

Aon plc  
Form 10-Q  
October 26, 2018

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

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 98-1030901  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

122 LEADENHALL STREET, LONDON, ENGLAND EC3V 4AN  
(Address of Principal Executive Offices) (Zip Code)  
+44 20 7623 5500  
(Registrant's Telephone Number,  
Including Area Code)

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 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 such files). YES ☒ NO ☐

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

Large accelerated filer ☒ Accelerated filer ☐  
Non-accelerated filer ☐ Smaller reporting company ☐  
Emerging growth company ☐

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of Class A Ordinary Shares of Aon plc, \$0.01 nominal value, outstanding as of October 25, 2018:  
240,844,114

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Part I Financial Information  
Item 1. Financial Statements

Aon plc  
Condensed Consolidated Statements of Income  
(Unaudited)

| (millions, except per share data)                                    | Three Months Ended |                    | Nine Months Ended  |                    |
|----------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                      | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Revenue                                                              |                    |                    |                    |                    |
| Total revenue                                                        | \$2,349            | \$ 2,340           | \$8,000            | \$ 7,089           |
| Expenses                                                             |                    |                    |                    |                    |
| Compensation and benefits                                            | 1,392              | 1,428              | 4,502              | 4,363              |
| Information technology                                               | 125                | 109                | 363                | 295                |
| Premises                                                             | 94                 | 89                 | 283                | 259                |
| Depreciation of fixed assets                                         | 40                 | 40                 | 126                | 148                |
| Amortization and impairment of intangible assets                     | 100                | 101                | 492                | 604                |
| Other general expenses                                               | 336                | 317                | 1,189              | 956                |
| Total operating expenses                                             | 2,087              | 2,084              | 6,955              | 6,625              |
| Operating income                                                     | 262                | 256                | 1,045              | 464                |
| Interest income                                                      | —                  | 10                 | 5                  | 20                 |
| Interest expense                                                     | (69)               | (70)               | (208)              | (211)              |
| Other income (expense)                                               | 1                  | 4                  | (17)               | 6                  |
| Income from continuing operations before income taxes                | 194                | 200                | 825                | 279                |
| Income tax expense (benefit)                                         | 39                 | 4                  | 9                  | (139)              |
| Net income from continuing operations                                | 155                | 196                | 816                | 418                |
| Net income (loss) from discontinued operations                       | (2)                | (4)                | 5                  | 857                |
| Net income                                                           | 153                | 192                | 821                | 1,275              |
| Less: Net income attributable to noncontrolling interests            | 6                  | 7                  | 32                 | 30                 |
| Net income attributable to Aon shareholders                          | \$147              | \$ 185             | \$789              | \$ 1,245           |
| Basic net income (loss) per share attributable to Aon shareholders   |                    |                    |                    |                    |
| Continuing operations                                                | \$0.61             | \$ 0.74            | \$3.18             | \$ 1.49            |
| Discontinued operations                                              | (0.01)             | (0.02)             | 0.02               | 3.28               |
| Net income                                                           | \$0.60             | \$ 0.72            | \$3.20             | \$ 4.77            |
| Diluted net income (loss) per share attributable to Aon shareholders |                    |                    |                    |                    |
| Continuing operations                                                | \$0.61             | \$ 0.73            | \$3.17             | \$ 1.48            |
| Discontinued operations                                              | (0.01)             | (0.01)             | 0.02               | 3.26               |
| Net income                                                           | \$0.60             | \$ 0.72            | \$3.19             | \$ 4.74            |
| Cash dividends per share paid on ordinary shares                     | \$0.40             | \$ 0.36            | \$1.16             | \$ 1.05            |
| Weighted average ordinary shares outstanding - basic                 | 244.0              | 255.6              | 246.2              | 260.9              |
| Weighted average ordinary shares outstanding - diluted               | 245.6              | 257.3              | 247.7              | 262.9              |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

| (millions)                                                                         | Three Months Ended |                    | Nine Months Ended  |                    |
|------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                                    | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Net income                                                                         | \$ 153             | \$ 192             | \$ 821             | \$ 1,275           |
| Less: Net income attributable to noncontrolling interests                          | 6                  | 7                  | 32                 | 30                 |
| Net income attributable to Aon shareholders                                        | 147                | 185                | 789                | 1,245              |
| Other comprehensive income (loss), net of tax:                                     |                    |                    |                    |                    |
| Change in fair value of financial instruments                                      | 1                  | 11                 | 14                 | 13                 |
| Foreign currency translation adjustments                                           | (50 )              | 243                | (263 )             | 434                |
| Postretirement benefit obligation                                                  | (62 )              | 18                 | 108                | 56                 |
| Total other comprehensive income (loss)                                            | (111 )             | 272                | (141 )             | 503                |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests   | (3 )               | 7                  | (6 )               | 3                  |
| Total other comprehensive income (loss) attributable to Aon shareholders           | (108 )             | 265                | (135 )             | 500                |
| Comprehensive income attributable to Aon shareholders                              | \$ 39              | \$ 450             | \$ 654             | \$ 1,745           |
| See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited). |                    |                    |                    |                    |

## Aon plc

## Condensed Consolidated Statements of Financial Position

(Unaudited)

September 30, December 31,  
2018 2017

(millions, except nominal value)

## Assets

## Current assets

|                           |           |           |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | \$ 484    | \$ 756    |
| Short-term investments    | 167       | 529       |
| Receivables, net          | 2,656     | 2,478     |
| Fiduciary assets          | 9,314     | 9,625     |
| Other current assets      | 727       | 289       |
| Total current assets      | 13,348    | 13,677    |
| Goodwill                  | 8,282     | 8,358     |
| Intangible assets, net    | 1,260     | 1,733     |
| Fixed assets, net         | 594       | 564       |
| Deferred tax assets       | 476       | 389       |
| Prepaid pension           | 1,208     | 1,060     |
| Other non-current assets  | 434       | 307       |
| Total assets              | \$ 25,602 | \$ 26,088 |

## Liabilities and equity

## Liabilities

## Current liabilities

|                                                               |          |          |
|---------------------------------------------------------------|----------|----------|
| Accounts payable and accrued liabilities                      | \$ 1,600 | \$ 1,961 |
| Short-term debt and current portion of long-term debt         | 741      | 299      |
| Fiduciary liabilities                                         | 9,314    | 9,625    |
| Other current liabilities                                     | 988      | 870      |
| Total current liabilities                                     | 12,643   | 12,755   |
| Long-term debt                                                | 5,665    | 5,667    |
| Deferred tax liabilities                                      | 273      | 127      |
| Pension, other postretirement, and postemployment liabilities | 1,603    | 1,789    |
| Other non-current liabilities                                 | 1,090    | 1,102    |
| Total liabilities                                             | 21,274   | 21,440   |

## Equity

|                                                             |           |           |
|-------------------------------------------------------------|-----------|-----------|
| Ordinary shares - \$0.01 nominal value                      | 2         | 2         |
| Authorized: 750 shares (issued: 2018 - 241.2; 2017 - 247.6) |           |           |
| Additional paid-in capital                                  | 5,850     | 5,775     |
| Retained earnings                                           | 2,042     | 2,302     |
| Accumulated other comprehensive loss                        | (3,632)   | (3,496)   |
| Total Aon shareholders' equity                              | 4,262     | 4,583     |
| Noncontrolling interests                                    | 66        | 65        |
| Total equity                                                | 4,328     | 4,648     |
| Total liabilities and equity                                | \$ 25,602 | \$ 26,088 |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc  
Condensed Consolidated Statements of Shareholders' Equity  
(Unaudited)

| (millions)                                                            | Shares | Ordinary<br>Shares and<br>Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated<br>Comprehensive<br>Loss, Net of Tax | Other<br>Non-controlling<br>Interests | Total    |
|-----------------------------------------------------------------------|--------|---------------------------------------------------------|----------------------|--------------------------------------------------|---------------------------------------|----------|
| Balance at December 31, 2017                                          | 247.6  | \$ 5,777                                                | \$ 2,302             | \$ (3,496 )                                      | \$ 65                                 | \$4,648  |
| Adoption of new accounting guidance                                   | —      | —                                                       | 493                  | (1 )                                             | —                                     | 492      |
| Balance at January 1, 2018                                            | 247.6  | 5,777                                                   | 2,795                | (3,497 )                                         | 65                                    | 5,140    |
| Net income                                                            | —      | —                                                       | 789                  | —                                                | 32                                    | 821      |
| Shares issued - employee stock compensation plans                     | 2.4    | (139 )                                                  | (1 )                 | —                                                | —                                     | (140 )   |
| Shares purchased                                                      | (8.8 ) | —                                                       | (1,256 )             | —                                                | —                                     | (1,256 ) |
| Share-based compensation expense                                      | —      | 214                                                     | —                    | —                                                | —                                     | 214      |
| Dividends to shareholders                                             | —      | —                                                       | (285 )               | —                                                | —                                     | (285 )   |
| Net change in fair value of financial instruments                     | —      | —                                                       | —                    | 14                                               | —                                     | 14       |
| Net foreign currency translation adjustments                          | —      | —                                                       | —                    | (257 )                                           | (6 )                                  | (263 )   |
| Net postretirement benefit obligation                                 | —      | —                                                       | —                    | 108                                              | —                                     | 108      |
| Purchases of shares from noncontrolling interests                     | —      | —                                                       | —                    | —                                                | (1 )                                  | (1 )     |
| Dividends paid to noncontrolling interests on subsidiary common stock | —      | —                                                       | —                    | —                                                | (24 )                                 | (24 )    |
| Balance at September 30, 2018                                         | 241.2  | \$ 5,852                                                | \$ 2,042             | \$ (3,632 )                                      | \$ 66                                 | \$4,328  |

| (millions)                                                            | Shares  | Ordinary<br>Shares and<br>Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated<br>Comprehensive<br>Loss, Net of Tax | Other<br>Non-controlling<br>Interests | Total    |
|-----------------------------------------------------------------------|---------|---------------------------------------------------------|----------------------|--------------------------------------------------|---------------------------------------|----------|
| Balance at January 1, 2017                                            | 262.0   | \$ 5,580                                                | \$ 3,856             | \$ (3,912 )                                      | \$ 57                                 | \$5,581  |
| Net income                                                            | —       | —                                                       | 1,245                | —                                                | 30                                    | 1,275    |
| Shares issued - employee stock compensation plans                     | 3.3     | (117 )                                                  | —                    | —                                                | —                                     | (117 )   |
| Shares purchased                                                      | (14.5 ) | —                                                       | (1,913 )             | —                                                | —                                     | (1,913 ) |
| Share-based compensation expense                                      | —       | 214                                                     | —                    | —                                                | —                                     | 214      |
| Dividends to shareholders                                             | —       | —                                                       | (274 )               | —                                                | —                                     | (274 )   |
| Net change in fair value of financial instruments                     | —       | —                                                       | —                    | 13                                               | —                                     | 13       |
| Net foreign currency translation adjustments                          | —       | —                                                       | —                    | 431                                              | 3                                     | 434      |
| Net postretirement benefit obligation                                 | —       | —                                                       | —                    | 56                                               | —                                     | 56       |
| Purchases of shares from noncontrolling interests                     | —       | (4 )                                                    | —                    | —                                                | (1 )                                  | (5 )     |
| Dividends paid to noncontrolling interests on subsidiary common stock | —       | —                                                       | —                    | —                                                | (17 )                                 | (17 )    |
| Balance at September 30, 2017                                         | 250.8   | \$ 5,673                                                | \$ 2,914             | \$ (3,412 )                                      | \$ 72                                 | \$5,247  |

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

|                                                                               | Nine Months Ended |               |
|-------------------------------------------------------------------------------|-------------------|---------------|
|                                                                               | September 30,     | September 30, |
| (millions)                                                                    | 2018              | 2017          |
| Cash flows from operating activities                                          |                   |               |
| Net income                                                                    | \$821             | \$ 1,275      |
| Less: Net income from discontinued operations                                 | 5                 | 857           |
| Adjustments to reconcile net income to cash provided by operating activities: |                   |               |
| Loss from sales of businesses, net                                            | 4                 | 2             |
| Depreciation of fixed assets                                                  | 126               | 148           |
| Amortization and impairment of intangible assets                              | 492               | 604           |
| Share-based compensation expense                                              | 214               | 214           |
| Deferred income taxes                                                         | (128 )            | (208 )        |
| Change in assets and liabilities:                                             |                   |               |
| Fiduciary receivables                                                         | 766               | 986           |
| Short-term investments — funds held on behalf of clients                      | (731 )            | (701 )        |
| Fiduciary liabilities                                                         | (35 )             | (285 )        |
| Receivables, net                                                              | (11 )             | 144           |
| Accounts payable and accrued liabilities                                      | (331 )            | (237 )        |
| Restructuring reserves                                                        | 14                | 170           |
| Current income taxes                                                          | (137 )            | (785 )        |
| Pension, other postretirement and postemployment liabilities                  | (223 )            | (142 )        |
| Other assets and liabilities                                                  | 139               | (39 )         |
| Cash provided by operating activities - continuing operations                 | 975               | 289           |
| Cash provided by operating activities - discontinued operations               | —                 | 64            |
| Cash provided by operating activities                                         | 975               | 353           |
| Cash flows from investing activities                                          |                   |               |
| Proceeds from investments                                                     | 30                | 43            |
| Payments for investments                                                      | (65 )             | (55 )         |
| Net sales (purchases) of short-term investments — non-fiduciary               | 356               | (1,344 )      |
| Acquisition of businesses, net of cash acquired                               | (50 )             | (172 )        |
| Sale of businesses, net of cash sold                                          | (8 )              | 4,194         |
| Capital expenditures                                                          | (179 )            | (125 )        |
| Cash provided by investing activities - continuing operations                 | 84                | 2,541         |
| Cash used for investing activities - discontinued operations                  | —                 | (19 )         |
| Cash provided by investing activities                                         | 84                | 2,522         |
| Cash flows from financing activities                                          |                   |               |
| Share repurchase                                                              | (1,272 )          | (1,888 )      |
| Issuance of shares for employee benefit plans                                 | (139 )            | (118 )        |
| Issuance of debt                                                              | 3,960             | 1,651         |
| Repayment of debt                                                             | (3,498 )          | (1,998 )      |
| Cash dividends to shareholders                                                | (285 )            | (274 )        |
| Noncontrolling interests and other financing activities                       | (21 )             | (21 )         |
| Cash used for financing activities - continuing operations                    | (1,255 )          | (2,648 )      |
| Cash used for financing activities - discontinued operations                  | —                 | —             |
| Cash used for financing activities                                            | (1,255 )          | (2,648 )      |
| Effect of exchange rates on cash and cash equivalents                         | (76 )             | 91            |

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|                                                                                    |        |        |
|------------------------------------------------------------------------------------|--------|--------|
| Net increase (decrease) in cash and cash equivalents                               | (272 ) | 318    |
| Cash and cash equivalents at beginning of period                                   | 756    | 431    |
| Cash and cash equivalents at end of period                                         | \$484  | \$ 749 |
| Supplemental disclosures:                                                          |        |        |
| Interest paid                                                                      | \$172  | \$ 195 |
| Income taxes paid, net of refunds                                                  | \$274  | \$ 854 |
| See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited). |        |        |

## Notes to Condensed Consolidated Financial Statements (Unaudited)

### 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements and Notes thereto (the “Financial Statements”) have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”). The Financial Statements include the accounts of Aon plc and all of its controlled subsidiaries (“Aon” or the “Company”). All intercompany accounts and transactions have been eliminated. The Financial Statements include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the Company’s consolidated financial position, results of operations and cash flows for all periods presented.

Certain information and disclosures normally included in the Financial Statements prepared in accordance with U.S. GAAP have been condensed or omitted. These Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. The results for the three and nine months ended September 30, 2018 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2018.

#### Use of Estimates

The preparation of the accompanying Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of reserves and expenses. These estimates and assumptions are based on management’s best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management believes its estimates to be reasonable given the current facts available. Aon adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets, and foreign currency exchange rate movements increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment would, if applicable, be reflected in the Financial Statements in future periods.

### 2. Accounting Principles and Practices

#### Adoption of New Accounting Standards

##### Presentation of Net Periodic Pension and Postretirement Benefit Costs

In March 2017, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. The Company has applied the new guidance retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the Condensed Consolidated Statement of Income, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension costs and net periodic postretirement benefit cost in assets. The new guidance allows a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The Company did not apply the practical expedient upon adoption of this guidance. The new guidance was effective for Aon in the first quarter of 2018. The adoption of this guidance had no impact on the net income of the Company.

Upon adoption of the guidance, the presentation of the results reflect a change in Operating income (loss) offset by an equal and offsetting change in Other income (expense) for the period ended September 30, 2017 as follows:

|                                        | Three Months Ended<br>September 30, 2017 |             |                | Nine Months Ended<br>September 30, 2017 |             |                |
|----------------------------------------|------------------------------------------|-------------|----------------|-----------------------------------------|-------------|----------------|
|                                        | As<br>Reported                           | Adjustments | As<br>Adjusted | As<br>Reported                          | Adjustments | As<br>Adjusted |
| Operating income (loss) <sup>(1)</sup> | \$265                                    | \$ (9 )     | \$ 256         | \$490                                   | \$ (26 )    | \$ 464         |
| Other income (expense)                 | \$(5 )                                   | \$ 9        | \$ 4           | \$(20 )                                 | \$ 26       | \$ 6           |

(1) Reclassification from Operating income is recorded in Compensation and benefits.

#### Income Tax Consequences of Intercompany Transactions

In October 2016, the FASB issued new accounting guidance on the income tax consequences of intra-entity asset transfers other than inventory. The guidance requires that the seller and buyer recognize the consolidated current and deferred income tax consequences of a transaction in the period the transaction occurs rather than deferring to a future period and recognizing those consequences when the asset has been sold to an outside party or otherwise recovered through use (i.e. depreciated, amortized, or impaired). The Company has applied the new guidance on a modified retrospective basis with a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The new guidance was effective for Aon in the first quarter of 2018. Upon the adoption of this guidance on January 1, 2018, the Company recognized an increase to Deferred tax assets of \$23 million, an increase to Deferred tax liabilities of \$12 million, and a decrease to Other non-current assets of \$26 million on the Condensed Consolidated Statement of Financial Position through a cumulative adjustment of \$15 million decrease to Retained earnings. For the three and nine months ended September 30, 2018, the impact of adopting this guidance on the Condensed Consolidated Statement of Income was insignificant.

#### Statement of Cash Flows

In August 2016, the FASB issued new accounting guidance on the classification of certain cash receipts and cash payments. Under the new guidance, an entity no longer has discretion to choose the classification for a number of transactions, including contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, and distributions received from equity method investees. The new standard was effective for the Company in the first quarter of 2018. The adoption of this guidance had no impact on the Company's Condensed Consolidated Statements of Cash Flows.

#### Financial Assets and Liabilities

In January 2016, the FASB issued new accounting guidance on recognition and measurement of financial assets and financial liabilities. The amendments in the new guidance make targeted improvements, which include the requirement to measure equity investments with readily determinable fair values at fair value through net income, simplification of the impairment assessment for equity investments without readily determinable fair values, adjustments to existing and additional disclosure requirements, and additional tax considerations. The Company applied the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with the exception of the amendments related to equity securities without readily determinable fair values, including disclosure requirements, which were applied prospectively. Upon the adoption of this guidance on January 1, 2018, the Company recognized an increase to Accumulated other comprehensive loss of \$1 million on the Condensed Consolidated Statement of Financial Position through a cumulative adjustment of \$1 million increase to Retained earnings. For the three and nine months ended September 30, 2018, the impact of adopting this guidance on the Condensed Consolidated Statement of Income was insignificant.

#### Revenue Recognition

In May 2014, the FASB issued a new accounting standard on revenue from contracts with customers (the "Standard" or "ASC 606"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP ("ASC 605"). The core principal of the Standard is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard also requires additional disclosure about the nature, amount, timing, and uncertainty

of revenue and cash flows arising from customer contracts, including significant judgments, changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. Two methods of transition were permitted upon adoption: full retrospective and modified retrospective. The Company elected to apply the modified retrospective adoption approach to all contracts. Under this approach, prior periods were not restated. Rather, revenues and other disclosures for prior periods were provided in the notes to the financial statements as

previously reported under ASC 605, and the cumulative effect of initially applying the guidance was recognized as an adjustment to Retained earnings.

The following summarizes the significant changes to the Company as a result of the adoption of ASC 606 on January 1, 2018.

The Company previously recognized revenue either at a point in time or over a period of time based on the transfer of value to customers or as the remuneration became determinable. Under ASC 606, the revenue related to certain brokerage services recognized over a period of time is recognized on the effective date of the associated policies when control of the policy transfers to the customer. As a result, revenue from these arrangements are typically recognized in earlier periods under ASC 606 in comparison to ASC 605, changing the timing and amount of revenue recognized for annual and interim periods. This change resulted in a significant shift in timing of interim revenue for the Reinsurance Solutions revenue line and, to a lesser extent, certain other brokerage services.

The Standard provides guidance on accounting for certain revenue-related costs including when to capitalize costs associated with obtaining and fulfilling a contract. The majority of these costs were previously expensed as incurred under ASC 605. Assets recognized for the costs to obtain a contract, which includes certain sales commissions, are amortized on a systematic basis that is consistent with the transfer of the services to which the asset relates, considering anticipated renewals when applicable. For situations where the renewal period is one year or less and renewal costs are commensurate with the initial contract, the Company applied a practical expedient and recognizes the costs of obtaining a contract as an expense when incurred. Assets recognized as costs to fulfill a contract, which includes internal costs related to pre-placement broking activities, as well as other costs, are amortized on a systematic basis that is consistent with the transfer of the services to which the asset relates, which is generally less than one year.

As a result of applying the modified retrospective method to adopt ASC 606, the following adjustments were made to the Condensed Consolidated Statement of Financial Position as of January 1, 2018:

|                                          | December<br>31,<br>2017 |             | January<br>1,<br>2018 |
|------------------------------------------|-------------------------|-------------|-----------------------|
| (millions)                               | As<br>Reported          | Adjustments | As<br>Adjusted        |
| Assets                                   |                         |             |                       |
| Receivables, net                         | \$ 2,478                | \$ 252      | \$ 2,730              |
| Other current assets                     | \$ 289                  | \$ 298      | \$ 587                |
| Deferred tax assets                      | \$ 389                  | \$ (128 )   | \$ 261                |
| Other non-current assets                 | \$ 307                  | \$ 145      | \$ 452                |
| Liabilities                              |                         |             |                       |
| Accounts payable and accrued liabilities | \$ 1,961                | \$ 8        | \$ 1,969              |
| Other current liabilities                | \$ 870                  | \$ 13       | \$ 883                |
| Deferred tax liabilities                 | \$ 127                  | \$ 42       | \$ 169                |
| Other non-current liabilities            | \$ 1,102                | \$ (3 )     | \$ 1,099              |
| Equity                                   |                         |             |                       |
| Total equity                             | \$ 4,648                | \$ 507      | \$ 5,155              |

The following tables summarize the impacts of adopting ASC 606 on the Company's Condensed Consolidated Statement of Income, Financial Position, and Cash Flows as of and for the three and nine months ended September 30, 2018.

#### Condensed Consolidated Statement of Income

| (millions)                | Three months ended September 30, 2018 |             |                                      | Nine Months Ended September 30, 2018 |             |                                      |
|---------------------------|---------------------------------------|-------------|--------------------------------------|--------------------------------------|-------------|--------------------------------------|
|                           | As Reported                           | Adjustments | Balances Without Adoption of ASC 606 | As Reported                          | Adjustments | Balances Without Adoption of ASC 606 |
| Revenue                   |                                       |             |                                      |                                      |             |                                      |
| Total revenue             | \$2,349                               | \$ 142      | \$ 2,491                             | \$8,000                              | \$ (268 )   | \$ 7,732                             |
| Expenses                  |                                       |             |                                      |                                      |             |                                      |
| Compensation and benefits | \$1,392                               | \$ 36       | \$ 1,428                             | \$4,502                              | \$ (42 )    | \$ 4,460                             |
| Other general expenses    | \$336                                 | \$ 1        | \$ 337                               | \$1,189                              | \$ 3        | \$ 1,192                             |
| Income taxes              | \$39                                  | \$ 21       | \$ 60                                | \$9                                  | \$ (54 )    | \$ (45 )                             |

Adoption of ASC 606 had an unfavorable impact of \$84 million on net income from continuing operations, or \$0.34 per share, for the three months ended September 30, 2018, and a favorable impact of \$175 million on net income from continuing operations, or \$0.71 per share, for the nine months ended September 30, 2018.

#### Condensed Consolidated Statement of Financial Position

| (millions)                    | As of September 30, 2018 |             |                                      |
|-------------------------------|--------------------------|-------------|--------------------------------------|
|                               | As Reported              | Adjustments | Balances Without Adoption of ASC 606 |
| Assets                        |                          |             |                                      |
| Receivables, net              | \$2,656                  | \$ (494 )   | \$ 2,162                             |
| Other current assets          | \$727                    | \$ (227 )   | \$ 500                               |
| Deferred tax assets           | \$476                    | \$ 128      | \$ 604                               |
| Other non-current assets      | \$434                    | \$ (150 )   | \$ 284                               |
| Liabilities                   |                          |             |                                      |
| Other current liabilities     | \$988                    | \$ (13 )    | \$ 975                               |
| Deferred tax liabilities      | \$273                    | \$ (59 )    | \$ 214                               |
| Other non-current liabilities | \$1,090                  | \$ 2        | \$ 1,092                             |

#### Equity

|              |         |           |          |
|--------------|---------|-----------|----------|
| Total equity | \$4,328 | \$ (673 ) | \$ 3,655 |
|--------------|---------|-----------|----------|

#### Condensed Consolidated Statement of Cash Flows

| (millions)                           | Nine months ended September 30, 2018 |             |                                      |
|--------------------------------------|--------------------------------------|-------------|--------------------------------------|
|                                      | As Reported                          | Adjustments | Balances Without Adoption of ASC 606 |
| Cash flows from operating activities |                                      |             |                                      |

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|                                          |         |         |   |           |
|------------------------------------------|---------|---------|---|-----------|
| Net income                               | \$821   | \$ (175 | ) | \$ 646    |
| Deferred income taxes                    | \$(128) | \$ (16  | ) | \$ (144 ) |
| Receivables, net                         | \$(11 ) | \$ 244  |   | \$ 233    |
| Accounts payable and accrued liabilities | \$(331) | \$ 8    |   | \$ (323 ) |
| Current income taxes                     | \$(137) | \$ (37  | ) | \$ (174 ) |
| Other assets and liabilities             | \$139   | \$ (24  | ) | \$ 115    |

The adoption of ASC 606 had no impact on total Cash Provided by Operating Activities.

