

2nd Oliver Wyman / Financial Times Survey Finds Risk Management Practices Still Inadequate

NEW YORK, August 11, 2010 — The second Oliver Wyman / Financial Times **Global Emerging Risks Survey** of 650 senior executives at global companies with revenues of more than \$1 billion finds that most executives consider their firms' risk management practices to be inadequate. Despite significant investments in improving their risk management capabilities since the financial crisis first started, over 60% of senior managers still believe their firms are "ineffective" or only "moderately effective" at incorporating emerging risks into their decision making.

"I'm surprised at how little progress has been made. So many companies have worked to improve their risk management practices since the financial crisis started," says Oliver Wyman partner Alex Wittenberg. "Yet many of the current approaches to managing emerging risks are not providing companies with the business information they need, leaving many vulnerable to a wide range of potential sudden shocks."

The results clearly show that even with their renewed focus on managing risk, most companies still fail to take information about emerging risks into account. Emerging risks are defined as both new risks, such as this year's eruption of volcanic ash in Iceland, and familiar risks in unfamiliar conditions, as when volatile commodity prices suddenly become some of the largest costs for businesses such as airlines and consumer products manufacturers. That general lack of progress is especially troubling given that 71% of respondents view global recession as the greatest risk to their business.

This report makes recommendations for how risk management programs should address not only traditional risks but also new risks that threaten to change the rules of the game.

Reasons for the serious disconnect between companies' approaches to assessing risks and effectively using the information to make better decisions highlighted in the report include:

- Many boards of directors receive emerging risk information only infrequently.
- Many executives rely on basic, "static" risk analytics and tools rather than multidimensional approaches that take advantage of a wide range of outside data.
- Immediate and pressing financial events have pushed risks not directly related to their business, such as climate change or pandemics, off most executives' radar screens.

- Only half of executives surveyed integrate emerging risk information into their strategic planning process.

For more information about this report, please visit
http://www.oliverwyman.com/ow/risk_survey_2010.htm

About Oliver Wyman

Oliver Wyman's Corporate Risk consulting practice works closely with leading organizations to effectively manage risk, enabling them to make risk-adjusted strategy, investment, and capital allocation decisions that improve performance and optimize value creation.

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies (NYSE: MMC). For more information, visit www.oliverwyman.com.

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