It is now in its ninth year.

Aon Australia developed this survey to help professionals working in risk management assess how their organisation manages risk compared to others and to help them measure the costs incurred in the delivery of a risk management strategy. It can also help executives identify practices and approaches that may improve the effectiveness of their own strategies.

Participant and readership feedback suggests that it is an invaluable reference tool for senior level decision makers such as CEOs, CFOs and Risk Managers. Business leaders are recognising the value in calculating their Total Cost of Insurable Risk (TCOIR) and the cost benefits of a structured risk management approach.