Refer to Note 3 “Revenue from Contracts with Customers” to the Financial Statements for further information.

#### Accounting Standards Issued But Not Yet Adopted

##### Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued new accounting guidance related to the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The guidance requires sponsors of these plans to provide additional disclosures, including weighted-average interest rates used in the entity’s cash balance pension plans and a narrative description of reasons for any significant gains or losses impacting the benefit obligation for the period, and eliminates certain previous disclosure requirements. The guidance is effective for Aon in the first quarter of 2021 with early adoption permitted and will be applied retrospectively. The Company is currently evaluating the impact that the guidance will have on the Financial Statements and the period of adoption.

##### Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued new accounting guidance related to reclassification of certain tax effects from accumulated other comprehensive income. The guidance allows a reclassification from accumulated comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Reform Act”). In addition, the entity is required to provide certain disclosures regarding stranded tax effects. The guidance is effective for Aon in the first quarter of 2019 and early adoption is permitted, including adoption in any interim period. The guidance should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Reform Act is recognized. The Company does not anticipate electing to reclassify stranded tax effects in accumulated other comprehensive income to retained earnings and expects to adopt the disclosure guidance in the first quarter of 2019. Refer to Note 11 “Income Taxes” for further discussion of the Tax Reform Act.

##### Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued new accounting guidance on targeted improvements to accounting for hedging activities. The new guidance amends its hedge accounting model to enable entities to better portray their risk management activities in the Financial Statements. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and requires the effect of a hedging instrument to be presented in the same income statement line as the hedged item. An entity will apply the new guidance on a modified retrospective basis with a cumulative effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the period of adoption. Changes to income statement presentation and financial statement disclosures will be applied prospectively. The new guidance is effective for Aon in the first quarter of 2019 and early adoption is permitted. The Company is currently evaluating the impact that the guidance will have on the Financial Statements and the period of adoption.

##### Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued new accounting guidance on simplifying the test for goodwill impairment. Currently the standard requires an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. The new guidance removes Step 2. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. An entity will apply the new guidance on a prospective basis. The new guidance is effective for Aon in the first quarter of 2020 and early adoption is permitted. The Company is currently evaluating the impact that the guidance will have on the Financial Statements and the period of adoption.

##### Credit Losses

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments. The new guidance replaces the current incurred loss impairment methodology with a methodology that reflects

expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. An entity will apply the new guidance through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The guidance is effective for Aon in the first quarter of 2020 and early adoption is permitted beginning in the first quarter of 2019. Aon is currently evaluating the impact that the guidance will have on its Financial Statements, as well as the period of adoption.

## Leases

In February 2016, the FASB issued a new accounting standard on leases, which requires lessees to recognize assets and liabilities for most leases. Under the new standard, a lessee should recognize in the Condensed Consolidated Statement of Financial Position a liability to make future lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP standards. The new standard will be effective for the Company in the first quarter of 2019, with early adoption permitted and must be applied using a modified retrospective transition approach. In July 2018, the FASB amended the updated guidance on leases that was issued in February 2016 and provided an additional transition method with which to adopt the updated guidance. Under the additional transition method, entities may elect to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. Under this transition method, an entity's reporting for the comparative periods prior to adoption presented in the financial statements would continue to be in accordance with current lease guidance. The Company expects to adopt the new standard as of January 1, 2019 using the cumulative-effect adjustment transition method approved by the FASB. Additionally, the Company will provide expanded lease disclosures required under the new standard in the first quarter of 2019.

The modified retrospective approach includes several optional practical expedients that entities may elect to apply upon transition. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Company has determined it will not elect the practical expedient related to hindsight and is currently evaluating all other practical expedients and accounting policy elections that will be applied.

The Company is on schedule to implement the standard as of January 1, 2019 and has executed a comprehensive approach to identify arrangements that may contain a lease, has performed completeness assessments over the identified lease population and has implemented system solutions and processes to appropriately account for the lease right-of-use assets and lease liabilities upon transition and on an ongoing basis. Further, control activities related to the adoption of this standard have been designed and begun to be implemented.

Aon expects to recognize significant lease liabilities and corresponding right of use assets on its Condensed Consolidated Statements of Financial Position related to its portfolio of operating leases, but is unable to provide quantitative information at this time. The Company does not anticipate that the new standard will have a significant impact on the Condensed Consolidated Statements of Income or the Condensed Consolidated Statements of Cash Flows.

## 3. Revenue from Contracts with Customers

The Company generates revenues primarily through commissions, compensation from insurance and reinsurance companies for services provided to them, and fees from customers. Commissions and fees for brokerage services 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 the Company acts. Compensation from insurance and reinsurance companies includes: (1) fees for consulting and analytics services and (2) fees and commissions for administrative and other services provided to or on behalf of insurers. In Aon's capacity as an insurance and reinsurance broker, the service promised to the customer is placement of an effective insurance or reinsurance policy, respectively. At the completion of the insurance or reinsurance policy placement process once coverage is effective, the customer has obtained control over the services promised by the Company. Judgment is not typically required when assessing whether the coverage is effective. Fees from clients for advice and consulting services are dependent on the extent and value of the services provided. Payment terms for the Company's principal service lines are discussed below; the Company believes these terms are consistent with current industry practices. Significant financing components are typically not present in Aon's arrangements.

The Company recognizes revenue when control of the promised services is transferred to the customer in the amount that best reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements where control is transferred over time, an input or output method is applied that represents a faithful depiction of the progress towards completion of the performance obligation. For arrangements that include variable

consideration, the Company assesses whether any amounts should be constrained. For arrangements that include multiple performance obligations, the Company allocates consideration based on their relative fair values.

Costs incurred by the Company in obtaining a contract are capitalized and amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates, considering anticipated renewals when applicable. Certain contract related costs, including pre-placement brokerage costs, are capitalized as a cost to fulfill and are amortized on a systematic basis consistent with the transfer of control of the services to which the asset relates, which is generally less than one year.

The Company has elected to apply practical expedients to not disclose the revenue related to unsatisfied performance obligations if (1) the contract has an original duration of 1 year or less, (2) the Company has recognized revenue for the amount in which it has the right to bill, and (3) the variable consideration is allocated entirely to an unsatisfied performance obligation which is recognized as a series of distinct goods or services that form a single performance obligation.

#### Disaggregation of Revenue

The following is a description of principal service lines from which the Company generates its revenue:

Commercial Risk Solutions includes retail brokerage, cyber solutions, global risk consulting, and captives. Revenue primarily includes insurance commissions and fees for services rendered. Revenue is predominantly recognized at a point in time upon the effective date of the underlying policy, or for a limited number of arrangements, over the term of the arrangement using output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements recognized over time, various output measures, including units transferred and time elapsed, are utilized to provide a faithful depiction of the progress towards completion of the performance obligation. Revenue is recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions and fees for brokerage services may be invoiced at the effective date of the underlying policy or over the term of the arrangement in installments during the policy period.

Reinsurance Solutions includes treaty and facultative reinsurance brokerage and capital markets. Revenue primarily includes reinsurance commissions and fees for services rendered. Revenue is predominantly recognized at a point in time upon the effective date of the underlying policy (or policies), or for a limited number of arrangements, over the term of the arrangement using output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements recognized over time, various output measures, including units delivered and time elapsed, are utilized to provide a faithful depiction of the progress towards completion of the performance obligation. Commissions and fees for brokerage services may be invoiced at the inception of the reinsurance period for certain reinsurance brokerage, or more commonly, over the term of the arrangement in installments based on deposit or minimum premiums for most treaty reinsurance arrangements.

Retirement Solutions includes core retirement, investment consulting, and talent, rewards & performance. Revenue consists primarily of fees paid by customers for consulting services, such as risk management strategies, health and benefits, and human capital consulting services. Revenue is predominantly recognized over the term of the arrangement using input or output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, or for certain arrangements, at a point in time upon completion of the services. For consulting arrangements recognized over time, revenue will be recognized based on a measure of progress that depicts the transfer of control of the services to the customer, utilizing an appropriate input or output measure to provide a reasonable assessment of the progress towards completion of the performance obligation including units delivered or time elapsed. Fees paid by customers for consulting services are typically charged on an hourly, project or fixed-fee basis, and revenue for these arrangements is typically recognized based on time incurred, days elapsed, or reports delivered. Revenue from time-and-materials or cost-plus arrangements are recognized as services are performed using input or output measures to provide a reasonable assessment of the progress towards completion of the performance obligation including hours worked, and revenue for these arrangements is typically recognized based on time and materials incurred.

Reimbursements received for out-of-pocket expenses are recorded as a component of revenue. Payment terms vary but are typically over the contract term in installments.

Health Solutions includes health and benefits brokerage and healthcare exchanges. Revenue primarily includes insurance commissions and fees for services rendered. For brokerage commissions, revenue is predominantly recognized at the effective date of the underlying policy (or policies), or for a limited number of arrangements, over the term of the arrangement to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services using input or output

measures, including units delivered or time elapsed, to provide a faithful depiction of the progress towards completion of the performance obligation. Revenue from health care exchange arrangements are typically recognized upon successful enrollment of participants, net of a reserve for estimated cancellations. Commissions and fees for brokerage services may be invoiced at the effective date of the underlying policy or over the term of the arrangement in installments during the policy period. Payment terms for other services vary but are typically over the contract term in installments.

Data & Analytic Services includes Affinity, Aon InPoint, and ReView. Revenue consists primarily of fees for services rendered and is predominantly recognized over the term of the arrangement to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Payment terms vary but are typically over the contract term in installments. For Data & Analytic Services arrangements recognized over time, revenue will be recognized based on a measure of progress that depicts the transfer of control of the services to the customer, utilizing an appropriate input or output measure to provide a faithful depiction of the progress towards completion of the performance

obligation, including units delivered or time elapsed. Input and output measures utilized vary based on the arrangement but typically include reports provided or days elapsed.

The following table summarizes revenue from contracts with customers by principal service line (in millions):

|                           | Three<br>months<br>ended<br>September<br>30, 2018 | Nine<br>months<br>ended<br>September<br>30, 2018 |
|---------------------------|---------------------------------------------------|--------------------------------------------------|
| Commercial Risk Solutions | \$ 1,029                                          | \$ 3,379                                         |
| Reinsurance Solutions     | 279                                               | 1,401                                            |
| Retirement Solutions      | 501                                               | 1,356                                            |
| Health Solutions          | 278                                               | 1,038                                            |
| Data & Analytic Services  | 263                                               | 834                                              |
| Elimination               | (1 )                                              | (8 )                                             |
| Total revenue             | \$ 2,349                                          | \$ 8,000                                         |

Consolidated revenue from contracts with customers by geographic area, which is attributed on the basis of where the services are performed, is as follows (in millions):

|                                                         | Three<br>months<br>ended<br>September<br>30, 2018 | Nine<br>months<br>ended<br>September<br>30, 2018 |
|---------------------------------------------------------|---------------------------------------------------|--------------------------------------------------|
| United States                                           | \$ 1,215                                          | \$ 3,456                                         |
| Americas other than United States                       | 203                                               | 683                                              |
| United Kingdom                                          | 264                                               | 1,161                                            |
| Europe, Middle East, & Africa other than United Kingdom | 399                                               | 1,871                                            |
| Asia Pacific                                            | 268                                               | 829                                              |
| Total revenue                                           | \$ 2,349                                          | \$ 8,000                                         |

#### Contract Costs

The Company recognizes an asset for costs incurred to fulfill a contract for costs that are specifically identified and relate to a contract or anticipated contract, generate or enhance resources used in satisfying the Company's performance obligations, and are expected to be recovered. Assets recognized as costs to fulfill a contract, which includes internal costs related to pre-placement broking activities, as well as other costs, are amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates. The amortization is primarily included in Compensation and benefits on the Condensed Consolidated Statements of Income.

The changes in the net carrying amount of costs to fulfill contracts with customers are as follows (in millions):

|                                               | Three<br>months<br>ended<br>September<br>30, 2018 | Nine<br>months<br>ended<br>September<br>30, 2018 |
|-----------------------------------------------|---------------------------------------------------|--------------------------------------------------|
| Balance at beginning of period <sup>(1)</sup> | \$ 216                                            | \$ 298                                           |
| Additions                                     | 332                                               | 1,043                                            |
| Amortization                                  | (305 )                                            | (1,090 )                                         |
| Impairment                                    | —                                                 | —                                                |
| Foreign currency translation and other        | 5                                                 | (3 )                                             |

Balance at end of period                      \$ 248              \$ 248

(1) Upon adoption of the new revenue recognition standard on January 1, 2018, Aon capitalized \$298 million of costs to fulfill contracts with customers.

The Company capitalizes incremental costs to obtain a contract with a customer that are expected to be recovered. Assets recognized for the costs to obtain a contract, which includes certain sales commissions, will be amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates, considering anticipated renewals when applicable. For situations where the renewal period is one year or less and renewal costs are commensurate with the initial contract, the Company

has applied a practical expedient and recognized the costs of obtaining a contract as an expense when incurred. The amortization is primarily included in Compensation and benefits on the Condensed Consolidated Statements of Income.

The changes in the net carrying amount of costs to obtain contracts with customers are as follows (in millions):

|                                               | Three<br>months<br>ended<br>September<br>30, 2018 | Nine<br>months<br>ended<br>September<br>30, 2018 |
|-----------------------------------------------|---------------------------------------------------|--------------------------------------------------|
| Balance at beginning of period <sup>(1)</sup> | \$ 144                                            | \$ 145                                           |
| Additions                                     | 16                                                | 37                                               |
| Amortization                                  | (9 )                                              | (30 )                                            |
| Impairment                                    | —                                                 | —                                                |
| Foreign currency translation and other        | (1 )                                              | (2 )                                             |
| Balance at end of period                      | \$ 150                                            | \$ 150                                           |

<sup>(1)</sup> Upon adoption of the new revenue recognition standard on January 1, 2018, Aon capitalized \$145 million of costs to obtain contracts with customers.

#### 4. Discontinued Operations

On February 9, 2017, the Company entered into a Purchase Agreement with Tempo Acquisition, LLC (the “Purchase Agreement”) to sell its benefits administration and business process outsourcing business (the “Divested Business”) to an entity formed and controlled by affiliates of The Blackstone Group L.P. (the “Buyer”) and certain designated purchasers that are direct or indirect subsidiaries of the Buyer.

On May 1, 2017, the Buyer purchased all of the outstanding equity interests of the Divested Business, plus certain related assets and liabilities, for a purchase price of \$4.3 billion in cash paid at closing, subject to customary adjustments set forth in the Purchase Agreement, and deferred consideration of up to \$500 million (the “Transaction”). Cash proceeds after customary adjustments and before taxes due were \$4.2 billion.

Aon and the Buyer entered into certain transaction-related agreements at the closing, including two commercial agreements, a transition services agreement, certain intellectual property license agreements, sub-leases, and other customary agreements. Aon expects to continue to be a significant client of the Divested Business and the Divested Business has agreed to use Aon for its broking and other services for a specified period of time.

The financial results of the Divested Business for the three and nine months ended September 30, 2018 and 2017 are presented as Net income from discontinued operations on the Company’s Condensed Consolidated Statements of Income. The following table presents the financial results of the Divested Business (in millions):

|                                                                | Three<br>months<br>ended<br>September<br>30<br>2018 | Three<br>months<br>ended<br>September<br>30<br>2017 | Nine<br>months<br>ended<br>September<br>30<br>2018 | Nine<br>months<br>ended<br>September<br>30<br>2017 |
|----------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Revenue                                                        |                                                     |                                                     |                                                    |                                                    |
| Total revenue                                                  | \$ —                                                | \$ —                                                | \$ —                                               | \$ 698                                             |
| Expenses                                                       |                                                     |                                                     |                                                    |                                                    |
| Total operating expenses                                       | 4                                                   | 14                                                  | 7                                                  | 640                                                |
| Operating income (loss) from discontinued operations           | (4 )                                                | (14 )                                               | (7 )                                               | 58                                                 |
| Other income (expense)                                         | —                                                   | (1 )                                                | —                                                  | 10                                                 |
| Income (loss) from discontinued operations before income taxes | (4 )                                                | (15 )                                               | (7 )                                               | 68                                                 |
| Income tax expense (benefit)                                   | (2 )                                                | (6 )                                                | (3 )                                               | 14                                                 |
| Net income (loss) from discontinued operations, excluding gain | (2 )                                                | (9 )                                                | (4 )                                               | 54                                                 |

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|                                                     |       |       |     |       |
|-----------------------------------------------------|-------|-------|-----|-------|
| Gain on sale of discontinued operations, net of tax | —     | 5     | 9   | 803   |
| Net income (loss) from discontinued operations      | \$(2) | \$(4) | \$5 | \$857 |

Upon triggering held for sale criteria in February 2017, Aon ceased depreciating and amortizing all long-lived assets included in discontinued operations. Total operating expenses for 2017 include \$8 million of depreciation of fixed assets and \$11 million of intangible asset amortization for the time prior to the Company triggering held for sale criteria.

The Company's Condensed Consolidated Statements of Cash Flows present the operating, investing, and financing cash flows of the Divested Business as discontinued operations. Aon uses a centralized approach to cash management and financing of its operations. Prior to the closing of the Transaction, portions of the Divested Business's cash were transferred to Aon daily, and Aon would fund the Divested Business as needed. There were no Cash and cash equivalents of discontinued operations at September 30, 2017. Total proceeds received for the sale of the divested business and taxes paid as a result of the sale are recognized on the Condensed Consolidated Statements of Cash Flows in Cash provided by investing activities - continuing operations and Cash provided by operating activities - continuing operations, respectively.

#### 5. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash balances and all highly liquid instruments with initial maturities of three months or less. Short-term investments consist of money market funds. The estimated fair value of Cash and cash equivalents and Short-term investments approximates their carrying values.

At September 30, 2018, Cash and cash equivalents and Short-term investments were \$651 million compared to \$1,285 million at December 31, 2017, a decrease of \$634 million. Of the total balances, \$97 million and \$96 million were restricted as to their use at September 30, 2018 and December 31, 2017, respectively. Included within the September 30, 2018 and December 31, 2017 balances, respectively, was £42.8 million (\$56.4 million at September 30, 2018 exchange rates) and £42.7 million (\$57.1 million at December 31, 2017 exchange rates) of operating funds required to be held by the Company in the United Kingdom (the "U.K.") by the Financial Conduct Authority (the "FCA"), a U.K.-based regulator, which were included in Short-term investments.

#### 6. Other Financial Data

##### Condensed Consolidated Statements of Income Information

##### Other Income (Expense)

Other income (expense) consists of the following (in millions):

|                                                   | Three months ended September 30 |        | Nine months ended September 30 |        |
|---------------------------------------------------|---------------------------------|--------|--------------------------------|--------|
|                                                   | 2018                            | 2017   | 2018                           | 2017   |
| Foreign currency remeasurement gain (loss)        | \$3                             | \$(20) | \$16                           | \$(32) |
| Gain (loss) on disposal of business               | (3)                             | —      | (4)                            | (2)    |
| Pension and other postretirement income (expense) | —                               | 9      | (5)                            | 26     |
| Equity earnings                                   | 1                               | 2      | 3                              | 11     |
| Gain (loss) on financial instruments              | —                               | 16     | (27)                           | 6      |
| Other                                             | —                               | (3)    | —                              | (3)    |
| Total                                             | \$1                             | \$4    | \$(17)                         | \$6    |

##### Condensed Consolidated Statements of Financial Position Information

##### Allowance for Doubtful Accounts

An analysis of the allowance for doubtful accounts are as follows (in millions):

|                                             | Three months ended September 30 |      | Nine months ended September 30 |      |
|---------------------------------------------|---------------------------------|------|--------------------------------|------|
|                                             | 2018                            | 2017 | 2018                           | 2017 |
| Balance at beginning of period              | \$62                            | \$59 | \$59                           | \$56 |
| Provision charged to Other general expenses | 9                               | 5    | 21                             | 16   |
| Accounts written off, net of recoveries     | (8)                             | —    | (17)                           | (10) |
| Foreign currency translation and other      | 3                               | (5)  | 3                              | (3)  |

|                          |       |       |       |       |
|--------------------------|-------|-------|-------|-------|
| Balance at end of period | \$ 66 | \$ 59 | \$ 66 | \$ 59 |
|--------------------------|-------|-------|-------|-------|

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## Other Current Assets

The components of Other current assets are as follows (in millions):

| As of                                                    | September 30, December 31, |        |
|----------------------------------------------------------|----------------------------|--------|
|                                                          | 2018                       | 2017   |
| Costs to fulfill contracts with customers <sup>(1)</sup> | \$ 248                     | \$ —   |
| Taxes receivable                                         | 196                        | 114    |
| Prepaid expenses                                         | 109                        | 126    |
| Receivables from the Divested Business <sup>(2)</sup>    | 11                         | 28     |
| Other                                                    | 163                        | 21     |
| Total                                                    | \$ 727                     | \$ 289 |

(1) Refer to Note 3 “Revenue from Contracts with Customers” for further information.

(2) Refer to Note 4 “Discontinued Operations” for further information.

## Other Non-Current Assets

The components of Other non-current assets are as follows (in millions):

| As of                                                   | September 30, December 31, |        |
|---------------------------------------------------------|----------------------------|--------|
|                                                         | 2018                       | 2017   |
| Costs to obtain contracts with customers <sup>(1)</sup> | \$ 150                     | \$ —   |
| Investments                                             | 52                         | 57     |
| Taxes receivable                                        | 75                         | 84     |
| Other                                                   | 157                        | 166    |
| Total                                                   | \$ 434                     | \$ 307 |

(1) Refer to Note 3 “Revenue from Contracts with Customers” for further information.

## Other Current Liabilities

The components of Other current liabilities are as follows (in millions):

| As of                           | September 30, December 31, |        |
|---------------------------------|----------------------------|--------|
|                                 | 2018                       | 2017   |
| Deferred revenue <sup>(1)</sup> | \$ 266                     | \$ 311 |
| Taxes payable <sup>(2)</sup>    | 16                         | 139    |
| Other                           | 706                        | 420    |
| Total                           | \$ 988                     | \$ 870 |

(1) During the three and nine months ended September 30, 2018, \$133 million and \$348 million, respectively, were recognized in the Condensed Consolidated Statements of Income.

(2) Includes a provisional estimate of \$42 million for the current portion of the Transition Tax as of December 31, 2017. Refer to Note 11 “Income Taxes” for further information.

## Other Non-Current Liabilities

The components of Other non-current liabilities are as follows (in millions):

| As of                        | September 30,<br>2018 | December 31,<br>2017 |
|------------------------------|-----------------------|----------------------|
| Taxes payable <sup>(1)</sup> | \$ 563                | \$ 529               |
| Deferred revenue             | 52                    | 49                   |
| Leases                       | 157                   | 153                  |
| Compensation and benefits    | 60                    | 67                   |
| Other                        | 258                   | 304                  |
| Total                        | \$ 1,090              | \$ 1,102             |

(1) Includes provisional estimates of \$235 million and \$222 million for the non-current portion of the Transition Tax as of September 30, 2018 and December 31, 2017, respectively. Refer to Note 11 “Income Taxes” for further information.

## 7. Acquisitions and Dispositions of Businesses

## Completed Acquisitions

The Company completed five acquisitions during the nine months ended September 30, 2018 and seventeen acquisitions during the twelve months ended December 31, 2017. The following table includes the fair values of consideration transferred, assets acquired, and liabilities assumed as a result of the Company’s acquisitions (in millions):

|                                       | Nine<br>months<br>ended<br>September<br>30, 2018 |
|---------------------------------------|--------------------------------------------------|
| Consideration transferred             |                                                  |
| Cash                                  | \$ 45                                            |
| Deferred and contingent consideration | 14                                               |
| Aggregate consideration transferred   | \$ 59                                            |
| Assets acquired                       |                                                  |
| Receivables, net                      | \$ 2                                             |
| Goodwill                              | 31                                               |
| Intangible assets, net                | 28                                               |
| Other assets                          | 3                                                |
| Total assets acquired                 | 64                                               |
| Liabilities assumed                   |                                                  |
| Current liabilities                   | 4                                                |
| Other non-current liabilities         | 1                                                |
| Total liabilities assumed             | 5                                                |
| Net assets acquired                   | \$ 59                                            |

The results of operations of these acquisitions are included in the Financial Statements as of the respective acquisition dates. The Company’s results of operations would not have been materially different if these acquisitions had been reported from the beginning of the period in which they were acquired.

## 2018 Acquisitions

On May 9, 2018, the Company completed the transaction to acquire certain assets of 601West, a division of Lee & Hayes, P.L.L.C. based in the United States.

On April 24, 2018, the Company completed the transaction to acquire Inspiring Benefits, S.L., a Spain-based firm specialized in employee loyalty, wellbeing, and rewards programs.



On March 1, 2018, the Company completed the transaction to acquire the business and assets of the trade credit business of Niche International Business Proprietary Limited, a trade credit brokerage based in Johannesburg, South Africa.

On March 1, 2018, the Company completed the transaction to acquire Affinity Risk Partners (Brokers) Pty. Ltd., an insurance broker in Victoria, Australia.

