

Aon plc
Form 10-K
February 22, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-7933

Aon plc

(Exact name of registrant as specified in its charter)

ENGLAND AND WALES
(State or Other Jurisdiction of
Incorporation or Organization)

98-1030901
(I.R.S. Employer
Identification No.)

**8 DEVONSHIRE SQUARE,
LONDON, ENGLAND**
(Address of principal executive offices)

EC2M 4PL
(Zip Code)

+44 20 7623 5500

(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Name of Each Exchange
Class A Ordinary Shares, \$0.01 nominal value

**Title of Each Class
on Which Registered**
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES ☐ NO ☒

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company.)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of June 30, 2012, the aggregate market value of the registrant's Class A Ordinary Shares held by non-affiliates of the registrant was \$15,082,178,035 based on the closing sales price as reported on the New York Stock Exchange Composite Transaction Listing.

Number of Class A Ordinary Shares of Aon plc, \$0.01 nominal value, outstanding as of January 31, 2013: 311,573,644.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Aon plc's Proxy Statement for the 2013 Annual General Meeting of Shareholders to be held on May 17, 2013 are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

PART I

Item 1. Business.

OVERVIEW

Aon plc's strategy is to be the preeminent professional service firm in the world, focused on the topics of risk and people. Aon plc (which may be referred to as "Aon," "the Company," "we," "us," or "our") is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, delivering distinctive client value via innovative and effective risk management and workforce productivity solutions. Our predecessor, Aon Corporation, was incorporated in 1979 under the laws of Delaware. Aon is the parent corporation of both long-established and acquired companies. On April 2, 2012, we completed the change of our jurisdiction of incorporation from Delaware to the U.K. and moved our corporate headquarters to London. Additionally, we completed a reorganization of our corporate structure of the group of companies controlled by our predecessor, Aon Corporation, as holding company of the Aon group, pursuant to which Aon Corporation merged with one of its indirect, wholly-owned subsidiaries and Aon plc became the publicly-held parent company of the Aon group. We sometimes refer to this transaction herein as the Redomestication. Moving our global headquarters to the U.K. is expected to enhance our focus on growth, product and broking innovations at Aon Broking, talent development and financial flexibility. The transaction is expected to support our strategy and is expected to deliver significant value to our shareholders.

We have approximately 65,000 employees and conduct our operations through various subsidiaries in more than 120 countries and sovereignties.

We serve clients through the following reportable segments:

Risk Solutions acts as an advisor and insurance and reinsurance broker, helping clients manage their risks via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.

HR Solutions partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment consulting, health care, compensation and talent management strategies.

Our clients are globally diversified and include all segments of the economy (individuals through personal lines, mid-market companies and large global companies) and every industry in the economy in over 120 countries globally. This diversification of our customer base provides stability in different economic scenarios that may affect specific industries, customer segments or geographies.

Over the last five years we have focused our portfolio on higher margin, capital light professional services businesses that have high recurring revenue streams and strong free cash flow generation. Aon drives its capital decision making process around return on invested capital ("ROIC"). This focus on ROIC, measured on a cash on cash basis, led to a number of significant portfolio changes:

In April 2008, we completed the sale of our Combined Insurance Company of America ("CICA") and Sterling Insurance Company ("Sterling") subsidiaries, which represented the majority of the operations of our former Insurance Underwriting segment.

In August 2009, we completed the sale of our remaining property and casualty insurance underwriting operations that were in run-off. The results of all of these operations are reported in discontinued operations for all periods presented.

In November 2008, we expanded our Risk Solutions product offerings through the merger with Benfield Group Limited ("Benfield"), a leading independent reinsurance intermediary. Benfield products have been integrated with our existing reinsurance products.

In October 2010, we completed the acquisition of Hewitt Associates, Inc. ("Hewitt"), one of the world's leading human resource consulting and outsourcing companies. Hewitt operates globally together with Aon's existing consulting and outsourcing operations under the newly created Aon Hewitt brand in our HR Solutions segment.

Following the acquisitions of Benfield in 2008 and Hewitt in 2010, the Company has successfully transformed the portfolio towards higher-margin, capital light professional services businesses with 66% of total revenues in Risk Solutions and 34% of total revenues in HR Solutions, resulting in higher-margin recurring revenue streams and strong free cash flow generation characteristics.

BUSINESS SEGMENTS

Risk Solutions

The Risk Solutions segment generated approximately 66% of our consolidated total revenues in 2012, and has approximately 31,000 employees worldwide. We provide risk and insurance brokerage and related services in this segment.

Principal Products and Services

We operate in this segment through two similar transactional product lines: retail brokerage and reinsurance brokerage. In addition, a key component of this business is our risk consulting services.

Retail brokerage encompasses our retail brokerage services, affinity products, managing general underwriting, placement, and captive management services. The Americas' operations provide products and services to clients in North, Central and South America, the Caribbean, and Bermuda. Our International operations in the United Kingdom; Europe, Middle East and Africa; and Asia Pacific offer similar products and services to clients throughout the rest of the world.

Our employees draw upon our global network of resources, industry-leading data and analytics, and specialized expertise to deliver value to clients ranging from small and mid-sized businesses to multi-national corporations. We work with clients to identify their business needs and help them assess and understand their total cost of risk. Once we have gained an understanding of our clients' risk management needs, we are able to leverage our global network and implement a customized risk approach with local Aon resources. The outcome is a comprehensive risk solution provided locally and personally. The Aon Client Promise® enables our colleagues around the globe to describe, benchmark and price the value we deliver to clients in a unified approach, based on the ten most important criteria that our clients believe are critical to managing their total cost of risk.

Knowledge and foresight, unparalleled benchmarking and carrier knowledge are the qualities at the heart of our professional services excellence. Delivering superior value to clients and differentiation from competitors will be driven through key Aon Broking initiatives, such as the development of the Global Risk Insight Platform® ("GRIP") in 2010, which uniquely positions us to provide our clients and insurers with additional market insight as well as new product offerings and facilities. GRIP helps insurers strengthen their value proposition to Aon clients by providing them with cutting-edge analytics in preparation for renewal season and business planning consultation regarding strategy, definition of risk appetite, and areas of focus. GRIP provides our clients with insights into market conditions, premium rates and best practices in program design, across all industries and economic centers.

As a retail broker, we serve as an advisor to clients and facilitate a wide spectrum of risk management solutions for property liability, general liability, professional and directors' and officers'

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liability, workers' compensation, various healthcare products, as well as other exposures. Our business is comprised of several specialty areas structured around specific product and industry needs.

We deliver specialized advice and services in such industries as technology, financial services, agribusiness, aviation, construction, health care and energy, among others. Through our global affinity business, we provide products for professional liability, life, disability income and personal lines for individuals, associations and businesses around the world.

In addition, we are a major provider of risk consulting services, including captive management, that provide our clients with alternative vehicles for managing risks that would be cost-prohibitive or unavailable in traditional insurance markets.

Our health and benefits consulting practice advises clients about structuring, funding, and administering employee benefit programs, which attract, retain, and motivate employees. Benefits consulting and brokerage includes health and welfare, executive benefits, workforce strategies and productivity, absence management, data-driven health, compliance, employee commitment, and elective benefits services.

Reinsurance brokerage offers sophisticated advisory services in program design and claim recoveries that enhance the risk/return characteristics of insurance policy portfolios, improve capital utilization, and evaluate and mitigate catastrophic loss exposures worldwide. An insurance or reinsurance company may seek reinsurance or other risk-transfer solutions on all or a portion of the risks it insures. To accomplish this, our reinsurance brokerage services use dynamic financial analysis and capital market alternatives, such as transferring catastrophe risk through securitization. Reinsurance brokerage also offers capital management transaction and advisory services.

We act as a broker or intermediary for all classes of reinsurance. We place two main types of property and casualty reinsurance: treaty reinsurance, which involves the transfer of a portfolio of risks, and facultative reinsurance, which entails the transfer of part or all of the coverage provided by a single insurance policy. We also place specialty lines such as professional liability, workers' compensation, accident, life and health.

We also provide actuarial, enterprise risk management, catastrophe management and rating agency advisory services. We have developed tools and models that help our clients understand the financial implications of natural and man-made catastrophes around the world. Aon Benfield Securities provides global capital management transaction and advisory services for insurance and reinsurance clients. In this capacity, Aon Benfield Securities is recognized as a leader in:

the structuring, underwriting and trading of insurance-linked securities;

the arrangement of financing for insurance and reinsurance companies, including Lloyd's syndicates; and

providing advice on strategic and capital alternatives, including mergers and acquisitions.

In addition, our Inpoint business is a leading provider of consulting services to the insurance and reinsurance industry, helping carriers improve their performance to achieve growth and profitability.

Compensation

Our Risk Solutions segment generates revenues through commissions, fees from clients, and compensation from insurance and reinsurance companies for services we provide to them. Commission rates and fees vary depending upon several factors, which may include the amount of premium, the type of insurance or reinsurance coverage provided, the particular services provided to a client, insurer or reinsurer, and the capacity in which we act. Payment terms are consistent with current industry practice.

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We typically hold funds on behalf of clients as a result of premiums received from clients and claims due to clients that are in transit to and from insurers. These funds held on behalf of clients are generally invested in interest-bearing premium trust accounts and can fluctuate significantly depending on when we collect cash from our clients and when premiums are remitted to the insurance carriers. We earn interest on these accounts; however, the principal is segregated and not available for general operating purposes.

Competition

The Risk Solutions business is highly competitive and very fragmented, and we compete with two other global insurance brokers, Marsh & McLennan Companies, Inc. and Willis Group Holdings Ltd., as well as numerous specialists, regional and local firms in almost every area of our business. We also compete with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents; and with other businesses that do not fall into the categories above, including commercial and investment banks, accounting firms, and consultants that provide risk-related services and products.

Seasonality

The Risk Solutions segment typically experiences higher revenues in the first and fourth calendar quarters of each year, primarily due to the timing of policy renewals.

HR Solutions

The HR Solutions segment generated approximately 34% of our consolidated total revenues in 2012, and has approximately 29,000 employees worldwide with operations in the U.S., Canada, the U.K., Europe, South Africa, Latin America, and the Asia Pacific region.

Principal Products and Services

We provide products and services in this segment primarily under the Aon Hewitt brand, which was formed following the acquisition of Hewitt.

Aon Hewitt works to maximize the value of clients' human resources spending, increase employee productivity, and improve employee performance. Our approach addresses a trend towards more diverse workforces (demographics, nationalities, cultures and work/lifestyle preferences) that require more choices and flexibility among employers so that they can provide benefit options suited to individual needs.

We work with our clients to identify options in human resource outsourcing and process improvements. The primary areas where companies choose to use outsourcing services include benefits administration, core human resource processes, workforce and talent management.

Aon Hewitt offers a broad range of human capital services in the following practice areas:

Retirement specializes in providing global actuarial services, defined contribution consulting, pension de-risking, tax and ERISA consulting, and pension administration.

Compensation focuses on compensation advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness assessments, with special expertise in the financial services and technology industries.

Strategic Human Capital delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding,

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performance management, leadership assessment and development, communication strategy, workforce training and change management.

Investment consulting advises public and private companies, other institutions and trustees on developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments and foundations.

Benefits Administration applies our HR expertise primarily through defined benefit (pension), defined contribution (401(k)), and health and welfare administrative services. Our model replaces the resource-intensive processes once required to administer benefit plans with more efficient, effective, and less costly solutions.

Exchanges is building and operating health care exchanges that provide employers with a cost effective alternative to traditional employee and retiree healthcare, while helping individuals select the insurance that best meets their needs.

Human Resource Business Process Outsourcing ("HR BPO") provides market-leading solutions to manage employee data; administer benefits, payroll and other human resources processes; and record and manage talent, workforce and other core HR process transactions as well as other complementary services such as absence management, flexible spending, dependent audit and participant advocacy.

Compensation

HR Solutions revenues are principally derived from fees paid by clients for advice and services. In addition, insurance companies pay us commissions for placing individual and group insurance contracts, primarily life, health and accident coverages, and pay us fees for consulting and other services that we provide to them. Payment terms are consistent with current industry practice.

Competition

Our HR Solutions business faces strong competition from other worldwide and national consulting companies, as well as regional and local firms. Competitors include independent consulting firms and consulting organizations affiliated with accounting, information systems, technology, and financial services firms, large financial institutions, and pure play outsourcers. Some of our competitors provide administrative or consulting services as an adjunct to other primary services. We believe that we are one of the leading providers of human capital services in the world.

Seasonality

Due to buying patterns in the markets we serve, revenues tend to be slightly higher in the fourth quarter.

Licensing and Regulation

Our business activities are subject to licensing requirements and extensive regulation under the laws of countries in which we operate, as well as U.S. federal and state laws. See the discussion contained in the "Risk Factors" section in Part I, Item 1A of this report for information regarding how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our business.

Risk Solutions

Regulatory authorities in the states or countries in which the operating subsidiaries of our Risk Solutions segment conduct business may require individual or company licensing to act as producers,

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brokers, agents, third party administrators, managing general agents, reinsurance intermediaries, or adjusters.

Under the laws of most states in the U.S. and most foreign countries, regulatory authorities have relatively broad discretion with respect to granting, renewing and revoking producers', brokers' and agents' licenses to transact business in the state or country. The operating terms may vary according to the licensing requirements of the particular state or country, which may require, among other things that a firm operates in the state or country through a local corporation. In a few states and countries, licenses may be issued only to individual residents or locally owned business entities. In such cases, our subsidiaries either have such licenses or have arrangements with residents or business entities licensed to act in the state or country.

Our subsidiaries must comply with laws and regulations of the jurisdictions in which they do business. These laws and regulations are enforced by federal and state agencies in the U.S., by the Financial Services Authority ("FSA") in the U.K., and by various regulatory agencies and other supervisory authorities in other countries through the granting and revoking of licenses to do business, licensing of agents, monitoring of trade practices, policy form approval, limits on commission rates, and mandatory remuneration disclosure requirements.

Insurance authorities in the U.S. and certain other jurisdictions in which our subsidiaries operate, including the FSA in the U.K., also have enacted laws and regulations governing the investment of funds, such as premiums and claims proceeds, held in a fiduciary capacity for others. These laws and regulations generally require the segregation of these fiduciary funds and limit the types of investments that may be made with them.

Further, certain of our business activities within the Risk Solutions segment are governed by other regulatory bodies, including investment, securities and futures licensing authorities. In the U.S., we use Aon Benfield Securities, Inc., a U.S.-registered broker-dealer and investment advisor, member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation, and an indirect, wholly owned subsidiary of Aon, for capital management transaction and advisory services and other broker-dealer activities.

Set forth below is a description of a matter reported pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. Concurrently with this annual report, we are filing a notice pursuant to Section 13(r) of the Exchange Act that the matter has been disclosed in this annual report.

In or around June 2005, the reinsurance brokerage business of a U.K.-based Aon subsidiary placed two reinsurance policies on behalf of insurance carriers Asia Insurance Company and Central Insurance Iran (Bimeh Markazi) (the "Primary Carriers"), each of which is believed to be affiliated with the Government of Iran. Each policy related to the reinsurance of a portion of the Primary Carriers' insurance coverage of Mahan Air, an Iranian airline that, on October 12, 2011, was added to the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the U.S. Department of Treasury. Beginning around June 2006, in connection with a loss covered by the reinsurance policies, the Primary Carriers sought to recover approximately \$600,000 in reinsurance claims on behalf of Mahan Air. The claims funds were remitted by reinsurers to the Aon U.K. subsidiary, but, pursuant to company policy, the Aon subsidiary placed a hold on the funds and did not release the payment to the Primary Carriers due to the involvement of Specially Designated Nationals ("SDNs"). These activities occurred prior to the date on which the Aon U.K. subsidiary became subject to what is now the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560.

During 2012, a representative of the Primary Carriers inquired on two occasions as to whether the funds could be released. On both occasions, the Aon U.K. subsidiary advised that due to Aon policy, the funds could not be released because of Mahan Air's status as an SDN. The Aon U.K. subsidiary

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did not earn any revenue or net income in 2012 from these activities, and it intends to continue to hold the property in accordance with company policy and applicable laws.

HR Solutions

Certain of the retirement-related consulting services provided by Aon Hewitt and its subsidiaries and affiliates are subject to the pension and financial laws and regulations of applicable jurisdictions, including oversight and/or supervision by the Securities and Exchange Commission ("SEC") in the U.S., the FSA in the U.K., and regulators in other countries. Aon Hewitt subsidiaries that provide investment advisory services are regulated by various U.S. federal authorities including the SEC and FINRA, as well as authorities on the state level. In addition, other services provided by Aon Hewitt and its subsidiaries and affiliates, such as trustee services, and retirement and employee benefit program administrative services, are subject in various jurisdictions to pension, investment, and securities and/or insurance laws and regulations and/or supervision by national regulators.

Clientele

Our clients operate in many businesses and industries throughout the world. No one client accounted for more than 1% of our consolidated total revenues in 2012. Additionally, we place insurance with many insurance carriers, none of which individually accounted for more than 10% of the total premiums we placed on behalf of our clients in 2012.

Segmentation of Activity by Type of Service and Geographic Area of Operation

Financial information relating to the types of services provided by us and the geographic areas of our operations is incorporated herein by reference to Note 18 "Segment Information" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

Employees

At December 31, 2012, we employed approximately 66,000 employees, of which approximately 23,000 worked in the U.S.

Information Concerning Forward-Looking Statements

This report contains certain statements related to future results, or states our intentions, beliefs and expectations or predictions for the future which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations or forecasts of future events. They use words such as "anticipate," "believe," "estimate," "expect," "forecast," "project," "intend," "plan," "potential," and other similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would." You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. For example, we may use forward-looking statements when addressing topics such as: market and industry conditions, including competitive and pricing trends; changes in our business strategies and methods of generating revenue; the development and performance of our services and products; changes in the composition or level of our revenues; our cost structure and the outcome of cost-saving or restructuring initiatives; the outcome of contingencies; dividend policy; the expected impact of acquisitions and dispositions; pension obligations; cash flow and liquidity; future actions by regulators; and the impact of changes in accounting rules. These forward-looking statements are subject to certain

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risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. Potential factors that could impact results include:

general economic conditions in different countries in which Aon does business around the world, including conditions in the European Union relating to sovereign debt and the continued viability of the Euro;

changes in the competitive environment;

changes in global equity and fixed income markets that could influence the return on invested assets;

changes in the funding status of our various defined benefit pension plans and the impact of any increased pension funding resulting from those changes;

rating agency actions that could affect our ability to borrow funds;

fluctuations in exchange and interest rates that could impact revenue and expense;

the impact of class actions and individual lawsuits including client class actions, securities class actions, derivative actions and ERISA class actions;

the impact of any investigations brought by regulatory authorities in the U.S., U.K. and other countries;

the cost of resolution of other contingent liabilities and loss contingencies, including potential liabilities arising from errors and omission claims against us;

failure to retain and attract qualified personnel;

the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our business and the possibility of conflicting regulatory requirements across jurisdictions in which we do business;

the effect of the Redomestication on our operations and financial results, including the reaction of our clients, employees and other constituents, the effect of compliance with applicable U.K. regulatory regimes or the failure to realize some or all of the anticipated benefits;

the extent to which we retain existing clients and attract new businesses and our ability to incentivize and retain key employees;

the extent to which we manage certain risks created in connection with the various services, including fiduciary and advisory services, among others, that we currently provide, or will provide in the future, to clients;

the possibility that the expected efficiencies and cost savings from the acquisition of Hewitt will not be realized, or will not be realized within the expected time period;

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the risk that the Hewitt businesses will not be integrated successfully;

our ability to implement restructuring initiatives and other initiatives intended to yield cost savings, and the ability to achieve those cost savings;

the potential of a system or network disruption resulting in operational interruption or improper disclosure of personal data;

any inquiries relating to compliance with the U.S. Foreign Corrupt Practices Act ("FCPA") and non-U.S. anti-corruption laws and with U.S. and non-U.S. trade sanctions regimes; and

our ability to grow and develop companies that we acquire or new lines of business.

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Any or all of our forward-looking statements may turn out to be inaccurate, and there are no guarantees about our performance. The factors identified above are not exhaustive. Aon and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, readers should not place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement that we may make from time to time, whether as a result of new information, future events or otherwise. Further information about factors that could materially affect Aon, including our results of operations and financial condition, is contained in the "Risk Factors" section in Part I, Item 1A of this report.

