

Greg Case, President and CEO, Aon plc
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Aon-COFCO 10th Anniversary Celebration - Shanghai

It is an honor for me to be here with all of you and to celebrate the 10th anniversary of Aon-COFCO.

You have a busy and productive agenda today, so I will try to keep my remarks brief.

On behalf of my risk colleagues, Owen Belman, Clare Wu and Sandeep Malik, who is the CEO of Aon Asia, as well as my reinsurance colleagues, Stephen Warwick, Helen Ye and Malcolm Steingold, the CEO of Aon Benfield APAC, I want you to know how much we appreciate having you here with us. For Aon, you represent the foundation, the lifeblood of our firm. Everything we do at Aon is focused on serving you. Our team, whether it is in China or anywhere else in the world, wakes up each day focusing on two things: how they can help a client, or how they can help a colleague help a client. That is our commitment to you.

Today is a tremendous tribute to the hard work of my colleagues here in China who provide distinctive value to our clients every day. Regardless of the constantly changing economic and political headwinds we all face, China continues to grow and Aon-COFCO constantly is taking the initiative to provide our clients, both local and global, with innovative risk management solutions to help them manage any opportunities that come with change.

When I last visited China in May, I had the honor and good fortune to meet with Chairman Xiang Junbo of the China Insurance Regulatory Commission. CIRC and China are very fortunate to have a man of such vision and foresight at the helm of such an important part of the government.

We very much appreciate the relationship we have in China with CIRC and all of the related departments in the government of Shanghai. They are very knowledgeable and understanding of the role of risk management in creating a successful and vibrant Chinese economy, and we are grateful for the positive exchange of ideas that we are able to have with them.

I also am very pleased that we have so many representatives from our clients and carriers here with us. We have more than 200 clients from all of our business lines and over 40 insurance companies both domestic and international. Thank you very much for being here with us.

I know there are many people here and it is very hard to acknowledge everyone. But I would like to specifically thank Mr. Ning, Chairman of COFCO, Mr. Yu, President of COFCO, and Madam Wu, Vice President of COFCO and Chairwoman of Aon-COFCO, as well as the other leaders of COFCO.

They have achieved tremendous results in the past 10 years for our clients and colleagues at Aon, and they are to be applauded for their achievements over that period of time.

Brief History of Aon-COFCO

And what a ten years it has been!

Ten years ago, Aon was the first foreign insurance firm to enter China and receive a license to operate. We were fortunate to form a joint venture with COFCO, and as a result of that partnership we were then permitted to provide insurance and reinsurance brokerage to clients in China.

Ten years ago we started with about 20 colleagues in just one location, and all we had was a property and casualty team.

Today, Aon –COFCO is the top global insurance broker in China with over 500 colleagues and with branch offices in six cities. We continue to build our business based on our proven results in providing clients with specific expertise in general property and casualty, specialty lines, health & benefits, and reinsurance.

And we are honored to have received a five-star rating from CIRC in their review of the quality of licensed insurance brokers operating in Shanghai.

Through our relationship with COFCO, whose wide presence throughout China provides unsurpassed knowledge of this market, Aon has been able to bring our global network of capabilities and expertise in risk management, reinsurance and human resources to companies in China that are expanding their domestic and international business operations.

We were very fortunate to create this partnership when we did. Today, China stands as the second largest economy in the world. It is the world's fourth largest insurance market, and also the most important emerging insurance market. The opportunity for continued growth is compelling.

Later today Clare Wu will hold a review on the 10-year success story that is Aon-COFCO, but speaking on behalf of our global management team, I want to say we look forward to continuing to provide unique value to our clients in China on what we think are two of the most important issues of the day – Risk and People.

The Aon View on Risk and People

I know many of you share some of the same concerns that I hear when I travel around the world to meet with clients.

The common theme I hear in those conversations is around managing Risk and People, and how they interrelate.

Companies in China and elsewhere know they must confront risk and understand its many dimensions. Everyone is fundamentally concerned with the growing magnitude of risk, its increasing complexity and speed. What our clients tell us is that when it comes to risk, they are focusing on minimizing a negative.

By contrast, working with people is all about maximizing a positive. Companies are looking at how they can create opportunity for their people, empower them to reach their potential, and ensure their well-being.

Although many of you come at the issues of Risk and People from a different perspective, at Aon we understand that you are driven by the same overall instinct – the desire for predictability. You want to know where the risk is coming from and how it will impact your organization. You want to know how you can control your own destiny and feel that the future of your company and of your people is secure.

For Aon, providing that predictability is crucial to helping our clients reach their potential. Addressing these types of challenges can be incredibly daunting, but we believe that the companies that address these issues directly stand to make tremendous gains versus those companies that choose to ignore them.