On January 19, 2018, the Company completed the transaction to acquire substantially all of the assets of The Burchfield Group, a provider in pharmacy benefit consulting, auditing, and health plan compliance services based in the United States.

#### 2017 Acquisitions

On December 29, 2017, the Company completed the transaction to acquire the Townsend Group, a U.S.-based provider of global investment management and advisory services primarily focused on real estate.

On December 29, 2017, the Company completed the transaction to acquire Baltolink UADBB, a regional broker based in Lithuania.

On December 19, 2017, the Company completed the transaction to acquire a client register of Grant Liddell Financial Advisor Services Pty Ltd in Australia.

On December 1, 2017, the Company completed the transaction to acquire Henderson Insurance Brokers Limited, an independent insurance broking firm based in the United Kingdom.

On November 30, 2017, the Company completed the transaction to acquire Unidelta AG, an insurance broker located in Switzerland.

On October 31, 2017, the Company completed the transaction to acquire Unirobe Meeùs Groep, an insurance broker based in the Netherlands.

On October 31, 2017, the Company completed the transaction to acquire Lenzi Paolo Broker di Assicurazioni S.r.l., an insurance broker based in Italy.

On October 26, 2017, the Company completed the transaction to acquire Nauman Insurance Brokers Limited, an insurance broker based in New Zealand.

On October 2, 2017, the Company completed the transaction to acquire Portus Consulting, an independent employee benefits firm based in the United Kingdom.

On August 31, 2017, the Company completed the transaction to acquire Mark Kelly Insurance and Financial Services PTY LTD, an Australia-based broker servicing the insurance needs of commercial clients in and around the Townsville regional center.

On August 28, 2017, the Company completed the transaction to acquire a certain portfolio in the Charlotte office of The Hays Group, Inc. d/b/a Hays Companies.

On July 27, 2017, the Company completed the transaction to acquire Grupo Innovac Sociedad de Correduría de Seguros, S.A, an insurance broker based in Valencia, Spain.

On July 3, 2017, the Company completed the transaction to acquire PWZ AG, an independent insurance broker based in Zurich, Switzerland.

On May 31, 2017, the Company completed the transaction to acquire SchneiderGolling IFFOXX Assekuranzmakler AG and SchneiderGolling Industrie Assekuranzmaklergesellschaft mbH from SchneiderGolling Gruppe, a property and casualty broker based in Southern Germany.

On May 2, 2017, the Company completed the transaction to acquire cut-e Assessment Global Holdings Limited, a high-volume online psychometric assessments provider based in Ireland.

On March 3, 2017, the Company completed the transaction to acquire Finaccord Limited, a market research, publishing and consulting company based in the United Kingdom.

On January 19, 2017, the Company completed the transaction to acquire VERO Management AG, an insurance broker and risk advisor based in Austria.

### Completed Dispositions

The Company completed two dispositions during the three months ended September 30, 2018 and three dispositions during the nine months ended September 30, 2018. The Company completed no dispositions during the three months ended September 30, 2017 and four dispositions during the nine months ended September 30, 2017, excluding the sale of the Divested Business.

Pretax losses, net of gains, were \$3 million for the three months ended September 30, 2018. There were no pretax gains or losses recognized for the three months ended September 30, 2017. Pretax losses, net of gains, were \$4 million for the nine months ended September 30, 2018. Total pretax losses, net of gains, recognized were \$2 million for the nine months ended September 30, 2017. Gains and losses recognized as a result of a disposition are included in Other income (expense) in the Condensed Consolidated Statements of Income.

During the third quarter of 2018, Aon disposed of certain assets and liabilities that were previously classified as held for sale due to management's decision to exit certain operations. In the second quarter of 2018, a non-cash impairment charge of \$176 million was recognized to write down the assets and liabilities to a fair value less cost-to-sell of \$47 million and \$41 million, respectively. The impairment charge was recognized in Amortization and impairment of intangible assets on the Condensed Consolidated Statement of Income. Adjustments to the non-cash impairment charge in the third quarter were insignificant.

### 8. Restructuring

In 2017, Aon initiated a global restructuring plan (the "Restructuring Plan") in connection with the sale of the Divested Business. The Restructuring Plan is intended to streamline operations across the organization and deliver greater efficiency, insight, and connectivity. The Company expects these restructuring activities and related expenses to affect continuing operations through 2019, including an estimated 4,200 to 4,800 role eliminations. The Restructuring Plan is expected to result in cumulative costs of approximately \$1,025 million through the end of the plan, consisting of approximately \$420 million in employee termination costs, \$130 million in technology rationalization costs, \$60 million in lease consolidation costs, \$40 million in non-cash asset impairments, and \$375 million in other costs, including certain separation costs associated with the sale of the Divested Business.

From the inception of the Restructuring Plan through September 30, 2018, the Company has eliminated 3,798 positions and incurred total expenses of \$863 million for restructuring and related separation costs. These charges are included in Compensation and benefits, Information technology, Premises, Depreciation of fixed assets, and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The following table summarizes restructuring and separation costs by type that have been incurred through September 30, 2018 and are estimated to be incurred through the end of the Restructuring Plan (in millions).

Estimated costs may be revised in future periods as these assumptions are updated:

|                                                                             | Three<br>months<br>ended<br>September<br>30, 2018 | Nine<br>months<br>ended<br>September<br>30, 2018 | Inception<br>to Date | Estimated<br>Remaining<br>Costs | Estimated<br>Total<br>Cost <sup>(1)</sup> |
|-----------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------|----------------------|---------------------------------|-------------------------------------------|
| Workforce reduction                                                         | \$ 18                                             | \$ 84                                            | \$ 383               | \$ 37                           | \$ 420                                    |
| Technology rationalization <sup>(2)</sup>                                   | 12                                                | 30                                               | 63                   | 67                              | 130                                       |
| Lease consolidation <sup>(2)</sup>                                          | 11                                                | 24                                               | 32                   | 28                              | 60                                        |
| Asset impairments                                                           | 2                                                 | 11                                               | 37                   | 3                               | 40                                        |
| Other costs associated with restructuring and separation <sup>(2) (3)</sup> | 54                                                | 217                                              | 348                  | 27                              | 375                                       |
| Total restructuring and related expenses                                    | \$ 97                                             | \$ 366                                           | \$ 863               | \$ 162                          | \$ 1,025                                  |

Actual costs, when incurred, may vary due to changes in the assumptions built into the Restructuring Plan.

Significant assumptions that may change when plans are finalized and implemented include, but are not limited to, (1) 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)

Total contract termination costs incurred under the Restructuring Plan associated with Technology rationalizations, Lease consolidations, and Other costs associated with restructuring and separation, respectively, for the three months ended September 30, 2018 were \$1 million, \$11 million, and \$3 million; for the nine months ended September 30, 2018 were, respectively, \$2 million, \$23 million, and \$82 million; and since inception of the Restructuring Plan were, respectively, \$3 million, \$31 million, and \$85 million. Total estimated contract termination costs expected to be incurred under the Restructuring Plan associated with Technology rationalizations, Lease consolidations, and Other costs associated with restructuring and separation, respectively, are \$15 million, \$80 million, and \$85 million.

- (3) Other costs associated with the Restructuring Plan include those to separate the Divested Business, as well as moving costs, and consulting and legal fees. These costs are generally recognized when incurred.

The changes in the Company's liabilities for the Restructuring Plan as of September 30, 2018 are as follows (in millions):

|                                        |        |
|----------------------------------------|--------|
| Balance as of December 31, 2017        | \$ 186 |
| Expensed                               | 336    |
| Cash payments                          | (322 ) |
| Foreign currency translation and other | (5 )   |
| Balance as of September 30, 2018       | \$ 195 |

#### 9. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the nine months ended September 30, 2018 are as follows (in millions):

|                                               |          |
|-----------------------------------------------|----------|
| Balance as of December 31, 2017               | \$ 8,358 |
| Goodwill related to current year acquisitions | 31       |
| Goodwill related to disposals                 | (3 )     |
| Goodwill related to prior year acquisitions   | 13       |
| Foreign currency translation and other        | (117 )   |
| Balance as of September 30, 2018              | \$ 8,282 |

Other intangible assets by asset class are as follows (in millions):

|                                     | September 30, 2018    |                                         |                     | December 31, 2017     |                                         |                     |
|-------------------------------------|-----------------------|-----------------------------------------|---------------------|-----------------------|-----------------------------------------|---------------------|
|                                     | Gross Carrying Amount | Accumulated Amortization and Impairment | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization and Impairment | Net Carrying Amount |
| Customer related and contract based | \$ 2,305              | \$ 1,457                                | \$ 848              | \$ 2,550              | \$ 1,415                                | \$ 1,135            |
| Tradenames                          | 1,030                 | 687                                     | 343                 | 1,047                 | 533                                     | 514                 |
| Technology and other                | 396                   | 327                                     | 69                  | 416                   | 332                                     | 84                  |
| Total                               | \$ 3,731              | \$ 2,471                                | \$ 1,260            | \$ 4,013              | \$ 2,280                                | \$ 1,733            |

In the second quarter of 2017 and in connection with the completion of the sale of the Divested Business, the Company recognized a non-cash impairment charge to the associated tradenames of \$380 million. The fair value of the tradenames was determined using the Relief from Royalty Method. This impairment was included in Amortization and impairment of intangible assets on the Condensed Consolidated Statement of Income.

The estimated future amortization for finite lived intangible assets as of September 30, 2018 is as follows (in millions):

|                   |          |
|-------------------|----------|
| Remainder of 2018 | \$ 100   |
| 2019              | 386      |
| 2020              | 222      |
| 2021              | 128      |
| 2022              | 85       |
| Thereafter        | 339      |
| Total             | \$ 1,260 |

#### 10. Debt

Notes

On March 8, 2018, the Company's CAD 375 million (\$291 million at March 8, 2018 Exchange Rates) 4.76% Senior Note due March 2018 issued by a Canadian subsidiary of Aon Corporation matured and was repaid in full.

### Revolving Credit Facilities

As of September 30, 2018, Aon plc had two primary committed credit facilities outstanding: its \$900 million multi-currency U.S. credit facility expiring in February 2021 (the “2021 Facility”) and its \$400 million multi-currency U.S. credit facility expiring in October 2022 (the “2022 Facility”).

Each of these facilities includes customary representations, warranties, and covenants, including financial covenants that require Aon to maintain specified ratios of adjusted consolidated earnings before interest, taxes, depreciation, and amortization (“EBITDA”) to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, in each case, tested quarterly. At September 30, 2018, Aon did not have borrowings under the 2021 Facility or the 2022 Facility, and was in compliance with the financial covenants and all other covenants contained therein during the rolling twelve months ended September 30, 2018.

### Commercial Paper

Aon Corporation, a wholly owned subsidiary of Aon plc, has established a U.S. commercial paper program and Aon plc has established a European multi-currency commercial paper program (collectively, the “CP Programs”).

Commercial paper may be issued in aggregate principal amounts of up to \$600 million under the U.S. program and €525 million under the European program, not to exceed the amount of the Company’s committed credit, which was \$1.3 billion at September 30, 2018. The U.S. commercial paper program is fully and unconditionally guaranteed by Aon plc and the European commercial paper program is fully and unconditionally guaranteed by Aon Corporation. Commercial paper outstanding, which is included in Short-term debt and current portion of long-term debt in the Company’s Condensed Consolidated Statements of Financial Position, is as follows (in millions):

| As of                        | September 30,<br>2018 | December 31,<br>2017 |
|------------------------------|-----------------------|----------------------|
| Commercial paper outstanding | \$ 740                | \$ —                 |

The weighted average commercial paper outstanding and its related interest rates are as follows (in millions, except percentages):

|                                                                | Three months ended<br>September 30<br>2018 |      | Nine months ended<br>September 30<br>2017 |        |
|----------------------------------------------------------------|--------------------------------------------|------|-------------------------------------------|--------|
| Weighted average commercial paper outstanding                  | \$820                                      | \$ — | \$566                                     | \$227  |
| Weighted average interest rate of commercial paper outstanding | 0.79 %                                     | —%   | 0.83 %                                    | 0.18 % |

### 11. Income Taxes

The effective tax rates on net income from continuing operations were 20.1% and 1.1% for the three and nine months ended September 30, 2018, respectively. The effective tax rates on net income from continuing operations were 2.0% and (49.8)% for the three and nine months ended September 30, 2017, respectively.

The primary drivers of the tax rate for the three months ended September 30, 2018 include the geographical distribution of income and certain discrete items including return to accrual adjustments and changes in the assertion for unremitted earnings. The return to accrual adjustments also impacted the Company’s provisional estimates as described below.

The primary drivers of the tax rate for the nine months ended September 30, 2018 include the geographical distribution of income including restructuring charges, legacy litigation and the impairment of certain assets and liabilities previously classified as held for sale as well as changes from the Tax Reform Act. The tax rate was also impacted by certain discrete items including the net tax benefit associated with the sale of certain assets and liabilities previously classified as held for sale, the impact of share-based payments, and changes in the assertion for unremitted earnings.

On December 22, 2017, the Tax Reform Act was enacted into law and the new legislation contains several key tax provisions that impact the Company, including a reduction of the corporate income tax rate to 21% effective for tax years beginning after December 31, 2017 and a one-time mandatory transition tax on accumulated foreign earnings (the “Transition Tax”), among others. Also on December 22, 2017, the Securities and Exchange Commission (the “SEC”) staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when

a registrant did not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of Tax Reform Act in the period of enactment. SAB 118 allowed registrants to record provisional amounts during a one year measurement period.

In the fourth quarter of 2017, a net provisional charge of \$345 million was recorded which included the Transition Tax, the re-measurement of existing deferred tax balances, as well as local country income taxes, state income taxes and withholding taxes expected to be due upon repatriation of the earnings subject to the Transition Tax. In addition, the Company was unable to estimate the allocation between continuing and discontinued operations of the tax benefit from foreign tax credits generated in 2017 and related valuation allowance release.

In the second quarter of 2018, the Company reduced its provisional charge for the remeasurement of deferred taxes by \$11 million to reflect the anticipated acceleration of contributions to the qualified U.S. pension plan which occurred in the third quarter of 2018.

In the third quarter of 2018, the Company revised its provisional estimates to reflect guidance issued by the U.S. Treasury and state regulatory bodies as well as refined calculations. The adjustments, primarily related to the Transition Tax, increased the provisional charge by \$24 million, which increased the effective tax rate by 12.4% and 2.9% for the three and nine months ended September 30, 2018, respectively.

The Company will finalize its accounting in the fourth quarter after analyzing guidance issued during the measurement period, completing its reviews, filing its tax returns, and evaluating the local tax rules where the Company has pools of undistributed earnings within its complex legal entity structure.

## 12. Shareholders' Equity

### Ordinary Shares

Aon has a share repurchase program authorized by the Company's Board of Directors (the "Repurchase Program"). The Repurchase Program was established in April 2012 with up to \$5.0 billion in authorized repurchases, and was increased by \$5.0 billion in authorized repurchases in each of November 2014 and February 2017 for a total of \$15.0 billion in repurchase authorizations.

Under the Repurchase Program, Class A Ordinary 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.

The following table summarizes the Company's Share Repurchase activity (in millions, except per share data):

|                                           | Three months<br>ended September<br>30 |                     | Nine months<br>ended September<br>30 |                     |
|-------------------------------------------|---------------------------------------|---------------------|--------------------------------------|---------------------|
|                                           | 2018                                  | 2017 <sup>(1)</sup> | 2018                                 | 2017 <sup>(1)</sup> |
| Shares repurchased                        | 2.1                                   | 5.4                 | 8.8                                  | 14.5                |
| Average price per share                   | \$145.71                              | \$139.61            | \$142.15                             | \$131.58            |
| Costs recorded to retained earnings       |                                       |                     |                                      |                     |
| Total repurchase cost                     | \$300                                 | \$749               | \$1,250                              | \$1,903             |
| Additional associated costs               | 1                                     | 4                   | 6                                    | 10                  |
| Total costs recorded to retained earnings | \$301                                 | \$753               | \$1,256                              | \$1,913             |

Included in the 5.4 million shares and 14.5 million shares repurchased during the three and nine months ended (1) September 30, 2017, respectively, were 0.2 million shares that did not settle until October 2017. These shares were settled at an average price per share of \$146.52 and total cost of \$24.2 million.

At September 30, 2018, the remaining authorized amount for share repurchase under the Repurchase Program was \$4.2 billion. Under the Repurchase Program, the Company has repurchased a total of 117.0 million shares for an aggregate cost of approximately \$10.8 billion.

## Net Income Per Share

Weighted average ordinary shares outstanding are as follows (in millions):

|                                                      | Three<br>months<br>ended<br>September<br>30<br>2018 |       | Nine<br>months<br>ended<br>September<br>30<br>2017 |       |
|------------------------------------------------------|-----------------------------------------------------|-------|----------------------------------------------------|-------|
| Basic weighted average ordinary shares outstanding   | 244.0                                               | 255.6 | 246.2                                              | 260.9 |
| Dilutive effect of potentially issuable shares       | 1.6                                                 | 1.7   | 1.5                                                | 2.0   |
| Diluted weighted average ordinary shares outstanding | 245.6                                               | 257.3 | 247.7                                              | 262.9 |

Potentially issuable shares are not included in the computation of diluted net income per share if its inclusion would be antidilutive. There were no shares excluded from the calculation for the three and nine months ended September 30, 2018 and 2017.

## Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive loss by component, net of related tax, are as follows (in millions):

|                                                                       | Change in<br>Fair Value<br>of<br>Financial<br>Instruments<br>(1) | Foreign<br>Currency<br>Translation<br>Adjustments | Postretirement<br>Benefit<br>Obligation (2) | Total     |
|-----------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------|-----------|
| Balance at December 31, 2017                                          | \$ (25 )                                                         | \$ (879 )                                         | \$ (2,592 )                                 | \$(3,496) |
| Adoption of new accounting guidance (3)                               | (1 )                                                             | —                                                 | —                                           | (1 )      |
| Balance at January 1, 2018                                            | (26 )                                                            | (879 )                                            | (2,592 )                                    | (3,497 )  |
| Other comprehensive income (loss) before reclassifications, net       | 7                                                                | (257 )                                            | 19                                          | (231 )    |
| Amounts reclassified from accumulated other comprehensive loss        |                                                                  |                                                   |                                             |           |
| Amounts reclassified from accumulated other comprehensive income      | 9                                                                | —                                                 | 114                                         | 123       |
| Tax expense                                                           | (2 )                                                             | —                                                 | (25 )                                       | (27 )     |
| Amounts reclassified from accumulated other comprehensive income, net | 7                                                                | —                                                 | 89                                          | 96        |
| Net current period other comprehensive income (loss)                  | 14                                                               | (257 )                                            | 108                                         | (135 )    |
| Balance at September 30, 2018                                         | \$ (12 )                                                         | \$ (1,136 )                                       | \$ (2,484 )                                 | \$(3,632) |

Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other (1) income (expense), Other general expenses, and Compensation and benefits. Refer to Note 15 “Derivatives and Hedging” for further information regarding the Company’s derivative and hedging activity.

(2) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other income (expense).

(3) Refer to Note 2 “Accounting Principles and Practices” for further information.

## 13. Employee Benefits

The following table provides the components of the net periodic benefit (cost) recognized in the Condensed Consolidated Statements of Income for Aon's material U.K., U.S., and other significant international pension plans located in the Netherlands and Canada. Service cost is reported in Compensation and benefits and all other components are reported in Other income (expense) as follows (in millions):

|                                                                | Three months ended September 30 |        |       |       |       |       |
|----------------------------------------------------------------|---------------------------------|--------|-------|-------|-------|-------|
|                                                                | U.K.                            |        | U.S.  |       | Other |       |
|                                                                | 2018                            | 2017   | 2018  | 2017  | 2018  | 2017  |
| Service cost                                                   | \$—                             | \$—    | \$—   | \$—   | \$—   | \$—   |
| Interest cost                                                  | 26                              | 31     | 24    | 24    | 6     | 7     |
| Expected return on plan assets, net of administration expenses | (46)                            | (50)   | (36)  | (34)  | (11)  | (13)  |
| Amortization of prior-service cost                             | 1                               | —      | —     | —     | —     | —     |
| Amortization of net actuarial loss                             | 6                               | 8      | 15    | 13    | 3     | 3     |
| Net periodic (benefit) cost                                    | (13)                            | (11)   | 3     | 3     | (2)   | (3)   |
| Loss on pension settlement                                     | 9                               | —      | —     | —     | —     | —     |
| Total net periodic (benefit) cost                              | \$(4)                           | \$(11) | \$3   | \$3   | \$(2) | \$(3) |
|                                                                | Nine months ended September 30  |        |       |       |       |       |
|                                                                | U.K.                            |        | U.S.  |       | Other |       |
|                                                                | 2018                            | 2017   | 2018  | 2017  | 2018  | 2017  |
| Service cost                                                   | \$—                             | \$—    | \$—   | \$—   | \$—   | \$—   |
| Interest cost                                                  | 84                              | 91     | 74    | 72    | 20    | 19    |
| Expected return on plan assets, net of administration expenses | (147)                           | (147)  | (108) | (104) | (34)  | (35)  |
| Amortization of prior-service cost                             | 1                               | —      | 1     | 1     | —     | —     |
| Amortization of net actuarial loss                             | 21                              | 23     | 45    | 38    | 9     | 9     |
| Net periodic (benefit) cost                                    | (41)                            | (33)   | 12    | 7     | (5)   | (7)   |
| Loss on pension settlement                                     | 32                              | —      | —     | —     | —     | —     |
| Total net periodic (benefit) cost                              | \$(9)                           | \$(33) | \$12  | \$7   | \$(5) | \$(7) |

In March 2017, the Company approved a plan to offer a voluntary one-time lump sum payment option to certain eligible employees of the Company's U.K. pension plans that, if accepted, would settle the Company's pension obligations to them. The lump sum cash payment offer will close during 2018. As of September 30, 2018, lump sum payments from plan assets of £125 million (\$164 million using September 30, 2018 exchange rates) were paid. As a result of this settlement, the Company remeasured the assets and liabilities of the U.K. pension plan during the third quarter of 2018, which in aggregate resulted in a reduction to the projected benefit obligation of £108 million (\$143 million using September 30, 2018 exchange rates), as well as a non-cash settlement charge of £7 million (\$9 million using average September 30, 2018 exchange rates) in the third quarter of 2018 and £24 million (\$32 million using average exchange rates) for the nine months ended September 30, 2018. Additional non-cash settlement charges are expected in the fourth quarter of 2018.

## Contributions

The Company expects to make cash contributions of approximately \$92 million, \$143 million, and \$22 million, based on exchange rates as of December 31, 2017, to its significant U.K., U.S., and other significant international pension plans, respectively, during 2018. This includes the Company's contribution to the qualified U.S. pension plan of \$100 million in the third quarter of 2018, which allowed the pension contribution tax deduction to be taken at the 2017 federal tax rate of 35%.

During the three months ended September 30, 2018, cash contributions of \$27 million, \$108 million, and \$3 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the nine months ended September 30, 2018, cash contributions of \$75 million, \$133 million, and \$14 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the three months ended September 30, 2017, cash contributions of \$22 million, \$5 million, and \$3 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the nine months ended September 30, 2017, cash contributions of \$64 million, \$31 million, and \$14 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively.

## 14. Share-Based Compensation Plans

The following table summarizes share-based compensation expense recognized in the Condensed Consolidated Statements of Income in Compensation and benefits (in millions):

|                                        | Three months ended September 30, 2018 |       | Nine months ended September 30, 2017 |        |
|----------------------------------------|---------------------------------------|-------|--------------------------------------|--------|
|                                        | 2018                                  | 2017  | 2018                                 | 2017   |
| Restricted share units ("RSUs")        | \$ 41                                 | \$ 42 | \$ 145                               | \$ 143 |
| Performance share awards ("PSAs")      | 24                                    | 22    | 63                                   | 63     |
| Employee share purchase plans          | 2                                     | 3     | 6                                    | 8      |
| Total share-based compensation expense | \$ 67                                 | \$ 67 | \$ 214                               | \$ 214 |

## Restricted Share Units

RSUs generally vest between three and five years. The fair value of RSUs is based upon the market value of Aon plc ordinary shares at the date of grant. With certain limited exceptions, any break in continuous employment will cause the forfeiture of all non-vested awards. Compensation expense associated with RSUs is recognized on a straight-line basis over the requisite service period. Dividend equivalents are paid on certain RSUs, based on the initial grant amount.

The following table summarizes the status of the Company's RSUs, including shares related to the Divested Business (shares in thousands, except fair value):

|                                   | Nine months ended September 30, 2018 |                             | Nine months ended September 30, 2017 |                             |
|-----------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
|                                   | Shares                               | Fair Value at Date of Grant | Shares                               | Fair Value at Date of Grant |
| Non-vested at beginning of period | 4,849                                | \$ 104                      | 6,195                                | \$ 89                       |
| Granted                           | 1,409                                | \$ 140                      | 1,549                                | \$ 122                      |
| Vested                            | (1,772)                              | \$ 97                       | (2,294)                              | \$ 82                       |

|                             |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|
| Forfeited                   | (158 ) | \$ 111 | (590 ) | \$ 92  |
| Non-vested at end of period | 4,328  | \$ 118 | 4,860  | \$ 102 |

Unamortized deferred compensation expense was \$379 million as of September 30, 2018, with a remaining weighted-average amortization period of approximately 2.1 years.

#### Performance Share Awards

The vesting of PSAs is contingent upon meeting a cumulative level of earnings per share related performance over a three-year period. The actual issue of shares may range from 0-200% of the target number of PSAs granted, based on the terms of the plan and level of achievement of the related performance target. The grant date fair value of PSAs is based upon the market price of Aon plc ordinary shares at the date of grant. The performance conditions are not considered in the determination of the grant date fair value for these awards. Compensation expense is recognized over the performance period based on management's estimate of the number of units expected to vest. Management evaluates its estimate of the actual number of shares expected to be issued at the end of the programs on a quarterly basis. The cumulative effect of the change in estimate is recognized in the period of

change as an adjustment to Compensation and benefits in the Condensed Consolidated Statements of Income, if necessary. Dividend equivalents are not paid on PSAs.