Website Access to Reports and Other Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are made available free of charge through our website (<http://www.aon.com>) as soon as practicable after such material is electronically filed with or furnished to the SEC. Also posted on our website are the charters for our Audit, Compliance, Organization and Compensation, Governance/Nominating and Finance Committees, our Governance Guidelines and our Code of Business Conduct. Within the time period required by the SEC and the New York Stock Exchange ("NYSE"), we will post on our website any amendment to or waiver of the Code of Business Conduct applicable to any executive officer or director. The information provided on our website is not part of this report and is therefore not incorporated herein by reference.

Item 1A. Risk Factors.

The risk factors set forth below reflect certain risks associated with existing and potential lines of business and contain "forward-looking statements" as discussed in the "Business" Section of Part I, Item 1 of this report. Readers should consider them in addition to the other information contained in this report as our business, financial condition or results of operations could be adversely affected if any of these risks actually occur.

The following are certain risks related to our businesses specifically and the industries in which we operate generally that could adversely affect our business, financial condition and results of operations and cause our actual results to differ materially from those stated in the forward-looking statements in this document and elsewhere. These risks are not presented in order of importance or probability of occurrence.

Risks relating to the Company generally

Competitive Risks

An overall decline in economic activity could have a material adverse effect on the financial condition and results of operations of each of our business lines.

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our Risk Solutions business. The economic activity that impacts property and casualty insurance is most closely correlated with employment levels, corporate revenue and asset values. Downward fluctuations in the year-over-year insurance premium charged by insurers to protect against the same risk, referred to in industry parlance as softening of the insurance market, could adversely affect our Risk Solutions business as a significant portion of the earnings are determined as a percentage of premium charged to our clients. A growing number of insolvencies associated with an economic downturn, especially insolvencies in the insurance industry, could adversely affect our brokerage business through the loss of clients, by hampering our ability to place insurance and reinsurance business or by exposing us to error and omissions claims, referred to here as E&O claims.

The results of our HR Solutions business are generally affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets these clients serve. Economic downturns in some markets may cause reductions in technology and discretionary spending by our clients, which may result in reductions in the growth of new business as well as reductions in existing business. If our clients become financially less stable, enter bankruptcy or liquidate their operations, our revenues and/or collectibility of receivables could be adversely affected. In addition, our revenues from many of our outsourcing contracts depend upon the number of our clients' employees or the number of participants in our clients' employee benefit plans and could be adversely affected by layoffs. We may also experience decreased demand for our services as a result of postponed or terminated outsourcing of human resources functions or reductions in the size of our clients' workforce. Reduced demand for our services could increase price competition. Some portion of our services may be considered by our clients to be more discretionary in nature and thus, demand for these services may be impacted by reductions in economic activity.

We face significant competitive pressures in each of our businesses.

We believe that competition in our Risk Solutions segment is based on service, product features, price, commission structure, financial strength and ability to access certain insurance markets and name recognition. In particular, we compete with a large number of national, regional and local insurance companies and other financial services providers and brokers.

Our HR Solutions segment competes with a large number of independent firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms around the world. Many of our competitors in this area are expanding the services they offer or reducing prices in an attempt to gain additional business. Additionally, some competitors have established, and are likely to continue to establish, cooperative relationships among themselves or with third parties to increase their ability to address client needs.

Competitors in each of our lines of business may have greater financial, technical and marketing resources, larger customer bases, greater name recognition, stronger international presence and more established relationships with their customers and suppliers than we have. In addition, new competitors, alliances among competitors or mergers of competitors could emerge and gain significant market share, and some of our competitors may have or may develop a lower cost structure, adopt more aggressive pricing policies or provide services that gain greater market acceptance than the services that we offer or develop. Large and well-capitalized competitors may be able to respond to the need for technological changes and innovate faster, or price their services more aggressively. They may also compete for skilled professionals, finance acquisitions, fund internal growth and compete for market share more effectively than we do. To respond to increased competition and pricing pressure, we may have to lower the cost of our services or decrease the level of service provided to clients, which could have an adverse effect on our revenues and profit margin.

Financial Risks

Uncertainty surrounding the ability of various European countries to satisfy their debt obligations, questions surrounding the future of the Eurozone, instability surrounding economic conditions in Europe and the Euro generally could each have an adverse impact on our business, financial condition, operating results, liquidity and prospects for growth.

Continued concerns regarding the ability of certain European countries to service their outstanding debt have given rise to instability in the global credit and financial markets. This instability has in turn led to questions regarding the future viability of the Euro as the common currency for the area as various scenarios could result in some countries choosing to return to their former local currencies in an effort to regain control over their domestic economies. This uncertainty has had a dampening effect on growth potential in Europe, and if it continues to deteriorate, may have a material negative impact

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on our European business as well as that of our clients. Further, any development that has the effect of devaluing or replacing the Euro could meaningfully reduce the value of our assets or profitability denominated in that currency, potentially result in charges to our statement of operations and reduce the usefulness of liquidity alternatives denominated in that currency such as our Euro Credit Facility.

We also deposit some of our cash, including cash held in a fiduciary capacity, with certain European financial institutions. While we are constantly monitoring and managing exposures associated with those deposits, to the extent the uncertainty surrounding economic stability in Europe and the future viability of the Euro currency suddenly and adversely impacts those financial institutions, some or all of those cash deposits could be at risk.

Our pension obligations could adversely affect our shareholders' equity, net income, cash flow and liquidity.

To the extent that the pension obligations associated with our major plans continue to exceed the fair value of the assets supporting those obligations, our financial position and results of operations may be adversely affected. In certain years there have been declines in interest rates. As a result of lower interest rates and investment returns, the present value of plan liabilities increased faster than the value of plan assets, resulting in higher unfunded positions in several of our major pension plans.

We currently plan to contribute approximately \$548 million to our major pension plans in 2013, although we may elect to contribute more. Total cash contributions to these pension plans in 2012 were \$638 million, which was an increase of \$161 million when compared to 2011.

The significance of our worldwide pension plans means that our pension contributions and expense are comparatively sensitive to various market factors. These factors include equity and bond market returns, the assumed interest rates we use to discount our pension liabilities, foreign exchange rates, rates of inflation, mortality assumptions, potential regulatory and legal changes and counterparty exposure from various investments and derivative contracts, including annuities. Variations in any of these factors could cause significant changes to our financial position and results of operations from year to year.

The periodic revision of pension assumptions can materially change the present value of expected future benefits, and therefore the funded status of the plans and resulting net periodic pension expense. Changes in our pension benefit obligations and the related net periodic pension expense or credits may occur in the future due to any variance of actual results from our assumptions. As a result, there can be no assurance that we will not experience future changes in the funded status of our plans, shareholders' equity, net income, cash flow and liquidity or that we will not be required to make additional cash contributions in the future beyond those that have been estimated.

We have debt outstanding that could adversely affect our financial flexibility.

As of December 31, 2012, we had total consolidated debt outstanding of approximately \$4.2 billion. The level of debt outstanding each period could adversely affect our financial flexibility. We also bear risk at the time debt matures.

We have two primary committed credit facilities outstanding, one contracted in the U.S., and the other contracted in Europe. The U.S. facility totals \$400 million and matures in March 2017. It is intended as a back-up against commercial paper or to address capital needs. The Euro facility totals €650 million (\$860 million based on exchange rates at December 31, 2012) and matures in October 2015. It is intended to be used as a revolving working capital line. At December 31, 2012, we had no borrowings under either of these credit facilities. Both facilities require certain representations and warranties to be made before drawing and both have similar financial covenants. At December 31, 2012, we could make all representations and warranties and were in compliance with all financial covenants.

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A substantial portion of our outstanding debt contains financial and other covenants. The terms of this indebtedness may limit our ability to obtain, or increase the costs of obtaining, additional financing to fund working capital, capital expenditures, additional acquisitions or general corporate requirements. This in turn may have the impact of reducing our flexibility to respond to changing business and economic conditions, thereby placing us at a relative disadvantage compared to competitors that have less indebtedness and making us more vulnerable to general adverse economic and industry conditions.

Our ability to make interest and principal payments, to refinance our debt obligations and to fund planned capital expenditures will depend on our ability to generate cash from operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. It will also reduce the availability to use that cash for other purposes, including working capital, dividends to shareholders, share repurchases, acquisitions, capital expenditures and general corporate purposes.

If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all.

A decline in the credit ratings of our senior debt and commercial paper may adversely affect our borrowing costs, access to capital, and financial flexibility.

A downgrade in the credit ratings of our senior debt and commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, and reduce our financial flexibility. Our senior debt ratings at December 31, 2012 were BBB+ with a stable outlook (Standard & Poor's and Fitch, Inc.) and Baa2 with a stable outlook (Moody's Investor Services). Our commercial paper ratings were A-2 (S&P), F-2 (Fitch) and P-2 (Moody's).

Changes in interest rates and deterioration of credit quality could reduce the value of our cash balances and investment portfolios and adversely affect our financial condition or results.

Operating funds available for corporate use and funds held on behalf of clients and insurers were \$637 million and \$4.0 billion, respectively, at December 31, 2012. These funds are reported in Cash and cash equivalents, Short-term investments, and Fiduciary assets. We also carry an investment portfolio of other long-term investments. As of December 31, 2012, these long-term investments had a carrying value of \$165 million. Changes in interest rates and counterparty credit quality, including default, could reduce the value of these funds and investments, thereby adversely affecting our financial condition or results. For example, changes in interest rates directly affect our income from cash balances and short-term investments. Similarly, general economic conditions, stock market conditions, financial stability of the investees and other factors beyond our control affect the value of our long-term investments. And, our cash holdings, including cash held in our fiduciary capacity, are subject to the credit, liquidity and other risks faced by our financial institution counterparties.

While we regularly measure, monitor and mitigate our exposure to these risks, a deterioration in the credit or liquidity of any of these counterparties, particularly if sudden or severe, could in turn adversely affect us. We also assess our portfolio for other-than-temporary impairments. For investments in which the fair value is less than the carrying value and the impairment is deemed to be other-than-temporary, we recognize a loss in the Consolidated Statement of Income.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in exchange rates of currencies other than our functional currency, the U.S. Dollar. These exposures may change over time, and they could have a material adverse impact on our financial results and cash flows. Our five largest exposures are the British Pound, Euro, Australian Dollar, Canadian Dollar and Indian Rupee. Historically, more than half of our operating income has been non-U.S. Dollar denominated, therefore, a weaker U.S. Dollar versus the Euro, Australian Dollar and Canadian Dollar, would produce more profitable results in our consolidated financial statements. We also face transactional exposure between the U.S. Dollar revenue and British Pound expense. In the U.K., part of our revenue is denominated in U.S. Dollars, although our operating expenses are denominated in British Pounds. Therefore, a stronger U.S. Dollar versus the British Pound would produce more profitable results in our consolidated financial statements. We would also benefit from a stronger U.S. Dollar versus the Indian Rupee. Additionally, we have exposures to emerging market currencies, which can have significant currency volatility. An increase in the value of the U.S. Dollar relative to foreign currencies could increase the cost to our customers in foreign markets where we receive our revenue in U.S. Dollars, and a weakened U.S. Dollar could potentially affect demand for our services.

Although we use various derivative financial instruments to help protect against adverse foreign exchange rate fluctuations, we cannot eliminate such risks, and changes in exchange rates may adversely affect our results.

We may not realize all of the expected benefits from our Aon Hewitt restructuring plan.

In 2010, after completion of the acquisition of Hewitt, we announced a global restructuring plan referred to as the Aon Hewitt Plan. The Aon Hewitt Plan, which will continue into 2013, is intended to streamline operations across the combined organization. The Aon Hewitt Plan is expected to result in cumulative costs of approximately \$325 million through the end of the plan, all of which will be included in our Consolidated Statements of Income, primarily encompassing workforce reduction and real estate rationalization costs. The total estimated cost of \$325 million consists of approximately \$192 million in employee termination costs and approximately \$133 million in real estate rationalization costs. An estimated 2,000 positions globally, predominantly non-client facing, are expected to be eliminated as part of the Aon Hewitt Plan. As of December 31, 2012, in excess of 1,900 jobs have been eliminated under this plan and \$255 million of charges have been recognized in our Consolidated Statements of Income.

We expect to achieve total annual savings of \$355 million in 2013, including approximately \$280 million of annual savings related to the Aon Hewitt Plan, of which \$52 million is expected to be achieved in Risk Solutions and \$228 million is expected to be achieved in HR Solutions, and additional savings in areas such as information technology, procurement and public company costs. Actual total savings, costs and timing may vary materially from those estimated due to changes in the scope or assumptions underlying the restructuring plan. We therefore cannot assure that we will achieve the targeted savings.

The expected benefits of our Redomestication may not be realized or may be offset in whole or in part by related costs.

There can be no assurance that all of the goals of our Redomestication will be achievable, particularly as the achievement of the benefits are, in many important respects, subject to factors that we do not control. These factors would include such things as the reactions of third parties with whom we enter into contracts and do business and the reactions of investors, analysts, and U.K. and U.S. taxing authorities.

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Our effective tax rates and the benefits anticipated from the Redomestication are also subject to a variety of other factors, many of which are beyond our ability to control, such as changes in the rate of economic growth in the U.K. and the U.S., the financial performance of our business in various jurisdictions, currency exchange rate fluctuations (especially as between the British pound and the U.S. dollar), and significant changes in trade, monetary or fiscal policies of the U.K. or the U.S., including changes in interest rates. The impact of these factors, individually and in the aggregate, is difficult to predict, in part because the occurrence of the events or circumstances described in such factors may be (and, in fact, often seem to be) interrelated, and the impact to us of the occurrence of any one of these events or circumstances could be compounded or, alternatively, reduced, offset, or more than offset, by the occurrence of one or more of the other events or circumstances described in such factors.

The Redomestication will result in an increase in some of our ongoing expenses and require us to incur some new expenses, including those related to relocating employees to our U.K. offices, complying with U.K. corporate and tax laws, and holding board meetings in the U.K. These additional expenses could serve to reduce or offset the benefits realized from the Redomestication.

Despite our Redomestication, we may nonetheless be treated as a U.S. corporation for U.S. federal tax purposes.

Generally for U.S. federal tax purposes, a corporation is considered a tax resident in the place of its incorporation. Because we are incorporated under U.K. law, we should be a U.K. corporation and a U.K. tax resident under these general rules. However, Section 7874 of the U.S. Internal Revenue Code of 1986, as amended (which we refer to as the "Code") generally provides that a corporation organized outside the U.S. which acquires substantially all of the assets of a corporation organized in the U.S. will be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal tax purposes if former shareholders of the acquired U.S. corporation own at least 80 percent (of either the voting power or the value) of the stock of the acquiring foreign corporation after the acquisition and the expanded affiliated group does not have "substantial business activities" in the country in which the acquiring foreign corporation is organized. Pursuant to the Redomestication, we acquired directly or indirectly all of Aon Corporation's assets, and immediately after the merger, former Aon Corporation stockholders held 100 percent of the Company by reason of their prior stock ownership of Aon Corporation. As a result, our expanded affiliated group must have substantial business activities in the U.K. after the merger in order for the Company not to be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874. There is no applicable "safe harbor" or other guidance that confirms whether an expanded affiliated group's business activities in a country of incorporation are deemed to be substantial. Therefore, it is possible that the Internal Revenue Service ("IRS") could interpret the Section 7874 "anti-inversion" rules so as to treat the Company as a U.S. corporation after the consummation of the merger and that such an IRS position would be sustained in litigation. Moreover, the United States Congress, the IRS, the United Kingdom Parliament or U.K. tax authorities may enact new statutory or regulatory provisions that could adversely affect our status as a non-U.S. corporation or otherwise adversely affect our anticipated global tax position. Retroactive statutory or regulatory actions have occurred in the past, and there can be no assurance that any such provisions, if enacted or promulgated, would not have retroactive application to us, the merger or any subsequent actions.

Although we believe we should not be treated as a U.S. corporation for U.S. federal tax purposes under Section 7874, there is no certainty that the IRS will not assert a contrary position, in which case, we could become involved in a tax controversy with the IRS regarding possible additional U.S. tax liability. If we are unsuccessful in resolving any such tax controversy in our favor, we would likely not realize the tax savings we expect to achieve through reorganization.

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Our net income and cash flow would be reduced if we become subject to U.S. corporate income tax.

We and our other non-U.S. affiliates will conduct our operations in a manner intended to ensure that we and our non-U.S. affiliates do not engage in the conduct of a U.S. trade or business. However, on the assumption that we are not treated as a U.S. corporation by virtue of Code Section 7874 described above, if we or any of our non-U.S. affiliates is or are engaged in a trade or business in the U.S., we or our non-U.S. affiliates would be required to pay U.S. corporate income tax on income that is subject to the taxing jurisdiction of the U.S. If this occurs, our results of operations may be adversely affected. In any event, Aon Corporation and any U.S. subsidiaries will be subject to U.S. corporate income tax on any worldwide income of any such U.S. company, and Aon Corporation's foreign subsidiaries may be subject to U.S. corporate income tax on income that is effectively connected with the conduct of a U.S. trade or business.

HM. Revenue and Customs, or HMRC, may disagree with our conclusions on the U.K. tax treatment of the merger, or relevant U.K. legislation may be subject to change.

We have obtained a ruling from HMRC that, following the Redomestication, the "temporary period exemption" from the U.K.'s controlled foreign company rules will apply such that, subject to certain conditions and limitations based on our facts and circumstances, we will not be subject to tax on the profits of any controlled company that is resident in a foreign jurisdiction under the controlled foreign company ("CFC") rules until 24 months after the end of the accounting period in which the merger occurs, subject to any changes of legislation. On March 29, 2012, the U.K. Government published the Finance (No 4) Bill, which proposed major reforms to the CFC rules for accounting periods beginning on or after January 1, 2013. The proposed transitional rules would preserve the temporary period exemption for exempt periods beginning before the new rules come into force. While HMRC cannot provide any assurance in respect of the application of legislation that has not been enacted, we are of the view based on the Government's proposals and published draft legislation that the new CFC rules should not have a material adverse effect on our tax treatment in the U.K. if enacted in their current form. However, to the extent that the Finance (No 4) Bill is enacted in a form different to that currently proposed, this may result in additional corporation tax liabilities becoming payable following implementation of the revised legislation.

We have also obtained a ruling from HMRC in respect of the stamp duty and Stamp Duty Reserve Tax ("SDRT") consequences of the merger and as a result believe that we have satisfied all stamp duty and SDRT payment and filing obligations in connection with the issuance of Class A Ordinary Shares issued in connection with the merger.

Further, if HMRC disagrees with our view of any issues in respect of which no ruling has been obtained, it may take the position that material U.K. corporation tax or SDRT liabilities or amounts on account thereof are payable by any one or more of these companies as a result of the Redomestication, in which case we expect that we would contest such assessment. To contest such assessment, we may be required to remit cash or provide security of the amount in dispute, or such lesser amount as permitted under U.K. law and acceptable to HMRC, to prevent HMRC from seeking enforcement actions pending the dispute of such assessment. If we were unsuccessful in disputing the assessment, the implications could be materially adverse to us. To the extent that HMRC has not provided (and we have not requested) a ruling on the U.K. tax aspects of the merger, there can be no assurance that HMRC will agree with our interpretation of the U.K. tax aspects of the merger or any related matters associated therewith.

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Our global effective tax rate is subject to a variety of different factors which could create volatility in that rate, expose us to greater than anticipated tax liabilities and cause us to adjust previously recognized tax assets and liabilities.

We are subject to income taxes in the U.K., U.S. and many other jurisdictions. As a result, our global effective tax rate from period to period can be affected by many factors, including changes in tax legislation, our global mix of earnings, the tax characteristics of our income, the transfer pricing of revenues and costs, acquisitions and dispositions, and the portion of the income of non-U.S. subsidiaries that we expect to remit to the U.S. Significant judgment is required in determining our worldwide provision for income taxes, and our determination of our tax liability is always subject to review by applicable tax authorities.

We believe that our Redomestication should significantly improve our ability to maintain a competitive global tax rate because the U.K. has implemented a dividend exemption system that generally does not subject non-U.K. earnings to U.K. tax when such earnings are repatriated to the U.K. in the form of dividends from non-U.K. subsidiaries. This should allow us to optimize our capital allocation and deploy efficient fiscal structures. However, we cannot provide any assurances as to what our tax rate will be in any period because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as changes in U.S. and other tax laws, treaties and regulations. Our actual global tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the U.K. and other jurisdictions could change in the future, and such changes could cause a material change in our tax rate.

