Aon plc
Form 10-K
February 19, 2019

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

FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2018
OR

o	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 Incorporation or Organization)	(I.R.S. Employer 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)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Ordinary Shares, $0.01 nominal value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ý NO o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES o NO ý
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 ý NO o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 ý NO o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
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
ý	o	o	o	o

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. o

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

As of June 29, 2018, the aggregate market value of the registrant's Class A Ordinary Shares held by non-affiliates of the registrant was $33,332,666,779 based on the closing sales price as reported on the New York Stock Exchange — Composite Transaction Listing.

Number of Class A Ordinary Shares of Aon plc, $0.01 nominal value, outstanding as of February 15, 2019: 239,999,442.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Aon plc's Proxy Statement for the 2019 Annual General Meeting of Shareholders to be held on June 21, 2019 are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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PART I

Item 1. Business

OVERVIEW

Aon plc (which may be referred to as "Aon," the "Company," "we," "us," or "our") is a leading global professional services fir that provides advice and solutions to clients focused on risk, retirement, and health, delivering distinctive client value via innovative and effective risk management and workforce productivity solutions that are under-pinned by industry-leading data and analytics. Our strategy is to be the preeminent professional services firm in the world, focused on risk and people.

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

We have continued to focus our portfolio on higher-margin, capital-light professional services businesses that have high recurring revenue streams and strong cash flow generation. We endeavor to make capital allocation decisions based upon return on invested capital ("ROIC").

BUSINESS SEGMENT

Beginning in the first quarter of 2017 and following the sale of our benefits administration and business process outsourcing business (the "Divested Business") on May 1, 2017, the Company led 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. These initiatives reinforce Aon's ROIC decision-making process and emphasis on free cash flow. The Company is now operating 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 principal products and services: Commercial Risk Solutions, Reinsurance Solutions, Retirement Solutions, Health Solutions, and Data & Analytic Services. Collectively, these products and service revenue lines make up our one segment: Aon United.

In 2018 our consolidated total revenue was $10,770 million. This includes $4,652 million in Commercial Risk Solutions, $1,563 million in Reinsurance Solutions, $1,865 million in Retirement Solutions, $1,596 million in Health Solutions, and $1,105 million in Data & Analytic Services, before intercompany eliminations.

Principal Products and Services

Commercial Risk Solutions includes retail brokerage, cyber solutions, global risk consulting, and captives. In retail brokerage, our team of expert risk advisors applies a client-focused approach to commercial risk products and services that leverage Aon's global network of resources, industry-leading data and analytics, and specialized expertise. Cyber solutions is one of the industry's premier resources in cyber risk management. Our strategic focus extends to identify and protect critical digital assets supported by best-in-class transactional capabilities, enhanced coverage expertise, deep carrier relationships, and incident response expertise. Global risk consulting is a world-leading provider of risk consulting services supporting clients to better understand and manage their risk profile through identifying and quantifying the risks they face. We assist clients with the selection and implementation of the appropriate risk transfer, risk retention, and risk mitigation solutions, and ensure the continuity of their operations through claims consulting. Captives is a leading global captive insurance solutions provider that manages over 1,100 insurance entities worldwide including captives, protected segregated and incorporated cell facilities, as well as entities that support insurance-linked securities and specialist insurance and reinsurance companies.

Reinsurance Solutions includes treaty and facultative reinsurance and capital markets. Treaty reinsurance addresses underwriting and capital objectives on a portfolio level, allowing our clients to more effectively manage the combination of premium growth, return on capital, and rating agency interests. This includes the development of more competitive, innovative, and efficient risk transfer options. Facultative reinsurance empowers clients to better understand, manage, and transfer risk through innovative facultative solutions and provides the most efficient access to the global facultative reinsurance markets. Capital markets is a global investment bank with expertise in mergers and acquisitions, capital raising, strategic advice, restructuring, recapitalization services, and insurance-linked securities. We partner with insurers, reinsurers, investment firms, banks, and corporations in the management of

complex commercial issues through the provision of corporate finance advisory services, capital markets solutions, and innovative risk management products.

Retirement Solutions includes core retirement, investment consulting, and talent, rewards, and performance. Retirement consulting specializes in providing organizations across the globe with strategic design consulting on their retirement programs, actuarial services, and risk management, including pension de-risking, governance, integrated pension administration, and legal and compliance consulting. Investment consulting provides public and private companies and other institutions with advice on

developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments, and foundations. Our delegated investment solutions offer ongoing management of investment programs and fiduciary responsibilities either in a partial or full discretionary model for multiple asset owners. It partners with clients to deliver our scale and experience to help them effectively manage their investments, risk, and governance and potentially lower costs. Talent, rewards, and performance delivers advice and solutions that help clients accelerate business outcomes by improving the performance of their people. It supports the full employee lifecycle, including assessment and selection of the right talent, optimized deployment and engagement, and the design, alignment, and benchmarking of compensation to business strategy and performance outcomes.
Health Solutions includes heath and benefits brokerage and health care exchanges. Health and benefits brokerage partners with employers to develop innovative, customized benefits strategies that help manage risk, drive engagement, and promote accountability. Our private health exchange solutions help employers transform how they sponsor, structure, and deliver health benefits by building and operating a cost effective alternative to traditional employee and retiree health care. We seek outcomes of reduced employer costs, risk, and volatility, alongside greater coverage and plan choices for individual participants.
Data & Analytic Services includes Affinity, Aon InPoint, and ReView. Affinity specializes in developing, marketing and administering customized insurance programs and specialty market solutions for Affinity organizations and their members or affiliates. Aon InPoint draws on the Global Risk Insight Platform, one of Aon’s proprietary databases, and is dedicated to making insurers more competitive by providing data, analytics, engagement, and consulting services. ReView draws on another Aon proprietary database and broker market knowledge to provide advisory services, analysis, and benchmarking to help reinsurers more effectively meet the needs of cedents through the development of more competitive, innovative, and efficient risk transfer options.

Revenue and Compensation

Our business generates revenues primarily through commissions, compensation from insurance and reinsurance companies for services we provide 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 we act. 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. Fees from clients for advice and consulting services are dependent on the extent and value of the services we provide. Payment terms are consistent with current industry practices.

Fiduciary Funds

We typically hold funds on behalf of clients, including premiums received from clients and claims due to clients that are in transit to and from insurers. Certain funds held on behalf of clients are invested in interest-bearing premium trust accounts and can fluctuate significantly depending on when we collect and remit cash. The principal is segregated and not available for general operating purposes, though we earn interest on these accounts.

Competition

Our business operates in a highly competitive and fragmented environment. We compete with other global insurance brokers and consulting companies, including Marsh & McLennan Companies, Inc., Willis Towers Watson Public Limited Company, Arthur J Gallagher & Company, and Jardine Lloyd Thompson Group plc, as well as numerous specialist, regional, and local firms in almost every area of our business. We also compete with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents, and with other businesses that do not fall into the categories above, including large financial institutions and independent consulting firms and consulting organizations affiliated with accounting, information systems, technology, and financial services firms.

Seasonality

Due to buying patterns and delivery of certain products in the markets we serve, revenues recognized tend to be higher in the first and fourth quarters of each fiscal year.

Licensing and Regulation

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

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

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

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

Investment, securities, and futures licensing authorities also govern certain of our business activities. For example, in the U.S., we use Aon Securities, LLC, a U.S.-registered broker-dealer and investment advisor, member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation, and an indirect, wholly owned subsidiary of Aon, for capital management transaction and advisory services and other broker-dealer activities. Similar operations exist in other jurisdictions outside of the U.S.

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

Clientele

Our clients operate in many businesses and industries throughout the world. No one client accounted for more than 1% of our consolidated total revenues in 2018. Additionally, we place insurance with many insurance carriers, none of which individually accounted for more than 10% of the total premiums we placed on behalf of our clients in 2018.