Information as of September 30, 2018 regarding the Company's target PSAs granted and shares that would be issued at current performance levels for PSAs granted during the nine months ended September 30, 2018 and the years ended December 31, 2017 and 2016, respectively, is as follows (shares in thousands and dollars in millions, except fair value):

|                                                                           | September 30, 2018 | December 31, 2017 | December 31, 2016 |
|---------------------------------------------------------------------------|--------------------|-------------------|-------------------|
| Target PSAs granted during period                                         | 564                | 548               | 750               |
| Weighted average fair value per share at date of grant                    | \$ 134             | \$ 114            | \$ 100            |
| Number of shares that would be issued based on current performance levels | 563                | 940               | 742               |
| Unamortized expense, based on current performance levels                  | \$ 61              | \$ 48             | \$ 6              |

#### 15. Derivatives and Hedging

The Company is exposed to market risks, including changes in foreign currency exchange rates and interest rates. To manage the risk related to these exposures, the Company enters into various derivative instruments that reduce these risks by creating offsetting exposures. The Company does not enter into derivative transactions for trading or speculative purposes.

#### Foreign Exchange Risk Management

The Company is exposed to foreign exchange risk when it earns revenues, pays expenses, enters into monetary intercompany transfers or other transactions denominated in a currency that differs from its functional currency. The Company uses foreign exchange derivatives, typically forward contracts, options, and cross currency swaps, to reduce its overall exposure to the effects of currency fluctuations on cash flows. These exposures are hedged, on average, for less than two years. These derivatives are accounted for as hedges, and changes in fair value are recorded each period in Other comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to economically hedge the currency exposure of the Company's global liquidity profile, including monetary assets or liabilities that are denominated in a non-functional currency of an entity, typically on a rolling 30-day basis, but may be for up to one year in the future. These derivatives are not accounted for as hedges, and changes in fair value are recorded each period in Other income (expense) in the Condensed Consolidated Statements of Income.

The notional and fair values of derivative instruments are as follows (in millions):

|                                            | Notional Amount       |                      | Net Amount of<br>Derivative Assets<br>Presented in the<br>Statements of Financial<br>Position <sup>(1)</sup> |                      | Net Amount of<br>Derivative Liabilities<br>Presented in the<br>Statements of Financial<br>Position <sup>(2)</sup> |                      |
|--------------------------------------------|-----------------------|----------------------|--------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------|----------------------|
|                                            | September 30,<br>2018 | December 31,<br>2017 | September 30,<br>2018                                                                                        | December 31,<br>2017 | September 30,<br>2018                                                                                             | December 31,<br>2017 |
| Foreign exchange contracts                 |                       |                      |                                                                                                              |                      |                                                                                                                   |                      |
| Accounted for as hedges                    | \$ 703                | \$ 701               | \$ 26                                                                                                        | \$ 31                | \$ 5                                                                                                              | \$ 3                 |
| Not accounted for as hedges <sup>(3)</sup> | 270                   | 254                  | 2                                                                                                            | 1                    | 2                                                                                                                 | 3                    |
| Total                                      | \$ 973                | \$ 955               | \$ 28                                                                                                        | \$ 32                | \$ 7                                                                                                              | \$ 6                 |

(1) Included within Other current assets (\$7 million at September 30, 2018 and \$9 million at December 31, 2017) or Other non-current assets (\$21 million at September 30, 2018 and \$23 million at December 31, 2017).

(2) Included within Other current liabilities (\$3 million at September 30, 2018 and \$3 million at December 31, 2017) or Other non-current liabilities (\$4 million at September 30, 2018 and \$3 million at December 31, 2017).

(3) These contracts typically are for 30 day durations and executed close to the last day of the most recent reporting month, thereby resulting in nominal fair values at the balance sheet date.



The amounts of derivative gains (losses) recognized in the Financial Statements are as follows (in millions):

|                                                                | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |       |
|----------------------------------------------------------------|-------------------------------------|-------|------------------------------------|-------|
|                                                                | 2018                                | 2017  | 2018                               | 2017  |
| Gain (Loss) recognized in Accumulated other comprehensive loss | \$ (3 )                             | \$ 11 | \$ (14 )                           | \$ 18 |

Location of future reclassification from Accumulated other comprehensive loss

|                           |         |      |         |      |
|---------------------------|---------|------|---------|------|
| Compensation and benefits | \$ (4 ) | \$ — | \$ (8 ) | \$ 9 |
| Other general expenses    | \$ —    | \$ 3 | \$ 3    | \$ 5 |
| Other income (expense)    | \$ 1    | \$ 8 | \$ (9 ) | \$ 4 |

The amounts of derivative gains (losses) reclassified from Accumulated other comprehensive loss into the Condensed Consolidated Statements of Income (effective portion) are as follows (in millions):

|                           | Three Months Ended<br>September 30, |         | Nine Months Ended<br>September 30, |       |
|---------------------------|-------------------------------------|---------|------------------------------------|-------|
|                           | 2018                                | 2017    | 2018                               | 2017  |
| Compensation and benefits | \$ —                                | \$ 1    | \$ 1                               | \$ 14 |
| Other general expenses    | —                                   | (1 )    | (2 )                               | (3 )  |
| Interest expense          | —                                   | —       | (1 )                               | (1 )  |
| Other income (expense)    | (3 )                                | (3 )    | (7 )                               | (7 )  |
| Total                     | \$ (3 )                             | \$ (3 ) | \$ (9 )                            | \$ 3  |

The Company estimates that approximately \$12 million of pretax losses currently included within Accumulated other comprehensive loss will be reclassified in to earnings in the next twelve months.

The amount of gain (loss) recognized in income on the ineffective portion of derivatives for the three and nine months ended September 30, 2018 and 2017 was insignificant.

During the three and nine months ended September 30, 2018, the Company recorded losses of \$4 million and \$15 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges. During the three and nine months ended September 30, 2017, the Company recorded gains of \$8 million and \$9 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges.

#### Net Investments in Foreign Operations Risk Management

The Company uses non-derivative financial instruments to protect the value of its investments in a number of foreign subsidiaries. In 2016, the Company designated a portion of its euro-denominated commercial paper issuances as a non-derivative hedge of the foreign currency exposure of a net investment in its European operations. The change in fair value of the designated portion of the euro-denominated commercial paper due to changes in foreign currency exchange rates is recorded in Foreign currency translation adjustment, a component of Accumulated other comprehensive loss, to the extent it is effective as a hedge. The foreign currency translation adjustment of the hedged net investments that is also recorded in Accumulated other comprehensive loss. Ineffective portions of net investment hedges, if any, are reclassified from Accumulated other comprehensive loss into earnings during the period of change. As of September 30, 2018, the Company has €220 million (\$258 million at September 30, 2018 exchange rates) of outstanding euro-denominated commercial paper designated as a hedge of the foreign currency exposure of its net investment in its European operations. As of September 30, 2018, the unrealized gain recognized in Accumulated other comprehensive loss related to the net investment non derivative hedging instrument was \$13 million.

The Company did not reclassify any deferred gains or losses related to net investment hedges from Accumulated other comprehensive loss to earnings during the three and nine months ended September 30, 2018 and 2017. In addition, the Company did not incur any ineffectiveness related to net investment hedges during the three and nine months ended September 30, 2018 and 2017.



## 16. Fair Value Measurements and Financial Instruments

Accounting standards establish a three tier fair value hierarchy that prioritizes the inputs used in measuring fair values as follows:

Level 1 — observable inputs such as quoted prices for identical assets in active markets;

Level 2 — inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly; and

Level 3 — unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

The following methods and assumptions are used to estimate the fair values of the Company's financial instruments:

Money market funds consist of institutional prime, treasury, and government money market funds. The Company reviews treasury and government money market funds to obtain reasonable assurance that the fund net asset value is \$1 per share, and reviews the floating net asset value of institutional prime money market funds for reasonableness. Equity investments consist of domestic and international equity securities and equity derivatives valued using the closing stock price on a national securities exchange. Over the counter equity derivatives are valued using observable inputs such as underlying prices of the underlying security and volatility. On a sample basis the Company reviews the listing of Level 1 equity securities in the portfolio and agrees the closing stock prices to a national securities exchange, and independently verifies the observable inputs for Level 2 equity derivatives and securities.

Fixed income investments consist of certain categories of bonds and derivatives. Corporate, government, and agency bonds are valued by pricing vendors who estimate fair value using recently executed transactions and proprietary models based on observable inputs, such as interest rate spreads, yield curves, and credit risk. Asset-backed securities are valued by pricing vendors who estimate fair value using discounted cash flow models utilizing observable inputs based on trade and quote activity of securities with similar features. Fixed income derivatives are valued by pricing vendors using observable inputs such as interest rates and yield curves. The Company obtains an understanding of the models, inputs, and assumptions used in developing prices provided by its vendors through discussions with the fund managers. The Company independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company's guidelines, it is then reviewed by management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and historically are not material to the fair value estimates used in the Financial Statements.

Derivatives are carried at fair value, based upon industry standard valuation techniques that use, where possible, current market-based or independently sourced pricing inputs, such as interest rates, currency exchange rates, or implied volatilities.

Debt is carried at outstanding principal balance, less any unamortized issuance costs, discount or premium. Fair value is based on quoted market prices or estimates using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements.

The following tables present the categorization of the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2018 and December 31, 2017 (in millions):

|                                   |            | Fair Value Measurements Using |                  |              |
|-----------------------------------|------------|-------------------------------|------------------|--------------|
|                                   | Balance at | Quoted Prices                 | Significant      | Significant  |
|                                   | September  | in                            | Other            | Unobservable |
|                                   | 30, 2018   | Active Markets                | Observable       | Inputs       |
|                                   |            | for Identical                 | Inputs (Level 2) | (Level 3)    |
|                                   |            | Assets (Level 1)              |                  |              |
| <b>Assets</b>                     |            |                               |                  |              |
| Money market funds <sup>(1)</sup> | \$ 2,063   | \$ 2,063                      | \$ —             | \$ —         |
| Other investments                 |            |                               |                  |              |
| Government bonds                  | \$ 1       | \$ —                          | \$ 1             | \$ —         |
| Equity investments                | \$ 3       | \$ —                          | \$ 3             | \$ —         |
| <b>Derivatives <sup>(2)</sup></b> |            |                               |                  |              |
| Gross foreign exchange contracts  | \$ 34      | \$ —                          | \$ 34            | \$ —         |
| <b>Liabilities</b>                |            |                               |                  |              |
| <b>Derivatives <sup>(2)</sup></b> |            |                               |                  |              |
| Gross foreign exchange contracts  | \$ 13      | \$ —                          | \$ 13            | \$ —         |

<sup>(1)</sup> Included within Fiduciary assets or Short-term investments in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity.

<sup>(2)</sup> Refer to Note 15 "Derivatives and Hedging" for additional information regarding the Company's derivatives and hedging activity.

|                                   |              | Fair Value Measurements Using |                  |              |
|-----------------------------------|--------------|-------------------------------|------------------|--------------|
|                                   | Balance at   | Quoted Prices                 | Significant      | Significant  |
|                                   | December 31, | in                            | Other            | Unobservable |
|                                   | 2017         | Active Markets                | Observable       | Inputs       |
|                                   |              | for Identical                 | Inputs (Level 2) | (Level 3)    |
|                                   |              | Assets (Level 1)              |                  |              |
| <b>Assets</b>                     |              |                               |                  |              |
| Money market funds <sup>(1)</sup> | \$ 1,847     | \$ 1,847                      | \$ —             | \$ —         |
| Other investments                 |              |                               |                  |              |
| Government bonds                  | \$ 1         | \$ —                          | \$ 1             | \$ —         |
| Equity investments                | \$ 4         | \$ —                          | \$ 4             | \$ —         |
| <b>Derivatives <sup>(2)</sup></b> |              |                               |                  |              |
| Gross foreign exchange contracts  | \$ 33        | \$ —                          | \$ 33            | \$ —         |
| <b>Liabilities</b>                |              |                               |                  |              |
| <b>Derivatives <sup>(2)</sup></b> |              |                               |                  |              |
| Gross foreign exchange contracts  | \$ 6         | \$ —                          | \$ 6             | \$ —         |

<sup>(1)</sup> Included within Fiduciary assets or Short-term investments in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity.

<sup>(2)</sup> Refer to Note 15 "Derivatives and Hedging" for additional information regarding the Company's derivatives and hedging activity.

There were no transfers of assets or liabilities between fair value hierarchy levels in either the three and nine months ended September 30, 2018 or 2017. The Company recognized no realized or unrealized gains or losses in the Condensed Consolidated Statements of Income during either the three and nine months ended September 30, 2018 or 2017, related to assets and liabilities measured at fair value using unobservable inputs.

The fair value of debt is classified as Level 2 of the fair value hierarchy. The following table provides the carrying value and fair value for the Company's term debt (in millions):

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|                                   | September 30,<br>2018 |         | December 31,<br>2017 |         |
|-----------------------------------|-----------------------|---------|----------------------|---------|
|                                   | Carrying<br>Value     |         | Fair<br>Value        |         |
| Current portion of long-term debt | \$—                   | \$—     | \$299                | \$301   |
| Long-term debt                    | \$5,665               | \$5,861 | \$5,667              | \$6,267 |

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## 17. Commitments and Contingencies

### Legal

Aon and its subsidiaries are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business, which frequently include errors and omissions (“E&O”) claims. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or extraordinary damages. While Aon maintains meaningful E&O insurance and other insurance programs to provide protection against certain losses that arise in such matters, Aon has exhausted or materially depleted its coverage under some of the policies that protect the Company and, consequently, is self-insured or materially self-insured for some claims. Accruals for these exposures, and related insurance receivables, when applicable, are included in the Condensed Consolidated Statements of Financial Position and have been recognized in Other general expenses in the Condensed Consolidated Statements of Income to the extent that losses are deemed probable and are reasonably estimable. These amounts are adjusted from time to time as developments warrant. Matters that are not probable and reasonably estimable are not accrued for in the financial statements.

The Company has included in the current matters described below certain matters in which (1) loss is probable, (2) loss is reasonably possible, that is, more than remote but not probable, or (3) there exists the reasonable possibility of loss greater than the accrued amount. In addition, the Company may from time to time disclose matters for which the probability of loss could be remote but the claim amounts associated with such matters are potentially significant. The reasonably possible range of loss for the matters described below for which loss is estimable, in excess of amounts that are deemed probable and estimable and therefore already accrued, is estimated to be between \$0 and \$0.2 billion, exclusive of any insurance coverage. These estimates are based on currently available information. As available information changes, the matters for which Aon is able to estimate may change, and the estimates themselves may change. In addition, many estimates involve significant judgment and uncertainty. For example, at the time of making an estimate, Aon may only have limited information about the facts underlying the claim, and predictions and assumptions about future court rulings and outcomes may prove to be inaccurate. Although management at present believes that the ultimate outcome of all matters described below, individually or in the aggregate, will not have a material adverse effect on the consolidated financial position of Aon, legal proceedings are subject to inherent uncertainties and unfavorable rulings or other events. Unfavorable resolutions could include substantial monetary or punitive damages imposed on Aon or its subsidiaries. If unfavorable outcomes of these matters were to occur, future results of operations or cash flows for any particular quarterly or annual period could be materially adversely affected.

#### Current Matters

A retail insurance brokerage subsidiary of Aon was sued on September 14, 2010 in the Chancery Court for Davidson County, Tennessee Twentieth Judicial District, at Nashville by a client, Opry Mills Mall Limited Partnership (“Opry Mills”), that sustained flood damage to its property in May 2010. The lawsuit seeks \$200 million in coverage from numerous insurers with whom this Aon subsidiary placed the client’s property insurance coverage. The insurers contend that only \$50 million in coverage (which has already been paid) is available for the loss because the flood event occurred on property in a high hazard flood zone. Opry Mills is seeking full coverage from the insurers for the loss and has sued this Aon subsidiary in the alternative for the same \$150 million difference on various theories of professional liability if the court determines there is not full coverage. In addition, Opry Mills seeks prejudgment interest, attorneys’ fees and enhanced damages which could substantially increase Aon’s exposure. In March 2015, the trial court granted partial summary judgment in favor of plaintiffs and against the insurers, holding generally that the plaintiffs are entitled to \$200 million in coverage under the language of the policies. In August 2015, a jury returned a verdict in favor of Opry Mills and against the insurers in the amount of \$204 million. On January 26, 2018, the Tennessee Court of Appeals reversed and remanded, reversing summary judgment in favor of plaintiffs and concluding that coverage is limited to \$50 million. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims.

A pensions consulting and administration subsidiary of Aon provided advisory services to the Trustees of the Gleeds pension fund in the United Kingdom and, on occasion, to the relevant employer of the fund. In April 2014, the High Court, Chancery Division, London found that certain governing documents of the fund that sought to alter the fund’s benefit structure and that had been drafted by Aon were procedurally defective and therefore invalid. No lawsuit

naming Aon as a party was filed, although a tolling agreement was entered. The High Court decision says that the additional liabilities in the pension fund resulting from the alleged defect in governing documents amount to approximately £45 million (\$59 million at September 30, 2018 exchange rates). In December 2014, the Court of Appeal granted the employer leave to appeal the High Court decision. At a hearing in October 2016, the Court of Appeal approved a settlement of the pending litigation. On October 31, 2016, the fund's trustees and employer sued Aon in the High Court, Chancery Division, London, alleging negligence and breach of duty in relation to the governing documents. The proceedings were served on Aon on December 20, 2016. The claimants seek damages of approximately £70 million (\$92 million at September 30, 2018 exchange rates). In February 2018, the claimants instructed new lawyers and in May 2018 added their previous lawyers as defendants to the Aon lawsuit. The claimants allege that the previous lawyers were responsible for some of the losses sought from Aon because the lawyers gave negligent legal advice during the High Court and Court of Appeal

proceedings. The trial of this matter has been set for November 2019. Aon believes that it has meritorious defenses and intends to vigorously defend itself against this claim.

On June 29, 2015, Lyttelton Port Company Limited (“LPC”) sued Aon New Zealand in the Christchurch Registry of the High Court of New Zealand. LPC alleges, among other things, that Aon was negligent and in breach of contract in arranging LPC’s property insurance program for the period covering June 30, 2010, to June 30, 2011. LPC contends that acts and omissions by Aon caused LPC to recover less than it otherwise would have from insurers for losses suffered in the 2010 and 2011 Canterbury earthquakes. LPC claims damages of approximately NZD 184 million (\$123 million at September 30, 2018 exchange rates) plus interest and costs. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

On October 3, 2017, Christchurch City Council (“CCC”) invoked arbitration to pursue a claim that it asserts against Aon New Zealand. Aon provided insurance broking services to CCC in relation to CCC’s 2010-2011 material damage and business interruption program. In December 2015, CCC settled its property and business interruption claim for its losses arising from the 2010-2011 Canterbury earthquakes against the underwriter of its material damage and business interruption program and the reinsurers of that underwriter. CCC contends that acts and omissions by Aon caused CCC to recover less in that settlement than it otherwise would have. CCC claims damages of approximately NZD 528 million (\$352 million at September 30, 2018 exchange rates) plus interest and costs. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

A retail insurance brokerage subsidiary of Aon was sued on September 6, 2018 in the United States District Court for the Southern District of New York by a client, Pilkington North America, Inc., that sustained damage from a tornado to its Ottawa, Illinois property. The lawsuit seeks between \$45 million and \$85 million in property and business interruption damages from either its insurer or Aon. The insurer contends that insurance proceeds were limited to \$15 million in coverage by a windstorm sub-limit purportedly contained in the policy procured by Aon for Pilkington. The insurer therefore has tendered \$15 million to Pilkington and denied coverage for the remainder of the loss. Pilkington sued the insurer and Aon seeking full coverage for the loss from the insurer or, in the alternative, seeking the same damages against Aon on various theories of professional liability if the court finds that the \$15 million sub-limit applies to the claim. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims.

In April 2017, the FCA announced an investigation relating to suspected competition law breaches in the aviation and aerospace broking industry, which, for Aon in 2016, represented less than \$100 million in global revenue. The European Commission has now assumed jurisdiction over the investigation in place of the FCA. Other antitrust agencies outside the European Union are also conducting formal or informal investigations regarding these matters. Aon intends to work diligently with all antitrust agencies concerned to ensure they can carry out their work as efficiently as possible. At this time, in light of the uncertainties and many variables involved, Aon cannot estimate the ultimate impact on our company from these investigations or any related private litigation, nor any damages, penalties, or fines related to them. There can be no assurance that the ultimate resolution of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations, or liquidity.

#### Guarantees and Indemnifications

The Company provides a variety of guarantees and indemnifications to its 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. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications. Any anticipated amounts payable are included in the Company’s Financial Statements, and are recorded at fair value.

The Company expects that, as prudent business interests dictate, additional guarantees and indemnifications may be issued from time to time.

#### Redomestication

In connection with the redomicile of Aon’s headquarters (the “Redomestication”), the Company on April 2, 2012 entered into various agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under issued and outstanding debt securities. Those agreements included the (1) Amended and Restated Indenture, dated as of

April 2, 2012, among Aon Corporation, Aon plc, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (amending and restating the Indenture, dated as of September 10, 2010, between Aon Corporation and the Trustee), (2) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of December 16, 2002, between Aon Corporation and the Trustee), (3) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of January 13, 1997, as supplemented by the First Supplemental Indenture, dated as of January 13, 1997), and (4) First Supplemental Indenture, dated as of April 2, 2012, among Aon Finance N.S. 1, ULC, as issuer, Aon Corporation, as guarantor, Aon plc, as guarantor, and Computershare Trust Company of Canada, as trustee.

### Sale of the Divested Business

In connection with the sale of the Divested Business, the Company guaranteed future operating lease commitments related to certain facilities assumed by the Buyer. The Company is obligated to perform under the guarantees if the Divested Business defaults on such leases at any time during the remainder of the lease agreements, which expire on various dates through 2024. As of September 30, 2018, the undiscounted maximum potential future payments under the lease guarantee is \$89 million, with an estimated fair value of \$19 million. No cash payments were made in connection to the lease commitments during the three and nine months ended September 30, 2018.

Additionally, the Company is subject to performance guarantee requirements under certain client arrangements that were assumed by the Buyer. Should the Divested Business fail to perform as required by the terms of the arrangements, the Company would be required to fulfill the remaining contract terms, which expire on various dates through 2023. As of September 30, 2018, the undiscounted maximum potential future payments under the performance guarantees were \$194 million, with an estimated fair value of \$1 million. No cash payments were made in connection to the performance guarantees during the three and nine months ended September 30, 2018.

### Letters of Credit

Aon has entered into a number of arrangements whereby the Company's performance on certain obligations is guaranteed by a third party through the issuance of letters of credit ("LOCs"). The Company had total LOCs outstanding of approximately \$84 million at September 30, 2018, compared to \$96 million at December 31, 2017. These LOCs cover the beneficiaries related to certain of Aon's U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions for Aon's own workers compensation program. The Company has also obtained LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries.

### Premium Payments

The Company has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. The maximum exposure with respect to such contractual contingent guarantees was approximately \$83 million at September 30, 2018 compared to \$95 million at December 31, 2017.

### 18. Segment Information

The Company operates as one segment that includes all of Aon's continuing operations, which as a global professional services firm provides advice and solutions to clients focused on risk, retirement, and health through five revenue lines which make up its principal products and services. The Chief Operating Decision Maker (the "CODM") assesses the performance of the Company and allocates resources based on one segment: Aon United.

The Company's reportable operating segment has been determined using a management approach, which is consistent with the basis and manner in which Aon's CODM uses financial information for the purposes of allocating resources and evaluating performance. The CODM assesses performance and allocates resources based on total Aon results against its key four metrics, including organic revenue growth, expense discipline, and collaborative behaviors that maximize value for Aon and its shareholders, regardless of which revenue line it benefits.

As Aon operates as one segment, segment profit or loss is consistent with consolidated reporting as disclosed on the Condensed Consolidated Statements of Income.

### 19. Guarantee of Registered Securities

As described in Note 17 "Commitments and Contingencies," in connection with the Redomestication, Aon plc entered into various agreements pursuant to which it agreed to guarantee the obligations of Aon Corporation arising under issued and outstanding debt securities, including the 5.00% Notes due September 2020, the 8.205% Notes due January 2027, and the 6.25% Notes due September 2040 (collectively, the "Aon Corporation Notes"). Aon Corporation is a 100% indirectly owned subsidiary of Aon plc. All guarantees of Aon plc are full and unconditional. There are no other subsidiaries of Aon plc that are guarantors of the Aon Corporation Notes.

In addition, Aon Corporation entered into an agreement pursuant to which it agreed to guarantee the obligations of Aon plc arising under the 4.25% Notes due December 2042 exchanged for Aon Corporation's outstanding 8.205% Notes due January 2027, and also agreed to guarantee the obligations of Aon plc arising under the 4.45% Notes due May 2043, the 4.00% Notes due November 2023, the 2.875% Notes due May 2026, the 3.50% Notes due June 2024, the 4.60% Notes due June 2044, the 4.75% Notes due May 2045, the 2.80% Notes due March 2021, and the 3.875%

Notes due December 2025 (collectively, the “Aon plc Notes”). All guarantees of Aon Corporation are full and unconditional. There are no subsidiaries of Aon plc, other than Aon Corporation, that

are guarantors of the Aon plc Notes. As a result of the existence of these guarantees, the Company has elected to present the financial information set forth in this footnote in accordance with Rule 3-10 of Regulation S-X. The following tables set forth Condensed Consolidating Statements of Income and Condensed Consolidating Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017, Condensed Consolidating Statements of Financial Position as of September 30, 2018 and December 31, 2017, and Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 in accordance with Rule 3-10 of Regulation S-X. The condensed consolidating financial information includes the accounts of Aon plc, the accounts of Aon Corporation, and the combined accounts of the non-guarantor subsidiaries. The condensed consolidating financial statements are presented in all periods as a merger under common control, with Aon plc presented as the parent company in all periods prior and subsequent to the Redomestication. The principal consolidating adjustments are to eliminate the investment in subsidiaries and intercompany balances and transactions.