We also could be subject to future audits conducted by foreign and domestic tax authorities, and the resolution of such audits could impact our tax rate in future periods, as would any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts we have provided for income taxes in our Consolidated Financial Statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits and other matters. Our inability to mitigate the negative consequences of any changes in the law, audits and other matters could cause our global tax rate to increase, our use of cash to increase and our results of operations to suffer.

Changes in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our consolidated financial statements in accordance with U.S. GAAP. These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including, but not limited to, those relating to restructuring, pensions, recoverability of assets including customer receivables, contingencies, share-based payments and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates, which could materially affect the Consolidated Statements of Income, Comprehensive Income, Financial Position, Shareholders' Equity and Cash Flows. Changes in accounting standards could also have an adverse impact on our future Consolidated Financial Statements.

We may be required to record goodwill or other long-lived asset impairment charges, which could result in a significant charge to earnings.

Under generally accepted accounting principles, we review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill

is assessed for impairment at least annually. Factors that may be considered in assessing whether goodwill or intangible assets may not be recoverable include a decline in our share price or market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. There can be no assurances that goodwill or other long-lived asset impairment charges will not be required in the future, which could materially impact our Consolidated Financial Statements.

We are a holding company and, therefore, may not be able to receive dividends in needed amounts from our subsidiaries.

Our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations and for paying dividends to shareholders and corporate expenses. While our principal subsidiaries currently are not limited by material contractual restrictions on their abilities to pay cash dividends or to make other distributions with respect to their capital stock to us, certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate. These regulatory restrictions may limit the amounts that these subsidiaries can pay in dividends or advance to us. No assurance can be given that there will not be further regulatory actions restricting the ability of our subsidiaries to pay dividends. In addition, due to differences in tax rates, repatriation of funds from certain countries into the U.K. through the U.S. could have unfavorable tax ramifications for us.

Legal and Regulatory Risks

We are subject to errors and omissions ("E&O") claims against us as well as other contingencies and legal proceedings, some of which, if determined unfavorably to us, could have a material adverse effect on the results of operations of a business line or the Company as a whole.

We assist our clients with various matters, including placing of insurance and reinsurance coverage and handling related claims, consulting on various human resources matters, providing investment consulting and asset management services, and outsourcing various human resources functions. E&O claims against us may allege our potential liability for damages arising from these services. E&O claims could include, for example, the failure of our employees or sub agents, whether negligently or intentionally, to place coverage correctly or notify carriers of claims on behalf of clients or to provide insurance carriers with complete and accurate information relating to the risks being insured, the failure to give error-free advice in our consulting business or the failure to correctly execute transactions in the human resources outsourcing business. It is not always possible to prevent and detect errors and omissions, and the precautions we take may not be effective in all cases. In addition, we are subject to other types of claims, litigation and proceedings in the ordinary course of business, which along with E&O claims, may seek damages, including punitive damages, in amounts that could, if awarded, have a material adverse impact on the Company's financial position, earnings, and cash flows. In addition to potential liability for monetary damages, such claims or outcomes could harm our reputation or divert management resources away from operating our business.

We have historically purchased, and continue to purchase insurance to cover E&O claims and other insurance to provide protection against certain losses that arise in such matters. However, we have exhausted or materially depleted our coverage under some of the policies that protect us for certain years and, consequently, are self-insured or materially self-insured for some historical claims. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These accruals and receivables are adjusted from time to time as developments warrant, and may also be adversely affected by disputes we may have with our insurers over coverage. Amounts related to settlement provisions are recorded in Other general expenses in the Consolidated Statements of Income. Discussion of some of these claims, lawsuits, and proceedings are contained in the Notes to the Consolidated Financial Statements.

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The ultimate outcome of these claims, lawsuits and proceedings cannot be ascertained, and liabilities in indeterminate amounts may be imposed on us. It is possible that future Statements of Financial Position, results of operations or cash flows for any particular quarterly or annual period could be materially affected by an unfavorable resolution of these matters.

In addition, we provide a variety of guarantees and indemnifications to our customers and others. The maximum potential amount of future payments represents the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. Any anticipated amounts that are deemed to be probable and reasonably estimable are included in our Consolidated Financial Statements. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications.

Our businesses are subject to extensive governmental regulation, which could reduce our profitability, limit our growth, or increase competition.

Our businesses are subject to extensive U.S. federal, U.S. state and non-U.S. governmental regulation and oversight, which could reduce our profitability or limit our growth by increasing the costs of regulatory compliance, by limiting or restricting the products or services we sell, the markets we enter, the methods by which we sell our products and services, or the prices we can charge for our services and the form of compensation we can accept from our clients, carriers and third parties or by subjecting our businesses to the possibility of regulatory actions or proceedings.

With respect to our Risk Solutions segment, this supervision generally includes the licensing of insurance brokers and agents, managing general agency or managing general underwriting operations and third party administrators and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokering and third party administration in the jurisdictions in which we currently operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Also, we can be affected indirectly by the governmental regulation and supervision of insurance companies. For instance, if we are providing or managing general underwriting services for an insurer, we may have to contend with regulations affecting our client. Further, regulation affecting the insurance companies with whom our brokers place business can affect how we conduct those operations.

Although the U.S. federal government does not directly regulate the insurance industry, federal legislation and administrative policies in several areas, including employee benefit plan regulation, Medicare, age, race, disability and sex discrimination, investment company regulation, financial services regulation, securities laws and U.S. federal taxation, trade sanctions regulation and the FCPA, do affect the insurance industry generally. For instance, several laws and regulations adopted, or proposed to be adopted, by the U.S. federal government, including the Health Insurance Portability and Accountability Act of 1996 and the Foreign Account Tax Compliance Act ("FATCA") have created additional administrative and compliance requirements for us.

Services provided in our HR Solutions segment are also the subject of ever-evolving government regulation, either because the services provided to our clients are regulated directly or because aspects of the client's business are regulated, thereby indirectly impacting the manner in which we provide services to those clients. Changes in government regulations in the United States affecting the value, use or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare (such as medical) plans, defined contribution (such as 401(k)) plans, defined benefit (such as pension) plans or payroll delivery, may adversely affect the demand for, or profitability of, our services. Recently, we have seen regulatory initiatives contribute to companies either discontinuing their defined benefit programs or de-emphasizing the importance such programs play in the overall mix of their benefit programs with a trend toward increased use of defined contribution plans. If organizations

discontinue or de-emphasize defined benefit plans more rapidly than we anticipate, the results of our business could be adversely affected.

Recently, our HR Solutions business has made significant investments in health care exchanges and other product development to assist clients in de-risking their health benefits and migrate them towards a defined contribution model versus a defined benefit model. Depending on future changes to health legislation, these investments may not yield returns. In addition, if we are unable to adapt our services to changes resulting from these laws and any subsequent regulations, our ability to grow our business or to provide effective services, particularly in the HR Solutions segment, could be negatively impacted. Furthermore, if our clients reduce the role or extent of employer-sponsored health care in response to the newly enacted legislation, our results of operations could be adversely impacted.

With respect to our non-U.S. operations, we are subject to various regulations relating to, among other things, licensing, currency, policy language and terms, reserves and the amount of local investment. These various regulations also add to our cost of doing business through increased compliance expenses and increased training and employee expenses. In connection with our 2012 reorganization under a newly formed U.K. holding company, for example, we will likely incur increased costs from complying with additional local regulations and requirements such as those arising under the U.K. Companies Act.

Moreover, U.S. legislation, such as the FCPA and FATCA discussed above, impact our non-U.S. operations by imposing requirements for the conduct of overseas operations, and non-compliance with those laws even by our non-U.S. subsidiaries can nonetheless render us liable for penalties and subject us to heightened oversight. For example, in 2011, we entered into settlement agreements with the U.S. Department of Justice ("DOJ") and the U.S. Securities and Exchange Commission ("SEC") relating to inadequate controls for potential FCPA violations. Those settlement agreements imposed monetary fines and the agreement with the DOJ requires that we bring to the attention of the DOJ any criminal conduct by, or criminal investigations of, Aon or any of its senior managerial employees as well as any administrative proceeding or civil action brought by any governmental authority that alleges fraud or corruption by Aon. Failure to comply with this requirement or reporting to the DOJ of any act or omission covered by this requirement could subject Aon to further penalties and regulatory scrutiny.

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, we may have a license revoked and be precluded or temporarily suspended from carrying on some or all of our activities or otherwise fined or penalized in a given jurisdiction. No assurances can be given that our business can continue to be conducted in any given jurisdiction as it has been conducted in the past.

In addition, new regulatory or industry developments could create an increase in competition that could adversely affect us. These developments include:

the selling of insurance by insurance companies directly to insureds;

changes in our business compensation model as a result of regulatory actions or changes;

the establishment of programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other alternative types of coverage;

changes in regulations relating to health and welfare plans, defined contribution and defined benefit plans, and investment consulting and asset management;

additional regulations promulgated by the FSA in the U.K., or other regulatory bodies in jurisdictions in which we operate;
or

additional requirements respecting data privacy and data usage in jurisdictions in which we operate that may increase our costs of compliance and potentially reduce the manner in which data can be used by us to develop or further our product offerings.

Changes in the regulatory scheme, or even changes in how existing regulations are interpreted, could have an adverse impact on our results of operations by limiting revenue streams or increasing costs of compliance. Likewise, increased government involvement in the insurance or reinsurance markets could curtail or replace our opportunities and negatively affect our results of operations and financial condition.

We may in the future be subject to the U.K. Takeover Code, which may deter potential acquirers from proceeding with a takeover offer that could be beneficial to shareholders.

In the United Kingdom, takeover offers for certain public companies are regulated by the U.K. City Code on Takeovers and Mergers, or the Takeover Code, which is administered by the Takeover Panel. Currently, the Takeover Code applies to public companies that have their registered offices in the United Kingdom, the Channel Islands or the Isle of Man if their securities are admitted to trading on a regulated market in the United Kingdom or on a stock exchange in the Channel Islands or the Isle of Man. The Takeover Code also applies to public companies that have their registered office in the United Kingdom, the Channel Islands or the Isle of Man but whose securities are not admitted to trading on one of the markets mentioned above if the Takeover Panel determines generally based on the residency of the company's directors the so-called residency test that the company has its place of central management and control in the U.K., the Channel Islands or the Isle of Man. In connection with our redomestication, the Takeover Panel confirmed that based on the residency test and on the expected residence of our directors and management, the Takeover Code would not apply to us.

In July 2012, the Takeover Panel published a consultation paper setting out proposed amendments to the Takeover Code, including a proposal to eliminate the residency test. If this proposal is adopted, we would likely become subject to the Takeover Code.

In summary, the Takeover Code sets out binding rules that provide a framework within which takeovers are required to be conducted and its approach differs from, and in some cases conflicts with, the approach set forth under the rules of the SEC to which we will remain subject in any event. If we become subject to the Takeover Code, we will be required to comply with these additional controls with respect to the conduct of any takeover offer for our ordinary shares, and these additional controls may create uncertainty in the process by which a takeover offer must be executed. These additional controls and attendant uncertainty may affect the willingness of potential acquirers to proceed with a takeover offer that may otherwise be beneficial to shareholders.

As a result of increased shareholder approval requirements, we have less flexibility as an English public limited company with respect to certain aspects of capital management.

English law imposes some restrictions on certain corporate actions by which previously, as a Delaware corporation, we were not constrained. For example, English law provides that a board of directors may only allot shares with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. This authorization would need to be renewed by our shareholders upon its expiration (i.e., at least every five years). Our articles of association authorize the allotment of additional shares, and renewal of such authorization for additional five year terms may be sought more frequently.

English law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders in general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up

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to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution; in either case, this exclusion would need to be renewed upon its expiration (i.e., at least every five years). Our articles of association exclude preemptive rights, and renewal of such exclusion for additional five year terms may be sought more frequently.

English law also generally prohibits a company from repurchasing its own shares by way of "off market purchases" without the prior approval of 75 percent of shareholders by special resolution. Such approval lasts for a maximum period of up to five years. English law prohibits us from conducting "on market purchases" as our shares are not traded on a recognized investment exchange in the U.K. Special resolutions were adopted to permit "off market purchases" prior to the effective time of the merger. These special resolutions will need to be renewed upon expiration (i.e., at least every five years) but may be sought more frequently for additional five year terms.

The enforcement of civil liabilities against us may be more difficult.

Because we are a public limited company incorporated under English law, investors could experience more difficulty enforcing judgments obtained against us in U.S. courts than would have been the case for U.S. judgments obtained against Aon Corporation. In addition, it may be more difficult (or impossible) to bring some types of claims against us in courts in England than it would be to bring similar claims against a U.S. company in a U.S. court.

We are a public limited company incorporated under the laws of England and Wales. Therefore, it may not be possible to effect service of process upon us within the United States in order to enforce judgments of U.S. courts against us based on the civil liability provisions of the U.S. federal securities laws.

There is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities solely based on the U.S. federal securities laws. The English courts will, however, treat any amount payable by us under the U.S. judgment as a debt and new proceedings can be commenced in the English courts to enforce this debt against us. The following criteria must be satisfied in order for the English court to enforce the debt created by the U.S. judgment:

the U.S. judgment must be for a debt or definite sum of money;

the U.S. judgment must be final and conclusive;

the U.S. court must, in the circumstances of the case, have had jurisdiction according to the English rules of private international law;

the U.S. judgment must not have been obtained by fraud;

the enforcement of the U.S. judgment must not be contrary to U.K. public policy; and

the proceedings in which the U.S. judgment was obtained must not have been conducted contrary to the rules of natural justice.

Operational and commercial risks

Our success depends on our ability to retain and attract experienced and qualified personnel, including our senior management team and other professional personnel.

We depend, in material part, upon the members of our senior management team who possess extensive knowledge and a deep understanding of our business and our strategy. The unexpected loss of services of any of our senior executive officers could have a disruptive effect adversely impacting our ability to manage our business effectively and execute our business strategy. Competition for

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experienced professional personnel is intense, and we are constantly working to retain and attract these professionals. If we cannot successfully do so, our business, operating results and financial condition could be adversely affected.

Our global operations expose us to various international risks that could adversely affect our business.

Our operations are conducted globally. Accordingly, we are subject to legal, economic and market risks associated with operating in, and sourcing from, foreign countries, including:

the general economic and political conditions existing in those countries, including risks associated with a concentration of operations in certain geographic regions;

fluctuations in currency exchange rates;

imposition of limitations on conversion of foreign currencies or remittance of dividends and other payments by foreign subsidiaries;

imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries;

difficulties in staffing and managing our foreign offices, including due to unexpected wage inflation or job turnover, and the increased travel, infrastructure and legal and compliance costs associated with multiple international locations;

hyperinflation in certain foreign countries;

imposition or increase of investment and other restrictions by foreign governments;

longer payment cycles;

greater difficulties in accounts receivable collection;

the requirement of complying with a wide variety of foreign laws;

insufficient demand for our services in foreign jurisdictions;

ability to execute effective and efficient cross-border sourcing of services on behalf of our clients;

restrictions on the import and export of technologies; and

trade barriers.

The occurrence of natural or man-made disasters could adversely affect our financial condition and results of operations.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods and tornadoes, and pandemic health events, as well as man-made disasters, including acts of terrorism and military actions. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an

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economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas. They could also result in reduced underwriting capacity, making it more difficult for our Risk Solutions professionals to place business. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations.

A natural or man-made disaster also could disrupt the operations of our counterparties or result in increased prices for the products and services they provide to us. In addition, a disaster could adversely affect the value of the assets in our investment portfolio. Finally, a natural or man-made disaster could increase the incidence or severity of E&O claims against us.

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As an example, in October 2012, Superstorm Sandy made landfall on the Northeast coast of the United States. The storm caused widespread disruption and dislocation across five states but New York and New Jersey in particular. One of our largest offices, located in lower Manhattan was closed until January 7, 2013, requiring us to relocate a large number of our employees procure temporary workspace in the area and provide for enhanced remote working and information technology support arrangements. Given that lower Manhattan serves as a hub to the insurance industry, the storm impacted many of our clients, carriers and vendors as well, some of whose operations were severely disrupted. While we believe our relocation measures and business continuity plans allowed us to effectively continue to operate our critical business functions, it is possible that the disruption of the storm on our operations and that of our clients, carriers and vendors may result in a negative effect on our results of operations and financial condition.

Also, through our merger with Benfield, we acquired Benfield's equity stake in certain Florida-domiciled homeowner insurance companies. We maintain ongoing agreements to provide modeling, actuarial, and consulting services to these insurance companies. These firms' financial results could be adversely affected if assumptions used in establishing their underwriting reserves differ from actual experience. Reserve estimates represent informed judgments based on currently available data, as well as estimates of future trends in claims severity, frequency, judicial theories of liability and other factors. Many of these factors are not quantifiable in advance and both internal and external events, such as changes in claims handling procedures, inflation, judicial and legal developments and legislative changes, can cause estimates to vary. Additionally, a natural disaster occurring in Florida could increase the incidence or severity of E&O claims relating to these existing service agreements.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. Superstorm Sandy, for example, impacted several of our locations in the Northeast United States, resulting in interruptions to our operations and information technology system infrastructure. In events like these, while our operational size, the multiple locations from which we operate, and our existing back-up systems provide us with some degree of flexibility, we still can experience near-term operational challenges with regard to particular areas of our operations, such as key executive officers or personnel.

Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario.

We regularly assess and take steps to improve upon our existing business continuity plans and key management succession. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

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We rely on complex information technology systems and networks to operate our business. Any significant system or network disruption could have a negative impact on our operations, sales and operating results.

We rely on the efficient and uninterrupted operation of complex information technology systems and networks, some of which are within the company and some are outsourced. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to computer viruses, security breach, energy blackouts, natural disasters, terrorism, war and telecommunication failures. There also may be system or network disruptions if new or upgraded business management systems are defective or are not installed properly. Although we have not been the victim of cyber attacks or other cyber incidents that have had a material impact on our operations or financial condition, we have from time to time experienced cybersecurity breaches such as computer viruses and similar information technology violations in the ordinary course of business. We have implemented various measures to manage our risks related to system and network disruptions, but a system failure or security breach could negatively impact our operations and financial results. In addition, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Improper disclosure of personal data could result in legal liability or harm our reputation.

One of our significant responsibilities is to maintain the security and privacy of our employees' and clients' confidential and proprietary information and in the case of our HR Solutions clients, the personal data of their employees and retirement and other benefit plan participants. We maintain policies, procedures and technological safeguards designed to protect the security and privacy of this information. Nonetheless, we cannot entirely eliminate the risk of improper access to or disclosure of personally identifiable information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue.

Further, data privacy is subject to frequently changing rules and regulations, which are becoming increasingly complex and sometimes conflict among the various jurisdictions and countries in which we provide services both in terms of substance and in terms of enforceability. This makes compliance challenging and expensive. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace. Further, regulatory initiatives in the area of data privacy are more frequently including provisions allowing authorities to impose substantial fines and penalties, and therefore, failure to comply could also have a significant financial impact.

Implementation of changes to the methods in which we internally process and monitor transactions and activities may encounter delays or other problems, which could adversely impact our accounting and financial reporting processes.

Our businesses require that we process and monitor, on a regular basis, a very large number of transactions and other activities, many of which are highly complex, across numerous markets in several different currencies using different systems. Initiatives underway that are designed to improve these functions will alter how we gather, organize and internally report these transactions and activities. To the extent these initiatives are not implemented properly or encounter problems or delays in their implementation, they may adversely impact our accounting and financial reporting processes, as well as our invoicing and collection efforts.

Our business performance and growth plans could be negatively affected if we are not able to effectively apply technology in driving value for our clients through technology-based solutions or gain internal efficiencies through the effective application of technology and related tools. Conversely, investments in innovative product offerings may fail to yield sufficient return to cover their investments.

Our success depends, in part, on our ability to develop and implement technology solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis, and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors or if our competitors develop more cost-effective technologies, it could have a material adverse effect on our ability to obtain and complete client engagements. For example, we have invested significantly in the development of GRIP, a repository of global insurance placement information, which we use to drive better results for our clients in the insurance placement process. Our competitors are seeking to develop competing databases, and their success in this space may impact our ability to differentiate our services to our clients through the use of unique technological solutions. Likewise, we have invested significantly in our HR BPO business and platform. Innovations in software, cloud computing or other technologies that alter how these services are delivered could significantly undermine our investment in this business if we are slow or unable to take advantage of these developments.