I know one of the things we will be talking about today is Aon's latest Global Risk Management Survey. I want to take a moment to talk about the results from this year's report.

We first introduced the Global Risk Management Survey in 2007. It was created to help decision makers stay abreast of emerging issues and to learn how their industry and regional peers are managing risks and capturing opportunities to grow their business.

This year's report reflects the comments of over 1,400 companies from 70 countries in all regions of the world, and was conducted in 10 different languages.

We asked CEOs, CFOs, risk managers, treasurers and other senior managers to give us their insights and feedback on their insurance and risk management choices, interests and concerns. Based on their feedback, we were able to rank the top 50 risks companies feel they are facing today.

In Asia, the top five risks were:

1. Economic slowdown/slow recovery
2. Increasing competition
3. Weather/natural disasters
4. Exchange rate fluctuation
5. Regulatory/legislative changes

And when we asked the respondents to look ahead to what they thought would be the top five projected risks in Asia in 2016, they said:

1. Economic slowdown/slow recovery
2. Increasing competition
3. Regulatory/legislative changes
4. Political risk/uncertainties
5. Cash flow/liquidity risk

And what we found even more interesting is that many respondents feel under prepared for the risks they are facing today, and are struggling to identify and manage the major risks facing their organizations.

The percentage of companies that reported being ready for these risks dropped significantly from 66 percent to 59 percent from our previous survey in 2011.

So how can companies better manage their risk in today's world?

Insurance can be part of the solution, and Aon-COFCO helps clients find the insurance that meets their needs at the best value for price. Insurance is a response to risk and often a vital one, but while you buy it in advance, it is something that only takes effect after the fact.

At Aon, we believe it makes just as much sense to assess risk and protect against it beforehand, to make sure potential problems do not lead to a full-blown crisis. We believe better risk management can strengthen a firm's balance sheet and in turn free up capital that can help companies like yours grow their businesses. This is one of the benefits of confronting risk.

Now that is the pure risk side of the equation. But earlier I also mentioned people, who are at the center of the most thought provoking and profound issues all of us face. And in contrast to risk, the people side of the equation is all about opportunity, empowerment, and well-being.

Whether it is retirement costs, pensions cost, healthcare costs, or the risk of losing your most experienced and valuable employees, collectively these issues disrupt lives and create huge volatility for companies.

We help clients understand these issues and reduce costs while simultaneously helping them provide meaningful and appealing benefits...benefits that help keep their people engaged and productive.

And we like to acknowledge those companies that get it right. In September we held our 2013 Best Employers China Awards ceremony in Shanghai.

The purpose of the study was to gain insights into companies that are creating a winning, competitive edge through their people. The study gives us a chance to explore what makes a workplace of choice for employees, and it also gives us the opportunity to identify and honor the Best Employers in the region.

This year's Aon Hewitt's Best Employers Study gave us some interesting results:

1. 63% of business leaders identified people issues as their top business challenges.
2. Best employers enjoy significantly higher engagement scores from their employees (85%) than the China market average (66%).
3. When it comes to leadership, 93% of Best Employers have a formal succession planning process compared to 71% of participating organizations. This means Best Employers are more easily able to promote internally to fill job openings than other firms.
4. And our research showed us that China employers need to pay special attention to Generation Y employees; those born between 1979-1990, as they are at "flight" risk. Gen Y employees are willing to explore opportunities outside their organization. Only 61% agree on "I rarely think about leaving the organization to work somewhere else" compared to 83% of Baby Boomers; those born between 1946-1964.

So, as we celebrate the 10-year anniversary of Aon-COFCO, I encourage you to think about risk and people in a different way. The desire to take on risk and the ability to understand it, despite its magnitude, complexity and speed, is a fundamental driver to the economy not only in China, but around the world.

Those companies that understand the potential of their people and provide them with opportunity empower them to make intelligent choices and provide for their well-being will be positioned for greater success.

Conclusion

In closing, we know that what our clients need to succeed are the right ideas and solutions to help them make better decisions. That is why we will continue to invest in innovative products, and in our people, to better serve you.

There is a profound shift taking place in the world today involving the management of risk and the leadership of people, the consequences of which are difficult to predict. There are challenges to be managed and opportunities to be captured. I know my colleagues at Aon-COFCO are ready to help you meet those challenges so that you can continue to serve your customers, develop your employees, and grow your businesses.

As I said at the beginning of my remarks, we truly value the relationships we have with all of you, and I know I speak for all of our team when I say we want to strengthen these partnerships going forward.

Thank you for joining us today, and I hope we all have the chance to get together to celebrate the 20-year anniversary of Aon-COFCO.