Condensed Consolidating Statement of Income

|                                                              | Three months ended September 30, 2018 |                    |                                        |                              |              |   |
|--------------------------------------------------------------|---------------------------------------|--------------------|----------------------------------------|------------------------------|--------------|---|
| (millions)                                                   | Aon<br>plc                            | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |   |
| Revenue                                                      |                                       |                    |                                        |                              |              |   |
| Total revenue                                                | \$—                                   | \$ —               | \$ 2,349                               | \$ —                         | \$ 2,349     |   |
| Expenses                                                     |                                       |                    |                                        |                              |              |   |
| Compensation and benefits                                    | 13                                    | 3                  | 1,376                                  | —                            | 1,392        |   |
| Information technology                                       | —                                     | —                  | 125                                    | —                            | 125          |   |
| Premises                                                     | —                                     | —                  | 94                                     | —                            | 94           |   |
| Depreciation of fixed assets                                 | —                                     | —                  | 40                                     | —                            | 40           |   |
| Amortization and impairment of intangible assets             | —                                     | —                  | 100                                    | —                            | 100          |   |
| Other general expenses                                       | —                                     | (7                 | ) 343                                  | —                            | 336          |   |
| Total operating expenses                                     | 13                                    | (4                 | ) 2,078                                | —                            | 2,087        |   |
| Operating income (loss)                                      | (13                                   | ) 4                | 271                                    | —                            | 262          |   |
| Interest income                                              | —                                     | 15                 | —                                      | (15                          | ) —          |   |
| Interest expense                                             | (52                                   | ) (26              | ) (6                                   | ) 15                         | (69          | ) |
| Intercompany interest income (expense)                       | 4                                     | (128               | ) 124                                  | —                            | —            |   |
| Intercompany other income (expense)                          | 245                                   | (251               | ) 6                                    | —                            | —            |   |
| Other income (expense)                                       | (5                                    | ) (3               | ) 7                                    | 2                            | 1            |   |
| Income (loss) from continuing operations before income taxes | 179                                   | (389               | ) 402                                  | 2                            | 194          |   |
| Income tax expense (benefit)                                 | (8                                    | ) (67              | ) 114                                  | —                            | 39           |   |
| Net income (loss) from continuing operations                 | 187                                   | (322               | ) 288                                  | 2                            | 155          |   |
| Net income (loss) from discontinued operations               | —                                     | —                  | (2                                     | ) —                          | (2           | ) |
| Net income (loss) before equity in earnings of subsidiaries  | 187                                   | (322               | ) 286                                  | 2                            | 153          |   |
| Equity in earnings of subsidiaries, net of tax               | (42                                   | ) (42              | ) (364                                 | ) 448                        | —            |   |
| Net income (loss)                                            | 145                                   | (364               | ) (78                                  | ) 450                        | 153          |   |
| Less: Net income attributable to noncontrolling interests    | —                                     | —                  | 6                                      | —                            | 6            |   |
| Net income (loss) attributable to Aon shareholders           | \$145                                 | \$ (364            | ) \$ (84                               | ) \$ 450                     | \$ 147       |   |

## Condensed Consolidating Statement of Income

| (millions)                                                   | Three months ended September 30, 2017 |                    |                                        |                              |              |
|--------------------------------------------------------------|---------------------------------------|--------------------|----------------------------------------|------------------------------|--------------|
|                                                              | Aon<br>plc                            | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
| Revenue                                                      |                                       |                    |                                        |                              |              |
| Total revenue                                                | \$—                                   | \$ —               | \$ 2,340                               | \$ —                         | \$ 2,340     |
| Expenses                                                     |                                       |                    |                                        |                              |              |
| Compensation and benefits                                    | 25                                    | 18                 | 1,385                                  | —                            | 1,428        |
| Information technology                                       | —                                     | —                  | 109                                    | —                            | 109          |
| Premises                                                     | —                                     | —                  | 89                                     | —                            | 89           |
| Depreciation of fixed assets                                 | —                                     | —                  | 40                                     | —                            | 40           |
| Amortization and impairment of intangible assets             | —                                     | —                  | 101                                    | —                            | 101          |
| Other general expenses                                       | 1                                     | 1                  | 315                                    | —                            | 317          |
| Total operating expenses                                     | 26                                    | 19                 | 2,039                                  | —                            | 2,084        |
| Operating income (loss)                                      | (26 )                                 | (19 )              | 301                                    | —                            | 256          |
| Interest income                                              | —                                     | 18                 | —                                      | (8 )                         | 10           |
| Interest expense                                             | (53 )                                 | (24 )              | (1 )                                   | 8 )                          | (70 )        |
| Intercompany interest income (expense)                       | 3                                     | (135 )             | 132                                    | —                            | —            |
| Intercompany other income (expense)                          | 291                                   | (271 )             | (20 )                                  | —                            | —            |
| Other income (expense)                                       | (2 )                                  | 12                 | (6 )                                   | —                            | 4            |
| Income (loss) from continuing operations before income taxes | 213                                   | (419 )             | 406                                    | —                            | 200          |
| Income tax expense (benefit)                                 | (8 )                                  | (81 )              | 93                                     | —                            | 4            |
| Net income (loss) from continuing operations                 | 221                                   | (338 )             | 313                                    | —                            | 196          |
| Net income (loss) from discontinued operations               | —                                     | —                  | (4 )                                   | —                            | (4 )         |
| Net income (loss) before equity in earnings of subsidiaries  | 221                                   | (338 )             | 309                                    | —                            | 192          |
| Equity in earnings of subsidiaries, net of tax               | (36 )                                 | 122                | (216 )                                 | 130                          | —            |
| Net income (loss)                                            | 185                                   | (216 )             | 93                                     | 130                          | 192          |
| Less: Net income attributable to noncontrolling interests    | —                                     | —                  | 7                                      | —                            | 7            |
| Net income (loss) attributable to Aon shareholders           | \$185                                 | \$ (216 )          | \$ 86                                  | \$ 130                       | \$ 185       |

## Condensed Consolidating Statement of Income

| (millions)                                                   | Nine months ended September 30, 2018 |                    |                                        |                              |              |
|--------------------------------------------------------------|--------------------------------------|--------------------|----------------------------------------|------------------------------|--------------|
|                                                              | Aon<br>plc                           | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
| Revenue                                                      |                                      |                    |                                        |                              |              |
| Total revenue                                                | \$—                                  | \$ —               | \$ 8,000                               | \$ —                         | \$ 8,000     |
| Expenses                                                     |                                      |                    |                                        |                              |              |
| Compensation and benefits                                    | 47                                   | 5                  | 4,450                                  | —                            | 4,502        |
| Information technology                                       | —                                    | —                  | 363                                    | —                            | 363          |
| Premises                                                     | —                                    | —                  | 283                                    | —                            | 283          |
| Depreciation of fixed assets                                 | —                                    | —                  | 126                                    | —                            | 126          |
| Amortization and impairment of intangible assets             | —                                    | —                  | 492                                    | —                            | 492          |
| Other general expenses                                       | 3                                    | 71                 | 1,115                                  | —                            | 1,189        |
| Total operating expenses                                     | 50                                   | 76                 | 6,829                                  | —                            | 6,955        |
| Operating income (loss)                                      | (50 )                                | (76 )              | 1,171                                  | —                            | 1,045        |
| Interest income                                              | —                                    | 44                 | —                                      | (39 )                        | 5            |
| Interest expense                                             | (149 )                               | (75 )              | (23 )                                  | 39                           | (208 )       |
| Intercompany interest income (expense)                       | 11                                   | (385 )             | 374                                    | —                            | —            |
| Intercompany other income (expense)                          | 113                                  | (259 )             | 146                                    | —                            | —            |
| Other income (expense)                                       | 4                                    | (29 )              | 21                                     | (13 )                        | (17 )        |
| Income (loss) from continuing operations before income taxes | (71 )                                | (780 )             | 1,689                                  | (13 )                        | 825          |
| Income tax expense (benefit)                                 | (27 )                                | (144 )             | 180                                    | —                            | 9            |
| Net income (loss) from continuing operations                 | (44 )                                | (636 )             | 1,509                                  | (13 )                        | 816          |
| Net income (loss) from discontinued operations               | —                                    | —                  | 5                                      | —                            | 5            |
| Net income (loss) before equity in earnings of subsidiaries  | (44 )                                | (636 )             | 1,514                                  | (13 )                        | 821          |
| Equity in earnings of subsidiaries, net of tax               | 846                                  | 868                | 232                                    | (1,946 )                     | —            |
| Net income (loss)                                            | 802                                  | 232                | 1,746                                  | (1,959 )                     | 821          |
| Less: Net income attributable to noncontrolling interests    | —                                    | —                  | 32                                     | —                            | 32           |
| Net income (loss) attributable to Aon shareholders           | \$802                                | \$ 232             | \$ 1,714                               | \$ (1,959 )                  | \$ 789       |

## Condensed Consolidating Statement of Income

Nine months ended September 30, 2017

| (millions)                                                   | Aon plc | Aon Corporation | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |   |
|--------------------------------------------------------------|---------|-----------------|----------------------------------|---------------------------|--------------|---|
| Revenue                                                      |         |                 |                                  |                           |              |   |
| Total revenue                                                | \$—     | \$ —            | \$ 7,089                         | \$ —                      | \$ 7,089     |   |
| Expenses                                                     |         |                 |                                  |                           |              |   |
| Compensation and benefits                                    | 85      | 24              | 4,254                            | —                         | 4,363        |   |
| Information technology                                       | —       | —               | 295                              | —                         | 295          |   |
| Premises                                                     | —       | —               | 259                              | —                         | 259          |   |
| Depreciation of fixed assets                                 | —       | —               | 148                              | —                         | 148          |   |
| Amortization and impairment of intangible assets             | —       | —               | 604                              | —                         | 604          |   |
| Other general expenses                                       | 10      | (3              | ) 949                            | —                         | 956          |   |
| Total operating expenses                                     | 95      | 21              | 6,509                            | —                         | 6,625        |   |
| Operating income (loss)                                      | (95     | ) (21           | ) 580                            | —                         | 464          |   |
| Interest income                                              | —       | 35              | —                                | (15                       | ) 20         |   |
| Interest expense                                             | (144    | ) (71           | ) (11                            | ) 15                      | (211         | ) |
| Intercompany interest income (expense)                       | 10      | (407            | ) 397                            | —                         | —            |   |
| Intercompany other income (expense)                          | 189     | (280            | ) 91                             | —                         | —            |   |
| Other income (expense)                                       | (25     | ) 15            | (2                               | ) 18                      | 6            |   |
| Income (loss) from continuing operations before income taxes | (65     | ) (729          | ) 1,055                          | 18                        | 279          |   |
| Income tax expense (benefit)                                 | (30     | ) (198          | ) 89                             | —                         | (139         | ) |
| Net income (loss) from continuing operations                 | (35     | ) (531          | ) 966                            | 18                        | 418          |   |
| Net income (loss) from discontinued operations               | —       | —               | 857                              | —                         | 857          |   |
| Net income (loss) before equity in earnings of subsidiaries  | (35     | ) (531          | ) 1,823                          | 18                        | 1,275        |   |
| Equity in earnings of subsidiaries, net of tax               | 1,262   | 1,028           | 497                              | (2,787                    | ) —          |   |
| Net income (loss)                                            | 1,227   | 497             | 2,320                            | (2,769                    | ) 1,275      |   |
| Less: Net income attributable to noncontrolling interests    | —       | —               | 30                               | —                         | 30           |   |
| Net income (loss) attributable to Aon shareholders           | \$1,227 | \$ 497          | \$ 2,290                         | \$ (2,769                 | ) \$ 1,245   |   |

## Condensed Consolidating Statement of Comprehensive Income

Three months ended September 30, 2018

| (millions)                                                                       | Aon<br>plc | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
|----------------------------------------------------------------------------------|------------|--------------------|----------------------------------------|------------------------------|--------------|
| Net income (loss)                                                                | \$145      | \$ (364 )          | \$ (78 )                               | \$ 450                       | \$ 153       |
| Less: Net income attributable to noncontrolling interests                        | —          | —                  | 6                                      | —                            | 6            |
| Net income (loss) attributable to Aon shareholders                               | 145        | (364 )             | (84 )                                  | 450                          | 147          |
| Other comprehensive income (loss), net of tax:                                   |            |                    |                                        |                              |              |
| Change in fair value of financial instruments                                    | —          | (2 )               | 3                                      | —                            | 1            |
| Foreign currency translation adjustments                                         | —          | —                  | (48 )                                  | (2 )                         | (50 )        |
| Postretirement benefit obligation                                                | —          | 12                 | (74 )                                  | —                            | (62 )        |
| Total other comprehensive income (loss)                                          | —          | 10                 | (119 )                                 | (2 )                         | (111 )       |
| Equity in other comprehensive income (loss) of subsidiaries, net of tax          | (106 )     | (134 )             | (124 )                                 | 364                          | —            |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | —          | —                  | (3 )                                   | —                            | (3 )         |
| Total other comprehensive income (loss) attributable to Aon shareholders         | (106 )     | (124 )             | (240 )                                 | 362                          | (108 )       |
| Comprehensive income (loss) attributable to Aon shareholders                     | \$39       | \$ (488 )          | \$ (324 )                              | \$ 812                       | \$ 39        |

## Condensed Consolidating Statement of Comprehensive Income

Three months ended September 30, 2017

| (millions)                                                                       | Aon<br>plc | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
|----------------------------------------------------------------------------------|------------|--------------------|----------------------------------------|------------------------------|--------------|
| Net income (loss)                                                                | \$185      | \$ (216 )          | \$ 93                                  | \$ 130                       | \$ 192       |
| Less: Net income attributable to noncontrolling interests                        | —          | —                  | 7                                      | —                            | 7            |
| Net income (loss) attributable to Aon shareholders                               | 185        | (216 )             | 86                                     | 130                          | 185          |
| Other comprehensive income (loss), net of tax:                                   |            |                    |                                        |                              |              |
| Change in fair value of financial instruments                                    | —          | 3                  | 8                                      | —                            | 11           |
| Foreign currency translation adjustments                                         | —          | —                  | 243                                    | —                            | 243          |
| Postretirement benefit obligation                                                | —          | 7                  | 11                                     | —                            | 18           |
| Total other comprehensive income (loss)                                          | —          | 10                 | 262                                    | —                            | 272          |
| Equity in other comprehensive income (loss) of subsidiaries, net of tax          | 265        | 245                | 255                                    | (765 )                       | —            |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | —          | —                  | 7                                      | —                            | 7            |
| Total other comprehensive income (loss) attributable to Aon shareholders         | 265        | 255                | 510                                    | (765 )                       | 265          |
| Comprehensive income (loss) attributable to Aon shareholders                     | \$450      | \$ 39              | \$ 596                                 | \$ (635 )                    | \$ 450       |

## Condensed Consolidating Statement of Comprehensive Income

| (millions)                                                                       | Nine months ended September 30, 2018 |                 |                                  |                           |              |
|----------------------------------------------------------------------------------|--------------------------------------|-----------------|----------------------------------|---------------------------|--------------|
|                                                                                  | Aon plc                              | Aon Corporation | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
| Net income (loss)                                                                | \$802                                | \$ 232          | \$ 1,746                         | \$ (1,959 )               | \$ 821       |
| Less: Net income attributable to noncontrolling interests                        | —                                    | —               | 32                               | —                         | 32           |
| Net income (loss) attributable to Aon shareholders                               | 802                                  | 232             | 1,714                            | (1,959 )                  | 789          |
| Other comprehensive income (loss), net of tax:                                   |                                      |                 |                                  |                           |              |
| Change in fair value of financial instruments                                    | —                                    | (3 )            | 17                               | —                         | 14           |
| Foreign currency translation adjustments                                         | —                                    | —               | (276 )                           | 13                        | (263 )       |
| Postretirement benefit obligation                                                | —                                    | 34              | 74                               | —                         | 108          |
| Total other comprehensive income (loss)                                          | —                                    | 31              | (185 )                           | 13                        | (141 )       |
| Equity in other comprehensive income (loss) of subsidiaries, net of tax          | (148 )                               | (194 )          | (163 )                           | 505                       | —            |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | —                                    | —               | (6 )                             | —                         | (6 )         |
| Total other comprehensive income (loss) attributable to Aon shareholders         | (148 )                               | (163 )          | (342 )                           | 518                       | (135 )       |
| Comprehensive income (loss) attributable to Aon shareholders                     | \$654                                | \$ 69           | \$ 1,372                         | \$ (1,441 )               | \$ 654       |

## Condensed Consolidating Statement of Comprehensive Income

| (millions)                                                                       | Nine months ended September 30, 2017 |                 |                                  |                           |              |
|----------------------------------------------------------------------------------|--------------------------------------|-----------------|----------------------------------|---------------------------|--------------|
|                                                                                  | Aon plc                              | Aon Corporation | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
| Net income (loss)                                                                | \$1,227                              | \$ 497          | \$ 2,320                         | \$ (2,769 )               | \$ 1,275     |
| Less: Net income attributable to noncontrolling interests                        | —                                    | —               | 30                               | —                         | 30           |
| Net income (loss) attributable to Aon shareholders                               | 1,227                                | 497             | 2,290                            | (2,769 )                  | 1,245        |
| Other comprehensive income (loss), net of tax:                                   |                                      |                 |                                  |                           |              |
| Change in fair value of financial instruments                                    | —                                    | 3               | 10                               | —                         | 13           |
| Foreign currency translation adjustments                                         | —                                    | —               | 452                              | (18 )                     | 434          |
| Postretirement benefit obligation                                                | —                                    | 23              | 33                               | —                         | 56           |
| Total other comprehensive income (loss)                                          | —                                    | 26              | 495                              | (18 )                     | 503          |
| Equity in other comprehensive income (loss) of subsidiaries, net of tax          | 518                                  | 480             | 506                              | (1,504 )                  | —            |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | —                                    | —               | 3                                | —                         | 3            |
| Total other comprehensive income (loss) attributable to Aon shareholders         | 518                                  | 506             | 998                              | (1,522 )                  | 500          |
| Comprehensive income (loss) attributable to Aon shareholders                     | \$1,745                              | \$ 1,003        | \$ 3,288                         | \$ (4,291 )               | \$ 1,745     |

## Condensed Consolidating Statement of Financial Position

As of September 30, 2018

| (millions)                                                   | Aon plc  | Aon Corporation | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|--------------------------------------------------------------|----------|-----------------|----------------------------------|---------------------------|--------------|
| <b>Assets</b>                                                |          |                 |                                  |                           |              |
| <b>Current assets</b>                                        |          |                 |                                  |                           |              |
| Cash and cash equivalents                                    | \$—      | \$ 1,927        | \$ 400                           | \$ (1,843                 | ) \$ 484     |
| Short-term investments                                       | —        | 47              | 120                              | —                         | 167          |
| Receivables, net                                             | —        | —               | 2,656                            | —                         | 2,656        |
| Fiduciary assets                                             | —        | —               | 9,314                            | —                         | 9,314        |
| Current intercompany receivables                             | 165      | 4,175           | 12,173                           | (16,513                   | ) —          |
| Other current assets                                         | —        | 15              | 712                              | —                         | 727          |
| Total current assets                                         | 165      | 6,164           | 25,375                           | (18,356                   | ) 13,348     |
| Goodwill                                                     | —        | —               | 8,282                            | —                         | 8,282        |
| Intangible assets, net                                       | —        | —               | 1,260                            | —                         | 1,260        |
| Fixed assets, net                                            | —        | —               | 594                              | —                         | 594          |
| Deferred tax assets                                          | 99       | 419             | 153                              | (195                      | ) 476        |
| Non-current intercompany receivables                         | 412      | 260             | 8,256                            | (8,928                    | ) —          |
| Prepaid pension                                              | —        | 6               | 1,202                            | —                         | 1,208        |
| Other non-current assets                                     | 1        | 37              | 396                              | —                         | 434          |
| Investment in subsidiary                                     | 10,086   | 18,858          | (371                             | ) (28,573                 | ) —          |
| Total assets                                                 | \$10,763 | \$ 25,744       | \$ 45,147                        | \$ (56,052                | ) \$ 25,602  |
| <b>Liabilities and equity</b>                                |          |                 |                                  |                           |              |
| <b>Liabilities</b>                                           |          |                 |                                  |                           |              |
| <b>Current liabilities</b>                                   |          |                 |                                  |                           |              |
| Accounts payable and accrued liabilities                     | \$1,516  | \$ 66           | \$ 1,861                         | \$ (1,843                 | ) \$ 1,600   |
| Short-term debt and current portion of long-term debt        | 540      | 200             | 1                                | —                         | 741          |
| Fiduciary liabilities                                        | —        | —               | 9,314                            | —                         | 9,314        |
| Current intercompany payables                                | 193      | 14,605          | 1,715                            | (16,513                   | ) —          |
| Other current liabilities                                    | —        | 64              | 924                              | —                         | 988          |
| Total current liabilities                                    | 2,249    | 14,935          | 13,815                           | (18,356                   | ) 12,643     |
| Long-term debt                                               | 4,249    | 1,416           | —                                | —                         | 5,665        |
| Deferred tax liabilities                                     | —        | —               | 468                              | (195                      | ) 273        |
| Pension, other postretirement and postemployment liabilities | —        | 1,238           | 365                              | —                         | 1,603        |
| Non-current intercompany payables                            | —        | 8,421           | 507                              | (8,928                    | ) —          |
| Other non-current liabilities                                | 3        | 105             | 982                              | —                         | 1,090        |
| Total liabilities                                            | 6,501    | 26,115          | 16,137                           | (27,479                   | ) 21,274     |
| <b>Equity</b>                                                |          |                 |                                  |                           |              |
| Total Aon shareholders' equity                               | 4,262    | (371            | ) 28,944                         | (28,573                   | ) 4,262      |
| Noncontrolling interests                                     | —        | —               | 66                               | —                         | 66           |
| Total equity                                                 | 4,262    | (371            | ) 29,010                         | (28,573                   | ) 4,328      |
| Total liabilities and equity                                 | \$10,763 | \$ 25,744       | \$ 45,147                        | \$ (56,052                | ) \$ 25,602  |

## Condensed Consolidating Statement of Financial Position

|                                                              | As of December 31, 2017 |                    |                                        |                              |              |
|--------------------------------------------------------------|-------------------------|--------------------|----------------------------------------|------------------------------|--------------|
| (millions)                                                   | Aon<br>plc              | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
| <b>Assets</b>                                                |                         |                    |                                        |                              |              |
| <b>Current assets</b>                                        |                         |                    |                                        |                              |              |
| Cash and cash equivalents                                    | \$ 1                    | \$ 2,524           | \$ 793                                 | \$ (2,562)                   | ) \$ 756     |
| Short-term investments                                       | —                       | 355                | 174                                    | —                            | 529          |
| Receivables, net                                             | —                       | 2                  | 2,476                                  | —                            | 2,478        |
| Fiduciary assets                                             | —                       | —                  | 9,625                                  | —                            | 9,625        |
| Current intercompany receivables                             | 165                     | 1,046              | 10,824                                 | (12,035)                     | ) —          |
| Other current assets                                         | 1                       | 29                 | 259                                    | —                            | 289          |
| Total current assets                                         | 167                     | 3,956              | 24,151                                 | (14,597)                     | ) 13,677     |
| Goodwill                                                     | —                       | —                  | 8,358                                  | —                            | 8,358        |
| Intangible assets, net                                       | —                       | —                  | 1,733                                  | —                            | 1,733        |
| Fixed assets, net                                            | —                       | —                  | 564                                    | —                            | 564          |
| Deferred tax assets                                          | 99                      | 396                | 143                                    | (249)                        | ) 389        |
| Non-current intercompany receivables                         | 414                     | 261                | 8,232                                  | (8,907)                      | ) —          |
| Prepaid pension                                              | —                       | 6                  | 1,054                                  | —                            | 1,060        |
| Other non-current assets                                     | 1                       | 35                 | 271                                    | —                            | 307          |
| Investment in subsidiary                                     | 8,884                   | 17,909             | 19                                     | (26,812)                     | ) —          |
| Total assets                                                 | \$ 9,565                | \$ 22,563          | \$ 44,525                              | \$ (50,565)                  | ) \$ 26,088  |
| <b>Liabilities and equity</b>                                |                         |                    |                                        |                              |              |
| <b>Liabilities</b>                                           |                         |                    |                                        |                              |              |
| <b>Current liabilities</b>                                   |                         |                    |                                        |                              |              |
| Accounts payable and accrued liabilities                     | \$ 574                  | \$ 36              | \$ 3,913                               | \$ (2,562)                   | ) \$ 1,961   |
| Short-term debt and current portion of long-term debt        | —                       | —                  | 299                                    | —                            | 299          |
| Fiduciary liabilities                                        | —                       | —                  | 9,625                                  | —                            | 9,625        |
| Current intercompany payables                                | 130                     | 11,149             | 756                                    | (12,035)                     | ) —          |
| Other current liabilities                                    | 16                      | 64                 | 790                                    | —                            | 870          |
| Total current liabilities                                    | 720                     | 11,249             | 15,383                                 | (14,597)                     | ) 12,755     |
| Long-term debt                                               | 4,251                   | 1,415              | 1                                      | —                            | 5,667        |
| Deferred tax liabilities                                     | —                       | —                  | 376                                    | (249)                        | ) 127        |
| Pension, other postretirement and postemployment liabilities | —                       | 1,391              | 398                                    | —                            | 1,789        |
| Non-current intercompany payables                            | —                       | 8,398              | 509                                    | (8,907)                      | ) —          |
| Other non-current liabilities                                | 11                      | 91                 | 1,000                                  | —                            | 1,102        |
| Total liabilities                                            | 4,982                   | 22,544             | 17,667                                 | (23,753)                     | ) 21,440     |
| <b>Equity</b>                                                |                         |                    |                                        |                              |              |
| Total Aon shareholders' equity                               | 4,583                   | 19                 | 26,793                                 | (26,812)                     | ) 4,583      |
| Noncontrolling interests                                     | —                       | —                  | 65                                     | —                            | 65           |
| Total equity                                                 | 4,583                   | 19                 | 26,858                                 | (26,812)                     | ) 4,648      |
| Total liabilities and equity                                 | \$ 9,565                | \$ 22,563          | \$ 44,525                              | \$ (50,565)                  | ) \$ 26,088  |