On the other hand, we are continually developing and investing in innovative and novel product offerings that we believe will address needs that we identify in the markets. Nevertheless, for those efforts to produce meaningful value, we are reliant on a number of other factors, some of which are outside of our control. For example, our HR Solutions segment has invested substantial time and resources in launching health care exchanges under the belief that these exchanges will serve a useful role in helping corporations and individuals in the U.S. manage their growing health care expenses. But in order for these exchanges to be successful, health care insurers and corporate and individual participants have to deem them suitable to participate in, and whether those parties will find them suitable will be subject to their own particular circumstances.

If our clients or third parties are not satisfied with our services, we may face additional cost, loss of profit opportunities and damage to our professional reputation or legal liability.

We depend, to a large extent, on our relationships with our clients and our reputation for high-quality brokering, risk management and HR solutions, so that we can understand our clients' needs and deliver solutions and services that are tailored to their needs. If a client is not satisfied with our services, it may be more damaging to our business than to other businesses and could cause us to incur additional costs and impair profitability. Many of our clients are businesses that band together in industry groups and/or trade associations and actively share information amongst themselves about the quality of service they receive from their vendors. Accordingly, poor service to one client may negatively impact our relationships with multiple other clients. Moreover, if we fail to meet our contractual obligations, we could be subject to legal liability or loss of client relationships.

The nature of much of our work, especially our actuarial services in our HR Solutions business, involves assumptions and estimates concerning future events, the actual outcome of which we cannot know with certainty in advance. Similarly, in our investment consulting business, we may be measured based on our track record regarding judgments and advice on investments that are susceptible to influences unknown at the time the advice was given. In addition, we could make computational, software programming or data entry or management errors. A client may nonetheless claim it suffered losses due to reliance on our consulting advice. And, in addition to the risks of liability exposure and increased costs of defense and insurance premiums, claims arising from our professional services may

produce publicity that could hurt our reputation and business and adversely affect our ability to secure new business.

Our business is exposed to risks associated with the handling of client funds.

Our Risk Solutions business collects premiums from insureds and, after deducting commissions, remits the premiums to the respective insurers. We also collect claims or refunds from insurers on behalf of insureds, which are remitted to the insureds. Similarly, part of our HR Solutions' outsourcing business handles payroll processing for several of our clients. Consequently, at any given time, we may be holding and managing funds of our clients and, in the case of HR Solutions, their employees, while payroll is being processed. This function creates a risk of loss arising from, among other things, fraud by employees or third parties, execution of unauthorized transactions or errors relating to transaction processing. We are also potentially at risk in the event the financial institution in which we hold these funds suffers any kind of insolvency or liquidity event. The occurrence of any of these types of events in connection with this function could cause us financial loss and reputational harm.

In connection with the implementation of our corporate strategy, we face certain risks associated with the acquisition or disposition of businesses, and the entry into new lines of business.

In pursuing our corporate strategy, we may acquire other businesses, or dispose of or exit businesses we currently own. The success of this strategy is dependent upon our ability to identify appropriate acquisition and disposition targets, negotiate transactions on favorable terms and ultimately complete such transactions. If acquisitions are made, there can be no assurance that we will realize the anticipated benefits of such acquisitions, including, but not limited to, revenue growth, operational efficiencies or expected synergies. In addition, we may not be able to integrate acquisitions successfully into our existing business, and we could incur or assume unknown or unanticipated liabilities or contingencies, which may impact our results of operations. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

From time to time, we may enter lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, including the investment of significant time and resources, the possibility that these efforts will be unprofitable, and the risk of additional liabilities associated with these efforts. Failure to successfully manage these risks in the development and implementation of new lines of business and new products and services could have a material adverse effect on our business, financial condition or results of operations. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences may also impact the successful implementation of a new line of business. In addition, we can provide no assurance that the entry into new lines of business or development of new products and services will be successful.

We may face additional risks from the growth and development of companies that we acquire or new lines of business.

We face additional risks associated with companies that we acquire or new lines of business into which we enter, particularly in instances where the markets are not fully developed. In addition, many of the businesses that we acquire and develop had significantly smaller scales of operations prior to the implementation of our growth strategy. If we are not able to manage the growing complexity of these businesses, including improving, refining or revising our systems and operational practices, and enlarging the scale and scope of the businesses, our business may be adversely affected. Other risks include developing knowledge of and experience in the new business, recruiting professionals and developing and capitalizing on new relationships with experienced market participants. Failure to manage these risks in the acquisition or development of new businesses successfully could materially and adversely affect our business, results of operations and financial condition.

The process of integrating an acquired company may create unforeseen operating difficulties and expenditures.

Companies that we acquire often run on a technology platform different from those used in our businesses. When integrating these businesses, we face additional risks. These risks include implementing or remediating controls, procedures, and policies at the acquired company, integration of the acquired company's accounting, human resource, and other administrative systems, and coordination of product, engineering, and sales and marketing functions, transition of operations, users, and customers onto our existing platforms and the failure to successfully further develop the acquired technology. Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business generally.

Key employees of acquired businesses may receive substantial value in connection with a transaction in the form of change-in-control agreements, acceleration of stock options and the lifting of restrictions on other equity-based compensation rights. To retain such employees and integrate the acquired business, we may offer additional retention incentives, but it may still be difficult to retain certain key employees.

Risks relating primarily to our Risk Solutions segment

Results in our Risk Solutions segment may fluctuate due to many factors, including cyclical or permanent changes in the insurance and reinsurance markets outside of our control.

Results in our Risk Solutions segment have historically been affected by significant fluctuations arising from uncertainties and changes in the industries in which we operate. A significant portion of our revenue consists of commissions paid to us out of the premiums that insurers and reinsurers charge our clients for coverage. We have no control over premium rates, and our revenues and profitability are subject to change to the extent that premium rates fluctuate or trend in a particular direction. The potential for changes in premium rates is significant, due to pricing cyclicity in the commercial insurance and reinsurance markets.

In addition to movements in premium rates, our ability to generate premium-based commission revenue may be challenged by:

the growing availability of alternative methods for clients to meet their risk-protection needs, including a greater willingness on the part of corporations to "self-insure," the use of so-called "captive" insurers, and the advent of capital markets-based solutions to traditional insurance and reinsurance needs;

fluctuation in the need for insurance as the economic downturn continues, as clients either go out of business or scale back their operations, and thus reduce the amount of insurance, they procure;

the level of compensation, as a percentage of premium, that insurance carriers are willing to compensate brokers for placement activity;

the growing desire of clients to move away from variable commission rates and instead compensate brokers based upon flat fees, which can negatively impact us as fees are not generally indexed for inflation and do not automatically increase with premium as does commission-based compensation;

competition from insurers seeking to sell their products directly to consumers without the involvement of an insurance broker;

In addition, our increasing focus on new product offerings within the Risk Solutions space expose us to additional risks. For example, GRIP is a relatively new and historically untested offering; it may fail to

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catch on within the insurance industry or conversely, if successful, may face increasing pressure from competitors who develop competing offerings. As our business, like the economy as a whole, becomes more technology focused, the speed at which our products are subject to challenge or becoming outdated is consistently increasing.

Our results may be adversely affected by changes in the mode of compensation in the insurance industry.

Since the Attorney General of New York brought charges against members of the insurance brokerage community in 2004, there has been uncertainty concerning longstanding methods of compensating insurance brokers. Given that the insurance brokerage industry has faced scrutiny from regulators in the past over its compensation practices, it is possible that those regulators may choose to revisit the same or other practices in the future. If they do so, compliance with new regulations along with any sanctions that might be imposed for past practices deemed improper could have an adverse impact on our future results of operations and inflict significant reputational harm on our business.

Risks relating primarily to our HR Solutions segment

We may not realize all of the anticipated benefits of the acquisition of Hewitt or those benefits may take longer to realize than expected.

Our ability to realize the anticipated benefits of the acquisition of Hewitt depends, to a large extent, on our ability to fully integrate the legacy Hewitt businesses into the Company. The acquisition and integration of a company the size of Hewitt is a complex, costly and time-consuming process. As a result, we have devoted and continue to devote significant management attention and resources to integrating Hewitt's business practices and operations with ours. The integration process may disrupt the HR Solutions business and, if not implemented effectively, would preclude realization of the full benefits expected by us. Our failure to meet the challenges involved in integrating successfully Hewitt's operations and our operations or otherwise to realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, our activities and could seriously harm our results of operations and cash flows. In addition, the overall integration of the two companies may result in material unanticipated problems, including, among others:

managing a significantly larger company;

maintaining employee morale and retaining key management and other employees;

integrating two unique business cultures, which may prove to be incompatible;

the possibility of faulty assumptions underlying expectations regarding the integration process;

retaining existing clients and attracting new clients;

consolidating corporate information technology platforms and administrative infrastructures and eliminating duplicative operations;

the diversion of management's attention from ongoing business concerns and performance shortfalls as a result of the diversion of management's attention to the acquisition;

coordinating geographically separate organizations;

unanticipated issues in integrating information technology, communications and other systems;

unanticipated changes in applicable laws and regulations;

managing tax costs or inefficiencies associated with integrating the operations of the combined company; and

unforeseen expenses or delays associated with the acquisition.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and cash flows and diversion of management's time and energy, which could materially impact our business, financial condition and results of operations. In addition, even if Hewitt's operations are integrated successfully with our operations, we may not realize the full benefits of the transaction, including the synergies, cost savings or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of our businesses. All of these factors could cause dilution to our earnings, decrease or delay the expected accretive effect of the acquisition, and cause a decrease in the price of our ordinary shares. As a result, we cannot assure you that the acquisition of Hewitt will result in the realization of the full benefits anticipated from the transaction.

The profitability of our outsourcing and consulting engagements with clients may not meet our expectations due to unexpected costs, cost overruns, early contract terminations, unrealized assumptions used in our contract bidding process or the inability to maintain our prices.

In our HR Solutions segment, our profitability is a function of our ability to control our costs and improve our efficiency. As we adapt to change in our business, adapt to the regulatory environment, enter into new engagements, acquire additional businesses and take on new employees in new locations, we may not be able to manage our large, diverse and changing workforce, control our costs or improve our efficiency.

Most new outsourcing arrangements undergo an implementation process whereby our systems and processes are customized to match a client's plans and programs. The cost of this process is estimated by us and often partially funded by our clients. If our actual implementation expense exceeds our estimate or if the ongoing service cost is greater than anticipated, the client contract may be less profitable than expected.

Even though outsourcing clients typically sign long-term contracts, some of these contracts may be terminated at any time, with or without cause, by our client upon 90 to 360 days written notice. Our outsourcing clients are generally required to pay a termination fee; however, this amount may not be sufficient to offset the costs we incurred in connection with the implementation and system set-up or fully compensate us for the profit we would have received if the contract had not been cancelled. A client may choose to delay or terminate a current or anticipated project as a result of factors unrelated to our work product or progress, such as the business or financial condition of the client or general economic conditions. When any of our engagements are terminated, we may not be able to eliminate associated ongoing costs or redeploy the affected employees in a timely manner to minimize the impact on profitability. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could have an adverse effect on our profit margin.

Our profit margin, and therefore our profitability, is largely a function of the rates we are able to charge for our services and the staffing costs for our personnel. Accordingly, if we are not able to maintain the rates we charge for our services or appropriately manage the staffing costs of our personnel, we may not be able to sustain our profit margin and our profitability will suffer. The prices we are able to charge for our services are affected by a number of factors, including competitive factors, cost of living adjustment provisions, the extent of ongoing clients' perception of our ability to add value through our services and general economic conditions. Our profitability in providing HR BPO services is largely based on our ability to drive cost efficiencies during the term of our contracts for such services. If we cannot drive suitable cost efficiencies, our profit margins will suffer.

We might not be able to achieve the cost savings required to sustain and increase our profit margins in our HR Solutions business.

We provide our outsourcing services over long terms for variable or fixed fees that generally are less than our clients' historical costs to provide for themselves the services we contract to deliver. Also, clients' demand for cost reductions may increase over the term of the agreement. As a result, we bear the risk of increases in the cost of delivering HR outsourcing services to our clients, and our margins associated with particular contracts will depend on our ability to control our costs of performance under those contracts and meet our service commitments cost-effectively. Over time, some of our operating expenses will increase as we invest in additional infrastructure and implement new technologies to maintain our competitive position and meet our client service commitments. We must anticipate and respond to the dynamics of our industry and business by using quality systems, process management, improved asset utilization and effective supplier management tools. We must do this while continuing to grow our business so that our fixed costs are spread over an increasing revenue base. If we are not able to achieve this, our ability to sustain and increase profitability may be reduced.

Our accounting for our long-term outsourcing contracts requires using estimates and projections that may change over time. These changes may have a significant or adverse effect on our reported results of operations or financial condition.

Projecting contract profitability on the long-term outsourcing contracts in our HR Solutions business requires us to make assumptions and estimates of future contract results. All estimates are inherently uncertain and subject to change. In an effort to maintain appropriate estimates, we review each of our long-term outsourcing contracts, the related contract reserves and intangible assets on a regular basis. These assumptions and estimates involve the exercise of judgment and discretion, which may also evolve over time in light of operational experience, regulatory direction, developments in accounting principles and other factors. Further, changes in assumptions, estimates or developments in the business or the application of accounting principles related to long-term outsourcing contracts may change our initial estimates of future contract results. Application of, and changes in, assumptions, estimates and policies may adversely affect our financial results.

In our investment consulting business, we advise or act on behalf of clients regarding their investments. The results of these investments are uncertain and subject to numerous factors, some of which are within our control and some which are not. Clients that experience losses or lower than expected investment returns may assert claims against us.

Our investment consulting business provides advice to clients on: investment strategy, which can include advice on setting investment objectives, asset allocation, and hedging strategies; selection (or removal) of investment managers; the investment in different investment instruments and products; and the selection of other investment service providers such as custodians and transition managers. For some clients, we are responsible for making decisions on these matters and we may implement such decisions in a fiduciary/agency capacity albeit without assuming title or custody over the underlying funds or assets invested. Asset classes may experience poor absolute performance; third parties we recommend or select, such as investment managers, may underperform their benchmarks due to poor market performance, negligence or other reasons, resulting in poor investment returns or losses of some, or all, of the capital that has been invested. These losses may be attributable in whole or in part to failures on our part or to events entirely outside of our control. Regardless of the cause, clients experiencing losses may assert claims against us, and these claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs, as well as cause substantial distraction and diversion of other resources. Furthermore, our ability to limit our potential liability is restricted in certain jurisdictions and in connection with claims involving breaches of fiduciary/agency duties or other alleged errors or omissions.

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We rely on third parties to provide services, and their failure to perform the service could do harm to our business.

As part of providing services to clients in our HR Solutions business, we rely on a number of third-party service providers and, in some cases, subcontractors. These third parties include, but are not limited to, plan trustees and payroll service providers responsible for transferring funds to employees or on behalf of employees, and providers of data and information, such as software vendors, health plan providers, investment managers and investment advisers, that we work with to provide information to clients' employees. Those third parties also include providers of human resource functions such as recruiters and trainers employed by us in connection with our human resources business processing services delivered to our clients. Failure of third-party service providers to perform in a timely manner, particularly during periods of peak demand, could result in contractual or regulatory penalties, liability claims from clients and/or employees, damage to our reputation and harm to our business.

We rely heavily on our computing and communications infrastructure and the integrity of these systems in the delivery of human resources services for our HR Solutions clients, and our operational performance and revenue growth depends, in part, on the reliability and functionality of this infrastructure as a means of delivering human resources services.

The internet is a key mechanism for delivering our human resources services to our HR Solutions clients efficiently and cost effectively. Our clients may not be receptive to human resource services delivered over the internet due to concerns regarding transaction security, user privacy, the reliability and quality of internet service and other reasons. Our clients' concerns may be heightened by the fact we use the internet to transmit extremely confidential information about our clients and their employees, such as compensation, medical information and other personally identifiable information. In order to maintain the level of security, service and reliability that our clients require, we may be required to make significant investments in our online methods of delivering human resources services. In addition, websites and proprietary online services have experienced service interruptions and other delays occurring throughout their infrastructure. If we cannot use the internet effectively to deliver our services, our revenue growth and results of operation may be impaired.

We may lose client data as a result of major catastrophes and other similar problems that may materially adversely impact our operations. We have multiple processing centers around the world that use various commercial methods for disaster recovery capabilities. Our main data processing center is located near the Aon Hewitt headquarters in Lincolnshire, Illinois. In the event of a disaster, our business continuity may not be sufficient, and the data recovered may not be sufficient for the administration of our clients' human resources programs and processes.

Risks Related to Our Ordinary Shares

Transfers of the Class A Ordinary Shares may be subject to stamp duty or SDRT in the U.K., which would increase the cost of dealing in the Class A Ordinary Shares.

Stamp duty and/or SDRT are imposed in the U.K. on certain transfers of chargeable securities (which include shares in companies incorporated in the U.K.) at a rate of 0.5 percent of the consideration paid for the transfer. Certain transfers of shares to depositaries or into clearance systems are charged at a higher rate of 1.5 percent.

You are strongly encouraged to hold your Class A Ordinary Shares in book entry form through the facilities of Depository Trust Company ("DTC"). Transfers of shares held in book entry form through DTC will not attract a charge to stamp duty or SDRT in the U.K. A transfer of title in the shares from within the DTC system out of DTC and any subsequent transfers that occur entirely outside the DTC system will attract a charge to stamp duty at a rate of 0.5 percent of any consideration, which is payable by the transferee of the shares. Any such duty must be paid (and the relevant transfer

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document stamped by HMRC) before the transfer can be registered in the books of Aon UK. If those shares are redeposited into DTC, the redeposit will attract stamp duty or SDRT at a rate of 1.5 percent of the value of the shares.

We have put in place arrangements to require that shares held in certificated form cannot be transferred into the DTC system until the transferor of the shares has first delivered the shares to a depository specified by us so that SDRT may be collected in connection with the initial delivery to the depository. Any such shares will be evidenced by a receipt issued by the depository. Before the transfer can be registered in our books, the transferor will also be required to put in the depository funds to settle the resultant liability to SDRT, which will be charged at a rate of 1.5 percent of the value of the shares.

Following the decision of the First Tier Tribunal (Tax Chamber) in *HSBC Holdings plc, The Bank of New York Mellon Corporation v HMRC* 2012 UKFTT 163 (TC) and the announcement by HMRC that it will not seek to appeal the decision, HMRC is no longer enforcing the charge to SDRT on the issue of shares into either EU or non-EU depository receipt or clearance systems. It is possible that the UK government may change the law in relation to stamp duty and SDRT in response to this decision, and that this would have a material effect on the cost of dealing in our shares.

If the Class A Ordinary Shares are not eligible for continued deposit and clearing within the facilities of DTC, then transactions in our securities may be disrupted.

The facilities of DTC are a widely-used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. We believe that prior to the merger approximately 99% of the outstanding shares of common stock of Aon Corporation were held within the DTC system. The Class A Ordinary Shares of Aon plc are, at present, eligible for deposit and clearing within the DTC system. In connection with the closing of the merger, we entered into arrangements with DTC whereby we agreed to indemnify DTC for any stamp duty and/or SDRT that may be assessed upon it as a result of its service as a depository and clearing agency for our Class A Ordinary Shares. In addition, we have obtained a ruling from HMRC in respect of the stamp duty and SDRT consequences of the reorganization, and SDRT has been paid in accordance with the terms of this ruling in respect of the deposit of Class A Ordinary Shares with the initial depository. DTC will generally have discretion to cease to act as a depository and clearing agency for the Class A Ordinary Shares. If DTC determines at any time that the Class A Ordinary Shares are not eligible for continued deposit and clearance within its facilities, then we believe the Class A Ordinary Shares would not be eligible for continued listing on a U.S. securities exchange or inclusion in the S&P 500 and trading in the Class A Ordinary Shares would be disrupted. While we would pursue alternative arrangements to preserve our listing and maintain trading, any such disruption could have a material adverse effect on the trading price of the Class A Ordinary Shares.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We have offices in various locations throughout the world. Substantially all of our offices are located in leased premises. We maintain our corporate headquarters at 8 Devonshire Square, London, England, where we occupy approximately 225,000 square feet of space under an operating lease agreement that expires in 2018. We own one building at Pallbergweg 2-4, Amsterdam, the Netherlands (150,000 square feet). The following are additional significant leased properties, along with the occupied square footage and expiration.