Employees

At December 31, 2018, we employed approximately 50,000 employees and conducted our operations through various subsidiaries in more than 120 countries and sovereignties.

Information Concerning Forward-Looking Statements

This Annual Report on Form 10-K 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 represent management's expectations or forecasts of future events. Forward-looking statements are typically identified by words such as "anticipate," "believe," "estimate," "expect," "forecast," "project," "intend," "plan," "probably," "potential," "looking forward," "continue," and other terms, and future or conditional tense verbs like "could," "may," "might," "should," "will," and "would." You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. For example, we may use forward-looking statements when addressing topics such as: market and industry conditions, including competitive and pricing trends; changes in our business strategies and methods of generating revenue; the development and performance of our services and products; changes in the composition or level of our revenues; our cost structure and the outcome of cost-saving or restructuring initiatives; the outcome of contingencies; dividend

policy; the expected impact of acquisitions and dispositions; pension obligations; cash flow and liquidity; 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 the countries in which we do business around the world, including the U.K.'s expected withdrawal from the European Union;
- changes in the competitive environment or damage to our reputation;
- 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;
- 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 ("E&O") 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 of 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 the "Risk Factors" section in Part I, Item 1A of this report.

Website Access to Reports and Other Information

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

Item 1A. Risk Factors

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

The following are material risks related to our businesses specifically and the industries in which we operate generally that could adversely affect our business, financial condition, and results of operations and cause our actual results to differ materially from those stated in the forward-looking statements in this document and elsewhere.

Business Risks

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

The results of our operations are generally affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets these clients serve. Economic downturns, volatility, or uncertainty in some markets may cause reductions in technology and discretionary spending by our clients, which may result in reductions in the growth of new business or reductions in existing business. If our clients become financially less stable, enter bankruptcy, liquidate their operations or consolidate, our revenues and collectability of receivables could be adversely affected.

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our Commercial Risk Solutions, Reinsurance Solutions, and Data and Analytic Services revenue lines. The economic activity that impacts property and casualty insurance is most closely correlated with employment levels, corporate revenue, and asset values. Downward fluctuations in the year-over-year insurance premiums charged by insurers to protect against the same risk, referred to in the industry as softening of the insurance market, could adversely affect these businesses as a significant portion of the earnings are determined as a percentage of premium charged to our clients. Insolvencies and consolidations associated with an economic downturn, especially insolvencies in the insurance industry, could adversely affect our brokerage business through the loss of clients by hampering our ability to place insurance and reinsurance business. Also, error and omission claims against us, which we refer to as E&O claims, may increase in economic downturns, also adversely affecting our business.

We face significant competitive pressures.

As a global professional services firm, we compete with global, national, regional, and local insurance companies that market and service their own products, other financial services providers, brokers, and investment managers,

independent firms, and consulting organizations affiliated with accounting, information systems, technology, and financial services firms. We compete with respect to service, product features, price, commission structure, financial strength, ability to access certain insurance markets, and name recognition.

Our competitors may have greater financial, technical and marketing resources, larger customer bases, greater name recognition, more comprehensive products, stronger presence in certain geographies, or more established relationships with their

customers and suppliers than we have. In addition, new competitors, alliances among competitors, or mergers of competitors could emerge and gain significant market share, and some of our competitors may have or may develop a lower cost structure, adopt more aggressive pricing policies, or provide services that gain greater market acceptance than the services that we offer or develop. Competitors may be able to respond to the need for technological changes and innovate faster, or price their services more aggressively. They may also compete for skilled professionals, finance acquisitions, fund internal growth, and compete for market share more effectively than we do. This competition is intensified by an industry trend where clients engage multiple brokers to service different portions of their accounts. If we fail to respond successfully to the competition we face, our financial condition or results of operations might be adversely affected.

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

We depend, to a large extent, on our relationships with our clients and our reputation for high-quality advice and solutions focused on risk, retirement, and health. If a client is not satisfied with our services, it could cause us to incur additional costs and impair profitability. Many of our clients are businesses that band together in industry groups or trade associations and actively share information among themselves about the quality of service they receive from their vendors. Accordingly, poor service to one client may negatively impact our relationships with multiple other clients. Moreover, if we fail to meet our contractual obligations, we could be subject to legal liability or loss of client relationships.

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

Damage to our reputation could have a material adverse effect on our business.

Our reputation is a key asset of the Company. We advise our clients on and provide services related to a wide range of subjects and our ability to attract and retain clients is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, financial condition, and other subjective qualities. Negative perceptions or publicity regarding these matters or others could erode trust and confidence and damage our reputation among existing and potential clients, which could make it difficult for us to attract new clients and retain existing ones. Negative public opinion could also result from actual or alleged conduct by us or those currently or formerly associated with us in any number of activities or circumstances, including third parties, the use and protection of data and systems, satisfaction of client expectations, and regulatory compliance. Damage to our reputation could affect the confidence of our clients, rating agencies, regulators, stockholders, and third parties in transactions that are important to our business adversely effecting our business, financial condition, and operating results.

Revenues from commission arrangements may fluctuate due to many factors, including cyclical or permanent changes in the insurance and reinsurance markets outside of our control.

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

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

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

that increase market capacity, increase competition, and put pressure on pricing;

- fluctuation in the need for insurance;
- the level of compensation, as a percentage of premium, that insurance carriers are willing to compensate brokers for placement activity;
- the growing desire of clients to move away from variable commission rates and instead compensate brokers based upon flat fees, which can negatively impact us as fees are not generally indexed for inflation and do not automatically increase with premium as does commission-based compensation; and

- competition from insurers seeking to sell their products directly to consumers, including online sales, without the involvement of an insurance broker.

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

Our profitability with respect to consulting engagements is highly dependent upon our ability to control our costs and improve our efficiency. As we adapt to changes in our business, adapt to the regulatory environment, enter into new engagements, acquire additional businesses, and take on new employees in new locations, we may not be able to manage our large, diverse and changing workforce, control our costs, or improve our efficiency.

Our profit margin, and therefore our profitability, is largely a function of the rates we are able to charge for our services and the staffing costs for our personnel. Accordingly, if we are not able to maintain the rates we charge for our services or appropriately manage the staffing costs of our personnel, we may not be able to sustain our profit margin and our profitability will suffer. The prices we are able to charge for our services are affected by a number of factors, including competitive factors, the extent of ongoing clients' perception of our ability to add value through our services, and general economic conditions. If we cannot drive suitable cost efficiencies, our profit margins will suffer. Our cost efficiencies may also be impacted by factors such as our ability to transition consultants from completed projects to new assignments, our ability to secure new consulting engagements, our ability to forecast demand for consulting services (and, consequently, appropriately manage the size and location of our workforce), employee attrition, and the need to devote time and resources to training and professional and business development.

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

Our investment consulting business provides advice to clients on: investment strategy, which can include advice on setting investment objectives, asset allocation, and hedging strategies; selection (or removal) of investment managers; the investment in different investment instruments and products; and the selection of other investment service providers such as custodians and transition managers. For some clients, we are responsible for making decisions on these matters and we may implement such decisions in a fiduciary or agency capacity without assuming title or custody over the underlying funds or assets invested. Asset classes may experience poor absolute performance and third parties we recommend or select, such as investment managers, may underperform their benchmarks due to poor market performance, negligence, or other reasons, resulting in poor investment returns or losses. These losses may be attributable in whole or in part to failures on our part or to events entirely outside of our control, including but not limited to uncertainty in financial markets due to economic, political, and regulatory conditions. Regardless of the cause, clients experiencing losses or clients that allege that we overcharge for such fiduciary services have in the past asserted claims against us, and we anticipate future similar claims, which could be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs, as well as cause substantial distraction and diversion of other resources. Furthermore, our ability to limit our potential liability is restricted in certain jurisdictions and in connection with claims involving breaches of fiduciary or agency duties or other alleged errors or omissions. Additionally, clients experiencing losses or lower than expected investment returns may leave us for our competitors.