## Condensed Consolidating Statement of Cash Flows

Nine months ended September 30, 2018

| (millions)                                                               | Aon<br>plc | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
|--------------------------------------------------------------------------|------------|--------------------|----------------------------------------|------------------------------|--------------|
| Cash flows from operating activities                                     |            |                    |                                        |                              |              |
| Cash provided by (used for) operating activities - continuing operations | \$(143)    | \$ 479             | \$ 2,258                               | \$ (1,619 )                  | \$ 975       |
| Cash provided by operating activities - discontinued operations          | —          | —                  | —                                      | —                            | —            |
| Cash provided by (used for) operating activities                         | (143 )     | 479                | 2,258                                  | (1,619 )                     | 975          |
| Cash flows from investing activities                                     |            |                    |                                        |                              |              |
| Proceeds from investments                                                | —          | 16                 | 14                                     | —                            | 30           |
| Payments for investments                                                 | (12 )      | (36 )              | (29 )                                  | 12                           | (65 )        |
| Net sales (purchases) of short-term investments - non-fiduciary          | —          | 308                | 48                                     | —                            | 356          |
| Acquisition of businesses, net of cash acquired                          | —          | —                  | (50 )                                  | —                            | (50 )        |
| Sale of businesses, net of cash sold                                     | —          | —                  | (8 )                                   | —                            | (8 )         |
| Capital expenditures                                                     | —          | —                  | (179 )                                 | —                            | (179 )       |
| Cash provided by (used for) investing activities - continuing operations | (12 )      | 288                | (204 )                                 | 12                           | 84           |
| Cash used for investing activities - discontinued operations             | —          | —                  | —                                      | —                            | —            |
| Cash provided by (used for) investing activities                         | (12 )      | 288                | (204 )                                 | 12                           | 84           |
| Cash flows from financing activities                                     |            |                    |                                        |                              |              |
| Share repurchase                                                         | (1,272)    | —                  | —                                      | —                            | (1,272 )     |
| Advances from (to) affiliates                                            | 1,292      | (1,564 )           | (2,054 )                               | 2,326                        | —            |
| Issuance of shares for employee benefit plans                            | (139 )     | —                  | —                                      | —                            | (139 )       |
| Issuance of debt                                                         | 1,258      | 2,701              | 1                                      | —                            | 3,960        |
| Repayment of debt                                                        | (700 )     | (2,501 )           | (297 )                                 | —                            | (3,498 )     |
| Cash dividends to shareholders                                           | (285 )     | —                  | —                                      | —                            | (285 )       |
| Noncontrolling interests and other financing activities                  | —          | —                  | (21 )                                  | —                            | (21 )        |
| Cash provided by (used for) financing activities - continuing operations | 154        | (1,364 )           | (2,371 )                               | 2,326                        | (1,255 )     |
| Cash used for financing activities - discontinued operations             | —          | —                  | —                                      | —                            | —            |
| Cash provided by (used for) financing activities                         | 154        | (1,364 )           | (2,371 )                               | 2,326                        | (1,255 )     |
| Effect of exchange rates on cash and cash equivalents                    | —          | —                  | (76 )                                  | —                            | (76 )        |
| Net increase (decrease) in cash and cash equivalents                     | (1 )       | (597 )             | (393 )                                 | 719                          | (272 )       |
| Cash and cash equivalents at beginning of period                         | 1          | 2,524              | 793                                    | (2,562 )                     | 756          |
| Cash and cash equivalents at end of period                               | \$—        | \$ 1,927           | \$ 400                                 | \$ (1,843 )                  | \$ 484       |

## Condensed Consolidating Statement of Cash Flows

| (millions)                                                               | Nine months ended September 30, 2017 |                    |                                        |                              |              |
|--------------------------------------------------------------------------|--------------------------------------|--------------------|----------------------------------------|------------------------------|--------------|
|                                                                          | Aon<br>plc                           | Aon<br>Corporation | Other<br>Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Consolidated |
| Cash flows from operating activities                                     |                                      |                    |                                        |                              |              |
| Cash provided by (used for) operating activities - continuing operations | \$(135)                              | \$ 999             | \$ 987                                 | \$ (1,562 )                  | \$ 289       |
| Cash provided by operating activities - discontinued operations          | —                                    | —                  | 64                                     | —                            | 64           |
| Cash provided by (used for) operating activities                         | (135 )                               | 999                | 1,051                                  | (1,562 )                     | 353          |
| Cash flows from investing activities                                     |                                      |                    |                                        |                              |              |
| Proceeds from investments                                                | —                                    | 576                | 11                                     | (544 )                       | 43           |
| Payments for investments                                                 | (16 )                                | (25 )              | (571 )                                 | 557                          | (55 )        |
| Net sales (purchases) of short-term investments - non-fiduciary          | —                                    | (1,328 )           | (16 )                                  | —                            | (1,344 )     |
| Acquisition of businesses, net of cash acquired                          | —                                    | 1                  | (173 )                                 | —                            | (172 )       |
| Sale of businesses, net of cash sold                                     | —                                    | —                  | 4,194                                  | —                            | 4,194        |
| Capital expenditures                                                     | —                                    | —                  | (125 )                                 | —                            | (125 )       |
| Cash provided by (used for) investing activities - continuing operations | (16 )                                | (776 )             | 3,320                                  | 13                           | 2,541        |
| Cash used for investing activities - discontinued operations             | —                                    | —                  | (19 )                                  | —                            | (19 )        |
| Cash provided by (used for) investing activities                         | (16 )                                | (776 )             | 3,301                                  | 13                           | 2,522        |
| Cash flows from financing activities                                     |                                      |                    |                                        |                              |              |
| Share repurchase                                                         | (1,888)                              | —                  | —                                      | —                            | (1,888 )     |
| Advances from (to) affiliates                                            | 2,722                                | 1,304              | (4,274 )                               | 248                          | —            |
| Issuance of shares for employee benefit plans                            | (118 )                               | —                  | —                                      | —                            | (118 )       |
| Issuance of debt                                                         | 544                                  | 1,100              | 7                                      | —                            | 1,651        |
| Repayment of debt                                                        | (835 )                               | (1,150 )           | (13 )                                  | —                            | (1,998 )     |
| Cash dividends to shareholders                                           | (274 )                               | —                  | —                                      | —                            | (274 )       |
| Noncontrolling interests and other financing activities                  | —                                    | —                  | (21 )                                  | —                            | (21 )        |
| Cash provided by (used for) financing activities - continuing operations | 151                                  | 1,254              | (4,301 )                               | 248                          | (2,648 )     |
| Cash used for financing activities - discontinued operations             | —                                    | —                  | —                                      | —                            | —            |
| Cash provided by (used for) financing activities                         | 151                                  | 1,254              | (4,301 )                               | 248                          | (2,648 )     |
| Effect of exchange rates on cash and cash equivalents                    | —                                    | —                  | 91                                     | —                            | 91           |
| Net increase (decrease) in cash and cash equivalents                     | —                                    | 1,477              | 142                                    | (1,301 )                     | 318          |
| Cash and cash equivalents at beginning of period                         | —                                    | 1,633              | 660                                    | (1,862 )                     | 431          |
| Cash and cash equivalents at end of period                               | \$—                                  | \$ 3,110           | \$ 802                                 | \$ (3,163 )                  | \$ 749       |

(1) Includes \$5 million of discontinued operations at December 31, 2016.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### EXECUTIVE SUMMARY OF THIRD QUARTER 2018 FINANCIAL RESULTS

Aon plc ("Aon", the "Company", "We", or "Our") is a leading global professional services firm providing a broad range of risk, retirement, and health solutions underpinned by proprietary data and analytics. Management is leading a set of initiatives designed to strengthen Aon and unite the firm with one portfolio of capability enabled by proprietary data and analytics and one operating model to deliver additional insight, connectivity, and efficiency.

#### Financial Results

In the first quarter of 2018, Aon adopted new accounting guidance related to the treatment of revenue from contracts with customers that was applied prospectively on the U.S. GAAP financial statements and therefore comparable periods have not been restated. Refer to Note 2 "Accounting Principles and Practices" for further information surrounding the quantitative and qualitative impacts of adopting ASC 606.

The following is a summary of our third quarter of 2018 financial results from continuing operations on a reported basis:

For the third quarter of 2018, revenue increased \$9 million to \$2.3 billion compared to the prior year period due primarily to organic revenue growth of 6% and a 2% increase related to acquisitions, net of divestitures, partially offset by a 6% decrease related to the adoption of the new revenue recognition standard in 2018 and a 2% unfavorable impact from foreign currency exchange rates. For the nine months ended September 30, 2018, revenue increased \$911 million, or 13%, to \$8.0 billion compared to the prior year period due primarily to organic revenue growth of 4%, a 4% increase related to acquisitions, net of divestitures, a 3% increase related to the adoption of the new revenue recognition standard in 2018, and a 2% favorable impact from foreign currency exchange rates.

Operating expenses for the third quarter of 2018 were \$2.1 billion, an increase of \$3 million compared to the prior year period. The increase was due primarily to an increase in expenses associated with 6% organic revenue growth, a \$38 million increase in operating expenses related to acquisitions, net of divestitures, a \$4 million increase in errors and omissions expense, and investments across the portfolio to support long-term growth initiatives, partially offset by \$50 million of incremental savings related to restructuring and other operational improvement initiatives, a \$34 million favorable impact from foreign currency translation, a \$25 million decrease related to reduced legacy litigation expense, an \$37 million decrease related to the adoption of the new revenue recognition standard in 2018, a \$10 million decrease in transaction related costs associated with acquisitions, an \$8 million decrease in costs related to regulatory and compliance matters, and a \$5 million decrease in restructuring charges. Operating expenses for the first nine months of 2018 increased \$330 million compared to the prior year period primarily due to a \$176 million increase in expense associated with acquisitions, net of divestitures, a \$175 million non-cash impairment charge related to certain assets and liabilities classified as held for sale, a \$109 million unfavorable impact from foreign currency translation, a \$78 million increase in expense related to legacy litigation, \$72 million of accelerated amortization related to tradenames, a \$39 million increase related to the adoption of the new revenue recognition standard in 2018, an increase in expense associated with 4% organic revenue growth, and investments to support long-term growth initiatives, partially offset by a \$380 million decrease in non-cash impairment charges to the tradenames associated with the sale of the Divested Business, \$142 million of incremental savings related to restructuring and other operational improvement initiatives, a \$42 million decrease of costs related to regulatory and compliance matters, and a \$35 million decrease in restructuring charges.

Operating margin increased to 11.2% in the third quarter of 2018 from 10.9% in the prior year period, including a decrease of 350 basis points resulting from adoption of the new revenue recognition standard in 2018. The underlying increase was driven by organic revenue growth of 6% and strong core operational improvement, partially offset by an increase in expense due to the factors listed above. Operating margin for the first nine months of 2018 increased to 13.1% from 6.5% in the prior year period, including an increase of 250 basis points resulting from the adoption of the new revenue recognition standard in 2018. The increase from the prior year period was driven by organic revenue growth of 4% and strong core operational improvement, partially offset by an increase in expense due to the factors listed above.

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Due to the factors set forth above, net income from continuing operations decreased \$41 million, or 21%, to \$155 million for the third quarter of 2018 compared to the prior year period. During the first nine months of 2018, net income from continuing operations increased \$398 million, or 95%, to \$816 million compared to the first nine months of 2017.

Diluted earnings per share from continuing operations was \$0.61 per share for the third quarter of 2018 compared to \$0.73 per share for the prior year period, including a decrease of \$0.34 per share resulting from the adoption of the new revenue recognition standard. During the first nine months of 2018, diluted earnings per share from continuing operations

was \$3.17 per share compared to \$1.48 per share for the prior year period, including an increase of \$0.71 per share resulting from the adoption of the new revenue recognition standard.

Cash flow provided by operating activities was \$975 million for the first nine months of 2018, an increase of \$686 million from the prior year period. The prior year period included \$686 million of cash tax payments related to the Divested Business. Strong operational improvement contributed to year-over-year growth, partially offset by \$123 million of incremental cash restructuring charges and \$80 million of accelerated pension contributions.

We focus on four key non-GAAP metrics that we communicate to shareholders: organic revenue growth, adjusted operating margin, adjusted diluted earnings per share, and free cash flow. These non-GAAP metrics should be viewed in addition to, not instead of, our Financial Statements. The following is our measure of performance against these four metrics from continuing operations for the third quarter of 2018:

Organic revenue growth, a non-GAAP measure defined under the caption “Review of Consolidated Results — Organic Revenue Growth,” was 6% for the third quarter of 2018, compared to 2% in the prior year period. Organic revenue growth was 4% for the first nine months of 2018, an increase from 3% in the prior year period.

Adjusted operating margin, a non-GAAP measure defined under the caption “Review of Consolidated Results — Adjusted Operating Margin,” was 18.5% for the third quarter of 2018 compared to 20.0% in the prior year period. For the first nine months of 2018, adjusted operating margin was 24.8% compared to 21.3% for the prior year period. The increase primarily reflects incremental restructuring savings and strong core performance.

Adjusted diluted earnings per share from continuing operations, a non-GAAP measure defined under the caption “Review of Consolidated Results — Adjusted Diluted Earnings per Share,” was \$1.31 per share for the third quarter of 2018 and \$6.01 in the first nine months of 2018, compared to \$1.29 per share and \$4.19 per share for the respective prior year periods.

Free cash flow, a non-GAAP measure defined under the caption “Review of Consolidated Results — Free Cash Flow,” increased in the first nine months of 2018 by \$632 million, or 385%, from the prior year period, to \$796 million, driven by an increase of \$54 million in capital expenditures, including investments in our operating model and an increase of \$686 million in cash flow from operations.

## REVIEW OF CONSOLIDATED RESULTS

## Summary of Results

In the first quarter of 2018, Aon adopted new accounting guidance related to the treatment of revenue from contracts with customers that was applied prospectively on the U.S. GAAP financial statements and therefore comparable periods have not been restated. Refer to Note 2 “Accounting Principles and Practices” for further information surrounding the quantitative and qualitative impacts of adopting ASC 606.

Our consolidated results are as follow (in millions):

|                                                                      | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |          |
|----------------------------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
|                                                                      | 2018                                | 2017     | 2018                               | 2017     |
| Revenue                                                              |                                     |          |                                    |          |
| Total revenue                                                        | \$2,349                             | \$ 2,340 | \$8,000                            | \$ 7,089 |
| Expenses                                                             |                                     |          |                                    |          |
| Compensation and benefits                                            | 1,392                               | 1,428    | 4,502                              | 4,363    |
| Information technology                                               | 125                                 | 109      | 363                                | 295      |
| Premises                                                             | 94                                  | 89       | 283                                | 259      |
| Depreciation of fixed assets                                         | 40                                  | 40       | 126                                | 148      |
| Amortization and impairment of intangible assets                     | 100                                 | 101      | 492                                | 604      |
| Other general expenses                                               | 336                                 | 317      | 1,189                              | 956      |
| Total operating expenses                                             | 2,087                               | 2,084    | 6,955                              | 6,625    |
| Operating income                                                     | 262                                 | 256      | 1,045                              | 464      |
| Interest income                                                      | —                                   | 10       | 5                                  | 20       |
| Interest expense                                                     | (69)                                | (70)     | (208)                              | (211)    |
| Other income (expense)                                               | 1                                   | 4        | (17)                               | 6        |
| Income from continuing operations before income taxes                | 194                                 | 200      | 825                                | 279      |
| Income tax expense (benefit)                                         | 39                                  | 4        | 9                                  | (139)    |
| Net income from continuing operations                                | 155                                 | 196      | 816                                | 418      |
| Net income (loss) from discontinued operations                       | (2)                                 | (4)      | 5                                  | 857      |
| Net income                                                           | 153                                 | 192      | 821                                | 1,275    |
| Less: Net income attributable to noncontrolling interests            | 6                                   | 7        | 32                                 | 30       |
| Net income attributable to Aon shareholders                          | \$147                               | \$ 185   | \$789                              | \$ 1,245 |
| Diluted net income (loss) per share attributable to Aon shareholders |                                     |          |                                    |          |
| Continuing operations                                                | \$0.61                              | \$ 0.73  | \$3.17                             | \$ 1.48  |
| Discontinued operations                                              | (0.01)                              | (0.01)   | 0.02                               | 3.26     |
| Net income                                                           | \$0.60                              | \$ 0.72  | \$3.19                             | \$ 4.74  |
| Weighted average ordinary shares outstanding - diluted               | 245.6                               | 257.3    | 247.7                              | 262.9    |

## Revenue

Total revenue increased \$9 million in the third quarter of 2018 compared to the third quarter of 2017. This change reflects 6% organic revenue growth and a 2% increase related to acquisitions, net of divestitures, partially offset by a 6% decrease related to the adoption of the new revenue recognition standard in 2018 and a 2% unfavorable impact from foreign currency exchange rates. For the first nine months of 2018, revenue increased by 13%, or \$911 million, compared to the prior year period. This change reflects 4% organic revenue growth, a 4% increase related to acquisitions, net of divestitures, a 3% increase related to the adoption of the new revenue recognition standard in 2018, and a 2% favorable impact from foreign currency exchange rates.

Commercial Risk Solutions organic revenue growth was 8% in the third quarter of 2018 and 6% in the first nine months of 2018 compared to the prior year periods, driven by growth across every major geography, reflecting strong global new business generation and management of the renewal book portfolio, highlighted by double-digit growth in the U.S. and Latin America.



Results include double-digit growth in both cyber solutions and transaction liability, two specific areas of investment to support increasing client demand.

Reinsurance Solutions organic revenue growth was 8% in the third quarter of 2018, compared to the third quarter of 2017, driven by growth in facultative placements, continued net new business generation globally in treaty, and modestly favorable market impact, primarily in the United States. Organic revenue growth was 7% in the first nine months of 2018 compared to the prior year period, driven by net new business generation in treaty and strong growth in facultative placements, partially offset by a modest decline in capital markets transactions given the prior year period benefited from record catastrophe bond issuance during the mid-year renewal season.

Retirement Solutions organic revenue growth was 2% in the third quarter of 2018, compared to the third quarter of 2017, reflecting solid growth in investment consulting, including double-digit growth in delegated investment management, as well as solid growth in our talent practice for assessment services and in our rewards practice for compensation benchmarking. Organic revenue growth was 2% in the first nine months of 2018 compared to the prior year period driven by modest growth in core actuarial retirement and in the talent practice, as well as solid growth in delegated investment management, partially offset by the impact from the timing of certain performance-based fees in investment consulting.

Health Solutions organic revenue growth was 8% in the third quarter of 2018, compared to the third quarter of 2017, driven by solid growth internationally, highlighted by particular strength in new business generation in the EMEA region and another quarter of strong growth in voluntary benefits in the U.S. Results also reflect strong growth across healthcare exchanges primarily driven by new client wins on the active exchange and expanded service offerings on the retiree exchange. Organic revenue growth was 4% in the first nine months of 2018 compared to the prior year period, driven primarily by solid growth globally in health and benefits brokerage.

Data & Analytic Services organic revenue growth was 5% in the third quarter of 2018, compared to the third quarter of 2017, driven by growth globally across our Affinity business, with particular strength in the U.S., as well as solid growth in Aon Client Treaty. Organic revenue growth was 1% in the first nine months of 2018 compared to the prior year period driven by solid growth in the U.S. and internationally in our core Affinity business, partially offset by the anticipated near-term unfavorable impact from changes in certain client contracts in the first half of the year.

#### Compensation and Benefits

Compensation and benefits decreased \$36 million, or 3%, in the third quarter of 2018 compared to the third quarter of 2017. This decrease was primarily driven by \$42 million of incremental savings related to restructuring and other operational improvement initiatives, a \$34 million decrease in restructuring costs, a \$25 million favorable impact from foreign currency translation, a \$36 million decrease related to adoption of the new revenue recognition standard in 2018, and a \$2 million decrease in transaction related costs associated with acquisitions, partially offset by an increase in expense associated with 6% organic revenue growth, a \$28 million increase in expenses related to acquisitions, net of divestitures, and investments in Aon United growth initiatives. For the first nine months of 2018, compensation and benefits increased \$139 million, or 3%, compared to the first nine months of 2017. The increase was primarily driven by a \$134 million increase in expenses related to acquisitions, net of divestitures, an \$85 million unfavorable impact from foreign currency translation, a \$42 million increase related to adoption of the new revenue recognition standard in 2018, and an increase in expense associated with 4% organic revenue growth, partially offset by a \$173 million decrease in restructuring costs and \$136 million of incremental savings related to restructuring and other operational improvement initiatives.

#### Information Technology

Information technology, which represents costs associated with supporting and maintaining our infrastructure, increased \$16 million, or 15%, in the third quarter of 2018 compared to the third quarter of 2017. This increase was primarily driven by investments supporting long-term growth initiatives, including \$8 million of investments in application development, and a \$5 million increase in expenses related to acquisitions, net of divestitures, partially offset by \$4 million of incremental savings related to restructuring and other operational improvement initiatives. For the first nine months of 2018, Information technology increased \$68 million, or 23%, compared to the first nine months of 2017. This increase was primarily driven by a \$15 million increase in expenses related to acquisitions, net of divestitures, an \$8 million increase in restructuring costs, a \$3 million unfavorable impact from foreign currency

translation, a \$3 million increase in expense to support GDPR compliance, and an increase in investments to support long-term growth initiatives, partially offset by \$1 million of incremental savings related to restructuring savings and other operational improvement initiatives.

## Premises

Premises, which represents the cost of occupying offices in various locations throughout the world, increased \$5 million, or 6%, in the third quarter of 2018 compared to the third quarter of 2017. This increase was primarily driven by a \$7 million increase in restructuring costs and a \$3 million increase related to acquisitions, net of divestitures, partially offset by \$6 million of incremental savings related to restructuring and other operational improvement initiatives. For the first nine months of 2018, Premises increased \$24 million, or 9%, compared to the first nine months of 2017. This increase was primarily driven by a \$16 million increase in restructuring costs, a \$9 million increase related to acquisitions, net of divestitures, and a \$5 million unfavorable impact from foreign currency translation, partially offset by \$9 million of incremental savings related to restructuring and other operational improvement initiatives.

## Depreciation of Fixed Assets

Depreciation of fixed assets primarily relates to software, leasehold improvements, furniture, fixtures and equipment, computer equipment, buildings, and automobiles. Depreciation of fixed assets was flat in the third quarter of 2018 compared to the third quarter of 2017. For the first nine months of 2018, Depreciation of fixed assets decreased \$22 million, or 15%, compared to the first nine months of 2017. This decrease was primarily driven by a \$15 million decrease in restructuring costs related to fixed asset write-offs, \$1 million of incremental savings related to restructuring and other operational improvement initiatives, and a decrease in overall expense as we continue to optimize our information technology and real estate portfolios, partially offset by a \$4 million increase related to acquisitions, net of divestitures.

## Amortization and Impairment of Intangibles Assets

Amortization and impairment of intangibles primarily relates to finite-lived tradenames and customer-related, contract-based, and technology assets. Amortization and impairment of intangibles decreased \$1 million, or 1%, in the third quarter of 2018 compared to the third quarter of 2017. For the first nine months of 2018, Amortization and impairment of intangible assets decreased \$112 million, or 19%, compared to the first nine months of 2017. This decrease was primarily due to a \$204 million net decrease in impairment charges, partially offset by a \$72 million increase in accelerated amortization related to tradenames.

## Other General Expenses

Other general expenses in the third quarter of 2018 increased \$19 million, or 6%, compared to the third quarter of 2017 due primarily to an increase in expense associated with 6% organic revenue growth, a \$22 million increase in restructuring costs, a \$4 million increase in errors and omissions expense, and investments to support long-term growth initiatives, partially offset by a \$25 million decrease related to reduced legacy litigation expense, a \$10 million decrease related to adoption of the new revenue recognition standard in 2018, an \$8 million decrease in costs related to regulatory and compliance matters, and an \$8 million decrease in transaction related costs associated with acquisitions. For the first nine months of 2018, Other general expenses increased \$233 million, or 24%, compared to the prior year period. This increase was primarily driven by a \$129 million increase in restructuring costs, a \$78 million increase in legacy litigation, a \$15 million increase related to acquisitions, net of divestitures, a \$13 million unfavorable impact from foreign currency translation, a \$10 million increase in expense to support GDPR regulatory compliance, and an increase in expense associated with 4% organic revenue growth, partially offset by a \$12 million decrease related to adoption of the new revenue recognition standard in 2018.

## 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. During the third quarter of 2018, the Company recognized no Interest income, as compared to \$10 million during the prior year period. For the first nine months of 2018, Interest income was \$5 million, a decrease from \$20 million for the prior year period. The decrease in both periods reflects additional income earned on the proceeds of the Divested Business in the prior year periods.

## Interest Expense

Interest expense, which represents the cost of our debt obligations, was \$69 million during the third quarter of 2018, a decrease from \$70 million for the prior year period. For the first nine months of 2018, Interest expense was \$208 million, a decrease of \$3 million from the prior year period. This decrease was due to a modest decrease in term debt

outstanding, partially offset by an increase in commercial paper borrowings.