Property:	Occupied Square Footage	Lease Expiration Dates
4 Overlook Point and other locations, Lincolnshire, Illinois	1,224,000	2017 2024
2601 Research Forest Drive, The Woodlands, Texas	414,000	2020
DLF City and Unitech Cyber Park, Gurgaon, India	413,000	2013 2014
200 E. Randolph Street, Chicago, Illinois	396,000	2028
2300 Discovery Drive, Orlando, Florida	364,000	2020
199 Water Street, New York, New York	319,000	2018
7201 Hewitt Associates Drive, Charlotte, North Carolina	218,000	2015

The locations in Lincolnshire, Illinois, The Woodlands, Texas, Gurgaon, India, Orlando, Florida, and Charlotte, North Carolina, each of which were acquired as part of the Hewitt acquisition in 2010, are primarily dedicated to our HR Solutions segment. The other locations listed above house personnel from both of our reportable segments.

In November 2011, Aon entered into an agreement to lease 190,000 square feet in a new building to be constructed in London, United Kingdom. The agreement is contingent upon the completion of the building construction. Aon expects to move into the new building in 2015 when it exercises an early break option at the Devonshire Square location.

In general, no difficulty is anticipated in negotiating renewals as leases expire or in finding other satisfactory space if the premises become unavailable. We believe that the facilities we currently occupy are adequate for the purposes for which they are being used and are well maintained. In certain circumstances, we may have unused space and may seek to sublet such space to third parties, depending upon the demands for office space in the locations involved. See Note 9 "Lease Commitments" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for information with respect to our lease commitments as of December 31, 2012.

Item 3. Legal Proceedings.

We hereby incorporate by reference Note 16 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

Item 4. Mine Safety Disclosure.

Not applicable

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Executive Officers of the Registrant

The executive officers of Aon, their business experience during the last five years, and their ages and positions held as of February 22, 2013 are set forth below.

Name	Age	Position
Gregory C. Case	50	President and Chief Executive Officer. Mr. Case became President and Chief Executive Officer of Aon in April 2005. Prior to joining Aon, Mr. Case was a partner with McKinsey & Company, the international management consulting firm, for 17 years, most recently serving as head of the Financial Services Practice. He previously was responsible for McKinsey's Global Insurance Practice, and was a member of McKinsey's governing Shareholders' Committee. Prior to joining McKinsey, Mr. Case was with the investment banking firm of Piper, Jaffray and Hopwood and the Federal Reserve Bank of Kansas City.
Christa Davies	41	Executive Vice President and Chief Financial Officer. Ms. Davies became Executive Vice President Global Finance in November 2007. In March 2008, Ms. Davies assumed the additional role of Chief Financial Officer. Prior to joining Aon, Ms. Davies served for 5 years in various capacities at Microsoft Corporation, an international software company, most recently serving as Chief Financial Officer of the Platform and Services Division. Before joining Microsoft in 2002, Ms. Davies served at ninemsn, an Australian joint venture with Microsoft.
Gregory J. Besio	55	Executive Vice President and Chief Human Resources Officer. Mr. Besio currently serves as Executive Vice President and Chief Human Resources Officer of Aon. Prior to serving in this role, Mr. Besio served as Aon's Chief Administrative Officer and Head of Global Strategy, and also served as the Executive Integration Leader for Aon Hewitt following the acquisition of Hewitt Associates, Inc. Prior to joining Aon in May 2007, Mr. Besio held a variety of senior positions in strategy and operations at Motorola.
Philip Clement	47	Global Chief Marketing and Communications Officer. Mr. Clement joined Aon in May 2006 and serves as Global Chief Marketing and Communications Officer. Prior to joining Aon, Mr. Clement was a managing partner of The Clement Group, a management consulting firm that he founded in Chicago in July 2001. Prior to founding The Clement Group, he served as the senior vice president of global market development for Inforte Corporation.

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Name	Age	Position
Matthew C. Levin	39	Executive Vice President and Head of Global Strategy. Mr. Levin joined Aon in August 2011 and serves as Executive Vice President and Head of Global Strategy. Prior to joining Aon, Mr. Levin served as Senior Vice President, Corporate Development and Strategy of Hewitt Associates, Inc. from January 2007 until the completion of merger between Aon and Hewitt in October 2010. Prior to Hewitt, Mr. Levin served as Senior Vice President of Corporate Development and Strategic Planning for IHS Inc., a provider of technical information and related decision support tools and services from November 2004 to December 2006.
Yvan Legris	50	Global Chief Executive Officer, Consulting, Aon Hewitt. Mr. Legris joined Aon upon the completion of the merger between Aon and Hewitt Associates, Inc. and was named Global CEO of Consulting in February 2012 and named to Aon's executive committee in June 2012. Prior to assuming this role, Mr. Legris served in various senior executive roles with Aon Hewitt and Hewitt Associates, including as Chief Executive Officer, Europe, Middle East and Africa from October 2010 until February 2012, President of Consulting from October 2008 until October 2010, Managing Director in the United Kingdom from April 2005 to October 2008, as leader of the Hewitt's Client Development Group in the United Kingdom from May 2004 until April 2005, and as a Managing Consultant in the Client Development Group from September 2001 to May 2004.
Peter Lieb	57	Executive Vice President and General Counsel. Mr. Lieb was named Aon's Executive Vice President and General Counsel in July 2009. Prior to joining Aon, Mr. Lieb served as Senior Vice President, General Counsel and Secretary of NCR Corporation, a technology company focused on assisted and self-service solutions, from May 2006 to July 2009, and as Senior Vice President, General Counsel and Secretary of Symbol Technologies, Inc. from October 2003 to February 2006. From October 1997 to October 2003, Mr. Lieb served in various senior legal positions at International Paper Company, including Vice President and Deputy General Counsel. Earlier in his career, Mr. Lieb served as a law clerk to the Honorable Warren E. Berger, Chief Justice of the United States.
Stephen P. McGill	55	Group President, Aon plc and Chairman and Chief Executive Officer, Aon Risk Solutions. Mr. McGill joined Aon in May 2005 as Chief Executive Officer of the Global Large Corporate business unit, which is now part of Aon Global, and was named Chief Executive Officer of Aon Risk Services Americas in January 2006 prior to being named to his current position in February 2008 and as Group President in May 2012. Previously, Mr. McGill served as Chief Executive Officer of Jardine Lloyd Thompson Group plc.

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Name	Age	Position
Laurel Meissner	55	Senior Vice President and Global Controller. Ms. Meissner joined Aon in February 2009, and was appointed Senior Vice President and Global Controller and designated as Aon's principal accounting officer in March 2009. Prior to joining Aon, Ms. Meissner served from July 2008 through January 2009 as Senior Vice President, Finance, Chief Accounting Officer of Motorola, Inc., an international communications company. Ms. Meissner joined Motorola in 2000 and served in various senior financial positions, including Corporate Vice President, Finance, Chief Accounting Officer.
Michael J. O'Connor	44	Chief Operating Officer, Aon Risk Solutions. Mr. O'Connor joined Aon in February 2008 and serves as Chief Operating Officer of Aon Risk Solutions. Prior to joining Aon, Mr. O'Connor spent approximately ten years at McKinsey & Company, most recently serving as a partner and a leader of the North American Financial Services practice and the North American Insurance practice.
Kristi A. Savacool	53	Chief Executive Officer, Aon Hewitt. Ms. Savacool joined Aon upon the completion of the merger between Aon and Hewitt Associates, Inc. and was named Chief Executive Officer of Aon Hewitt in February 2012. Prior to assuming this role, Ms. Savacool served as Co-Chief Executive Officer of Aon Hewitt from May 2011 and, prior to that, Chief Executive Officer of Benefits Administration for Aon Hewitt. At Hewitt, Ms. Savacool served in several senior executive positions, including Senior Vice President, Total Benefit Administration Outsourcing. Ms. Savacool joined Hewitt in July 2005. Prior to July 2005, Ms. Savacool held a number of executive management positions at The Boeing Company since 1985.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Aon's Class A Ordinary Shares, \$0.01 nominal value per share, are traded on the New York Stock Exchange. We hereby incorporate by reference the "Dividends paid per share" and "Price range" data in Note 20 "Quarterly Financial Data" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

We have approximately 268 holders of record of our Class A Ordinary Shares as of January 31, 2013.

We hereby incorporate by reference Note 11, "Shareholders' Equity" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

The following information relates to the repurchases of equity securities by Aon or any affiliated purchaser during any month within the fourth quarter of the fiscal year covered by this report:

Period		Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
10/1/12	10/31/12		\$		\$ 4,475,157,471
11/1/12	11/30/12	5,570,357	56.10	5,570,357	4,162,635,849
12/1/12	12/31/12	3,304,365	56.73	3,304,365	3,975,190,707
		8,874,722	\$ 56.34	8,874,722	\$ 3,975,190,707

(1) Does not include commissions paid to repurchase shares.

(2) In January 2010, our Board of Directors authorized a new share repurchase program under which up to \$2 billion of common stock may be repurchased from time to time depending on market conditions or other factors through open market or privately negotiated transactions. During the first quarter of 2012, we repurchased 2.1 million shares through this program through the open market or in privately negotiated transactions at an average price per share of \$48.32 for a total cost of \$100 million. As a result of the Redomestication, the 2010 Share Repurchase Plan, which related to common stock of Aon Corporation, was no longer of effect. In April 2012, our Board of Directors authorized a share repurchase program under which up to \$5 billion of Class A Ordinary Shares may be repurchased. Under this program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital. In 2012, we repurchased 21.6 million shares at an average price per share of \$52.15 for a total cost of \$1.1 billion. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is \$4.0 billion.

Information relating to the compensation plans under which equity securities of Aon are authorized for issuance is set forth under Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this report and is incorporated herein by reference.

Item 6. Selected Financial Data.***Selected Financial Data***

(millions except shareholders, employees and per share data)

	2012	2011	2010	2009	2008
Income Statement Data					
Commissions, fees and other	\$ 11,476	\$ 11,235	\$ 8,457	\$ 7,521	\$ 7,357
Fiduciary investment income	38	52	55	74	171
Total revenue	\$ 11,514	\$ 11,287	\$ 8,512	\$ 7,595	\$ 7,528
Income from continuing operations	\$ 1,021	\$ 1,006	\$ 759	\$ 681	\$ 637
(Loss) income from discontinued operations (1)	(1)	4	(27)	111	841
Net income	1,020	1,010	732	792	1,478
Less: Net income attributable to noncontrolling interest	27	31	26	45	16
Net income attributable to Aon shareholders	\$ 993	\$ 979	\$ 706	\$ 747	\$ 1,462
Basic Net Income (Loss) Per Share Attributable to Aon Shareholders (2)					
Continuing operations	\$ 3.03	\$ 2.91	\$ 2.50	\$ 2.25	\$ 2.12
Discontinued operations		0.01	(0.09)	0.39	2.87
Net income	\$ 3.03	\$ 2.92	\$ 2.41	\$ 2.64	\$ 4.99
Diluted Net Income (Loss) Per Share Attributable to Aon Shareholders (2)					
Continuing operations	\$ 2.99	\$ 2.86	\$ 2.46	\$ 2.19	\$ 2.04
Discontinued operations		0.01	(0.09)	0.38	2.76
Net income	\$ 2.99	\$ 2.87	\$ 2.37	\$ 2.57	\$ 4.80
Balance Sheet Data					
Fiduciary assets (3)	\$ 12,214	\$ 10,838	\$ 10,063	\$ 10,835	\$ 10,678
Intangible assets including goodwill (4)	11,918	12,046	12,258	6,869	6,416
Total assets	30,486	29,552	28,982	22,958	22,940
Long-term debt	3,713	4,155	4,014	1,998	1,872
Total equity (5)	7,805	8,120	8,306	5,431	5,415
Class A Ordinary Shares and Other Data					
Dividends paid per share	\$ 0.62	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60
Price range:					
High	57.92	54.58	46.24	46.19	50.00
Low	45.04	39.68	35.10	34.81	32.83
At year-end:					
Market price	\$ 55.61	\$ 46.80	\$ 46.01	\$ 38.34	\$ 45.68
Common shareholders	240	8,107	9,316	9,883	9,089
Shares outstanding	310.9	324.4	332.3	266.2	271.8
Number of employees	64,725	62,443	59,100	36,200	37,700

(1)

We have sold certain businesses whose results have been reclassified as discontinued operations, including AIS Management Corporation and our P&C Operations (both sold in 2009) and CICA and Sterling Life Insurance Company (both sold in 2008).

(2)

Effective January 1, 2009, we adopted additional guidance regarding participating securities and computing net income per share using the two-class method. Prior years' basic and diluted net income per share have been adjusted to conform to the new guidance.

(3)

Represents insurance premiums receivables from clients as well as cash and investments held in a fiduciary capacity.

(4)

In 2010, we completed the acquisition of Hewitt. In connection with the acquisition, we recorded intangible assets, including goodwill, of \$5.7 billion.

(5)

Effective January 1, 2009, we adopted a new accounting standard requiring non-controlling interests to be separately presented as a component of total equity. Prior years have been adjusted to conform to the new standard.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

EXECUTIVE SUMMARY OF 2012 FINANCIAL RESULTS

On April 2, 2012, we completed the Redomestication, moving our corporate headquarters to London. In the Redomestication, each issued and outstanding share of Aon Corporation common stock held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value \$0.01 per share, of Aon plc. In connection with the Redomestication, we have incurred costs related to the headquarters relocation of \$26 million in 2012. We anticipate that we will incur an additional \$4 million of costs through 2013 related to the headquarters relocation. We believe the Redomestication will strengthen our long term strategy by:

Enabling Risk Solutions to deliver superior value to our clients by improving execution on the Aon Broking strategy;

Expanding the HR Solutions portfolio penetration, especially within consulting, which already has a significant presence in the U.K. and EMEA;

Enhancing our Risk Solutions' relationship with, and integration into, London markets;

Increasing our connection to emerging markets, accelerating our ability to grow there, and further aligning our strategy with underwriters and carriers who are also targeting these high growth markets;

Strengthening our international brand awareness and positioning as a global firm;

Advancing our talent strategy through better development, retention and acquisition of professional talent, with a special focus on London's insurance talent; and

Optimizing our fiscal planning and capital allocation and reducing our global tax rate in a manner that provides us with the increased flexibility to properly invest in our growth.

During 2012, we continued to face certain headwinds impacting our business. In our Risk Solutions segment, these included economic weakness in continental Europe and a significant decline in investment income due to lower short-term interest rates globally. In our HR Solutions segment, these headwinds included price compression in our benefits administration business and competitive pressures across continental Europe.

The following is a summary of our 2012 financial results:

Revenue increased \$227 million, or 2%, to \$11.5 billion in 2012 due primarily to solid organic revenue growth of 4% in both the Risk Solutions and HR Solutions segments, partially offset by a 2% unfavorable impact from foreign currency. The increase in revenue was driven primarily by strong management of the renewal book portfolio across all regions and solid new business growth in Asia and other emerging markets, as well as solid growth across our Reinsurance business and new client wins in our HR Solutions segment.

Operating expenses increased \$227 million, or 2%, from the prior year to \$9.9 billion in 2012, primarily as a result of organic revenue growth of 4%, higher intangible asset amortization expenses of \$61 million, and an increase in headquarters relocation costs of \$21 million, partially offset by benefits achieved from the restructuring plans, a decrease in Hewitt related integration costs of \$47 million, \$18 million related to the write-off of legacy receivables in 2011, and a decrease in restructuring charges of \$12 million.

Our consolidated operating margin from continuing operations for the year on a U.S. generally accepted accounting principles ("GAAP") basis was 13.9% in 2012, a decrease of 20 basis points from our operating margin of 14.1% in 2011.

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Net income from continuing operations attributable to Aon shareholders was \$994 million, an increase of \$19 million, or 2%, from \$975 million in 2011.

Cash flows from operating activities was a record \$1.4 billion in 2012, an increase of \$401 million, or 28%, from \$1.0 billion in 2011.

We historically have focused on three key metrics that we communicate to shareholders: grow organically, expand margins, and increase earnings per share. Beginning in the fourth quarter of 2012, and going forward, we will add free cash flow to our key metrics given its fundamental importance to both the value of the firm and how we think about value creation for shareholders. The following is our measure of performance against these four metrics for 2012:

Organic revenue growth, a non-GAAP measure as defined under the caption "Review of Consolidated Results – General" below, was 4% in 2012, demonstrating continued improvement compared to the prior year's 2% organic revenue growth. Organic revenue growth was driven by solid growth across our businesses in both Risk and HR Solutions. In Risk Solutions, strong management of the renewal book portfolio across all regions, solid new business growth in Asia and other emerging markets, and growth across our treaty business in Reinsurance drove organic revenue growth. In HR Solutions, organic growth was driven by new client wins in outsourcing and increased demand across consulting.

Adjusted operating margin, a non-GAAP measure as defined under the caption "Review of Consolidated Results – General" below, was 18.6% for Aon overall, 21.7% for the Risk Solutions segment, and 16.6% for the HR Solutions segment in 2012. In 2011, adjusted operating margin was 19.0% for Aon overall, 21.6% for the Risk Solutions segment, and 17.6% for the HR Solutions segment. The increase in adjusted operating margin for the Risk Solutions segment reflects strong organic revenue growth and restructuring savings, partially offset by investments in Asia, Latin America and GRIP solutions, as well as lower investment income. The decrease in adjusted operating margin for both the HR Solutions segment and Aon overall reflects significant investment in new growth opportunities in health care exchanges and HR BPO and anticipated pricing compression in our benefits administration business, partially offset by new client wins.

Adjusted diluted earnings per share from continuing operations attributable to Aon shareholders, a non-GAAP measure as defined under the caption "Review of Consolidated Results – General" below, was \$4.21 per share in 2012, an increase of \$0.15 per share, or 4%, from \$4.06 per share in 2011. The increase demonstrates solid operational performance and effective capital management despite a difficult business environment, as well as the impact of \$1.1 billion of share repurchases during 2012.

Free cash flow, a non-GAAP measure as defined under the caption "Review of Consolidated Results – General" below, was \$1.2 billion in 2012, an increase of \$373 million, or 48%, from \$777 million in 2011. The increase in free cash flow from the prior year was driven by record cash flow from operations of \$1.4 billion in 2012.

REVIEW OF CONSOLIDATED RESULTS

General

In our discussion of operating results, we sometimes refer to supplemental information derived from consolidated financial information specifically related to organic revenue growth, adjusted operating margin, adjusted diluted earnings per share, free cash flow, and the impact of foreign exchange rate fluctuations on operating results.

Organic Revenue

We use supplemental information related to organic revenue to help us and our investors evaluate business growth from existing operations. Organic revenue excludes the impact of foreign exchange rate changes, acquisitions, divestitures, transfers between business units, fiduciary investment income, reimbursable expenses, and certain unusual items. Supplemental information related to organic growth represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto. Industry peers provide similar supplemental information about their revenue performance, although they may not make identical adjustments. Reconciliation of this non-GAAP measure, organic revenue growth percentages to the reported Commissions, fees and other revenue growth percentages, has been provided in the "Review by Segment" caption, below.

Adjusted Operating Margins

We use adjusted operating margin as a measure of core operating performance of our Risk Solutions and HR Solutions segments. Adjusted operating margin excludes the impact of certain items, including restructuring charges, intangible asset amortization and headquarters relocation costs. This supplemental information related to adjusted operating margin represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

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Reconciliations of this non-GAAP measure to the reported operating margin is as follows (in millions):

Year Ended December 31, 2012		Total Aon (1)	Risk Solutions	HR Solutions
Revenue	U.S. GAAP	\$ 11,514	\$ 7,632	\$ 3,925
Operating income	U.S. GAAP	\$ 1,596	\$ 1,493	\$ 289
Restructuring charges		101	35	66
Intangible asset amortization		423	126	297
Headquarters relocation costs		24		
Operating income	as adjusted	\$ 2,144	\$ 1,654	\$ 652
Operating margins	U.S. GAAP	13.9%	19.6%	7.4%
Operating margins	as adjusted	18.6%	21.7%	16.6%

Year Ended December 31, 2011		Total Aon (1)	Risk Solutions	HR Solutions
Revenue	U.S. GAAP	\$ 11,287	\$ 7,537	\$ 3,781
Operating income	U.S. GAAP	\$ 1,596	\$ 1,413	\$ 336
Restructuring charges		113	65	48
Legacy receivables write-off		18	18	
Intangible asset amortization		362	129	233
Transaction related costs	UK reincorporation	3		
Hewitt related costs		47		47
Operating income	as adjusted	\$ 2,139	\$ 1,625	\$ 664
Operating margins	U.S. GAAP	14.1%	18.7%	8.9%
Operating margins	as adjusted	19.0%	21.6%	17.6%

Year Ended December 31, 2010		Total Aon (1)	Risk Solutions	HR Solutions
Revenue	U.S. GAAP	\$ 8,512	\$ 6,989	\$ 1,545
Operating income	U.S. GAAP	\$ 1,244	\$ 1,328	\$ 121
Restructuring charges		172	115	57
Intangible asset amortization		154	114	40
Pension adjustment		49		
Hewitt related costs		40		19
Anti bribery and compliance initiatives		9	9	
Operating income	as adjusted	\$ 1,668	\$ 1,566	\$ 237
Operating margins	U.S. GAAP	14.6%	19.0%	7.8%
Operating margins	as adjusted	19.6%	22.4%	15.3%

(1)

Includes unallocated expenses and the elimination of intersegment revenue.