Financial Risks

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

We face exposure to adverse movements in exchange rates of currencies other than our reporting currency, the U.S. dollar, as a significant portion of our business is located outside of the U.S. These exposures may change over time, and they could have a material adverse impact on our financial results and cash flows. Approximately 57% of our consolidated revenue is non-U.S., attributed on the basis of where the services are performed, and the exposures created can have significant currency volatility. These currency exchange fluctuations create risk in both the translation of the financial results of our global subsidiaries into U.S. dollars for our consolidated financial statements, as well as in those of our operations that receive revenue and incur expenses other than in their respective local

currencies, which can reduce the profitability of our operations based on the direction the respective currencies' exchange rates move. A decrease in the value of certain currencies relative to other currencies could place us at a competitive disadvantage compared to our competitors that benefit to a greater degree from a specific exchange rate move and can, as a result, deliver services at a lower cost or receive greater revenues from such a transaction. Although we use various derivative financial instruments to help protect against adverse foreign exchange rate fluctuations, we cannot eliminate such risks, and, as a result, changes in exchange rates may adversely affect our results. For example, the strengthening of the value of the U.S. dollar versus other currencies might adversely affect the value of our products and services when translated to U.S. dollar, even if the value of such products and services has not changed in their original currency.

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

Operating funds available for corporate use were $828 million at December 31, 2018 and are reported in Cash and cash equivalents and Short-term investments. Funds held on behalf of clients and insurers were $3.9 billion at December 31, 2018 and are reported in Fiduciary assets. We also carry an investment portfolio of other long-term investments. As of December 31, 2018, these long-term investments had a carrying value of $54 million. Adverse changes in interest rates, performance, and counterparty credit quality, including default, could reduce the value of these funds and investments, thereby adversely affecting our financial condition or results. We may experience reduced investment earnings on our cash and short-term investments of fiduciary and operating funds if the yields on investments deemed to be low risk remain at or near their current low levels, or if negative yields on deposits or investments are experienced, as we have experienced in Japan and certain jurisdictions in the European Union. On the other hand, higher interest rates could result in a higher discount rate used by investors to value our future cash flows thereby resulting in a lower valuation of the Company. In addition, during times of stress in the banking industry, counterparty risk can quickly escalate, potentially resulting in substantial losses for us as a result of our cash or other investments with such counterparties, as well as substantial losses for our clients and the insurance companies with which we work.

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

To the extent that the pension obligations associated with our pension plans continue to exceed the fair value of the assets supporting those obligations, our financial position and results of operations may be adversely affected. In particular, lower interest rates and investment returns could result in the present value of plan liabilities increasing at a greater rate than the value of plan assets, resulting in higher unfunded positions in our pension plans. In addition, the periodic revision of pension assumptions or variances of actual results from our assumptions can materially change the present value of expected future benefits, and therefore the funded status of the plans and resulting net periodic pension expense. As a result, we may experience future changes in the funded status of our plans that could require us to make additional cash contributions beyond those that have been estimated and which could adversely affect shareholders' equity, net income, cash flow and liquidity.

Our worldwide pension plans are significant, and therefore our pension contributions and expense are sensitive to various market, demographic, and other factors. These factors include equity and bond market returns, fair value of pension assets, the assumed interest rates we use to discount our pension liabilities, foreign exchange rates, rates of inflation, mortality assumptions, potential regulatory and legal changes or developments and counterparty exposure from various investments and derivative contracts, including annuities. Variations or developments in connection with any of these factors could cause significant changes to our financial position and results of operations from year to year. In addition, contributions are generally based on statutory requirements and local funding practices, which may differ from measurements under U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

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

As of December 31, 2018, we had total consolidated debt outstanding of approximately $6.2 billion. The level of debt outstanding could adversely affect our financial flexibility by reducing our ability to use cash from operations for other purposes, including working capital, dividends to shareholders, share repurchases, acquisitions, capital expenditures and general corporate purposes. We also are subject to risks that, at the time any of our outstanding debt matures, we will not be able to retire or refinance the debt on terms that are acceptable to us, or at all.

As of December 31, 2018, we had two committed credit facilities outstanding. Each of these facilities is intended to support our commercial paper obligations and our general working capital needs. In addition, each of these facilities included 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 adjusted consolidated EBITDA, tested quarterly.

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

and industry conditions.

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

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

A downgrade in the credit ratings of our senior debt and commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, and limit our ability to implement on corporate strategy. Our senior debt ratings at December 31, 2018 were A- with a stable outlook (Standard & Poor’s, or “S&P”), BBB+ with a stable outlook (Fitch, Inc., or “Fitch”), and Baa2 with a stable outlook (Moody’s Investor Services, or “Moody’s”). Our commercial paper ratings were A-2 (S&P), F-2 (Fitch) and P-2 (Moody’s).

Real or anticipated changes in our credit ratings will generally affect any trading market for, or trading value of, our securities. Such changes could result from any number of factors, including the modification by a credit rating agency of the criteria or methodology it applies to particular issuers, a change in the agency’s view of us or our industry, or as a consequence of actions we take to implement our corporate strategies. A change in our credit rating could adversely limit our access to capital and our competitive position.

U.S. federal income tax reform could create uncertainty and adversely affect our business and financial condition.

On December 22, 2017, U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the “Tax Reform Act”), was signed into law, significantly changing the U.S. Internal Revenue Code. These changes include, among other things, lowering the corporate income tax rate, subjecting certain future foreign subsidiary earnings, whether or not distributed, to U.S. tax under a Global Intangible Low-Taxed Income provision, imposing a new alternative “Base Erosion and Anti-Abuse Tax” on U.S. corporations that limits deductions for certain deductible amounts payable to foreign affiliates, imposing significant additional limitations on the deductibility of interest payable to related and unrelated lenders, further limiting deductible executive compensation, and imposing a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries accumulations through the end of 2017. The new provisions have been the subject of proposed regulations and other guidance that, if and when issued in final form, could materially affect the application of the new statutory provisions. In many cases, the proposed regulations and other guidance proposed to apply retroactively to the date of enactment of the Tax Reform Act. The government could also further modify the rules when they are issued in final form. We continue to analyze how the Tax Reform Act, and any regulations or other governmental action with respect thereto, may impact our business and results of operations. The changes effected pursuant to the Tax Reform Act, and the regulations or other governmental action thereunder, may have an adverse or volatile effect on our tax rate in fiscal years 2019 and beyond, thereby affecting our results of operations. Additionally, the resulting uncertainty with respect to the interpretation and application of the new provisions, and the risk that regulations or other governmental guidance, including revisions to any such regulations or other governmental action that may change the application of the new statutory provisions, may affect our assessment of the effect of the Tax Reform Act on our business and operations as we continue to analyze it.

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

We are subject to income taxes in the U.K., U.S. and many other jurisdictions. As a result, our global effective tax rate from period to period can be affected by many factors, including changes in tax legislation or regulations, such as the enactment of the U.S. Tax Reform Act detailed above, the continuing development of regulations and other governmental action that affect the application of such legislation, our global mix of earnings, the use of global funding structures, the tax characteristics of our income, the effect of complying with transfer pricing requirements under laws of many different countries on our revenues and costs, the consequences of acquisitions and dispositions of businesses and business segments, and the portion of the income of non-U.S. subsidiaries that may be subject to U.S. tax, or the portion of the income of non-U.K subsidiaries that may be subject to U.K. tax, whether or not distributed to the respective U.S. or U.K. shareholders. In addition, we could be subject to increased taxation as a result of changes in eligibility for the benefits of current income tax treaties between and among the U.K., the U.S., and other countries, including any future amendments to the current income tax treaties between the U.K. and other jurisdictions (including the U.S.), or any new statutory or regulatory provisions that might limit our ability to take advantage of any such treaties. Significant judgment is required in determining our worldwide provision for income taxes, and our determination of the amount of our tax liability is always subject to review by applicable tax authorities. Our actual global tax rate may vary from our expectation and that variance may be material.

