

MEDIA RELEASE

Top risk concerns in 2010 reflect improving economy

Aon research reveals first rise in Total Cost of Insurable Risk in five years

Aon's 2009/10 Australasian Risk Management Benchmarking Survey highlights:

- Brand and image is the top risk concern for the third year in a row
- Business interruption and lack of innovation concerns increase
- The strong Australian dollar and rising interest rates has caused market risk/treasury risk to rise six places
- The Total Cost of Insurable Risk has risen for the first time in five years as a result of falling revenues brought about by the economic downturn

Watch Paul Venning, National General Manager, Aon Corporate Risk Services discussing this year's top risk concerns.



Watch Jason Disborough, Chief Commercial Officer, Aon Risk Services Australia explaining changes to Total Cost of Insurable Risk.



SYDNEY, 15 March 2010:

Economic recovery is bringing its own risk concerns to Australian businesses as Aon Australia's eighth annual *Australasian Risk Management Benchmarking Survey* shows increased concern about business growth factors such as business interruption and lack of innovation.

The 2009/10 edition of the report once again identified brand and image as the leading concern amongst executives, particularly those in industries such as food and beverage manufacturing, finance and insurance and government.

The lessening pressure of the Global Financial Crisis (GFC) has meant an increase in risk concerns that affect business growth, such as lack of innovation and business interruption, both of which rose four places this year. Also supporting a focus away from the GFC was the drop in importance of capital availability and structure.

The strong Australian dollar and rising interest rates – the results of a recovering economy – has led to market risk/treasury risk rising six positions this year.

Aon Australia CEO Steve Nevett said, "As we approached the end of 2009, our economy started to show signs of recovery and planning for the future was back on the agenda, albeit with some caution given the less positive international outlook.

"This year's survey highlights the change in mindset about the economy of many business leaders. While some believe the glass is half full, there is still some way to go before it is overflowing. This year, half of the top 20 risk concerns were rated lower than last year; the remaining half were still rated higher showcasing the caution present in the market."

Paul Venning, National General Manager of Aon Corporate Risk Services noted that it was of little surprise that damage to brand and image was the top risk concern for companies for the third year in a row. "It's an issue that is of particular concern to specific industries where brand and reputation are crucial to a business's success."

"However, more companies are becoming aware of the impact of brand on their value. If a company's brand is damaged, its entire business can be threatened," said Mr Venning.

Total Cost of Insurable Risk rises for the first time in five years

Total Cost of Insurable Risk (TCOIR), a key metric used by Aon to benchmark risk management spend, has risen for the first time in five years as a result of falling revenues suffered during the GFC.

TCOIR, which looks at the cost of insurance premiums, risk retained within the organisation, salaries for risk managers and brokerage fees as a proportion of revenue, plateaued in 2008/09 after dropping steadily for several years.

In line with expectations, median TCOIR rose to \$5.20 per \$1,000 of revenue, an increase of 15% on the previous year due to relatively stable premiums and decreasing revenue levels across the Australian economy.

Despite the rise, the figure is still below the pre GFC level in 2007/08 of \$6.14 per \$1,000 of revenue.

Aon Risk Services Chief Commercial Officer Jason Disborough said: "The rise in TCOIR is a product of decreasing company revenues, as risk transfer costs (premiums) have remained relatively constant over the past year. In 2010, we expect premiums to remain flat while revenues increase. Therefore TCOIR as a proportion of revenue may actually fall during the course of the year."

Mr Disborough added that the TCOIR metric should be treated with caution: "It only measures insurable risks, which typically represent approximately 30 to 40 per cent of an organisation's risk portfolio. TCOIR is a good measure but as risk management matures in the next five to ten years, the definition will likely become far broader."

The findings of Aon's 2009/10 Australasian Risk Management Benchmarking Survey are based on risk management information sourced from 535 major Australian and New Zealand corporate and public sector organisations in October and November 2009.

Ends

For further information, contact:

Sally Barwell or Catherine Woods
evolution media
Phone: +61 2 8969 6077
Mobile: +61 431 932 198
Email: aonnews@evolutionmedia.com.au

About the 2009/10 Australasian Risk Management Benchmarking Survey

Aon's Australasian Risk Management Benchmarking Survey is now in its eighth 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.

About Aon

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 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.au>.

Sign up to receive Aon news alerts by email or RSS feed at:
<http://aon.mediaroom.com/index.php?s=58>.

Safe Harbour Statement: <http://aon.mediaroom.com/index.php?s=67>

Aon Limited is authorised and regulated by the Financial Services Authority in respect of insurance mediation activities only.