Adjusted Diluted Earnings per Share from Continuing Operations

We also use adjusted diluted earnings per share from continuing operations as a measure of our core operating performance. Adjusted diluted earnings per share excludes the impact of restructuring charges, intangible asset amortization and headquarters relocation costs, along with related income taxes. This supplemental information related to adjusted diluted earnings per share represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

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Reconciliations of this non-GAAP measure to the reported diluted earnings per share are as follows (in millions except per share data):

Year Ended December 31, 2012	U.S. GAAP	Adjustments	As Adjusted
Operating income	\$ 1,596	\$ 548	\$ 2,144
Interest income	10		10
Interest expense	(228)		(228)
Other income	3	2	5
Income from continuing operations before income taxes	1,381	550	1,931
Income taxes	360	144	504
Income from continuing operations	1,021	406	1,427
Less: Net income attributable to noncontrolling interests	27		27
Income from continuing operations attributable to Aon shareholders	\$ 994	\$ 406	\$ 1,400
Diluted earnings per share from continuing operations	\$ 2.99	\$ 1.22	\$ 4.21
Weighted average common shares outstanding diluted	332.6	332.6	332.6

Year Ended December 31, 2011	U.S. GAAP	Adjustments	As Adjusted
Operating income	\$ 1,596	\$ 543	\$ 2,139
Interest income	18		18
Interest expense	(245)		(245)
Other income (expense)	15	19	34
Income from continuing operations before income taxes	1,384	562	1,946
Income taxes	378	153	531
Income from continuing operations	1,006	409	1,415
Less: Net income attributable to noncontrolling interests	31		31
Income from continuing operations attributable to Aon shareholders	\$ 975	\$ 409	\$ 1,384
Diluted earnings per share from continuing operations	\$ 2.86	\$ 1.2	\$ 4.06
Weighted average common shares outstanding diluted	340.9	340.9	340.9

Year Ended December 31, 2010	U.S. GAAP	Adjustments	As Adjusted
Operating income	\$ 1,244	\$ 424	\$ 1,668
Interest income	15		15
Interest expense	(182)	14	(168)
Other income (expense)	(18)		(18)
Income from continuing operations before income taxes	1,059	438	1,497
Income taxes	300	133	433
Income from continuing operations	759	305	1,064
Less: Net income attributable to noncontrolling interests	26		26
Income from continuing operations attributable to Aon shareholders	\$ 733	\$ 305	\$ 1,038
Diluted earnings per share from continuing operations	\$ 2.46	\$ 1.02	\$ 3.48
Weighted average common shares outstanding diluted	298.1	298.1	298.1

Free Cash Flow

We use free cash flow, defined as cash flow provided by operations minus capital expenditures, as a measure of our core operating performance. This supplemental information related to free cash flow represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures.

Years Ended December 31,	2012	2011	2010
Cash flow provided by operations-U.S. GAAP	\$ 1,419	\$ 1,018	\$ 783
Less: Capital expenditures	269	241	180
Free cash flow	\$ 1,150	\$ 777	\$ 603

Impact of Foreign Exchange Rate Fluctuations

Because we conduct business in more than 120 countries, foreign exchange rate fluctuations can have a significant impact on our business. In comparison to the U.S. dollar, foreign exchange rate movements may be significant and may distort true period-to-period comparisons of changes in revenue or pretax income. Therefore, to give financial statement users meaningful information about our operations, we have provided a discussion of the impact of foreign currency exchange rates on our financial results. For comparative purposes, the methodology used to calculate this impact is intended to isolate the impact of the change in currencies between periods by translating last year's revenue, expenses and net income at this year's foreign exchange rates. Currency fluctuations had an unfavorable impact of \$0.06 during the year ended December 31, 2012, on adjusted net income from continuing operations per diluted share when the Company translates prior year results at current year end foreign exchange rates for comparative purposes.

Summary of Results

The consolidated results of continuing operations are as follows (in millions):

Years ended December 31	2012	2011	2010
Revenue:			
Commissions, fees and other	\$ 11,476	\$ 11,235	\$ 8,457
Fiduciary investment income	38	52	55
Total revenue	11,514	11,287	8,512
Expenses:			
Compensation and benefits	6,709	6,567	5,097
Other general expenses	3,209	3,124	2,171
Total operating expenses	9,918	9,691	7,268
Operating income	1,596	1,596	1,244
Interest income	10	18	15
Interest expense	(228)	(245)	(182)
Other income (expense)	3	15	(18)
Income from continuing operations before income taxes	1,381	1,384	1,059
Income taxes	360	378	300
Income from continuing operations	1,021	1,006	759
(Loss) income from discontinued operations, after-tax	(1)	4	(27)
Net income	1,020	1,010	732
Less: Net income attributable to noncontrolling interests	27	31	26
Net income attributable to Aon shareholders	\$ 993	\$ 979	\$ 706

Consolidated Results for 2012 Compared to 2011**Revenue**

Revenue increased by \$227 million, or 2%, to \$11.5 billion in 2012, as compared to \$11.3 billion in 2011. The increase was driven by organic revenue growth of 4% for both the Risk Solutions and HR Solutions segments. Organic growth in the Risk Solutions segment was driven by solid growth across all regions, including strong new business growth for U.S. retail and continued management of the renewal book portfolio in the Americas. International organic revenue growth was driven by strong growth in Asia and in emerging markets, as well as modest growth in continental Europe. Reinsurance organic growth was driven by strong growth across global treaty, driven by favorable pricing in the near-term and new business growth, partially offset by a significant decline in capital market transactions and advisory business. Organic growth in the HR Solutions segment was driven by growth in investment consulting, pension administration services, talent and rewards, and communications consulting, as well as new client wins in HR BPO, partially offset by a modest decline in benefits administration.

Compensation and Benefits

Compensation and benefits increased \$142 million, or 2%, when compared to 2011. The increase was driven by 4% organic revenue growth, partially offset by the impact of realization of benefits from restructuring initiatives.

Other General Expenses

Other general expenses increased by \$85 million, or 3%, in 2012 compared to 2011. The increase was due largely to an increase in intangible amortization of \$61 million and increased costs related to the headquarters relocation of \$21 million. These increased costs were partially offset by lower restructuring charges of \$12 million and restructuring savings.

Interest Income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income decreased \$8 million, or 44%, from 2011, due to lower average interest rates globally.

Interest Expense

Interest expense, which represents the cost of our worldwide debt obligations, decreased \$17 million, or 7%, from 2011. The decrease was due primarily to a lower average debt outstanding during the year, as well as the use of commercial paper to meet short-term working capital needs.

Other Income (Expense)

Other income (expense) in 2012 of \$3 million decreased \$12 million from 2011. The decrease in income is the result of foreign exchange gains (losses) that were \$26 million additional loss in 2012 and an \$11 million decrease in gains related to long-term investments, partially offset by \$6 million of additional income from equity method investments and \$19 million loss on extinguishment of debt in 2011.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes was \$1.4 billion, flat as compared to \$1.4 billion in 2011.

Income Taxes

The effective tax rate on income from continuing operations was 26.1% in 2012 and 27.3% in 2011. The 2012 rate reflects the release of a valuation allowance relating to foreign tax credits and net operating losses, partially offset by the impact of a U.K. tax rate change. The 2011 rate reflects the release of a valuation allowance relating to foreign tax credits offset partially by net unfavorable deferred tax adjustments in non-U.S. jurisdictions including the impact of a U.K. tax rate change. The underlying tax rate for continuing operations is estimated to be approximately 26.0% for 2013.

Income from Continuing Operations

Income from continuing operations remained at \$1.0 billion (\$2.99 diluted net income per share) in 2012 as compared to \$1.0 billion (\$2.86 diluted net income per share) in 2011.

Consolidated Results for 2011 Compared to 2010

Revenue

Revenue increased by \$2.8 billion, or 33%, in 2011 compared to 2010. This increase principally reflects a \$2.4 billion, or 113%, increase in the HR Solutions segment, and a \$394 million, or 6%, increase in the Risk Solutions segment. The 113% increase in the HR Solutions segment was principally driven by acquisitions, primarily Hewitt in October 2010, net of dispositions, and a 2% positive impact from foreign currency exchange rates with flat organic revenue growth. The 6%

increase in the Risk Solutions segment was primarily driven by a 3% favorable impact from foreign currency exchange rates, a 2% increase in organic revenue growth reflecting the growth in both the Americas and International regions and a 1% increase from acquisitions, primarily Glenrand MIB Limited ("Glenrand") in April 2011, net of dispositions.

Compensation and Benefits

Compensation and benefits increased \$1.5 billion, or 29%, when compared to 2010. The increase reflects a \$1.3 billion, or 101%, increase in the HR Solutions segment and a \$161 million, or 4%, increase in the Risk Solutions segment. In total, the increase for the year was driven by the impact of the Hewitt and Glenrand acquisitions and an unfavorable impact of foreign currency exchange rates, partially offset by the realization of benefits from restructuring initiatives. In addition, 2010 included a \$49 million non-cash U.S. defined benefit pension plan expense resulting from an adjustment to the market-related value of plan assets.

Other General Expenses

Other general expenses increased by \$925 million, or 42%, in 2011 compared to 2010. This increase reflects a \$852 million, or 152%, increase in the HR Solutions segment and a \$113 million, or 7%, increase in the Risk Solutions segment partially offset by a \$46 million decrease in unallocated expenses. The overall increase was due largely to the impact of the Hewitt and Glenrand acquisitions, reflecting the inclusion of operating expenses and intangible amortization, as well as the unfavorable impact of foreign currency exchange rates. These increased costs were partially offset by lower restructuring charges and restructuring savings and operational expense management.

Interest Income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income increased \$3 million, or 20%, from 2010, due to higher levels of interest bearing assets.

Interest Expense

Interest expense, which represents the cost of our worldwide debt obligations, increased \$63 million, or 35%, from 2010 due to an increase in the amount of debt outstanding for the full year primarily related to the Hewitt acquisition. Additionally, 2010 included charges of \$14 million attributable to a \$1.5 billion Bridge Loan Facility that was put in place to finance the Hewitt acquisition, but was cancelled following the issuance of the notes.

Other Income (Expense)

Other income (expense) of \$15 million in 2011 includes death benefits on certain Company owned life insurance plans, partially offset by losses and write-offs related to our ownership in certain insurance investment funds and other long-term investments and a \$19 million loss on the extinguishment of debt. Additionally, 2010 included a loss of \$8 million on extinguishment of debt and losses related to certain long-term investments, partially offset by gains related to our ownership in certain insurance investment funds.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes was \$1.4 billion, a 31% increase from \$1.1 billion in 2010. The increase in income was driven by the 2% increase in organic growth, the inclusion of Hewitt's and Glenrand's operating results, lower costs and increased benefits from restructuring initiatives and operational improvement, and favorable foreign currency exchange rates.

Income Taxes

The effective tax rate on income from continuing operations was 27.3% in 2011 and 28.4% in 2010. The 2011 rate reflects the release of a valuation allowance relating to foreign tax credits offset partially by net unfavorable deferred tax adjustments in non-U.S. jurisdictions including the impact of a U.K. tax rate change. The 2010 rate reflects the impact of the Hewitt acquisition in the fourth quarter, the favorable effect of a U.S. pension expense adjustment, which had a tax rate of 40%, and deferred tax adjustments.

Income from Continuing Operations

Income from continuing operations increased to \$1.0 billion (\$2.86 diluted net income per share) in 2011 from \$759 million (\$2.46 diluted net income per share) in 2010. Currency fluctuations positively impacted income from continuing operations in 2011 by \$0.04 per diluted share, when the 2010 Consolidated Statement of Income is translated using 2011 foreign exchange rates.

Discontinued Operations

In 2011, after-tax income from discontinued operations of \$4 million (\$0.01 diluted net income per share) was recorded compared to after-tax loss from discontinued operations of \$27 million (\$0.09 diluted net loss per share) in 2010. The loss in 2010 was driven by the settlement of legacy litigation related to the *Buckner vs. Resource Life* case.

Restructuring Initiatives

Aon Hewitt Restructuring Plan

On October 14, 2010, we announced a global restructuring plan (the "Aon Hewitt Plan") in connection with our acquisition of Hewitt. The Aon Hewitt Plan, which will continue into 2013, is intended to streamline operations across the combined Aon Hewitt organization. The restructuring plan is expected to result in cumulative costs of approximately \$325 million through the end of the plan, consisting of approximately \$192 million in employee termination costs and approximately \$133 million in real estate lease rationalization costs. An estimated 2,000 positions globally, predominantly non-client facing, are expected to be eliminated as part of the plan.

As of December 31, 2012, in excess of 1,900 jobs have been eliminated under the Aon Hewitt Plan and total expenses of \$255 million have been incurred. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Consolidated Statements of Income.

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The following summarizes the restructuring and related costs, by type, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	2012	Total to Date	Estimated Total Cost for Restructuring Plan (1)
Workforce reduction	\$ 49	\$ 64	\$ 74	\$ 187	\$ 192
Lease consolidation	3	32	18	53	95
Asset impairments		7	4	11	33
Other costs associated with restructuring (2)		2	2	4	5
Total restructuring and related expenses	\$ 52	\$ 105	\$ 98	\$ 255	\$ 325

- (1) Actual costs, when incurred, may vary due to changes in the assumptions built into this plan. Significant assumptions that may change when plans are finalized and implemented include, but are not limited to, changes in severance calculations, changes in the assumptions underlying sublease loss calculations due to changing market conditions, and changes in the overall analysis that might cause the Company to add or cancel component initiatives.
- (2) Other costs associated with restructuring initiatives, including moving costs and consulting and legal fees, are recognized when incurred.

The following summarizes the restructuring and related expenses by segment that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	2012	Total to Date	Estimated Total Cost for Restructuring Plan (1)
HR Solutions	\$ 52	\$ 49	\$ 66	\$ 167	\$ 226
Risk Solutions		56	32	88	99
Total restructuring and related expenses	\$ 52	\$ 105	\$ 98	\$ 255	\$ 325

- (1) Costs included in the Risk Solutions segment are associated with the transfer of the health and benefits consulting business from HR Solutions to Risk Solutions effective January 1, 2012. Costs incurred in 2011 in the HR Solutions segment of \$41 million related to the health and benefits consulting business have been reclassified and presented in the Risk Solutions segment.

The restructuring plan, before any potential reinvestment of savings, is expected to deliver approximately \$280 million of annual savings in 2013, of which, approximately \$52 million will be achieved in the Risk Solution segment. We expect to achieve approximately \$355 million in annual cost savings across the Company in 2013, including approximately \$280 million of annual savings related to the restructuring plan, and additional savings in areas such as information technology, procurement and public company costs. All of the components of the restructuring and integration plan are not finalized and actual total savings, costs and timing may vary from those estimated due to changes in the scope or assumptions underlying the plan. We estimate that we realized approximately \$236 million and \$137 million of cost savings before any reinvestment in 2012 and 2011, respectively. Approximately \$196 million and \$40 million of the cost savings before reinvestment in 2012 was realized in the HR Solutions segment and Risk Solutions segment, respectively.

Aon Benfield Restructuring Plan

We announced a global restructuring plan ("Aon Benfield Plan") in conjunction with our 2008 acquisition of Benfield. The restructuring plan was intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan included 810 job eliminations. Additionally, duplicate space and assets were abandoned. The plan was closed in January 2012 and \$6 million of costs were incurred in 2012.

The following is a summary of the restructuring and related expenses by type that were incurred related to the Aon Benfield Plan (in millions):

	Purchase Price Allocation	2009	2010	2011	2012	Total Cost for Restructuring Period
Workforce reduction	\$ 32	\$ 38	\$ 15	\$ 33	\$ 6	\$ 124
Lease consolidation	20	14	7	(15)		26
Asset impairments		2	2			4
Other costs associated with restructuring	1	1	2	1		5
Total restructuring and related expenses	\$ 53	\$ 55	\$ 26	\$ 19	\$ 6	\$ 159

All costs associated with the Aon Benfield Plan are included in the Risk Solutions segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the Consolidated Statements of Income. These restructuring activities and related expenses were concluded in January 2012.

LIQUIDITY AND FINANCIAL CONDITION**Liquidity****Executive Summary**

We believe that our balance sheet and strong cash flow provide us with financial flexibility to create long-term value for our shareholders. Our primary sources of liquidity are cash flow from operations, available cash reserves and debt capacity available under various credit facilities. Our primary uses of liquidity are operating expenses, capital expenditures, acquisitions, share repurchases, restructuring initiatives, funding pension obligations and shareholder dividends.

Cash on our balance sheet includes funds available for general corporate purposes. Funds held on behalf of clients in a fiduciary capacity are segregated and shown together with uncollected insurance premiums in Fiduciary assets in the Consolidated Statement of Financial Position, with a corresponding amount in Fiduciary liabilities. Fiduciary funds cannot be used for general corporate purposes, and should not be considered a source of liquidity for us.

Cash and cash equivalents and Short-term investments decreased \$420 million to \$637 million in 2012. During 2012, cash flow from operating activities increased \$401 million to a record \$1.4 billion. Additional sources of funds in 2012 included \$178 million in sales of long-term investments and \$440 million in net sales of short-term investments that were non-fiduciary. The primary uses of funds in 2012 included share repurchases of \$1.1 billion, cash contributions to our major defined benefit plans in excess of pension expense of \$585 million, capital expenditures of \$269 million, repayment of debt net of debt issuances of \$344 million, and dividends paid to shareholders of \$204 million.

Our investment grade rating is important to us for a number of reasons, the most important of which is preserving our financial flexibility. If our credit ratings were downgraded to below investment grade, the interest expense on any outstanding balances on our credit facilities would increase and we

could incur additional requests for pension contributions. To manage unforeseen situations, we have committed credit lines of approximately \$1.3 billion and we manage our business to ensure we maintain our current investment grade ratings. At December 31, 2012, we had no borrowings on these credit lines.

Cash Flows Provided by Operating Activities

Net cash provided by operating activities in 2012 increased \$401 million to \$1.4 billion as compared to \$1.0 billion in 2011. Primary contributors to cash flow from operations included net income of \$1.0 billion and adjustments for non-cash items of \$772 million, primarily related to depreciation, amortization, and stock compensation expense. These items were partially offset by \$585 million of cash contributions to our major defined benefit plans in excess of pension expense. Pension contributions during 2012 were \$638 million as compared to \$477 million in 2011. In 2013, we expect to contribute \$548 million to our major defined benefit plans, with a modest decrease in pension expense. In 2013, we also expect to have cash payments related to restructuring plans of \$94 million

We continue to progress with elevated levels of invoicing and cash collections related to a delay in invoicing HR Solutions' customers in connection with the upgrade of our financial systems that occurred in 2011. We expect the increase in unbilled receivables and accounts receivable of approximately \$350 million to reverse and return to normalized levels in 2013.

Cash Flows Provided by (Used For) Investing Activities

Cash provided by investing activities in 2012 was \$177 million. Sales of long term investments provided \$178 million and net sales of short term investments provided \$440 million, partially offset by acquisitions which used \$160 million, and capital expenditures used \$269 million.

Cash used for investing activities in 2011 was \$186 million. Acquisitions used \$97 million, primarily related to the acquisition of Glenrand. Net purchases of non-fiduciary short-term investments used \$8 million, and capital expenditures used \$241 million. The sale of businesses provided \$9 million, consisting of proceeds from several small dispositions, and sales, net of purchases, of long-term investments provided \$160 million.

Cash used for investing activities in 2010 was \$2.5 billion. Acquisitions used \$2.1 billion, primarily related to the acquisition of Hewitt. Net purchases of non-fiduciary short-term investments used \$337 million, and capital expenditures used \$180 million. Sales, net of purchases, of long-term investments provided \$56 million.