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

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

We prepare our consolidated financial statements in accordance with U.S. GAAP. These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including, but not limited to, those relating to revenue recognition, restructuring, pensions, recoverability of assets including customer receivables, valuation of goodwill and intangibles, contingencies, share-based payments, and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. These assumptions and estimates involve the exercise of judgment and discretion, which may evolve over time in light of operational experience, regulatory direction, developments or changes in accounting principles or standards, and other factors. Actual results could differ from these estimates, or changes in assumptions, estimates, policies, or developments in the business may change our initial estimates, which could materially affect the Consolidated Statements of Income, Comprehensive Income, Financial Position, Shareholders' Equity, and Cash Flows.

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

Under U.S. GAAP, we review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is assessed for impairment at least annually. Factors that may be considered in assessing whether goodwill or other long-lived assets may not be recoverable include a decline in our share price or market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. We may experience unforeseen circumstances that adversely affect the value of our goodwill or other long-lived assets and trigger an evaluation of the recoverability of the recorded goodwill and other long-lied intangible assets. Future goodwill or other long-lived asset impairment charges could materially impact our consolidated financial statements.

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

The Company is organized as a holding company, a legal entity separate and distinct from our operating entities. As a holding company without significant operations of its own, our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends, interest, and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt, paying dividends to shareholders, repurchasing ordinary shares, and corporate expenses. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions, or other circumstances that could restrict the ability of our subsidiaries to pay dividends or otherwise make payments to us. Furthermore, no assurance can be given that our subsidiaries may be able to make timely payments to us in order for us to meet our obligations.

Legal and Regulatory Risks

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

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

addition to potential liability for monetary damages, such claims or outcomes could harm our reputation or divert management resources away from operating our business.

We have historically purchased, and intend to continue to purchase, insurance to cover E&O claims and other insurance to provide protection against certain losses that arise in such matters. However, we have exhausted or materially depleted our coverage under some of the policies that protect us for certain years and, consequently, are self-insured or materially self-insured for some historical claims. Additionally, parts or all of an E&O claim could fall within insurance deductibles, self-insured retentions, or policy exclusions. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the

extent that losses are deemed probable and are reasonably estimable. These accruals and receivables are adjusted from time to time as developments warrant and may also be adversely affected by disputes we may have with our insurers over coverage. Amounts related to settlement provisions are recorded in Other general expenses in the Consolidated Statements of Income. Discussion of some of these claims, lawsuits, and proceedings are contained in the Notes to Consolidated Financial Statements.

In addition, we provide a variety of guarantees and indemnifications to our customers and others. In the event of a default, Aon’s potential exposure is equal to the amount of the guarantee or indemnification.

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

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

Our businesses are subject to extensive legal and regulatory oversight throughout the world, including the U.K. Companies Act and the rules and regulations promulgated by the FCA, the U.S. securities laws, rules, and regulations, and a variety of other laws, rules, and regulations addressing, among other things, licensing, data privacy and protection, trade restriction and export controls, anti-money laundering, wage-and-hour standards, employment and labor relations, anti-competition, anti-corruption, currency, reserves, government contracting, and the amount of local investment with respect to our operations in certain countries. This legal and regulatory oversight could reduce our profitability or limit our growth by: increasing the costs of legal and regulatory compliance; limiting or restricting the products or services we sell, the markets we serve or enter, the methods by which we sell our products and services, the prices we can charge for our services, or the form of compensation we can accept from our clients, carriers, and third parties; or by subjecting our businesses to the possibility of legal and regulatory actions, proceedings, or fines.

The global nature of our operations increases the complexity and cost of compliance with laws and regulations adding to our cost of doing business. In addition, many of these laws and regulations may have differing or conflicting legal standards across jurisdictions, increasing the complexity and cost of compliance. In emerging markets and other jurisdictions with less developed legal systems, local laws and regulations may not be established with sufficiently clear and reliable guidance to provide us adequate assurance that we are operating our business in a compliant manner with all required licenses or that our rights are otherwise protected. In addition, certain laws and regulations, such as the Foreign Corrupt Practices Act (“FCPA”) and the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (“FATCA”) in the U.S., and the Bribery Act of 2010 (“U.K. Bribery Act”) in the U.K., impact our operations outside of the legislating country by imposing requirements for the conduct of overseas operations, and in several cases, requiring compliance by foreign subsidiaries.

In addition to the complexity of the laws and regulations themselves, the development of new laws and regulations or changes in application or interpretation of current laws and regulations also increases our legal and regulatory compliance complexity. Additionally, our acquisitions of new businesses and our continued operational changes and entry into new jurisdictions and new service offerings increases our legal and regulatory compliance complexity, as well as the type of governmental oversight to which we may be subject. Changes in laws and regulations could mandate significant and costly changes to the way we implement our services and solutions, could impose additional licensure requirements or costs to our operations and services, or even cause us to cease offering certain services or solutions. Furthermore, as we enter new jurisdictions or businesses and further develop and expand our services, we may become subject to additional types of laws and policies and governmental oversight and supervision, such as those applicable to the financial lending or other service institutions. New regulatory developments that could result in changes that adversely affect us or cause us to change our business or operations include: additional requirements respecting data privacy, data security, and data usage in jurisdictions in which we operate that may increase our costs of compliance and potentially reduce the manner in which we can use data; additional changes in tax regulations in the jurisdictions in which we operate; changes in accounting standards; regulatory actions or changes that require us to change our compensation model; or additional regulations promulgated by the FCA in the U.K., or other regulatory bodies in jurisdictions in which we operate.

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew, and revoke licenses and approvals and to implement regulations. Accordingly, we may have a license revoked or be unable to obtain new licenses and therefore be precluded or temporarily suspended from carrying on or developing some or all of our activities or otherwise fined or penalized in a given jurisdiction. No assurances can be given that our business can further develop or continue to be conducted in any given jurisdiction in the future as it has been conducted in the past. Changes in the regulatory scheme, or even changes in how existing regulations are interpreted, could have an adverse impact on our results of operations by limiting revenue streams or increasing costs of compliance. For instance, The General Data Protection Regulation (“GDPR”), which became effective in May 2018, created a range of new compliance obligations, increased financial penalties for non-compliance, and extended the scope of the European Union data protection law to all companies processing data

of European Union residents, wherever the company's location. We have incurred substantial operational costs to bring our practices into compliance with GDPR and where other jurisdictions enact privacy and data protection regulations, we will incur further expenses to bring our practices in compliance with those regulations, which may differ from GDPR.

Our business' regulatory oversight also includes licensing of insurance brokers and agents, managing general agency or general underwriting operations, and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance broking in the jurisdictions in which we operate depends on our compliance with the rules and regulations promulgated by the regulatory authorities in each of these jurisdictions. Also, we can be affected indirectly by the governmental regulation and supervision of insurance companies. For instance, if we are providing or managing general underwriting services for an insurer, we may have to contend with regulations affecting our client.

