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**Corporate
News
Release**

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HUMAN CAPITAL RISK SEEN AS MOST SIGNIFICANT THREAT TO COMPANIES, ACCORDING TO A NEW SURVEY SPONSORED BY ACE

NEW YORK – May 30, 2007 – International risk managers see human capital risk as being the most significant threat facing their global business operations, according to a new survey conducted by the Economist Intelligence Unit and sponsored by the ACE Group of Companies.

The survey's findings show that human capital risk, such as skills shortages, succession issues and the loss of key personnel, were seen by respondents as being more significant than threats from reputational risk, information technology risk, political risk and regulatory risk. This represents a change from a year ago, when reputational risk was perceived in the Economist Intelligence Unit's quarterly risk barometer survey as being the biggest threat that respondents faced.

Despite acknowledging the importance of the skills issue, just 32% of the survey respondents say that they manage human capital risk effectively. The only areas where they feel less confident are risks associated with terrorism and climate change.

The Economist Intelligence Unit surveyed 218 executives around the world about their approach to risk management and their perception of the key challenges and opportunities facing the function.



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Respondents represent a wide range of industries and regions, with roughly one-third each from Asia and Australasia, North America and Western Europe. Approximately 50% of respondents represent businesses with annual revenue of more than US\$500 million.

“The survey shows that human capital risks have emerged as the most threatening that companies now face,” said John Keogh, Chief Executive Officer, ACE Overseas General. “Yet few respondents think that they are managing these risks effectively. There is still much work that needs to be done in understanding and establishing an approach to deal with risks associated with issues such as skills shortages, succession issues and loss of key personnel.”

Other key findings of the report include:

- **Corporate stakeholders are demanding improvement to risk management.** Efforts in risk management are being driven by internal and external factors. The board is seen as the most important internal driver for strengthening risk management, while the main external drivers are the demands of regulators and investors.
- **Risk permeates the organization.** The risk management function has evolved to become a core area of business practice, driven by the board but embedded at every level of the organization. Respondents identify strong culture and awareness of risk throughout the organization as the key determinant of success.
- **Companies are creating a C-level manager for risk.** The practice of appointing a Chief Risk Officer (CRO) to carry responsibility for developing and implementing the risk management framework is reaching maturity, with most of those companies that favor the approach having already adopted it. The approach is most popular in the financial sector, where two-thirds of firms have appointed, or plan to appoint, a CRO.



- **An increase in investment is predicted.** Firms of all sizes and in all areas of the world are planning to increase investment in most areas of risk management over the coming years, suggesting that this business discipline, although evolving rapidly, will continue to expand and deepen its reach within organizations.

For further information or a copy of the report, please visit www.acelimited.com or [www.eiu.com/global risk](http://www.eiu.com/global_risk).

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