Cash Flows Used For Financing Activities

Cash used for financing activities during 2012 was \$1.6 billion. Share repurchases were \$1.1 billion and dividends to shareholders were \$204 million. Net repayment of debt in 2012 used \$344 million. Proceeds from the exercise of stock options and issuance of shares purchased through employee stock purchase plans were \$118 million.

Cash used for financing activities during 2011 was \$896 million. Share repurchases were \$828 million and dividends to shareholders were \$200 million. Dividends paid to, and purchase of shares from non-controlling interests were \$54 million. Proceeds from the exercise of stock options and issuance of shares purchased through employee stock purchase plans were \$201 million.

Cash provided by financing activities during 2010 was \$1.8 billion. During 2010 we received \$2.9 billion from the issuance of debt, primarily a \$600 million 3.5% note due in 2015, a \$600 million 5% note due in 2020, a \$300 million 6.25% note due 2040, and a \$1 billion three-year term note due in 2013, all associated with the acquisition of Hewitt. Additionally, we borrowed \$308 million from our Euro credit facility and \$100 million of commercial paper during the year, which were repaid as of year

end. We also repaid \$299 million of debt assumed in the Hewitt acquisition. Other uses of cash include \$250 million for share repurchases and \$175 million for dividends to shareholders. Proceeds from the exercise of stock options and issuance of shares purchased through the employee stock purchase plan were \$194 million.

Cash and Investments

At December 31, 2012, our Cash and cash equivalents and Short-term investments were \$637 million, a decrease of \$420 million as compared to the balance of \$1.1 billion as of December 31, 2011. In both 2012 and 2011, the Company was required to hold £77 million of operating funds in the U.K. as required by the Financial Services Authority, which were included in Short-term investments. These operating funds, when translated to U.S. dollars, were \$124 million and \$120 million at December 31, 2012 and 2011, respectively. Cash and cash equivalents included restricted balances of \$76 million and \$71 million at December 31, 2012 and 2011, respectively. The restricted balances primarily relate to cash required to be held as collateral.

At December 31, 2012, \$138 million of cash and cash equivalents and short-term investments were held in the U.S. and \$499 million were held in other countries. Due to differences in tax rates, the repatriation of funds from certain countries into the U.S., if repatriated, could have an unfavorable tax impact.

In our capacity as an insurance broker or agent, we collect premiums from insureds and, after deducting our commission, remit the premiums to the respective insurance underwriter. We also collect claims or refunds from underwriters on behalf of insureds, which are then remitted to the insureds. Unremitted insurance premiums and claims are held by us in a fiduciary capacity. In addition, some of our outsourcing agreements require us to hold funds on behalf of clients to pay obligations on their behalf. The levels of fiduciary assets and liabilities can fluctuate significantly, primarily depending on when we collect the premiums, claims and refunds, make payments to underwriters and insureds, collect funds from clients and make payments on their behalf. Fiduciary assets, because of their nature, are required to be invested in very liquid securities with highly-rated, credit-worthy financial institutions. In our Consolidated Statements of Financial Position, the amount we report for fiduciary assets and fiduciary liabilities are equal. Our fiduciary assets included cash and investments of \$4.0 billion and fiduciary receivables of \$8.2 billion at December 31, 2012. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments are not owned by us, and cannot be used for general corporate purposes.

The majority of our short-term investments carried at fair value are money market funds. As disclosed in Note 15 "Fair Value Measurements and Financial Instruments" of the Notes to Consolidated Financial Statements, money market funds are carried at cost as an approximation of fair value. Based on market convention, we consider cost a practical and expedient measure of fair value. These money market funds are held throughout the world with various financial institutions. We do not believe that there are any significant market liquidity issues affecting the fair value of these investments.

As of December 31, 2012, our investments in money market funds and highly liquid debt instruments had a fair value of \$2.1 billion and are included in Cash and cash equivalents, Short-term investments and Fiduciary assets in the Consolidated Statements of Financial Position depending on their nature and initial maturity.

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The following table summarizes our Fiduciary assets and non-fiduciary Cash and cash equivalents and Short-term investments as of December 31, 2012 (in millions):

Asset Type	Statement of Financial Position Classification				Total
	Cash and Cash Equivalents	Short-term Investments	Fiduciary Assets		
Certificates of deposit, bank deposits or time deposits	\$ 291		\$ 2,241	\$	2,532
Money market funds		345	1,763		2,108
Highly liquid debt instruments			25		25
Other investments due within one year		1			1
Cash and investments	291	346	4,029		4,666
Fiduciary receivables			8,185		8,185
Total	\$ 291	\$ 346	\$ 12,214	\$	12,851

Share Repurchase Program

In January 2010, our Board of Directors authorized a share repurchase program under which up to \$2 billion of common stock was authorized to be repurchased ("2010 Stock Repurchase Program"). Shares of common stock were authorized to be repurchased through the open market or in privately negotiated transactions, including structured repurchase programs, from time to time, based on prevailing market conditions, and were funded from available capital. Any repurchased shares of common stock were available for employee stock plans and for other corporate purposes.

The 2010 Stock Repurchase Program, which related to common stock of Aon Corporation and preceded the Redomestication, did not extend to the shares of Aon plc. In April 2012, our Board of Directors therefore authorized a share repurchase program under which up to \$5 billion of Class A Ordinary Shares may be repurchased ("2012 Share Repurchase Program"). Under this program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital.

During 2012, the Company repurchased 21.6 million shares at an average price per share of \$52.16 for a total cost of \$1.1 billion. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is approximately \$4.0 billion.

For information regarding share repurchases made during the fourth quarter of 2012, see Item 5 "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" as previously described.

Dividends

During 2012, 2011, and 2010, we paid dividends on our ordinary shares of \$204 million, \$200 million, and \$175 million, respectively. Dividends paid per ordinary share were \$0.62 for the year ended December 31, 2012 and \$0.60 for each of the years ended December 31, 2011 and 2010.

Redomestication

As a U.K. incorporated company, we must have "distributable reserves" to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company and, amongst other methods, through a reduction in share capital approved by the English Companies Court. Distributable reserves are not linked to a U.S. GAAP reported amount. On April 4, 2012, we received approval from the English Companies Court to reduce our share

premium and in connection with that approval, recognized distributable reserves in the amount of \$8.0 billion. As of December 31, 2012, we had distributable reserves of \$7.0 billion.

Debt Securities

We use proceeds from the commercial paper market from time to time in order to meet short-term working capital needs. We had \$50 million of commercial paper outstanding at December 31, 2012 and 2011, respectively. The weighted average commercial paper outstanding for 2012 and 2011 was \$67 million and \$35 million, respectively. The weighted average interest rate of the commercial paper outstanding during 2012 and 2011 was 0.41% and 0.35%, respectively.

On August 31, 2012, we filed a shelf registration statement with the SEC, registering the offer and sale from time to time of an indeterminate amount of, among other securities, debt, securities, preference shares, Class A Ordinary Shares and convertible securities. The availability of any potential liquidity for these types of securities is dependent on investor demand, market conditions and other factors.

On December 12, 2012, we issued \$166 million aggregate principal amount of 4.250% Notes Due 2042 in connection with an exchange offer of Aon Corporation's outstanding 8.205% junior subordinated deferrable interest debentures due January 2027. In connection with this exchange, the Company paid a premium of \$59 million which will be amortized into Interest expense over the life of the new notes. Concurrently with the issuance, the Company entered into a registration rights agreement that gives the holders of the new notes certain exchange and registration rights.

Credit Facilities

At December 31, 2012, we have a five-year \$400 million unsecured revolving credit facility in the U.S. ("U.S. Facility") that expires in 2017. The U.S. facility is for general corporate purposes, including commercial paper support. Additionally, we have a five-year €650 million (\$860 million at December 31, 2012 exchange rates) multi-currency European credit facility ("Euro Facility") available, which expires in October 2015. At December 31, 2012, we had no borrowings under either of the credit facilities.

For both our U.S. and Euro Facilities, the two most significant covenants require us to maintain a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for Hewitt related transaction costs and up to \$50 million in non-recurring cash charges ("Adjusted EBITDA") to consolidated interest expense and a ratio of consolidated debt to Adjusted EBITDA. For both facilities, the ratio of Adjusted EBITDA to consolidated interest expense must be at least 4 to 1. For the Euro Facility, the ratio of consolidated debt to Adjusted EBITDA must not exceed 3 to 1. For the U.S. Facility, the ratio of consolidated debt to Adjusted EBITDA must not exceed the lower of (a) 3.25 to 1.00 or (b) the greater of (i) 3.00 to 1.00 or (ii) the lowest ratio of consolidated debt to Adjusted EBITDA then set forth in the Euro Facility or Aon's \$450,000,000 Term Loan Facility. We were in compliance with these and all other covenants during 2012.

Rating Agency Ratings

The major rating agencies' ratings of our debt at February 22, 2013 appear in the table below.

	Ratings		
	Senior Long-term Debt	Commercial Paper	Outlook
Standard & Poor's	BBB+	A-2	Stable
Moody's Investor Services	Baa2	P-2	Stable
Fitch, Inc.	BBB+	F-2	Stable

A downgrade in the credit ratings of our senior debt and commercial paper would increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, and increase our commercial paper interest rates or possibly restrict our access to the commercial paper market altogether.

Letters of Credit

We have total letters of credit ("LOCs") outstanding for approximately \$74 million and \$75 million at December 31, 2012 and 2011, respectively. These letters of credit cover the beneficiaries related to certain of our U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions on our own workers compensation program. We have also issued LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries.

Adequacy of Liquidity Sources

We believe that cash flows from operations and available credit facilities will be sufficient to meet our liquidity needs, including capital expenditures, pension contributions, cash restructuring costs, and anticipated working capital requirements, for the foreseeable future. Our cash flows from operations, borrowing capacity and overall liquidity are subject to risks and uncertainties. See Item 1, "Information Concerning Forward-Looking Statements" and Item 1A, "Risk Factors."

Contractual Obligations

Summarized in the table below are our contractual obligations and commitments as of December 31, 2012 (in millions):

	Payments due in				
	2013	2014 2015	2016 2017	2018 and beyond	Total
Short- and long-term borrowings	\$ 452	\$ 1,294	\$ 514	\$ 1,905	\$ 4,165
Interest expense on debt	207	377	255	1,243	2,082
Operating leases	432	761	625	1,072	2,890
Pension and other postretirement benefit plan					
(1) (2)	548	884	670	943	3,039
Purchase obligations (3) (4) (5)	189	170	89	129	577
Insurance premiums payable	12,214				12,214
	\$ 14,042	\$ 3,486	\$ 2,153	\$ 5,292	\$ 24,967

(1)

Pension and other postretirement benefit plan obligations include estimates of our minimum funding requirements, pursuant to ERISA and other regulations and minimum funding requirements agreed with the trustees of our U.K. pension plans. Additional amounts may be

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agreed to with, or required by, the U.K. pension plan trustees. Nonqualified pension and other postretirement benefit obligations are based on estimated future benefit payments. We may make additional discretionary contributions.

- (2) In 2007, our principal U.K. subsidiary agreed with the trustees of one of the U.K. plans to contribute £9.4 million (\$15 million) per year to that pension plan for the next six years, with the amount payable increasing by approximately 5% on each April 1. The trustees of the plan have certain rights to request that our U.K. subsidiary advance an amount equal to an actuarially determined winding-up deficit. As of December 31, 2012, the estimated winding-up deficit was £260 million (\$420 million). The trustees of the plan have accepted in practice the agreed-upon schedule of contributions detailed above and have not requested the winding-up deficit be paid.
- (3) Purchase obligations are defined as agreements to purchase goods and services that are enforceable and legally binding on us, and that specifies all significant terms, including what is to be purchased, at what price and the approximate timing of the transaction. Most of our purchase obligations are related to purchases of information technology services or for claims outsourcing in the U.K.
- (4) Excludes \$74 million of unfunded commitments related to an investment in a limited partnership due to our inability to reasonably estimate the period(s) when the limited partnership will request funding.
- (5) Excludes \$156 million of liabilities for uncertain tax positions due to our inability to reasonably estimate the period(s) when cash settlements will be made.

Financial Condition

At December 31, 2012, our net assets of \$7.8 billion, representing total assets minus total liabilities, were \$315 million lower than the balance at December 31, 2011. The decrease is primarily related to share repurchases of \$1.1 billion and dividends of \$204 million, partially offset by net income of \$1.0 billion. Working capital decreased \$713 million to \$1.0 billion, primarily due to a decrease in cash and short-term investments to fund share repurchases.

Borrowings

Total debt at December 31, 2012 was \$4.2 billion, a decrease of \$327 million from December 31, 2011. The decrease was primarily related to debt repayments during the year (see Note 8 "Debt").

On March 20, 2012, we entered into the U.S. Facility. Borrowings under the U.S. Facility will bear interest, at the Company's option, at a rate equal to either (a) the rate for eurodollar deposits as reflected on the applicable Reuters LIBOR01 page for the interest period relevant to such borrowing ("Eurodollar Rate"), plus the applicable margin or (b) the highest of (i) the rate of interest publicly announced by Citibank as its prime rate, (ii) the federal funds effective rate from time to time plus 0.5% and (iii) the one month Eurodollar rate plus 1.0%, in each case plus the applicable margin. The applicable margin for borrowings under the U.S. Facility may change depending on achievement of certain public debt ratings. The U.S. Facility has a maturity date of March 20, 2017. In conjunction with the Company entering into the U.S. Facility the prior revolving U.S. credit agreement dated December 4, 2009 was terminated.

Our total debt as a percentage of total capital attributable to Aon shareholders was 35.0% and 35.8% at December 31, 2012 and December 31, 2011, respectively.

Equity

Equity at December 31, 2012 was \$7.8 billion, a decrease of \$315 million from December 31, 2011. The decrease resulted primarily from an increase in share repurchases to \$1.1 billion in 2012, \$204 million of dividends to shareholders, and an increase in Accumulated other comprehensive loss of \$240 million, offset by net income of \$1.0 billion and stock compensation expense of \$212 million.

Accumulated other comprehensive loss increased \$240 million since December 31, 2011, primarily reflecting the following:

an increase in net foreign currency translation adjustments of \$109 million, which was attributable to the weakening of the U.S. dollar against foreign currencies;

an increase of \$358 million in the net underfunded position of our post-retirement benefit obligations due primarily to a decrease in the discount rate used to determine the future benefit obligation; and

net unrealized derivative gains of \$9 million.

REVIEW BY SEGMENT**General**

We serve clients through the following segments:

Risk Solutions acts as an advisor and insurance and reinsurance broker, helping clients manage their risks, via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.

HR Solutions partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment consulting, health care, compensation and talent management strategies.

Risk Solutions

Years ended December 31	2012	2011	2010
Revenue	\$ 7,632	\$ 7,537	\$ 6,989
Operating income	1,493	1,413	1,328
Operating margin	19.6%	18.7%	19.0%

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our brokerage business. The economic activity that impacts property and casualty insurance is described as exposure units, and is closely correlated with employment levels, corporate revenue and asset values. During 2012 we began to see improvement in pricing on average globally; however, we would still consider this to be a "soft market," which began in 2007. In a soft market, premium rates flatten or decrease, along with commission revenues, due to increased competition for market share among insurance carriers or increased underwriting capacity. Changes in premiums have a direct and potentially material impact on the insurance brokerage industry, as commission revenues are generally based on a percentage of the premiums paid by insureds. In 2012, pricing showed signs of stabilization and improvement in both our retail and reinsurance brokerage product lines and we expect this trend to slowly continue into 2013.

Additionally, beginning in late 2008 and continuing through 2012, we faced difficult conditions as a result of unprecedented disruptions in the global economy, the repricing of credit risk and the

deterioration of the financial markets. Weak global economic conditions have reduced our customers' demand for our retail brokerage products, which have had a negative impact on our operational results.

Risk Solutions generated approximately 66% of our consolidated total revenues in 2012. Revenues are generated primarily through fees paid by clients, commissions and fees paid by insurance and reinsurance companies, and investment income on funds held on behalf of clients. Our revenues vary from quarter to quarter throughout the year as a result of the timing of our clients' policy renewals, the net effect of new and lost business, the timing of services provided to our clients, and the income we earn on investments, which is heavily influenced by short-term interest rates.

We operate in a highly competitive industry and compete with many retail insurance brokerage and agency firms, as well as with individual brokers, agents, and direct writers of insurance coverage. Specifically, we address the highly specialized product development and risk management needs of commercial enterprises, professional groups, insurance companies, governments, health care providers, and non-profit groups, among others; provide affinity products for professional liability, life, disability income, and personal lines for individuals, associations, and businesses; provide products and services via GRIP Solutions; provide reinsurance services to insurance and reinsurance companies and other risk assumption entities by acting as brokers or intermediaries on all classes of reinsurance; provide capital management transaction and advisory products and services, including mergers and acquisitions and other financial advisory services, capital raising, contingent capital financing, insurance-linked securitizations and derivative applications; provide managing underwriting to independent agents and brokers as well as corporate clients; provide risk consulting, actuarial, loss prevention, and administrative services to businesses and consumers; and manage captive insurance companies.

Revenue

Risk Solutions commissions, fees and other revenue were as follows (in millions):

Years ended December 31	2012	2011	2010
Retail brokerage:			
Americas	\$ 3,071	\$ 3,001	\$ 2,676
International	3,018	3,021	2,815
Total retail brokerage	6,089	6,022	5,491
Reinsurance brokerage	1,505	1,463	1,444
Total	\$ 7,594	\$ 7,485	\$ 6,935

In 2012, commissions, fees and other revenue increased \$109 million, or 1%, from 2011 driven primarily by 4% organic revenue growth, partially offset by a 3% unfavorable impact of foreign currency exchange rates. Organic revenue growth was driven primarily by strong growth in Asia and emerging markets, solid growth across Latin America and U.S. retail, as well as modest growth in continental Europe.

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Reconciliation of organic revenue growth to reported commissions, fees and other revenue growth for 2012 versus 2011 is as follows:

	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue
Retail brokerage:				
Americas	2%	(1)%	%	3%
International		(4)	1	3
Total retail brokerage	1	(3)	1	3
Reinsurance brokerage	3	(2)		5
Total	1%	(3)%	%	4%

Retail brokerage Commissions, fees and other revenue increased 1% driven by 3% growth in organic revenue in both the Americas and International operations and a 1% increase related to acquisitions, net of dispositions, partially offset by a 3% impact from unfavorable foreign currency exchange rates.

Americas Commissions, fees and other revenue increased 2% reflecting 3% organic revenue growth driven by strong growth in Latin America and solid management of the renewal book portfolio across the region, partially offset by a 1% impact from unfavorable foreign currency exchange rates.

International commissions, fees and other revenue was flat versus the prior year, driven by a 3% organic revenue increase primarily reflecting growth in Asia and emerging markets and a 1% impact from acquisitions, net of divestitures, offset by a 4% unfavorable impact from foreign currency exchange rates.

Reinsurance commissions, fees and other revenue increased 3% driven by 5% organic revenue growth, partially offset by a 2% unfavorable impact from foreign currency exchange rates. Organic revenue increased primarily resulting from strong growth in the global treaty business and a favorable market pricing impact in the near-term.

Operating Income

Operating income increased \$80 million, or 6%, from 2011 to \$1.5 billion in 2012. In 2012, operating income margins in this segment were 19.6%, up 90 basis points from 18.7% in 2011. Operating margin improvement was primarily driven by revenue growth, reduced costs of restructuring initiatives and realization of the benefits of those restructuring plans, which was partially offset by the negative impact of expense increases related to investment in the business.

HR Solutions

Years ended December 31	2012	2011	2010
Revenue	\$ 3,925	\$ 3,781	\$ 1,545
Operating income	289	336	121
Operating margin	7.4%	8.9%	7.8%

In October 2010, we completed the acquisition of Hewitt, one of the world's leading human resource consulting and outsourcing companies. Hewitt operates globally together with Aon's existing consulting and outsourcing operations under the Aon Hewitt brand. Hewitt's operating results are included in Aon's results of operations beginning October 1, 2010.

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Our HR Solutions segment generated approximately 34% of our consolidated total revenues in 2012 and provides a broad range of human capital services, as follows:

Retirement specializes in global actuarial services, defined contribution consulting, tax and ERISA consulting, and pension administration.

Compensation focuses on compensatory advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness, with special expertise in the financial services and technology industries.

Strategic Human Capital delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training and change management.

Investment consulting advises public and private companies, other institutions and trustees on developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments and foundations.