Other Income (Expense)

Other income was \$1 million for the third quarter of 2018, compared to other income of \$4 million for the third quarter of 2017. Other income for the third quarter of 2018 primarily includes \$9 million of pension income, offset by \$9 million of non-cash expenses related to pension settlements. Other income of \$4 million in the third quarter of 2017 primarily includes \$16 million

of gains on financial instruments and \$9 million of pension and other post-retirement income, partially offset by \$20 million of losses due to the favorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies. Other expense was \$17 million for the first nine months of 2018, compared to other income of \$6 million for the prior year period. Other expense for the first nine months of 2018 primarily includes \$27 million of losses on financial instruments, partially offset by \$16 million of gains due to the favorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies. Other income for the first nine months of 2017 primarily includes pension and other post-retirement income and equity earnings, partially offset by losses due to the unfavorable impact of exchange rates on the remeasurement of monetary assets and liabilities in non-functional currencies.

#### Income From Continuing Operations before Income Taxes

Due to the factors discussed above, income from continuing operations before income taxes for the third quarter of 2018 was \$194 million, a 3% decrease from income of \$200 million in the third quarter of 2017, and income from continuing operations before income taxes was \$825 million for the first nine months of 2018, a 196% increase from \$279 million from the first nine months of 2017.

#### Income Taxes From Continuing Operations

The effective tax rates on net income from continuing operations were 20.1% and 2.0% for the third quarters of 2018 and 2017, respectively. The effective tax rates on net income from continuing operations were 1.1% and (49.8)% for the nine months ended September 30, 2018 and 2017, respectively. The primary drivers of the year-to-date tax rate include the following:

- The geographical distribution of income including restructuring charges, legacy litigation, and the impairment of certain assets and liabilities previously held for sale as well as changes from the Tax Reform Act.

- Certain discrete items including the net tax benefit associated with the sale of certain assets and liabilities previously classified as held for sale, the impact of share-based payments, and changes in the assertion for unremitted earnings.

#### Net Income from Discontinued Operations

Net income from discontinued operations increased \$2 million in the third quarter of 2018 and decreased \$852 million in the first nine months of 2018 as compared to the prior year periods due to the execution of the sale of the Divested Business on May 2, 2017.

#### Net Income Attributable to Aon Shareholders

Net income attributable to Aon shareholders for the third quarter of 2018 decreased to \$147 million, or \$0.60 per diluted share, from \$185 million, or \$0.72 per diluted share, in the prior year period. Net income attributable to Aon shareholders for the first nine months of 2018 decreased to \$789 million, or \$3.19 per diluted share, from \$1,245 million, or \$4.74 per diluted share, in the prior year period.

#### Non-GAAP Metrics

In our discussion of consolidated results, we sometimes refer to certain non-GAAP 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. This non-GAAP supplemental information should be viewed in addition to, not instead of, our Financial Statements.

## Organic Revenue Growth

We use supplemental information related to organic revenue growth to help us and our investors evaluate business growth from existing operations. Organic revenue growth is a non-GAAP measure that includes the impact of intercompany activity and excludes the impact of the adoption of the new revenue recognition standard, changes in foreign exchange rates, acquisitions, divestitures, transfers between revenue lines, and fiduciary investment income. This supplemental information related to organic revenue growth represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Financial Statements. Industry peers provide similar supplemental information about their revenue performance, although they may not make identical adjustments. A reconciliation of this non-GAAP measure to the reported Total revenue is as follows (in millions, except percentages):

## Three Months Ended

|                           | September 2018 | September 2017 | 30% Change | Revenue Recognition (1) | Less: Currency Impact (2) | Less: Fiduciary Investment Income (3) | Less: Acquisitions, Divestitures & Other | Organic Revenue Growth (4) |
|---------------------------|----------------|----------------|------------|-------------------------|---------------------------|---------------------------------------|------------------------------------------|----------------------------|
| Revenue                   |                |                |            |                         |                           |                                       |                                          |                            |
| Commercial Risk Solutions | \$1,029        | \$ 917         | 12 %       | — %                     | (2 )%                     | — %                                   | 6 %                                      | 8 %                        |
| Reinsurance Solutions     | 279            | 355            | (21 )      | (30 )                   | (1 )                      | 1                                     | 1                                        | 8                          |
| Retirement Solutions      | 501            | 491            | 2          | —                       | (1 )                      | —                                     | 1                                        | 2                          |
| Health Solutions          | 278            | 293            | (5 )       | (5 )                    | (4 )                      | —                                     | (4 )                                     | 8                          |
| Data & Analytic Services  | 263            | 289            | (9 )       | (1 )                    | (1 )                      | —                                     | (12 )                                    | 5                          |
| Elimination               | (1 )           | (5 )           | N/A        | N/A                     | N/A                       | N/A                                   | N/A                                      | N/A                        |
| Total revenue             | \$2,349        | \$ 2,340       | — %        | (6 )%                   | (2 )%                     | — %                                   | 2 %                                      | 6 %                        |

## Nine Months Ended

|                           | September 2018 | September 2017 | 30% Change | Revenue Recognition (1) | Less: Currency Impact (2) | Less: Fiduciary Investment Income (3) | Less: Acquisitions, Divestitures & Other | Organic Revenue Growth (4) |
|---------------------------|----------------|----------------|------------|-------------------------|---------------------------|---------------------------------------|------------------------------------------|----------------------------|
| Revenue                   |                |                |            |                         |                           |                                       |                                          |                            |
| Commercial Risk Solutions | \$3,379        | \$ 2,943       | 15 %       | — %                     | 2 %                       | — %                                   | 7 %                                      | 6 %                        |
| Reinsurance Solutions     | 1,401          | 1,070          | 31         | 21                      | 3                         | 1                                     | (1 )                                     | 7                          |
| Retirement Solutions      | 1,356          | 1,266          | 7          | —                       | 2                         | —                                     | 3                                        | 2                          |
| Health Solutions          | 1,038          | 977            | 6          | 1                       | 1                         | —                                     | —                                        | 4                          |
| Data & Analytic Services  | 834            | 842            | (1 )       | —                       | 1                         | —                                     | (3 )                                     | 1                          |
| Elimination               | (8 )           | (9 )           | N/A        | N/A                     | N/A                       | N/A                                   | N/A                                      | N/A                        |
| Total revenue             | \$8,000        | \$ 7,089       | 13 %       | 3 %                     | 2 %                       | — %                                   | 4 %                                      | 4 %                        |

(1) Revenue Recognition represents the impact of Aon's adoption of new revenue recognition standard, effective for Aon in the first quarter of 2018.

(2) Currency impact is determined by translating prior period's revenue at this period's foreign exchange rates.

Fiduciary investment income for the three months ended September 30, 2018 and 2017, respectively, was \$15

(3) million and \$10 million. Fiduciary investment income for the nine months ended September 30, 2018 and 2017, respectively, was \$37 million and \$23 million.

Organic revenue growth includes the impact of intercompany activity and excludes the impact of the adoption of (4) the new revenue recognition standard, changes in foreign exchange rates, acquisitions, divestitures, transfers between business units, and fiduciary investment income.

## Adjusted Operating Margin

We use adjusted operating margin as a non-GAAP measure of core operating performance of the Company. Adjusted operating margin excludes the impact of certain items, as listed below, because management does not believe these expenses reflect our core operating performance. 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 Financial Statements.

A reconciliation of this non-GAAP measure to the reported operating margin is as follows (in millions, except percentages):

|                                                           | Three Months Ended<br>September 30, 2018 |   | September 30, 2017 |   | Nine Months Ended<br>September 30, 2018 |   | September 30, 2017 |   |
|-----------------------------------------------------------|------------------------------------------|---|--------------------|---|-----------------------------------------|---|--------------------|---|
| Revenue from continuing operations                        | \$2,349                                  |   | \$ 2,340           |   | \$8,000                                 |   | \$ 7,089           |   |
| Operating income from continuing operations - as reported | \$262                                    |   | \$ 256             |   | \$1,045                                 |   | \$ 464             |   |
| Amortization and impairment of intangible assets          | 100                                      |   | 101                |   | 492                                     |   | 604                |   |
| Restructuring                                             | 97                                       |   | 102                |   | 366                                     |   | 401                |   |
| Legacy litigation                                         | (25 )                                    |   | —                  |   | 78                                      |   | —                  |   |
| Regulatory and compliance matters                         | —                                        |   | 8                  |   | —                                       |   | 42                 |   |
| Operating income from continuing operations - as adjusted | \$434                                    |   | \$ 467             |   | \$1,981                                 |   | \$ 1,511           |   |
| Operating margin from continuing operations - as reported | 11.2                                     | % | 10.9               | % | 13.1                                    | % | 6.5                | % |
| Operating margin from continuing operations - as adjusted | 18.5                                     | % | 20.0               | % | 24.8                                    | % | 21.3               | % |

#### Adjusted Diluted Earnings per Share

We use adjusted diluted earnings per share as a non-GAAP measure of our core operating performance. Adjusted diluted earnings per share excludes the items identified above, along with pension settlements and related income taxes, because management does not believe these expenses are representative of our core earnings. 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 Financial Statements and Notes thereto.

A reconciliation of this non-GAAP measure to the reported Diluted earnings per share is as follows (in millions, except per share data and percentages):

|                                                                      | Three Months Ended September 30, 2018 |             |                   |
|----------------------------------------------------------------------|---------------------------------------|-------------|-------------------|
|                                                                      | U.S. GAAP                             | Adjustments | Non-GAAP Adjusted |
| Operating income from continuing operations                          | \$262                                 | \$ 172      | \$ 434            |
| Interest income                                                      | —                                     | —           | —                 |
| Interest expense                                                     | (69 )                                 | —           | (69 )             |
| Other income (expense) <sup>(1)</sup>                                | 1                                     | 9           | 10                |
| Income before income taxes from continuing operations                | 194                                   | 181         | 375               |
| Income taxes <sup>(2)</sup>                                          | 39                                    | 9           | 48                |
| Net income from continuing operations                                | 155                                   | 172         | 327               |
| Net income (loss) from discontinued operations <sup>(3)</sup>        | (2 )                                  | —           | (2 )              |
| Net income                                                           | 153                                   | 172         | 325               |
| Less: Net income attributable to noncontrolling interests            | 6                                     | —           | 6                 |
| Net income attributable to Aon shareholders                          | \$147                                 | \$ 172      | \$ 319            |
| Diluted net income (loss) per share attributable to Aon shareholders |                                       |             |                   |
| Continuing operations                                                | \$0.61                                | \$ 0.70     | \$ 1.31           |
| Discontinued operations                                              | (0.01 )                               | —           | (0.01 )           |
| Net income                                                           | \$0.60                                | \$ 0.70     | \$ 1.30           |
| Weighted average ordinary shares outstanding - diluted               | 245.6                                 | —           | 245.6             |
| Effective tax rates <sup>(3)</sup>                                   |                                       |             |                   |
| Continuing operations - U.S. GAAP                                    | 20.1                                  | %           | 12.8 %            |

|                                     |        |        |
|-------------------------------------|--------|--------|
| Discontinued operations - U.S. GAAP | 21.3 % | 26.7 % |
|-------------------------------------|--------|--------|

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Three Months Ended September  
30, 2017

|                                                               | U.S.<br>GAAP | Adjustments | Non-GAAP<br>Adjusted |
|---------------------------------------------------------------|--------------|-------------|----------------------|
| Operating income from continuing operations                   | \$256        | \$ 211      | \$ 467               |
| Interest income                                               | 10           | —           | 10                   |
| Interest expense                                              | (70 )        | —           | (70 )                |
| Other income (expense) <sup>(1)</sup>                         | 4            | —           | 4                    |
| Income before income taxes from continuing operations         | 200          | 211         | 411                  |
| Income taxes <sup>(2)</sup>                                   | 4            | 68          | 72                   |
| Net income from continuing operations                         | 196          | 143         | 339                  |
| Net income (loss) from discontinued operations <sup>(3)</sup> | (4 )         | (6 )        | (10 )                |
| Net income                                                    | 192          | 137         | 329                  |
| Less: Net income attributable to noncontrolling interests     | 7            | —           | 7                    |
| Net income attributable to Aon shareholders                   | \$185        | \$ 137      | \$ 322               |

Diluted net income (loss) per share attributable to Aon shareholders

|                         |         |         |         |
|-------------------------|---------|---------|---------|
| Continuing operations   | \$0.73  | \$ 0.56 | \$ 1.29 |
| Discontinued operations | (0.01 ) | (0.03 ) | (0.04 ) |
| Net income              | \$0.72  | \$ 0.53 | \$ 1.25 |

Weighted average ordinary shares outstanding - diluted

|                                    |       |   |       |
|------------------------------------|-------|---|-------|
| Effective tax rates <sup>(3)</sup> | 257.3 | — | 257.3 |
|------------------------------------|-------|---|-------|

Continuing operations - U.S. GAAP

|                                     |       |        |
|-------------------------------------|-------|--------|
| Discontinued operations - U.S. GAAP | 2.0 % | 17.3 % |
|-------------------------------------|-------|--------|

Nine Months Ended September 30,  
2018

|                                                               | U.S.<br>GAAP | Adjustments | Non-GAAP<br>Adjusted |
|---------------------------------------------------------------|--------------|-------------|----------------------|
| Operating income from continuing operations                   | \$1,045      | \$ 936      | \$ 1,981             |
| Interest income                                               | 5            | —           | 5                    |
| Interest expense                                              | (208 )       | —           | (208 )               |
| Other income (expense) <sup>(1)</sup>                         | (17 )        | 32          | 15                   |
| Income before income taxes from continuing operations         | 825          | 968         | 1,793                |
| Income taxes <sup>(2)</sup>                                   | 9            | 264         | 273                  |
| Net income from continuing operations                         | 816          | 704         | 1,520                |
| Net income (loss) from discontinued operations <sup>(3)</sup> | 5            | (9 )        | (4 )                 |
| Net income                                                    | 821          | 695         | 1,516                |
| Less: Net income attributable to noncontrolling interests     | 32           | —           | 32                   |
| Net income attributable to Aon shareholders                   | \$789        | \$ 695      | \$ 1,484             |

Diluted net income (loss) per share attributable to Aon shareholders

|                         |        |         |         |
|-------------------------|--------|---------|---------|
| Continuing operations   | \$3.17 | \$ 2.84 | \$ 6.01 |
| Discontinued operations | 0.02   | (0.04 ) | (0.02 ) |
| Net income              | \$3.19 | \$ 2.80 | \$ 5.99 |

Weighted average ordinary shares outstanding - diluted

|  |       |   |       |
|--|-------|---|-------|
|  | 247.7 | — | 247.7 |
|--|-------|---|-------|

Effective tax rates <sup>(3)</sup>

|                                     |     |   |      |   |
|-------------------------------------|-----|---|------|---|
| Continuing operations - U.S. GAAP   | 1.1 | % | 15.2 | % |
| Discontinued operations - U.S. GAAP | 8.8 | % | 36.5 | % |

Nine Months Ended September 30,  
2017

|                                                                      | U.S.<br>GAAP | Adjustments | Non-GAAP<br>Adjusted |
|----------------------------------------------------------------------|--------------|-------------|----------------------|
| Operating income from continuing operations                          | \$464        | \$ 1,047    | \$ 1,511             |
| Interest income                                                      | 20           | —           | 20                   |
| Interest expense                                                     | (211 )       | —           | (211 )               |
| Other income (expense) <sup>(1)</sup>                                | 6            | —           | 6                    |
| Income before income taxes from continuing operations                | 279          | 1,047       | 1,326                |
| Income taxes <sup>(2)</sup>                                          | (139 )       | 333         | 194                  |
| Net income from continuing operations                                | 418          | 714         | 1,132                |
| Net income (loss) from discontinued operations <sup>(3)</sup>        | 857          | (797 )      | 60                   |
| Net income                                                           | 1,275        | (83 )       | 1,192                |
| Less: Net income attributable to noncontrolling interests            | 30           | —           | 30                   |
| Net income attributable to Aon shareholders                          | \$1,245      | \$ (83 )    | \$ 1,162             |
| Diluted net income (loss) per share attributable to Aon shareholders |              |             |                      |
| Continuing operations                                                | \$1.48       | \$ 2.71     | \$ 4.19              |
| Discontinued operations                                              | 3.26         | (3.03 )     | 0.23                 |
| Net income                                                           | \$4.74       | \$ (0.32 )  | \$ 4.42              |
| Weighted average ordinary shares outstanding - diluted               |              |             |                      |
| Effective tax rates <sup>(3)</sup>                                   |              |             |                      |
| Continuing operations - U.S. GAAP                                    | (49.8 )%     |             | 14.9 %               |
| Discontinued operations - U.S. GAAP                                  | 21.8 %       |             | 24.2 %               |

(1) Adjusted Other income (expense) excludes Pension settlement charges of \$9 million for the three months ended September 30, 2018 and \$32 million for the nine months ended September 30, 2018.

Adjusted items are generally taxed at the estimated annual effective tax rate, except for the applicable tax impact associated with estimated Restructuring Plan expenses, legacy litigation, accelerated tradename amortization, impairment charges and non-cash pension settlement charges, which are adjusted at the related jurisdictional rates.

(2) In addition, tax expense excludes the tax impacts from the sale of certain assets and liabilities previously classified as held for sale as well as adjustments to the provisional estimates of the impact of US Tax Reform recorded pursuant to SAB 118.

Adjusted net income from discontinued operations excludes the gain on sale of discontinued operations of \$0 million and \$9 million for the three and nine months ended September 30, 2018, respectively. Adjusted net income from discontinued operations excludes the gain on sale of discontinued operations of \$5 million and \$803 million and intangible asset amortization of \$0 million and \$11 million for the three and nine months ended September 30, 2017, respectively. The effective tax rate was further adjusted for the applicable tax impact associated with the gain on sale and intangible asset amortization, as applicable.

#### Free Cash Flow

We use free cash flow, defined as cash flow provided by operations less capital expenditures, as a non-GAAP measure of our core operating performance and cash-generating capabilities of our business operations. 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 Financial Statements. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures. A reconciliation of this non-GAAP measure to the reported cash provided by continuing operating activities is as follows (in millions):

Nine Months Ended

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|                                                     | September 30, |        |
|-----------------------------------------------------|---------------|--------|
|                                                     | 2018          | 2017   |
| Cash provided by continuing operating activities    | \$975         | \$ 289 |
| Capital expenditures used for continuing operations | (179 )        | (125 ) |
| Free cash flow provided by continuing operations    | \$796         | \$ 164 |

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### Impact of Foreign Exchange Rate Fluctuations

Because we conduct business in more than 100 countries, foreign exchange rate fluctuations have a significant impact on our business. 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 an illustration of the impact of foreign currency exchange rates on our financial results. The methodology used to calculate this impact isolates the impact of the change in currencies between periods by translating the prior year quarter's revenue, expenses, and net income using the current quarter's foreign exchange rates.

Translating prior year quarter results at current quarter foreign exchange rates, currency fluctuations had an unfavorable impact of \$0.03 and a favorable impact of \$0.11, respectively, on net income per diluted share during the three and nine months ended September 30, 2018. Currency fluctuations had a favorable impact of \$0.01 and \$0.06, respectively, on net income per diluted share during the three and nine months ended September 30, 2017, when 2016 results were translated at 2017 rates.

Translating prior year quarter results at current quarter foreign exchange rates, currency fluctuations had a favorable impact of \$0.05 and an unfavorable impact of \$0.15, respectively, on adjusted net income per diluted share during the three and nine months ended September 30, 2018. Currency fluctuations had a favorable impact of \$0.01 and \$0.02, respectively, on adjusted net income per diluted share during the three and nine months ended September 30, 2017, when 2016 results were translated at 2017 rates. These translations are performed for comparative and illustrative purposes only and do not impact the accounting policies or practices for amounts included in the Financial Statements.

### Competition and Markets Authority

The U.K.'s competition regulator, the Competition and Markets Authority (the "CMA"), is conducting a market investigation into the supply and acquisition of investment consulting and fiduciary management services, including those offered by Aon and its competitors in the U.K. The CMA is assessing whether any feature or combination of features in the target market prevents, restricts, or distorts competition. The CMA issued a provisional decision report on July 18, 2018 and they aim to publish the final report before the end of 2018.

### Financial Conduct Authority

The FCA is conducting a market study to assess how effectively competition is working in the wholesale insurance broker sector in the UK in which Aon, through its subsidiaries, participates. The FCA has indicated that the purpose of a market study is to assess the extent to which the market is working well in the interests of customers and to identify features of the market that may impact competition. Depending on the study's findings, the FCA may require remedies in order to correct any features found to be preventing, restricting, or distorting competition. The study is ongoing and we are unable to estimate the impact, if any, on Aon's business at this time.

### LIQUIDITY AND FINANCIAL CONDITION

#### Liquidity

##### Executive Summary

We believe that our balance sheet and strong cash flow provide us with adequate liquidity. Our primary sources of liquidity are cash flows from operations, available cash reserves, and debt capacity available under our credit facilities. Our primary uses of liquidity are operating expenses, restructuring activities, capital expenditures, acquisitions, share repurchases, pension obligations, and shareholder dividends. We believe that cash flows from operations, available credit facilities, and the capital markets will be sufficient to meet our liquidity needs, including principal and interest payments on debt obligations, capital expenditures, pension contributions, and anticipated working capital requirements, for the foreseeable future.

Cash on our balance sheet includes funds available for general corporate purposes, as well as amounts restricted as to their use. Funds held on behalf of clients in a fiduciary capacity are segregated and shown together with uncollected insurance premiums in Fiduciary assets in the Condensed Consolidated Statements of Financial Position, with a corresponding amount in Fiduciary liabilities.

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 returned 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, depending on when we collect premiums, claims, and refunds, make payments to underwriters and insureds, collect funds from clients and make payments on their behalf, and the movement of foreign currency exchange rates. Fiduciary assets, because of their nature, are generally invested in very liquid securities with

highly rated, credit-worthy financial institutions. In our Condensed Consolidated Statements of Financial Position, the amounts we report for Fiduciary assets and Fiduciary liabilities are equal and offsetting. Our Fiduciary assets included cash and short-term investments of \$4.4 billion and \$3.7 billion at September 30, 2018 and December 31, 2017, respectively, and fiduciary receivables of \$5.0 billion and \$5.9 billion at September 30, 2018 and December 31, 2017, respectively. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments cannot be used for general corporate purposes.

We maintain multicurrency cash pools with third-party banks in which various Aon entities participate. Individual Aon entities are permitted to overdraw on their individual accounts provided the overall global balance does not fall below zero. At September 30, 2018, non-U.S. cash balances of one or more entities were negative; however, the overall balance was positive.

As of September 30, 2018, our investments in money market funds had a fair value of \$2.1 billion and are reported as Short-term investments or Fiduciary assets in the Condensed Consolidated Statements of Financial Position depending on their nature.

The following table summarizes our Fiduciary assets, non-fiduciary Cash and cash equivalents, and Short-term investments as of September 30, 2018 (in millions):

| Asset Type                                              | Statement of Financial<br>Position Classification |                           |                     |         |
|---------------------------------------------------------|---------------------------------------------------|---------------------------|---------------------|---------|
|                                                         | Cash<br>and<br>Cash<br>Equivalents                | Short-term<br>Investments | Fiduciary<br>Assets | Total   |
| Certificates of deposit, bank deposits or time deposits | \$484                                             | \$ —                      | \$ 2,467            | \$2,951 |
| Money market funds                                      | —                                                 | 167                       | 1,896               | 2,063   |
| Cash and short-term investments                         | 484                                               | 167                       | 4,363               | 5,014   |
| Fiduciary receivables                                   | —                                                 | —                         | 4,951               | 4,951   |
| Total                                                   | \$484                                             | \$ 167                    | \$ 9,314            | \$9,965 |

Cash and cash equivalents decreased \$272 million in 2018. A summary of our cash flows provided by and used for continuing operations from operating, investing, and financing activities is as follows (in millions):

|                                                               | Nine Months Ended     |                       |
|---------------------------------------------------------------|-----------------------|-----------------------|
|                                                               | September 30,<br>2018 | September 30,<br>2017 |
| Cash provided by operating activities - continuing operations | \$975                 | \$ 289                |
| Cash provided by investing activities - continuing operations | \$84                  | \$ 2,541              |
| Cash used for financing activities - continuing operations    | \$(1,255)             | \$(2,648)             |
| Net cash flows from discontinued operations                   | \$—                   | \$ 45                 |
| Effect of exchange rates changes on cash and cash equivalents | \$(76)                | \$ 91                 |

#### Operating Activities

Net cash provided by operating activities for continuing operations during the nine months ended September 30, 2018 increased \$686 million, or 237%, from the prior year period to \$975 million. This amount represents net income reported, as adjusted for gains or losses on sales of businesses, share-based compensation expense, depreciation expense, amortization and impairments, and other non-cash income and expenses, as well as changes in working capital that relate primarily to the timing of payments of accounts payable and accrued liabilities and collection of receivables.

#### Pension Contributions

Pension contributions were \$222 million for the nine months ended September 30, 2018, as compared to \$109 million for the nine months ended September 30, 2017, which includes our acceleration of contributions to the qualified U.S. pension plan. For the remainder of 2018, we expect to contribute approximately \$35 million in cash to our pension plans, including contributions to non-U.S. pension plans which are subject to changes in foreign exchange rates.

#### Restructuring Plan

In 2017, we initiated the Restructuring Plan in connection with the sale of the Divested Business. The Restructuring Plan is intended to streamline operations across the organization and deliver greater efficiency, insight, and connectivity. We expect these restructuring activities and related expenses to affect continuing operations through 2019, including an estimated 4,200 to 4,800 role eliminations. The Restructuring Plan is expected to result in cumulative costs of approximately \$1,025 million through the end of the plan, consisting of approximately \$420 million in employee termination costs, \$130 million in technology rationalization

costs, \$60 million in real estate consolidation costs, \$40 million in non-cash asset impairments, and \$375 million in other costs including certain separation costs associated with the sale of the Divested Business. We estimate that our annualized savings from the Restructuring Plan will be approximately \$450 million by the end of 2019.