Services provided in our Health Solutions and Retirement Solutions revenue lines are also the subject of ever-evolving government regulation, either because the services provided to our clients are regulated directly or because third parties upon whom we rely to provide services to clients are regulated, thereby indirectly affecting the manner in which we provide services to those clients. In particular, our health care exchange business depends upon the private sector of the U.S. insurance system and its role in financing health care delivery, and insurance carriers' use and payment of commissions to agents, brokers, and other organizations to market and sell individual and family health insurance products and plans. Uncertainty regarding, or any changes to, state or federal law, or the interpretation of such law by applicable regulatory agencies, including the effects of health care reform by the U.S. government, could delay client adoption of our health care exchanges, impair our ability to retain clients who have adopted our health care exchanges, or cause insurance carriers to alter or eliminate the products and plans that they offer or attempt to move members into new products or plans for which we receive lower commissions. In addition, changes in laws, government regulations, or the way those regulations are interpreted in the jurisdictions in which we operate could affect the viability, value, use, or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare plans (such as medical), defined contribution plans (such as 401(k)), or defined benefit plans (such as pension), may adversely affect the demand for, or profitability of, our services.

If we violate the laws and regulations to which we are subject, we could be subject to fines, penalties, or criminal sanctions and could be prohibited from conducting business in one or more countries. There can be no assurance that our employees, contractors, or agents will not violate these laws and regulations, causing an adverse effect on our operations and financial condition.

Heightened regulatory oversight and scrutiny may lead to additional regulatory investigations, increased government involvement, or enforcement actions. For instance, increased scrutiny by competition authorities may increase our costs of doing business or force us to change the way we conduct business or refrain from or otherwise alter the way we engage in certain activities. Additionally, we operate in many different business lines, which may occasionally intersect with each other, such as placing both insurance and reinsurance or providing both investment consultancy and fiduciary management services. If we fail to control possible resulting conflicts of interest, we could be subject to civil litigation, fines, penalties, and criminal sanctions and could be prohibited from participating in one or more lines of business. As regulators and other government agencies continue to examine our operations, there is no assurance that consent orders or other enforcement actions will not be issued by them in the future. These and other initiatives from national, state, and local officials may subject us to judgments, settlements, fines, or penalties, or cause us to be required to restructure or divest operations and activities, all of which could lead to reputational issues, higher operational costs, business disruption or loss, thereby adversely affecting our business, financial condition, or operating results.

Failure to protect our intellectual property rights, or allegations that we have infringed on the intellectual property rights of others, could harm our reputation, ability to compete effectively, and financial condition.

To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, employees, clients, strategic partners, and others. However, the protective steps that we take may be inadequate to deter misappropriation of our proprietary information. In addition, we may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Further, effective trademark, copyright, patent, and

trade secret protection may not be available in every country in which we offer our services or competitors may develop products similar to our products that do not conflict with our related intellectual property rights. Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively.

In addition, to protect or enforce our intellectual property rights, we may initiate litigation against third parties, such as infringement suits or interference proceedings. Third parties may assert intellectual property rights claims against us, which may be costly to defend, could require the payment of damages, and could limit our ability to use or offer certain technologies, products, or other intellectual property. Any intellectual property claims, with or without merit, could be expensive, take significant time and divert management's attention from other business concerns. Successful challenges against us could require us to modify or discontinue our use of technology or business processes where such use is found to infringe or violate the rights of others, or

require us to purchase licenses from third parties, any of which could adversely affect our business, financial condition, and operating results.

We have less flexibility as a public limited company incorporated under the laws of England and Wales with respect to certain aspects of capital management.

English law imposes additional restrictions on certain corporate actions. For example, English law provides that a board of directors may only allot securities with the prior authorization of shareholders, with such authorization specifying a maximum amount of shares that may be allotted under it, and lasting for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. The current authorization is effective until the earlier of our next annual general meeting or August 31, 2019. This authorization will need to be renewed by our shareholders periodically and we intend to renew this authorization at each annual general meeting.

English law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders in general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years as specified in the articles of association or relevant shareholder resolution. The current exclusion is effective until the earlier of our next annual general meeting or August 31, 2019. This exclusion would need to be renewed by our shareholders periodically and we intend to renew this exclusion at each annual general meeting.

English law also requires us to have available “distributable reserves” to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company or other actions. As of December 31, 2018, we had distributable reserves in excess of $2.2 billion. While it is our intention to maintain a sufficient level of distributable reserves in order to pay dividends on our ordinary shares and make share repurchases, there is no assurance that the parent company level will maintain the necessary level of distributable reserves to do so. If at any time we do not have sufficient distributable reserves to declare and pay dividends, we may undertake a reduction in capital of the Company to reduce the amount of our share capital and non-distributable reserves and to create a corresponding increase in our distributable reserves out of which future distributions to shareholders could be made.

English law also generally prohibits a company from repurchasing its own shares by way of “off-market purchases” without the prior approval of our shareholders. Such approval lasts for a maximum period of up to five years. Our shares are traded on the NYSE, which is not a recognized investment exchange in the U.K. Consequently, any repurchase of our shares is currently considered an “off market purchase.” The current authorization expires on June 22, 2023. Renewal of this authorization will be sought periodically.

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

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

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

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

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law at the time when proceedings were initiated;
- the U.S. proceedings not having been brought in breach of a jurisdiction or arbitration clause except with the agreement of the defendant or the defendant’s subsequent submission to the jurisdiction of the court;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
-

the recognition or enforcement, as the case may be, of the U.S. judgment not contravening English public policy in a sufficiently significant way or contravening the Human Rights Act 1998 (or any subordinate legislation made thereunder, to the extent applicable);

- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise based on a U.S. law that an English court considers to be a penal or revenue law;

- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, and not otherwise being a judgment contrary to section 5 of the Protection of Trading Interests Act 1980 or is a judgment based on measures designated by the Secretary of State under Section 1 of that Act;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- the U.S. judgment not being a judgment on a matter previously determined by an English court, or another court whose judgment is entitled to recognition (or enforcement as the case may be) in England, in proceedings involving the same parties which conflicts with an earlier judgment of such court;
- the party seeking enforcement (being a party who is not ordinarily resident in some part of the U.K. or resident in an EU Member State) providing security for costs, if ordered to do so by the English courts; and
- the English enforcement proceedings being commenced within the relevant limitation period.

If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the English court discretion to prescribe the manner of enforcement. Also note that, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

Operational Risks

The economic and political conditions of the countries and regions in which we operate, including the U.K.'s expected withdrawal from the European Union, could have an adverse impact on our business, financial condition, operating results, liquidity, and prospects for growth.

Our operations in countries undergoing political change or experiencing economic instability are subject to uncertainty and risks that could materially adversely affect our business. These risks include, particularly in emerging markets, the possibility we would be subject to undeveloped or evolving legal systems, unstable governments and economies, and potential governmental actions affecting the flow of goods, services, and currency.

Furthermore, the U.K.'s withdrawal from the European Union, which is legally scheduled for March 29, 2019 ("Brexit"), has created uncertainty about the future relationship between the U.K. and the European Union. As the U.K. and European Union continue to negotiate the terms of the U.K.'s withdrawal, given the rejection of the proposed deal by the U.K. Parliament on January 15, there remains inevitable uncertainty on topics such as financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws. Our publicly traded parent is incorporated in the U.K. and we have significant operations and a substantial workforce therein and therefore enjoy certain benefits based on the U.K.'s membership in the European Union. The lack of clarity about Brexit and, whether, in the future U.K. laws and regulations are recognized in the EU, creates uncertainty for us as the eventual outcome of negotiations may affect our business and operations. We may be required to incur additional expense as we adapt to the political and regulatory environment post-Brexit. This may include legal entity structure changes, adjusting the way we engage with some of our European and U.K. clients, or choosing to re-locate some of our staff. We are currently examining the various impacts to our business and operating models in an effort to develop solutions to address any of the potential outcomes of the negotiations, so our organization can continue to provide our clients with the services and expertise they require. We also cannot be certain that regulators in other European Union countries will grant us the permissions or licenses we seek to operate our business. We have and will continue to invest significant time and resources as we navigate the effects of Brexit, and the uncertainty related thereto, on our business and operations. A less orderly Brexit has the potential to adversely affect global economic conditions and the stability of global financial markets, which in turn could have a material adverse effect on our business, financial condition, and results of operations.

