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For immediate release

## Governance the #1 concern for Australasian corporates: Aon survey

SYDNEY, 28 May 2007- Corporate governance is the number one risk concern for Australian and New Zealand organisations - for the second year - according to Aon's 2006/07 Australasian Risk Management and Total Cost of Insurable Risk Survey.

Launching the results of Aon's latest annual study into risk trends and costs of managing and financing risk, Ross Castle, Aon Australia's National Manager Client Research and Development said Aon's risk survey identified the key risk concerns of corporate Australia and New Zealand.

"Now in its fifth year, this survey - the only study of its type in Australia - gives us a better understanding of how organisations are profiling, treating and financing their insurable risk," Castle said. "The key risk concern this year - corporate governance - reflects the sizeable regulatory burden currently facing Australian and New Zealand organisations and the heightened focus on directors and executives.

"The impact of the Australian Stock Exchange Best Practice Recommendations on Corporate Governance, the impact of Sarbanes-Oxley, and the introduction of International Financial Reporting Standards, as well as a myriad of other regulatory and compliance obligations is top of mind for Australian and New Zealand executives this year.

"And the role of the director and executive officer has become one of significant interest to all areas of the business community. Balancing social and environmental expectations, with the influx of regulation as well as delivering on financial performance expectations and guiding the future of the company is no easy task. The challenge for directors and executives however, is to avoid becoming so risk averse that they are strangled by compliance, as this results in a lack of innovation and a decrease in organisational performance.

"Along with corporate governance, systems risks (technology, information management and disaster recovery) and human resources (staff attraction and retention, employee injuries and absenteeism) were rated as the most critical risk concerns for 2006/07. Lack of innovation (failure to change/adapt) and market environment (economic, country and political risks, competitor actions and substitute markets) continued to emerge as increasingly important risk concerns."

According to Castle, risk defines every business. "Every strategy we develop is given shape by its attendant risks, every market we develop creates new exposures, and each new decision brings with it new contingencies which must be assessed and managed.

"Yet risk offers more than an obstacle to be overcome. Awareness of risk challenges us all to refine, or even redefine, our business models," he said. "Focussing on risk, understanding it and mitigating against it drives improvements and innovations across our organisations. This risk focus allows us to make better informed decisions and take steps to improve our internal controls. It also drives us to develop more effective governance structures."

Aon developed the Australasian Risk Management and Total Cost of Insurable Risk Survey to bridge the gap between understanding what it means to buy insurance versus what it means to look at

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insurance and risk within a broader financial management context.

This broader financial view inevitably leads to the concept of total cost of insurable risk - the costs incurred by a business (beyond the obvious insurance policy cost) to deliver a risk management strategy.

Organisations can use the results of Aon's 2006/07 Australasian Risk Management and Total Cost of Insurable Risk Survey to:

- benchmark their risk management and risk financing performance,
- better understand how Australian and New Zealand organisations are profiling, treating and financing risk, and
- compare their total cost of insurable risk compare with industry peers.

Other 2006/2007 findings include:

- Risk management has become an integral part of normal business life - one third of survey respondents now have a Chief Risk Officer,
- The evolving consciousness around risk management is now starting to swing towards the upside of risk,
- Risk management is on the increase but risk costs tumble further - the median total cost of insurable risk was down significantly to \$6.67 per \$1,000 of revenue, a decrease of 23.2% from last year,
- More Australian organisations (54%) are more actively involved in 'selling' their risks into the insurance market, than their New Zealand counterparts (20%),
- The number of respondents regularly checking the financial security of their insurers is up from 70% in 2005/06 to 84% this year, and
- QBE continues to be ranked as the 'most respected insurer' overall.

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**Editor's note** – Key survey findings + the executive summary + the top ten risks are attached.

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