From the inception of the Restructuring Plan through September 30, 2018, the Company has eliminated 3,798 positions and a total of \$863 million of restructuring and related separation charges have been incurred. These charges are included in Compensation and benefits, Information technology, Premises, Depreciation of fixed assets, and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The following summarizes restructuring and separation costs by type that have been incurred through September 30, 2018 and are estimated to be incurred through the end of the Restructuring Plan. Estimated costs may be revised in future periods as these assumptions are updated (in millions):

|                                                                             | Three<br>months<br>ended<br>September<br>30, 2018 | Nine<br>months<br>ended<br>September<br>30, 2018 | Inception<br>to Date | Estimated<br>Remaining<br>Costs | Estimated<br>Total<br>Cost <sup>(1)</sup> |
|-----------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------|----------------------|---------------------------------|-------------------------------------------|
| Workforce reduction                                                         | \$ 18                                             | \$ 84                                            | \$ 383               | \$ 37                           | \$ 420                                    |
| Technology rationalization <sup>(2)</sup>                                   | 12                                                | 30                                               | 63                   | 67                              | 130                                       |
| Lease consolidation <sup>(2)</sup>                                          | 11                                                | 24                                               | 32                   | 28                              | 60                                        |
| Asset impairments                                                           | 2                                                 | 11                                               | 37                   | 3                               | 40                                        |
| Other costs associated with restructuring and separation <sup>(2) (3)</sup> | 54                                                | 217                                              | 348                  | 27                              | 375                                       |
| Total restructuring and related expenses                                    | \$ 97                                             | \$ 366                                           | \$ 863               | \$ 162                          | \$ 1,025                                  |

Actual costs, when incurred, may vary due to changes in the assumptions built into the Restructuring Plan.

Significant assumptions that may change when plans are finalized and implemented include, but are not limited to,

- (1) 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.

Total contract termination costs incurred under the Restructuring Plan associated with Technology rationalizations, Lease consolidations, and Other costs associated with restructuring and separation, respectively, for the three months ended September 30, 2018 were \$1 million, \$11 million, and \$3 million; for the nine months ended September 30, 2018 were \$2 million, \$23 million, and \$82 million; and since inception of the Restructuring Plan were \$3 million, \$31 million, and \$85 million. Total estimated contract termination costs expected to be incurred under the Restructuring Plan associated with Technology rationalizations, Lease consolidations, and Other costs associated with restructuring and separation, respectively, are \$15 million, \$80 million, and \$85 million.

- (3) Other costs associated with the Restructuring Plan include those to separate the Divested Business, as well as moving costs and consulting and legal fees. These costs are generally recognized when incurred.

As of September 30, 2018, the changes in our liabilities for the Restructuring Plan were as follows (in millions):

|                                        | Restructuring<br>Plan |
|----------------------------------------|-----------------------|
| Balance as of December 31, 2017        | \$ 186                |
| Expensed                               | 336                   |
| Cash payments                          | (322 )                |
| Foreign currency translation and other | (5 )                  |
| Balance as of September 30, 2018       | \$ 195                |

#### Investing Activities

Cash flow provided by investing activities in continuing operations was \$84 million during the nine months ended September 30, 2018, a decrease of \$2,457 million compared to prior year period. The primary drivers of cash flow used for investing activities are acquisition of businesses, purchases of short-term investments, capital expenditures, and payments for investments. The primary drivers of cash flow provided by investing activities are sales of businesses, sales of short-term investments, and proceeds from investments. The gains and losses corresponding to

cash flows provided by proceeds from investments and used for payments for investments are primarily recognized in Other income (expense) in the Condensed Consolidated Statements of Income.

### Short-term Investments

Short-term investments decreased \$362 million as compared to December 31, 2017. As disclosed in Note 16 “Fair Value Measurements and Financial Instruments” of the Financial Statements contained in Part I, Item 1 of this report, the majority of our investments carried at fair value are money market funds. These money market funds are held throughout the world with various financial institutions. We are not aware of any market liquidity issues that would materially impact the fair value of these investments.

### Acquisitions and Dispositions of Businesses

During the first nine months of 2018, the Company completed the acquisition of five businesses for consideration of \$50 million, net of cash acquired, and three business were sold for a net cash outflow of \$8 million.

During the first nine months of 2017, the Company completed the acquisition of eight businesses for consideration of \$172 million, net of cash acquired, and the sale of four businesses for a net cash outflow of \$2 million due to an excess of cash sold, excluding the sale of the Divested Business.

### Capital Expenditures

The Company’s additions to fixed assets, including capitalized software, which amounted to \$179 million in 2018 and \$125 million in 2017, primarily relate to computer equipment purchases, the refurbishing and modernizing of office facilities, and software development costs.

### Financing Activities

Cash flow used for financing activities in continuing operations during the nine months ended September 30, 2018 was \$1,255 million, a decrease of \$1,393 million compared to prior year period. The primary drivers of cash flow used for financing activities are share repurchases, issuances of debt, net of repayments, dividends paid to shareholders, issuances of shares for employee benefit plans, transactions with noncontrolling interests, and other financing activities, such as collection of or payments for deferred consideration in connection with prior-year business acquisitions and divestitures.

### Share Repurchase Program

Aon has a share repurchase program authorized by the Company’s Board of Directors. The Repurchase Program was established in April 2012 with up to \$5.0 billion in authorized repurchases, and was increased by \$5.0 billion in authorized repurchases in each of November 2014 and February 2017 for a total of \$15.0 billion in repurchase authorizations.

The following table summarizes the Company’s Share Repurchase activity (in millions, except per share data):

|                                           | Three months<br>ended September<br>30 |                     | Nine months<br>ended September<br>30 |                     |
|-------------------------------------------|---------------------------------------|---------------------|--------------------------------------|---------------------|
|                                           | 2018                                  | 2017 <sup>(1)</sup> | 2018                                 | 2017 <sup>(1)</sup> |
| Shares repurchased                        | 2.1                                   | 5.4                 | 8.8                                  | 14.5                |
| Average price per share                   | \$145.71                              | \$139.61            | \$142.15                             | \$131.58            |
| Costs recorded to retained earnings       |                                       |                     |                                      |                     |
| Total repurchase cost                     | \$300                                 | \$749               | \$1,250                              | \$1,903             |
| Additional associated costs               | 1                                     | 4                   | 6                                    | 10                  |
| Total costs recorded to retained earnings | \$301                                 | \$753               | \$1,256                              | \$1,913             |

Included in the 5.4 million shares and 14.5 million shares repurchased during the three and nine months ended (1) September 30, 2017, respectively, were 0.2 million shares that did not settle until October 2017. These shares were settled at an average price per share of \$146.52 and total cost of \$24.2 million.

At September 30, 2018, the remaining authorized amount for share repurchase under the Repurchase Program is approximately \$4.2 billion. Under the Repurchase Program, we have repurchased a total of 117.0 million shares for an aggregate cost of approximately \$10.8 billion. For further information regarding share repurchases made during the third quarter of 2018, see Part II, Item 2 of this report.

## Borrowings

Total debt at September 30, 2018 was \$6.4 billion, an increase of \$440 million compared to December 31, 2017. On March 8, 2018, the Company's CAD 375 million (\$291 million at March 8, 2018 Exchange Rates) 4.76% Senior Note due March 2018 issued by a Canadian subsidiary of Aon Corporation matured and were repaid in full. Further, commercial paper activity during the three and nine months ended September 30, 2018 and 2017 is as follows (in millions):

|                                | Three months ended September 30, 2018 |    | Nine months ended September 30, 2017 |           |
|--------------------------------|---------------------------------------|----|--------------------------------------|-----------|
| Total issuances <sup>(1)</sup> | \$ 1,407                              | \$ | —\$3,958                             | \$ 1,648  |
| Total repayments               | \$(1,469)                             | \$ | —\$(3,201)                           | \$(1,997) |
| Net issuances                  | \$(62 )                               | \$ | —\$757                               | \$(349 )  |

(1) The proceeds of the commercial paper issuances were used primarily for short-term working capital needs.

## Other Liquidity Matters

### Distributable Reserves

As a company incorporated in England and Wales, we are required under U.K. law to have available “distributable reserves” to make share repurchases or pay dividends to shareholders. Distributable reserves are created through the earnings of the U.K. parent company. Distributable reserves are not linked to a U.S. GAAP reported amount (e.g., retained earnings). As of September 30, 2018 and December 31, 2017, we had distributable reserves in excess of \$2.5 billion and \$1.2 billion, respectively. We believe that we will have sufficient distributable reserves to fund shareholder dividends, if and to the extent declared, for the foreseeable future.

### Credit Facilities

We expect cash generated by operations for 2018 to be sufficient to service our debt and contractual obligations, finance capital expenditures, continue purchases of shares under the Repurchase Program, and continue to pay dividends to our shareholders. Although cash from operations is expected to be sufficient to service these activities, we have the ability to access the commercial paper markets or borrow under our credit facilities to accommodate any timing differences in cash flows. Additionally, under current market conditions, we believe that we could access capital markets to obtain debt financing for longer-term funding, if needed.

As of September 30, 2018, we had two committed credit facilities outstanding: our \$900 million multi-currency U.S. credit facility expiring in February 2021 and our \$400 million multi-currency U.S. credit facility expiring in October 2022.

Each of these facilities includes customary representations, warranties, and covenants, including financial covenants that require us to maintain specified ratios of adjusted consolidated EBITDA to consolidated interest expense and consolidated debt to consolidated adjusted EBITDA, tested quarterly. At September 30, 2018, we did not have borrowings under either the 2021 or the 2022 Facility, and we were in compliance with the financial covenants and all other covenants contained therein during the rolling twelve months ended September 30, 2018.

### Shelf Registration Statement

On September 25, 2018, 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. Our ability to access the market as a source of liquidity is dependent on investor demand, market conditions, and other factors.

## Rating Agency Ratings

The major rating agencies' ratings of our debt at October 26, 2018 appear in the table below.

|                           | Ratings               |                  |         |
|---------------------------|-----------------------|------------------|---------|
|                           | Senior Long-term Debt | Commercial Paper | Outlook |
| Standard & Poor's         | A-                    | 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 or commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, restrict our access to the commercial paper market altogether, or impact future pension contribution requirements.

## Guarantees in Connection with the Sale of the Divested Business

In connection with the sale of the Divested Business, we guaranteed future operating lease commitments related to certain facilities assumed by the Buyer. We are obligated to perform under the guarantees if the Divested Business defaults on the leases at any time during the remainder of the lease agreements, which expire on various dates through 2024. As of September 30, 2018, the undiscounted maximum potential future payments under the lease guarantee were \$89 million, with an estimated fair value of \$19 million. No cash payments were made in connection to the lease commitments during the three months ended September 30, 2018.

Additionally, we are subject to performance guarantee requirements under certain client arrangements that were assumed by the Buyer. Should the Divested Business fail to perform as required by the terms of the arrangements, we would be required to fulfill the remaining contract terms, which expire on various dates through 2023. As of September 30, 2018, the undiscounted maximum potential future payments under the performance guarantees were \$194 million, with an estimated fair value of \$1 million. No cash payments were made in connection to the performance guarantees during the three months ended September 30, 2018.

## Letters of Credit and Other Guarantees

We have entered into a number of arrangements whereby our performance on certain obligations is guaranteed by a third party through the issuance of a letter of credit. We had total LOCs outstanding of approximately \$84 million at September 30, 2018, compared to \$96 million at December 31, 2017. These LOCs cover the beneficiaries related to certain of our U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions for our own workers compensation program. We also have obtained LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at our international subsidiaries. We have certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. The maximum exposure with respect to such contractual contingent guarantees was approximately \$83 million at September 30, 2018, compared to \$95 million at December 31, 2017.

## Off-Balance Sheet Arrangements

Apart from commitments, guarantees, and contingencies, as disclosed herein and Note 17 "Commitments and Contingencies" to the Financial Statements, the Company had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations, or liquidity. Our cash flows from operations, borrowing availability, and overall liquidity are subject to risks and uncertainties. See "Information Concerning Forward-Looking Statements" below.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in our critical accounting policies, which include pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, as discussed in our Annual Report on Form 10-K for the year ended December 31, 2017 (our "2017 Annual Report on Form 10-K") other than those described below.

## Revenue Recognition

The Company recognizes revenue when control of the promised services is transferred to the customer in the amount that best reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements where



control is transferred over time, an input or output method is applied that represents a faithful depiction of the progress towards completion of the performance obligation. For arrangements that include variable consideration, the Company assesses whether any amounts should be constrained. For arrangements that include multiple performance obligations, the Company allocates consideration based on their relative fair values.

Costs incurred by the Company in obtaining a contract are capitalized and amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates, considering anticipated renewals when applicable. Certain contract related costs, including pre-placement brokerage costs, are capitalized as a cost to fulfill and are amortized on a systematic basis consistent with the transfer of control of the services to which the asset relates, which is generally less than one year.

Commercial Risk Solutions includes retail brokerage, cyber solutions, global risk consulting, and captives. Revenue primarily includes insurance commissions and fees for services rendered. Revenue is predominantly recognized at a point in time upon the effective date of the underlying policy, or for a limited number of arrangements, over the term of the arrangement using output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements recognized over time, various output measures, including units transferred and time elapsed, are utilized to provide a faithful depiction of the progress towards completion of the performance obligation. Revenue is recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions and fees for brokerage services may be invoiced at the effective date of the underlying policy or over the term of the arrangement in installments during the policy period.

Reinsurance Solutions includes treaty and facultative reinsurance brokerage and capital markets. Revenue primarily includes reinsurance commissions and fees for services rendered. Revenue is predominantly recognized at a point in time upon the effective date of the underlying policy (or policies), or for a limited number of arrangements, over the term of the arrangement using output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements recognized over time, various output measures, including units delivered and time elapsed, are utilized to provide a faithful depiction of the progress towards completion of the performance obligation. Commissions and fees for brokerage services may be invoiced at the inception of the reinsurance period for certain reinsurance brokerage, or more commonly, over the term of the arrangement in installments based on deposit or minimum premiums for most treaty reinsurance arrangements.

Retirement Solutions includes core retirement, investment consulting, and talent, rewards & performance. Revenue consists primarily of fees paid by customers for consulting services, such as risk management strategies, health and benefits, and human capital consulting services. Revenue recognized for these arrangements is predominantly recognized over the term of the arrangement using input or output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, or for certain arrangements, at a point in time upon completion of the services. For consulting arrangements recognized over time, revenue will be recognized based on a measure of progress that depicts the transfer of control of the services to the customer, utilizing an appropriate input or output measure to provide a reasonable assessment of the progress towards completion of the performance obligation including units delivered or time elapsed. Fees paid by customers for consulting services are typically charged on an hourly, project or fixed-fee basis, and revenue for these arrangements is typically recognized based on time incurred, days elapsed, or reports delivered. Revenue from time-and-materials or cost-plus arrangements are recognized as services are performed using input or output measures to provide a reasonable assessment of the progress towards completion of the performance obligation including hours worked, and revenue for these arrangements is typically recognized based on time and materials incurred. Reimbursements received for out-of-pocket expenses are recorded as a component of revenue. Payment terms vary but are typically over the contract term in installments.

Health Solutions includes health and benefits brokerage and healthcare exchanges. Revenue primarily includes insurance commissions and fees for services rendered. For brokerage commissions, revenue is predominantly recognized at the effective date of the underlying policy (or policies), or for a limited number of arrangements, over the term of the arrangement to depict the transfer of control of the services to customers in an amount that reflects the

consideration to which the Company expects to be entitled in exchange for those services using input or output measures, including units delivered or time elapsed, to provide a faithful depiction of the progress towards completion of the performance obligation. Revenue from health care exchange arrangements are typically recognized upon successful enrollment of participants, net of a reserve for estimated cancellations. Commissions and fees for brokerage services may be invoiced at the effective date of the underlying policy or over the term of the arrangement in installments during the policy period. Payment terms for other services vary but are typically over the contract term in installments.

Data & Analytic Services includes Affinity, Aon InPoint, and ReView. Revenue consists primarily of fees for services rendered and is generally recognized over the term of the arrangement to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Payment terms

vary but are typically over the contract term in installments. For Data & Analytic Services arrangements recognized over time, revenue will be recognized based on a measure of progress that depicts the transfer of control of the services to the customer, utilizing an appropriate input or output measure to provide a faithful depiction of the progress towards completion of the performance obligation, including units delivered or time elapsed. Input and output measures utilized vary based on the arrangement but typically include reports provided or days elapsed.

#### NEW ACCOUNTING PRONOUNCEMENTS

Note 2 “Accounting Principles and Practices” to the Financial Statements contained in Part I, Item 1 of this report contains a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable.

#### INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report and reports we will subsequently file or furnish and have previously filed or furnished with the SEC 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,” “probably,” “potential,” “looking forward,” “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 revenue; 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; expected effective tax rate; future actions by regulators; and the impact of changes in accounting rules. These forward-looking statements are subject to certain 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, which may be revised or supplemented in subsequent reports filed or furnished with the SEC, that could impact results include:

- general economic and political conditions in different countries in which we do business around the world;
- changes in the competitive environment;
- fluctuations in exchange and interest rates that could influence revenues and expenses;
- changes in global equity and fixed income markets that could affect 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;
- the level of our debt limiting financial flexibility or increasing borrowing costs;
- rating agency actions that could affect our ability to borrow funds;
- volatility in our tax rate due to a variety of different factors including U.S. federal income tax reform;
- the effect of the change in global headquarters and jurisdiction of incorporation, including differences in the anticipated benefits;
- changes in estimates or assumptions on our financial statements;
- limits on our subsidiaries to make dividend and other payments to us;
- the impact of lawsuits and other contingent liabilities and loss contingencies arising from errors and omissions and other claims against us;
- 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 businesses and the possibility of conflicting regulatory requirements across jurisdictions in which we do business;
- the impact of any investigations brought by regulatory authorities in the U.S., U.K., and other countries;
- the impact of any inquiries relating to compliance with the U.S. Foreign Corrupt Practices Act and non-U.S. anti-corruption laws and with U.S. and non-U.S. trade sanctions regimes;



• failure to protect intellectual property rights or allegations that we infringe on the intellectual property rights of others;

• the effects of English law on our operating flexibility and the enforcement of judgments against us;

• the failure to retain and attract qualified personnel;

• international risks associated with our global operations;

• the effect of natural or man-made disasters;

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

• our ability to develop and implement new technology;

• damage to our reputation among clients, markets, or third parties;

• the actions taken by third parties that perform aspects of our business operations and client services;

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

• our ability to continue, and the costs and risks associated with, growing, developing, and integrating companies that we acquire or new lines of business;

• changes in commercial property and casualty markets, commercial premium rates, or methods of compensation;

• changes in the health care system or our relationships with insurance carriers;

• our ability to implement initiatives intended to yield cost savings and the ability to achieve those cost savings;

• our risks and uncertainties in connection with the sale, including arrangements under the transition service agreement and legacy IT systems associated with the Divested Business; and

• our ability to realize the expected benefits from our restructuring plan.

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 Part III, Item 1A Risk Factors of this report and in the “Risk Factors” section in Part I, “Item 1A Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017. These factors may be revised or supplemented in subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to potential fluctuations in earnings, cash flows, and the fair value of certain of our assets and liabilities due to changes in interest rates and foreign exchange rates. To manage the risk from these exposures, we enter into a variety of derivative instruments. We do not enter into derivatives or financial instruments for trading or speculative purposes.

The following discussion describes our specific exposures and the strategies we use to manage these risks. There have been no changes in our critical accounting policies for financial instruments and derivatives as discussed in our 2017 Annual Report on Form 10-K.

#### Foreign Exchange Risk

We are subject to foreign exchange rate risk. Our primary exposures include exchange rates between the U.S. dollar and the euro, the British pound, the Canadian dollar, the Australian dollar, the Indian rupee, and the Japanese yen. We use over-the-counter options and forward contracts to reduce the impact of foreign currency risk to our financial statements.

Additionally, some of our non-U.S. brokerage subsidiaries receive revenue in currencies that differ from their functional currencies. Our U.K. subsidiaries earn a portion of their revenue in U.S. dollars, euro, and Japanese yen, but most of their expenses are incurred in British pounds. At September 30, 2018, we have hedged approximately 45% of our U.K. subsidiaries’ expected exposures to U.S. dollar, euro, and Japanese yen transactions for the years ending December 31, 2018 and 2019, respectively. We generally do not hedge exposures beyond three years.

We also use forward and option contracts to economically hedge foreign exchange risk associated with monetary balance sheet exposures, such as inter-company notes and short-term assets and liabilities that are denominated in a non-functional currency and are subject to remeasurement.

The translated value of revenue and expense from our international brokerage operations are subject to fluctuations in foreign exchange rates. If we were to translate prior year results at current quarter exchange rates, diluted earnings per share would decrease by \$0.03 and increase by \$0.11, respectively, during the three and nine months ended September 30, 2018. Further, adjusted diluted earnings per share, a non-GAAP measure as defined and reconciled under the caption “Review of Consolidated Results — Adjusted Diluted Earnings Per Share,” would increase by \$0.05 and decrease by \$0.15, respectively, during the three and nine months ended September 30, 2018 if we were to translate prior year results at current quarter exchange rates.

Effective July 1, 2018, Argentina was designated as a highly inflationary economy and therefore the functional currency for our Argentina subsidiaries became the U.S. dollar. As a result, the impact of Argentine peso currency fluctuations in these subsidiaries will be reported within the Condensed Consolidated Statements of Income prospectively. We are undergoing steps to limit this exposure and the impact to the third quarter of 2018 was insignificant. Revenue from our Argentine operations was less than or equal to 1% of our consolidated revenue for the three and nine months ended September 30, 2018 and 2017.

#### Interest Rate Risk

Our fiduciary investment income is affected by changes in international and domestic short-term interest rates. We monitor our net exposure to short-term interest rates and, as appropriate, hedge our exposure with various derivative financial instruments. This activity primarily relates to brokerage funds held on behalf of clients in the U.S. and in continental Europe. A decrease in global short-term interest rates adversely affects our fiduciary investment income.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. We have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this quarterly report of September 30, 2018. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective such that the information relating to Aon, including our consolidated subsidiaries, required to be disclosed in our

SEC reports is recorded, processed, summarized, and reported within the time periods specified in appropriate statute, SEC rules, and forms, and is accumulated and communicated to Aon's management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. No changes in Aon's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2018 that have materially affected, or that are reasonably likely to materially affect, Aon's internal control over financial reporting.

## Part II Other Information

## Item 1. Legal Proceedings

See Note 17 “Commitments and Contingencies — Legal” to the Financial Statements contained in Part I, Item 1 of this report, which is incorporated by reference herein.

## Item 1A. Risk Factors

The risk factors set forth in Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017 reflect certain risks associated with existing and potential lines of business and contain “forward-looking statements” as discussed in Part I, Item 2 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.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

## Issuer Purchases of Equity Securities

The following information relates to the purchase of equity securities by Aon or any affiliated purchaser during each month within the third quarter of 2018:

| Period           | Total Number of<br>Shares Purchased | Average Price Paid<br>per Share <sup>(1)</sup> | Total Number of<br>Shares Purchased as<br>Part of Publicly<br>Announced Plans or<br>Programs <sup>(2)</sup> | Maximum Dollar<br>Value of Shares that<br>May Yet Be<br>Purchased Under the<br>Plans or Programs<br><sup>(1)(2)</sup> |
|------------------|-------------------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| 7/1/18 - 7/31/18 | 718,560                             | \$ 143.69                                      | 718,560                                                                                                     | \$ 4,366,865,050                                                                                                      |
| 8/1/18 - 8/31/18 | 789,975                             | \$ 143.19                                      | 789,975                                                                                                     | \$ 4,253,749,296                                                                                                      |
| 9/1/18 - 9/30/18 | 550,249                             | \$ 151.94                                      | 550,249                                                                                                     | \$ 4,170,142,039                                                                                                      |
|                  | 2,058,784                           | \$ 145.71                                      | 2,058,784                                                                                                   | \$ 4,170,142,039                                                                                                      |

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

The Repurchase Program was established in April 2012 with up to \$5.0 billion in authorized repurchases, and was (2) increased by \$5.0 billion in authorized repurchases in each of November 2014 and February 2017 for a total of \$15.0 billion in repurchase authorizations.

We did not make any unregistered sales of equity in the third quarter of 2018.

## Item 3. Defaults Upon Senior Securities

Not Applicable.

## Item 4. Mine Safety Disclosures

Not Applicable.

## Item 5. Other Information

Not Applicable.

## Item 6. Exhibits

Exhibits — The exhibits filed with this report are listed on the attached Exhibit Index.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Aon plc  
(Registrant)

October 26, 2018 By: /s/ Michael Neller

Michael Neller  
SENIOR VICE  
PRESIDENT AND  
GLOBAL  
CONTROLLER  
(Principal Accounting  
Officer and duly  
authorized officer of  
Registrant)

Exhibit Index

| Exhibit<br>Number | Description of Exhibit                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12.1              | <u>Statement regarding Computation of Ratio of Earnings to Fixed Charges</u>                                                                                                                                                                                                                                                                                                                                                              |
| 31.1              | <u>Certification of CEO</u>                                                                                                                                                                                                                                                                                                                                                                                                               |
| 31.2              | <u>Certification of CFO</u>                                                                                                                                                                                                                                                                                                                                                                                                               |
| 32.1              | <u>Certification of CEO Pursuant to section 1350 of Title 18 of the United States Code</u>                                                                                                                                                                                                                                                                                                                                                |
| 32.2              | <u>Certification of CFO Pursuant to section 1350 of Title 18 of the United States Code</u>                                                                                                                                                                                                                                                                                                                                                |
| 101               | Interactive Data Files. The following materials are filed electronically with this Quarterly Report on Form 10-Q:<br>101.INS XBRL Report Instance Document<br>101.SCH XBRL Taxonomy Extension Schema Document<br>101.CAL XBRL Taxonomy Calculation Linkbase Document<br>101.DEF XBRL Taxonomy Definition Linkbase Document<br>101.PRE XBRL Taxonomy Presentation Linkbase Document<br>101.LAB XBRL Taxonomy Calculation Linkbase Document |