Additionally, any development that has the effect of devaluing the euro or British pound could meaningfully reduce the value of our assets and reducing the usefulness of liquidity alternatives denominated in that currency such as our multicurrency U.S. credit facility. We also deposit some of our cash, including cash held in a fiduciary capacity, with certain European financial institutions. While we continuously monitor and manage exposures associated with those deposits, to the extent the uncertainty surrounding economic stability in Europe and the future viability of the euro suddenly and adversely impacts those financial institutions, some or all of those cash deposits could be at risk.

We may not realize all of the expected benefits from our restructuring plan and other operational improvement initiatives.

In 2017, we 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. We expect these restructuring activities and related expenses to affect continuing operations through the forth quarter of 2019, including an estimated 4,800 to 5,400 role eliminations. The Restructuring Plan is expected to result in cumulative costs of approximately $1,225 million through the end of the Restructuring Plan, consisting of approximately $450 million in

employee termination costs, $130 million in IT rationalization costs, $65 million in real estate realization costs, $50 million in asset impairment costs and $530 million in other costs associated with the restructuring. Included in the estimated $1,225 million is $100 million of estimated non-cash charges.

We estimate that our annualized savings from the Restructuring Plan and other operational improvement initiatives will be approximately $500 million by the end of 2019. Actual total costs, savings, and timing may vary from these estimates due to changes in the scope or assumptions underlying the Restructuring Plan and other operational improvement initiatives. We therefore cannot assure that we will achieve the targeted savings. Unanticipated costs or unrealized savings in connection with the Restructuring Plan and other operational improvement initiatives could adversely affect our consolidated financial statements.

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

We depend, in material part, upon the members of our senior management team who possess extensive knowledge and a deep understanding of our business and our strategy, as well as the colleagues who are critical to developing and retaining client relationships. The unexpected loss of services of any of these senior leaders could have a disruptive effect adversely impacting our ability to manage our business effectively and execute our business strategy. Competition for experienced professional personnel is intense, and we are constantly working to retain and attract these professionals. If we cannot successfully do so, our business, operating results, and financial condition could be adversely affected. While we have plans for key management succession and long-term compensation plans designed to retain our senior management team and critical colleagues, if our succession plans and retention programs do not operate effectively, our business could be adversely affected. We also are committed to diversity and inclusion and strive to maintain an equitable work environment that unlocks the full potential of all of our personnel. If we are unsuccessful in maintaining such a work environment, we could experience difficulty attracting and retaining personnel, which could have a negative impact on our business.

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

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

- difficulties in staffing and managing our foreign offices, including due to unexpected wage inflation or job turnover, and the increased travel, infrastructure, and legal and compliance costs and risks associated with multiple international locations;
- hyperinflation in certain foreign countries;
- conflicting regulations in the countries in which we do business;
- imposition of investment requirements or other restrictions by foreign governments;
- longer payment cycles;
- greater difficulties in collecting accounts receivable;
- insufficient demand for our services in foreign jurisdictions;
- our ability to execute effective and efficient cross-border sourcing of services on behalf of our clients;
- the reliance on or use of third parties to perform services on behalf of the Company;
- disparate tax regimes;
- restrictions on the import and export of technologies; and
- trade barriers.

The occurrence of natural or man-made disasters could result in declines in business and increases in claims that could adversely affect our financial condition and results of operations.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods, tornadoes, extreme weather, or other climate events; pandemic health events, and man-made disasters, including acts of terrorism, civil unrest, violence, military actions, and cyber-terrorism. The continued threat of terrorism and other events or disasters may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger energy shortages, public health issues, or an economic downturn or instability in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas. They could also result in reduced underwriting capacity, making it more difficult for our professionals to place business. Disasters also could disrupt public and private infrastructure, including

communications and financial services, which could disrupt our normal business operations.

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

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

Our operations are dependent upon our ability to protect our personnel, offices, and technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. Should we experience a local or regional disaster or other business continuity problem, such as a security incident or attack, a natural disaster, climate event, terrorist attack, pandemic, power loss, telecommunications failure, or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel and office facilities, and the proper functioning of computer systems, telecommunications, and other related systems and operations. In events like these, while our operational size, the multiple locations from which we operate, and our existing back-up systems provide us with some degree of flexibility, we still can experience near-term operational challenges in particular areas of our operations. We could potentially lose access to key executives, personnel, or client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario. A disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships, or legal liability.

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

We rely on the efficient, uninterrupted, and secure operation of complex information technology systems and networks, some of which are within the Company and some of which are outsourced to third parties. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to cyber-attacks, computer viruses, security breaches, and unauthorized access or improper actions by insiders or employees. We are at risk of attack by a growing list of adversaries through increasingly sophisticated methods of attack. Because the techniques used to obtain unauthorized access or sabotage systems change frequently, we may be unable to anticipate these techniques, implement adequate preventative measures, or respond quickly enough in the event of an incident or attack. We regularly experience attacks to our systems and networks and have from time to time experienced cybersecurity incidents, such as computer viruses, unauthorized parties gaining access to our information technology systems, data loss via malicious and non-malicious methods, and similar incidents, which to date have not had a material impact on our business. If we are unable to efficiently and effectively maintain and upgrade our system safeguards, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access. Problems with the information technology systems of vendors, including breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks, and security breaches at a vendor could adversely affect our ability to deliver products and services to customers and otherwise conduct business. Additionally, we are a global and acquisitive organization and we therefore might not adequately identify weaknesses in certain of our information systems, including those of targets we acquire, which could expose us to unexpected liabilities or make our own systems more vulnerable to attack. These types of incidents affecting us or our third-party vendors could result in intellectual property or other confidential information being lost or stolen, including client or employee personal information, or company data. In addition, we may not be able to detect breaches in our information technology systems or assess the severity or impact of a breach in a timely manner.

We have implemented various measures to manage our risks related to system and network security and disruptions, but a security breach or a significant or extended disruption in the functioning of our information technology systems could damage our reputation, cause us to lose clients, adversely impact our operations, sales and operating results, and require us to incur significant expense and divert resources to address and remediate or otherwise resolve such issues. Additionally, in order to maintain the level of security, service, and reliability that our clients require, we may be required to make significant additional investments in our information technology system.

Improper disclosure of confidential, personal, or proprietary data could result in regulatory scrutiny, legal liability, or harm to our reputation.

One of our significant responsibilities is to maintain the security and privacy of our employees' and clients' confidential and proprietary information, including confidential information about our clients' and employees' compensation, medical information, and other personally identifiable information. We maintain policies, procedures, and technological safeguards designed to protect the security and privacy of this information. Nonetheless, we cannot eliminate the risk of human error, employee or vendor malfeasance, or cyber-attacks that could result in improper access to or disclosure of confidential, personal, or proprietary information. Such access or disclosure could harm our reputation and subject us to liability under our contracts and laws and regulations that protect personal data, resulting in increased costs, loss of revenue, and loss of clients. The release of confidential information as a result of a security breach could also lead to litigation or other proceedings against us by affected individuals or business partners, or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a significant negative impact on our business.