Benefits Administration applies our HR expertise primarily through defined benefit, defined contribution, and health and welfare administrative services. Our model replaces the resource-intensive processes once required to administer benefit plans with more efficient, effective, and less costly solutions.

Exchanges is building and operating health care exchanges that provide employers with a cost effective alternative to traditional employee and retiree healthcare, while helping individuals select the insurance that best meets their needs.

HR BPO provides market-leading solutions to manage employee data; administer benefits, payroll and other human resources processes; and record and manage talent, workforce and other core HR process transactions as well as other complementary services such as absence management, flexible spending, dependent audit and participant advocacy.

Beginning in late 2008, the disruption in the global credit markets and the deterioration of the financial markets created significant uncertainty in the marketplace. Weak economic conditions globally continued throughout 2012. The prolonged economic downturn is adversely impacting our clients' financial condition and therefore the levels of business activities in the industries and geographies where we operate. While we believe that the majority of our practices are well positioned to manage through this time, these challenges are reducing demand for some of our services and putting continued pressure on pricing of those services, which is having an adverse effect on our new business and results of operations.

Revenue

Commissions, fees and other revenue were as follows (in millions):

Years ended December 31	2012	2011	2010
Consulting services	\$ 1,585	\$ 1,546	\$ 821
Outsourcing	2,372	2,258	731
Intersegment	(32)	(23)	(8)
Total	\$ 3,925	\$ 3,781	\$ 1,544

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Organic revenue growth in 2012, as detailed in the following reconciliation:

Year ended December 31	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue
Consulting services	3%	(1)%	%	4%
Outsourcing	5	(1)	1	5
Intersegment	N/A	N/A	N/A	N/A
Total	4%	(1)%	1%	4%

Consulting services increased \$39 million, or 3%, due primarily to organic revenue growth of 4%, driven by solid growth across all businesses with strength in investment consulting, pension administration services for certain project-related work, talent and rewards, and communication consulting, partially offset by a 1% unfavorable impact from foreign currency exchange rates.

Outsourcing revenue increased \$114 million, or 5%, due primarily to 5% organic revenue growth driven by client wins in the HR BPO business and growth in the health care exchanges were partially offset by a modest decline in benefits administration.

Operating Income

Operating income was \$289 million, a decrease of \$47 million, or 14%, from 2011. This decrease was primarily driven by investments in long-term growth opportunities in the first half of 2012. Margins in this segment for 2012 were 7.4%, a decrease of 150 basis points from 8.9% in 2011 driven by the impact of investments in the business, higher intangible amortization expense related to the acquisition of Hewitt, and higher restructuring costs, partially offset by organic revenue growth and the realization of the benefits of those restructuring plans and operational improvement.

Unallocated Income and Expense

A reconciliation of our operating income to income from continuing operations before income taxes is as follows (in millions):

Years ended December 31	2012	2011	2010
Operating income (loss):			
Risk Solutions	\$ 1,493	\$ 1,413	\$ 1,328
HR Solutions	289	336	121
Unallocated	(186)	(153)	(205)
Operating income	1,596	1,596	1,244
Interest income	10	18	15
Interest expense	(228)	(245)	(182)
Other income (expense)	3	15	(18)
Income from continuing operations before income taxes	\$ 1,381	\$ 1,384	\$ 1,059

Unallocated operating expense includes corporate governance costs not allocated to the operating segments. Net unallocated expenses increased \$33 million to \$186 million from \$153 million in 2011, driven primarily by an increase in costs of \$21 million related to the relocation of the Company's headquarters to London.

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income decreased \$8 million, or 44%, from 2011, due to a lower average rate and lower cash balances.

Interest expense, which represents the cost of our worldwide debt obligations, decreased \$17 million, or 7%, from 2011 due to a decrease in the amount of debt outstanding for the full year.

Other income (expense) of \$3 million in 2012 includes gains on certain long-term investments and Company owned life insurance plans, partially offset by losses due to the unfavourable impact of exchange rates on the remeasurement of assets and liabilities on the balance sheet. Additionally, 2011 includes death benefits on certain Company owned life insurance plans, partially offset by losses and write-offs related to our ownership in certain insurance investment funds and other long-term investments and a \$19 million loss on the extinguishment of debt.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements and Notes thereto have been prepared in accordance with U.S. GAAP. To prepare these financial statements, we made estimates, assumptions and judgments that affect what we report as our assets and liabilities, what we disclose as contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented.

In accordance with our policies, we regularly evaluate our estimates, assumptions and judgments, including, but not limited to, those concerning revenue recognition, restructuring, pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, and base our estimates, assumptions, and judgments on our historical experience and on factors we believe reasonable under the circumstances. The results involve judgments about the carrying values of assets and liabilities not readily apparent from other sources. If our assumptions or conditions change, the actual results we report may differ from these estimates. We believe the following critical accounting policies affect the more significant estimates, assumptions, and judgments we used to prepare these Consolidated Financial Statements.

Revenue Recognition

Risk Solutions segment revenues include insurance commissions and fees for services rendered and investment income on funds held on behalf of clients. Revenues are recognized when they are earned and realized or realizable. The Company generally considers revenues to be earned and realized or realizable when there is persuasive evidence of an arrangement with a client, there is a fixed or determinable price, services have been rendered, and collectability is reasonably assured. For brokerage commissions, revenue is typically considered to be earned and realized or realizable at the completion of the placement process, assuming all other criteria required to recognize revenue have been met. The placement process is typically considered complete on the effective date of the related policy. Commission revenues are recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions on premiums billed directly by insurance carriers are recognized as revenue when the Company has sufficient information to conclude the amount due is determinable, which may not occur until cash is received from the insurance carrier. Investment income is typically recognized as funds for clients are physically held by the company are bearing interest that is deemed probable of collection.

HR Solutions segment revenues consist primarily of fees paid by clients for consulting advice and outsourcing contracts. Fees paid by clients for consulting services are typically charged on an hourly, project or fixed-fee basis. Revenues from time-and-materials or cost-plus arrangements are recognized as services are performed, assuming all other criteria for recognizing revenue have been met. Revenues from fixed-fee contracts are recognized as services are provided using a proportional-performance

model or at the completion of a project based on facts and circumstances of the client arrangement. Reimbursements received for out-of-pocket expenses are recorded as a component of revenues. The Company's outsourcing contracts typically have three-to-five year terms for benefits services and five-to-ten year terms for human resources business process outsourcing ("HR BPO") services. The Company recognizes revenues as services are performed, assuming all other criteria for recognizing revenue have been met. The Company may also receive implementation fees from clients either up-front or over the ongoing services period as a component of the fee per participant. Lump sum implementation fees received from a client are typically deferred and recognized ratably over the ongoing contract services period. If a client terminates an outsourcing services arrangement prior to the end of the contract, a loss on the contract may be recorded, if necessary, and any remaining deferred implementation revenues would typically be recognized over the remaining service period through the termination date.

In connection with the Company's long-term outsourcing service agreements, highly customized implementation efforts are often necessary to set up clients and their human resource or benefit programs on the Company's systems and operating processes. For outsourcing services sold separately or accounted for as a separate unit of accounting, specific, incremental and direct costs of implementation incurred prior to the services commencing are generally deferred and amortized over the period that the related ongoing services revenue is recognized. Deferred costs are assessed for recoverability on a periodic basis, to the extent the deferred cost exceeds related deferred revenue.

Restructuring

Workforce reduction costs

The method used to recognize workforce reduction costs depends on whether the benefits are provided under a one-time benefit arrangement or under an ongoing benefit arrangement. We account for relevant expenses as an ongoing benefit arrangement when we have an established termination benefit policy, statutory requirements dictate the termination benefit amounts, or we have an established pattern of providing similar termination benefits. The method to estimate the amount of termination benefits is based on the benefits available to the employees being terminated.

We recognize the workforce reduction costs related to restructuring activities resulting from an ongoing benefit arrangement when we identify the specific classification (or functions) and locations of the employees being terminated and notify the employees.

We recognize the workforce reduction costs related to restructuring activities resulting from a one-time benefit arrangement when we identify the specific classification (or functions) and locations of the employees being terminated, notify the employees, and expect to terminate employees within the legally required notification period. When employees receive incentives to stay beyond the legally required notification period, we recognize the cost of their termination benefits over the remaining service period.

Lease termination costs

Where we have provided notice of cancellation pursuant to a lease agreement or abandoned space and have no intention of reoccupying it, we recognize a loss and corresponding liability. The liability reflects our best estimate of the fair value of the future cash flows associated with the lease at the date we vacate the property or sign a sublease arrangement. To determine the loss and corresponding liability, we estimate sublease income based on all information that is reasonably available, which typically includes current market quotes for similar properties.

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Useful lives on leasehold improvements or other assets associated with lease abandonments may be revised to reflect a shorter useful life than originally estimated, which results in accelerated depreciation.

Fair value concepts of severance arrangements and lease losses

Accounting guidance requires that the liabilities recorded related to our restructuring activities be measured at fair value.

Where material, we discount the lease loss calculations to arrive at their present value. Most workforce reductions happen over a short span of time and therefore no discounting is necessary. However, we may discount the termination benefit arrangement when we terminate employees who will provide no future service and we pay their severance over an extended period. The discount reflects our incremental borrowing rate, which matches the lifetime of the liability. Significant changes in the discount rate selected or the estimations of sublease income in the case of leases could impact the amounts recorded.

Other associated costs with restructuring activities

We recognize other costs associated with restructuring activities as they are incurred, including moving costs and consulting and legal fees.

Pensions

We sponsor defined benefit pension plans throughout the world. Our most significant plans are located in the U.S., the U.K., the Netherlands and Canada. Our U.S., U.K. and Canadian pension plans are closed to new entrants. We have ceased crediting future benefits relating to salary and service for our U.S., U.K. and Canadian plans.

Recognition of gains and losses and prior service

We defer the recognition of gains and losses that arise from events such as changes in the discount rate and actuarial assumptions, actual demographic experience and plan asset performance.

Unrecognized gains and losses are amortized as a component of periodic pension expense based on the average expected future service of active employees for our plans in the Netherlands and Canada, or the average life expectancy of the U.S. and U.K. plan members. After the effective date of the plan amendments to cease crediting future benefits relating to service, unrecognized gains and losses are also based on the average life expectancy of members in the Canadian plans. We amortize any prior service expense or credits that arise as a result of plan changes over a period consistent with the amortization of gains and losses.

As of December 31, 2012, our pension plans have deferred losses that have not yet been recognized through income in the Consolidated Financial Statements. We amortize unrecognized actuarial losses outside of a corridor, which is defined as 10% of the greater of market-related value of plan assets or projected benefit obligation. To the extent not offset by future gains, incremental amortization as calculated above will continue to affect future pension expense similarly until fully amortized.

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The following table discloses our combined experience loss, the number of years over which we are amortizing the experience loss, and the estimated 2013 amortization of loss by country (amounts in millions):

	U.S.	U.K. and Non U.S.
Combined experience loss	\$ 1,591	\$ 2,472
Amortization period (in years)	27	66
Estimated 2013 amortization of loss	\$ 52	\$ 76

The unrecognized prior service cost at December 31, 2012 was \$29 million in the U.K. and non-U.S. plans.

For the U.S. pension plans we use a market-related valuation of assets approach to determine the expected return on assets, which is a component of net periodic benefit cost recognized in the Consolidated Statements of Income. This approach recognizes 20% of any gains or losses in the current year's value of market-related assets, with the remaining 80% spread over the next four years. As this approach recognizes gains or losses over a five-year period, the future value of assets and therefore, our net periodic benefit cost will be impacted as previously deferred gains or losses are recorded. As of December 31, 2012, the market-related value of assets was \$1.6 billion. We do not use the market-related valuation approach to determine the funded status of the U.S. plans recorded in the Consolidated Statements of Financial Position which is based on the fair value of the plan assets. As of December 31, 2012, the fair value of plan assets was \$1.6 billion.

Our non-U.S. plans use fair value to determine expected return on assets.

Rate of return on plan assets and asset allocation

The following table summarizes the expected long-term rate of return on plan assets for future pension expense and the related target asset mix:

	U.S.	U.K. and Non-U.S.
Expected return (in total)	8.8%	5.7 - 6.5%
Expected return on equities (1)	10.2%	7.9 - 8.4%
Expected return on fixed income	6.1%	4.1 - 4.8%
Asset mix:		
Target equity (1)	70.0%	38.4 - 60.0%
Target fixed income	30.0%	40.0 - 61.6%

(1)

Includes investments in infrastructure, real estate, limited partnerships and hedge funds.

In determining the expected rate of return for the plan assets, we analyzed investment community forecasts and current market conditions to develop expected returns for each of the asset classes used by the plans. In particular, we surveyed multiple third party financial institutions and consultants to obtain long-term expected returns on each asset class, considered historical performance data by asset class over long periods, and weighted the expected returns for each asset class by target asset allocations of the plans.

The U.S. pension plan asset allocation is based on approved allocations following adopted investment guidelines. The actual asset allocation at December 31, 2012 was 65% equity and 35% fixed income securities for the qualified plan.

The investment policy for each U.K. and non-U.S. pension plans is generally determined by the plans' trustees. Because there are several pension plans maintained in the U.K. and non-U.S. category,

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our target allocation presents a range of the target allocation of each plan. Further, target allocations are subject to change. As of December 31, 2012, the U.K. and non-U.S. plans were invested between 35% and 59% in equity and between 41% and 65% in fixed income securities.

Impact of changing economic assumptions

Changes in the discount rate and expected return on assets can have a material impact on pension obligations and pension expense.

Holding all other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated liability discount rate would have on our net underfunded status at December 31, 2012 (in millions):

Estimated liability discount rate Increase (decrease) in net underfunded status of December 31, 2012 (1)	Change in discount rate	
	Increase	Decrease
U.S. plans	\$ (262)	\$ 304
U.K. and non-U.S. plans	(797)	925

(1) Increases to the net underfunded status reflect increases to the Company's pension obligations, while decreases in the net underfunded status are recoveries toward fully funded status.

Holding all other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated liability discount rate would have on our estimated 2013 pension expense (in millions):

Increase (decrease) in expense	Change in discount rate	
	Increase	Decrease
U.S. plans	\$ (1)	\$ 34
U.K. and non-U.S. plans	(37)	

Holding other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated long-term rate of return on plan assets would have on our estimated 2013 pension expense (in millions):

Increase (decrease) in expense	Change in long-term rate of return on plan assets	
	Increase	Decrease
U.S. plans	\$ (16)	\$ 16
U.K. and non-U.S. plans	(59)	59

Estimated future contributions

We estimate contributions of approximately \$548 million in 2013 as compared with \$638 million in 2012.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair market value of the net assets acquired. We classify our intangible assets acquired as either trademarks, customer relationships, technology, non-compete agreements, or other purchased intangibles.

Goodwill is not amortized, but rather tested for impairment at least annually in the fourth quarter. In September 2011, the Financial Accounting Standards Board ("FASB") issued final guidance that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to

perform the annual two-step test. We adopted this guidance in the fourth quarter of 2011. In the fourth quarter, we also test the acquired tradenames (which also are not amortized) for impairment. We test more frequently if there are indicators of impairment or whenever business circumstances suggest that the carrying value of goodwill or trademarks may not be recoverable. These indicators may include a sustained significant decline in our share price and market capitalization, a decline in our expected future cash flows, or a significant adverse change in legal factors or in the business climate, among others. No events occurred during 2012 that indicate the existence of an impairment with respect to our reported goodwill or tradenames.

We perform impairment reviews at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. An operating segment shall be deemed to be a reporting unit if all of its components are similar, if none of its components is a reporting unit, or if the segment comprises only a single component.

The goodwill impairment test is initially a qualitative analysis to determine if it is "more likely than not" that the fair value of each reporting unit exceeds the carrying value, including goodwill, of the corresponding reporting unit. If the "more likely than not" threshold is not met, then the goodwill impairment test becomes a two step analysis. Step One requires the fair value of each reporting unit to be compared to its book value. Management must apply judgment in determining the estimated fair value of the reporting units. If the fair value of a reporting unit is determined to be greater than the carrying value of the reporting unit, goodwill and trademarks are deemed not to be impaired and no further testing is necessary. If the fair value of a reporting unit is less than the carrying value, we perform Step Two. Step Two uses the calculated fair value of the reporting unit to perform a hypothetical purchase price allocation to the fair value of the assets and liabilities of the reporting unit. The difference between the fair value of the reporting unit calculated in Step One and the fair value of the underlying assets and liabilities of the reporting unit is the implied fair value of the reporting unit's goodwill. A charge is recorded in the financial statements if the carrying value of the reporting unit's goodwill is greater than its implied fair value.

In determining the fair value of our reporting units, we use a discounted cash flow ("DCF") model based on our most current forecasts. We discount the related cash flow forecasts using the weighted-average cost of capital method at the date of evaluation. Preparation of forecasts and selection of the discount rate for use in the DCF model involve significant judgments, and changes in these estimates could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We also use market multiples which are obtained from quoted prices of comparable companies to corroborate our DCF model results. The combined estimated fair value of our reporting units from our DCF model often results in a premium over our market capitalization, commonly referred to as a control premium. We believe the implied control premium determined by our impairment analysis is reasonable based upon historic data of premiums paid on actual transactions within our industry. Based on tests performed in both 2012 and 2011, there was no indication of goodwill impairment, and no further testing was required.

We review intangible assets that are being amortized for impairment whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. There were no indications that the carrying values of amortizable intangible assets were impaired as of December 31, 2012. If we are required to record impairment charges in the future, they could materially impact our results of operations.

Contingencies

We define a contingency as an existing condition that involves a degree of uncertainty as to a possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Under U.S. GAAP, we are required to establish reserves for loss contingencies when it is probable and we can reasonably estimate its financial impact. We are required to assess the likelihood of material adverse judgments or outcomes as well as potential ranges or probability of losses. We determine the amount of reserves required, if any, for contingencies after carefully analyzing each individual item. The required reserves may change due to new developments in each issue. We do not recognize gain contingencies until the contingency is resolved.

Share-based Payments

Share-based compensation expense is measured based on the estimated grant date fair value and recognized over the requisite service period for awards that we ultimately expect to vest. We estimate forfeitures at the time of grant based on our actual experience to date and revise our estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Share Option Accounting

We generally use a lattice-binomial option-pricing model to value share options granted. Lattice-based option valuation models use a range of assumptions over the expected term of the options, and estimate expected volatilities based on the average of the historical volatility of our share price and the implied volatility of traded options on our shares.

In terms of the assumptions used in the lattice-based model, we:

use historical data to estimate option exercise and employee terminations within the valuation model. We stratify employees between those receiving Leadership Performance Plan ("LPP") options, Special Share Plan options, and all other option grants. We believe that this stratification better represents prospective stock option exercise patterns,

base the expected dividend yield assumption on our current dividend rate, and

base the risk-free rate for the contractual life of the option on the U.S. Treasury yield curve in effect at the time of grant.

The expected life of employee share options represents the weighted-average period share options are expected to remain outstanding, which is a derived output of the lattice-binomial model.

Restricted Share Units

Restricted share units ("RSUs") are service-based awards for which we recognize the associated compensation cost on a straight-line basis over the service period. We estimate the fair value of the awards based on the market price of the underlying share on the date of grant.

Performance Share Awards

Performance share awards ("PSAs") are performance-based awards for which vesting is dependent on the achievement of certain objectives. Such objectives may be made on a personal, group or company level. We estimate the fair value of the awards based on the market price of the underlying stock on the date of grant, reduced by the present value of estimated dividends foregone during the vesting period.

PSAs may immediately vest at the end of the performance period or may have an additional service period. Compensation cost is recognized over the performance or additional service period,

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whichever is longer. The number of shares issued on the vesting date will vary depending on the actual performance objectives achieved. We make assessments of future performance using subjective estimates, such as long-term plans. As a result, changes in the underlying assumptions could have a material impact on the compensation expense recognized.

The largest performance-based share-based payment award plan is the LPP, which has a three-year performance period. The 2010 to 2012 performance period ended on December 31, 2012, the 2009 to 2011 performance period ended on December 31, 2011, and the 2008 to 2010 performance period ended on December 31, 2010. The LPP currently has two open performance periods: 2011 to 2013 and 2012 to 2014. A 10% upward adjustment in our estimated performance achievement percentage for both LPP plans would have increased our 2012 expense by approximately \$5.3 million, while a 10% downward adjustment would have decreased our expense by approximately \$5.3 million. As the percent of expected performance increases or decreases, the potential change in expense can go