In many jurisdictions, including in the European Union and the U.S., we are subject to laws and regulations relating to the collection, use, retention, security, and transfer of this information. These laws and regulations are frequently changing and are becoming increasingly complex and sometimes conflict among the various jurisdictions and countries in which we provide services both in terms of substance and in terms of enforceability. This makes compliance challenging and expensive. Additionally, certain jurisdictions' regulations include notice provisions that may require us to inform affected clients or employees in the event of a breach of confidential information before we fully understand or appreciate the extent of the breach. These notice provisions present operational challenges and related risk. In particular, the European Union's GDPR, which went into effect in May 2018, caused us to incur significant expenses in an effort to implement the applicable GDPR provisions within our business before the effective date causing distraction from other aspects of our business. In addition, non-compliance with GDPR could result in proceedings against us by governmental entities or others and additional costs in connection therewith. We expect other jurisdictions in which we operate to adopt regulations governing personal data and information, and we will have to continue to incur expenses and devote resources to bring our practices into compliance with such future regulations. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impair our reputation in the marketplace. Further, regulatory initiatives in the area of data protection are more frequently including provisions allowing authorities to impose substantial fines and penalties, and therefore, failure to comply could also have a significant financial impact.

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

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

We are continually developing and investing in innovative and novel service offerings that we believe will address needs that we identify in the markets. Nevertheless, for those efforts to produce meaningful value, we are reliant on a number of other factors, some of which our outside of our control. For example, our Health Solutions revenue line has

invested substantial time and resources in launching health care exchanges under the belief that these exchanges will serve a useful role in helping corporations and individuals in the U.S. manage their growing health care expenses. In order for these exchanges to be successful, health care insurers and corporate and individual participants have to deem them suitable, and whether those parties will find them suitable will be subject to their own particular circumstances.

We rely on third parties to perform key functions of our business operations enabling our provision of services to our clients. These third parties may act in ways that could harm our business.

We rely on third parties, and in some cases subcontractors, to provide services, data, and information such as technology, information security, funds transfers, data processing, and administration and support functions that are critical to the operations of our business. These third parties include correspondents, agents and other brokerage and intermediaries, insurance markets, data providers, plan trustees, payroll service providers, benefits administrators, software and system vendors, health plan providers, investment managers, and providers of human resource, among others. As we do not fully control the actions of these third parties, we are subject to the risk that their decisions, actions, or inactions may adversely impact us and replacing these service providers could create significant delay and expense. A failure by third parties to comply with service level agreements or regulatory or legal requirements in a high quality and timely manner, particularly during periods of our peak demand for their services, could result in economic and reputational harm to us. In addition, we face risks as we transition from in-house functions to third-party support functions and providers that there may be disruptions in service or other unintended results that may adversely affect our business operations. These third parties face their own technology, operating, business, and economic risks, and any significant failures by them, including the improper use or disclosure of our confidential client, employee, or company information, could cause harm to our reputation. An interruption in or the cessation of service by any service provider as a result of systems failures, cybersecurity incidents, capacity constraints, financial difficulties, or for any other reason could disrupt our operations, impact our ability to offer certain products and services, and result in contractual or regulatory penalties, liability claims from clients, or employees, damage to our reputation, and harm to our business.

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

Certain of our businesses collect premiums from insureds and remits the premiums to the respective insurers. We also collect claims or refunds from insurers on behalf of insureds, which are then remitted to the insureds. Consequently, at any given time, we may be holding and managing funds of our clients. This function creates a risk of loss arising from, among other things, fraud by employees or third parties, execution of unauthorized transactions, errors relating to transaction processing, or other cybersecurity events or security breaches. We are also potentially at risk in the event the financial institution in which we hold these funds suffers any kind of insolvency or liquidity event. The occurrence of any of these types of events in connection with this function could cause us financial loss and reputational harm.

In connection with the implementation of our corporate strategies, we face risks associated with the acquisition or disposition of businesses, the entry into new lines of business, the integration of acquired businesses, and the growth and development of these businesses.

In pursuing our corporate strategy, we often acquire other businesses or dispose of or exit businesses we currently own. The success of this strategy is dependent upon our ability to identify appropriate acquisition and disposition targets, negotiate transactions on favorable terms, complete transactions and, in the case of acquisitions, successfully integrate them into our existing businesses. If a proposed transaction is not consummated, the time and resources spent pursuing it could adversely result in missed opportunities to locate and acquire other businesses. If acquisitions are made, there can be no assurance that we will realize the anticipated benefits of such acquisitions, including, but not limited to, revenue growth, operational efficiencies, or expected synergies. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

From time to time, either through acquisitions or internal development, we enter new lines of business or offer new products and services within existing lines of business. These new lines of business or new products and services present the Company with additional risks, particularly in instances where the markets are not fully developed. Such risks include the investment of significant time and resources; the possibility that these efforts will be not be successful; the possibility that the marketplace does not accept our products or services or that we are unable to retain clients that adopt our new products or services; and the risk of additional liabilities associated with these efforts. In addition, many of the businesses that we acquire and develop will likely have significantly smaller scales of operations prior to the implementation of our growth strategy. If we are not able to manage the growing complexity of these businesses, including improving, refining, or revising our systems and operational practices, and enlarging the

scale and scope of the businesses, our business may be adversely affected. Other risks include developing knowledge of and experience in the new business, integrating the acquired business into our systems and culture, recruiting professionals, and developing and capitalizing on new relationships with experienced market participants. External factors, such as compliance with new or revised regulations, competitive alternatives, and shifting market preferences may also impact the successful implementation of a new line of business. Failure to manage these risks in the acquisition or development of new businesses could materially and adversely affect our business, results of operations, and financial condition.

We are subject to various risks and uncertainties in connection with the sale of the Divested Business.

On May 1, 2017, we sold the Divested Business to an entity controlled by affiliates of The Blackstone Group L.P. (the "Buyer"). This transaction carries inherent risks, including the risk that we will not earn the $500 million of additional consideration or otherwise realize the intended value of the transaction, as well as risks connected with separating the Divested Business from Aon. We are party to a transition services agreement with the Buyer and there are risks associated with this transition services agreement, particularly as we transition off of the Buyer's systems and services and initiate our own new systems and processes, which could adversely affect our business and results of operations. Furthermore, we have entered into ongoing commercial arrangements with the Buyer. If we do not realize the intended benefits of these arrangements, it could affect our results of operations or adversely affect our relationship with clients, partners, colleagues, and other third parties. Additionally, if the Divested Business does not deliver the level of service to which our clients and partners are accustomed, it could adversely affect our relationships with such third parties.

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

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

Risks Related to Our Ordinary Shares

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

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

Our Class A Ordinary Shares are eligible to be held in book entry form through the facilities of Depository Trust Company ("DTC"). Transfers of shares held in book entry form through DTC will not attract a charge to stamp duty or SDRT in the U.K. A transfer of the shares from within the DTC system out of DTC and any subsequent transfers that occur entirely outside the DTC system will attract a charge to stamp duty at a rate of 0.5 percent of any consideration, which is payable by the transferee of the shares. Any such duty must be paid (and the relevant transfer document stamped by Her Majesty's Revenues and Customs ("HMRC")) before the transfer can be registered in the share registers of Aon. If those shares are redeposited into DTC, the redeposit will attract stamp duty or SDRT at a rate of 1.5 percent of the value of the shares.

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

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

The facilities of DTC are a widely used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. We believe that prior to our reincorporation in the U.K. in 2012 (the "Redomestication"), approximately 99% of the outstanding shares of common stock of Aon Corporation were held within the DTC system. The Class A Ordinary Shares of Aon plc are, at present, eligible for deposit and clearing within the DTC system. In connection with the closing of the Redomestication, we entered into arrangements with DTC whereby we agreed to indemnify DTC for any stamp duty and/or SDRT that may be assessed upon it as a result of its service as a depository and clearing agency for our Class A Ordinary Shares. In addition, we have obtained a ruling from HMRC in respect of the stamp duty and SDRT consequences of the

reorganization, and SDRT has been paid in accordance with the terms of this ruling in respect of the deposit of Class A Ordinary Shares with the initial depository. DTC will generally have discretion to cease to act as a depository and clearing agency for the Class A Ordinary Shares. If DTC determines at any time that the Class A Ordinary Shares are not eligible for continued deposit and clearance within its facilities, then we believe the Class A Ordinary Shares would not be eligible for continued listing on a U.S. securities exchange or inclusion in the S&P 500 and trading in the Class A Ordinary Shares would

be disrupted. While we would pursue alternative arrangements to preserve our listing and maintain trading, any such disruption could have a material adverse effect on the trading price of the Class A Ordinary Shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We have offices in various locations throughout the world. Substantially all of our offices are located in leased premises. We maintain our corporate headquarters at 122 Leadenhall Street, London, England, where we occupy approximately 190,000 square feet of space under an operating lease agreement that expires in 2034. The following are additional significant leased properties, along with the occupied square footage and expiration.

Property:	Occupied Square Footage	Lease Expiration Dates
200 E. Randolph Street, Chicago, Illinois	407,000	2028
4 Overlook Point, Lincolnshire, Illinois	286,000	2024
165 Broadway, New York, New York	237,000	2028

In general, no difficulty is anticipated in negotiating renewals as leases expire or in finding other satisfactory space if the premises become unavailable. We believe that the facilities we currently occupy are adequate for the purposes for which they are being used and are well maintained. In certain circumstances, we may have unused space and may seek to sublet such space to third parties, depending upon the demands for office space in the locations involved. See Note 10 “Lease Commitments” of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for information with respect to our lease commitments as of December 31, 2018.

Item 3. Legal Proceedings

We hereby incorporate by reference Note 17 “Claims, Lawsuits, and Other Contingencies” of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

Item 4. Mine Safety Disclosure

Not applicable.

Executive Officers of the Registrant

The executive officers of Aon, as of February 19, 2019 unless otherwise noted, their business experience during the last five years, and their ages and positions held are set forth below.

Name	Age	Position
Eric Andersen	54	Co-President. Mr. Andersen joined Aon in 1997 upon the completion of the acquisition of Minet. Mr. Andersen has served in a variety of roles during his more than 20 year career at Aon, including as Chief Executive Officer of Aon Risk Solutions Americas from 2011 to 2013, and Chief Executive Officer of Aon Benfield from September 2013 to May 2018. He was named an Executive Officer in February 2017.
John Bruno	53	Chief Operations Officer. Mr. Bruno joined Aon in September 2014 as Executive Vice President, Enterprise Innovation & Chief Information Officer. He was named an Executive Officer in February 2017 and Chief Operations Officer in April 2017. Prior to joining Aon, Mr. Bruno held various positions at NCR Corporation, a technology company focused on assisted and self-service solutions, from 2008 to 2014, where he most recently served as Executive Vice President, Industry & Field Operations and Corporate Development. Prior to working at NCR, Mr. Bruno served in various technology positions at Goldman Sachs Group, Merrill Lynch & Co. Inc, and Symbol Technologies, Inc.
Gregory C. Case	56	Chief Executive Officer. Mr. Case became Chief Executive Officer of Aon in April 2005. He also served as Aon's President from April 2005 to May 2018. Prior to joining Aon, Mr. Case was a partner with McKinsey & Company, a global management consulting firm, for 17 years, most recently serving as head of the Financial Services Practice. He previously was responsible for McKinsey's Global Insurance Practice, and was a member of McKinsey's governing Shareholders' Committee. Prior to joining McKinsey, Mr. Case worked for the investment banking firm of Piper, Jaffray and Hopwood and the Federal Reserve Bank of Kansas City.
Christa Davies	47	Executive Vice President and Chief Financial Officer. Ms. Davies became Executive Vice President - Global Finance in November 2007. In March 2008, Ms. Davies assumed the additional role of Chief Financial Officer. Prior to joining Aon, Ms. Davies served for 5 years in various capacities at Microsoft Corporation, an international software company, most recently serving as Chief Financial Officer of the Platform and Services Division. Before joining Microsoft in 2002, Ms. Davies served at ninemsn, an Australian joint venture with Microsoft.
Anthony Goland	59	Executive Vice President and Chief Innovation Officer. Mr. Goland joined Aon in September 2015 as Executive Vice President and Chief Human Resources Officer and served in that position through October 2018. Prior to joining Aon, Mr. Goland spent 30 years at McKinsey & Company, where he was a leader of the firm's financial services, financial inclusion, and organization practices. Prior to McKinsey, he had experience with J.P. Morgan and IBM, and before that he volunteered and served as a Sergeant in the U.S. Army.
Cary Grace	50	Chief Executive Officer, Global Retirement & Investment. Ms. Grace joined Aon in April 2012 as President of Aon Hewitt's Strategy and Solutions group and served as the CEO of Aon's Health Exchange Solutions prior to assuming her current role in January 2016. She was named an executive officer in May 2017. Before joining Aon, Ms. Grace spent more than 20 years with Bank of America and a predecessor to JPMorgan Chase & Co. in various business leadership positions, including leading the institutional asset advisory and mass affluent businesses.
Peter Lieb	63	Executive Vice President, General Counsel and Company Secretary. Mr. Lieb was named Aon's Executive Vice President and General Counsel in July 2009 and Company Secretary in November 2013. Prior to joining Aon, Mr. Lieb served as Senior Vice President, General Counsel and Secretary of NCR Corporation, a technology company focused on assisted and self-service solutions, from May 2006 to July 2009, and as Senior Vice President, General Counsel and Secretary of Symbol Technologies, Inc. from 2003 to 2006. From 1997 to 2003, Mr. Lieb served in various senior legal positions at International Paper Company, including Vice President and Deputy

		General Counsel. Earlier in his career, Mr. Lieb served as a law clerk to the Honorable Warren E. Burger, Chief Justice of the United States.
Michael Neller	40	Senior Vice President and Global Controller. Mr. Neller joined Aon in August 2011 as its Vice President, Technical Accounting and Policy. From December 2011 to February 2018, Mr. Neller served as Aon’s Vice President, Deputy Global Controller. In this role, he was responsible for Aon’s Latin America and North America regions, as well as global accounting policy, corporate accounting, and external reporting. Before joining Aon, Mr. Neller served from July 2009 to August 2011 as a Senior Manager of KPMG LLP, an international public accounting firm, in its Department of Professional Practice (National Office). He was named Senior Vice President and Global Controller in February 2018.
Michael O’Connor	50	Co-President. Mr. O’Connor joined Aon in 2008 as Chief Operating Officer of Aon Risk Solutions and was later named Chief Risk Operating Officer, Aon Risk Solutions and Aon Benfield. In 2013, he was named Chief Executive Officer, Aon Risk Solutions and served in that role until May 2018 when he was named Co-President, Aon plc. He was named an Executive Officer in February 2017. Prior to joining Aon, Mr. O’Connor was a partner at McKinsey & Company, where he served as a leader for the North America Financial Services and North America Insurance practices.
John Zern	52	Chief Executive Officer, Aon Global Health. Mr. Zern joined Aon in 2003 as the U.S. Health Leader for Aon Risk Solutions. He has held a variety of leadership positions across Aon Risk Solutions and Aon Hewitt over his 16 years at the Company. In 2015, Mr. Zern was named Chief Executive Officer of Aon Global Health and was named an Executive Officer in May 2017. Prior to joining Aon, he held several client and people leadership positions in the U.S. health business of Marsh & McLennan Companies and at Aetna Health Plans.

PART II

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

Our Class A Ordinary Shares, $0.01 nominal value per share, are traded on the NYSE under the trading symbol AON. On February 15, 2019, the last reported sale price of our ordinary shares as reported by the NYSE was $171.97 per share. We have approximately 204 holders of record of our Class A Ordinary Shares as of February 15, 2019.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
10/1/18 – 10/31/18	510,313	$152.79	510,313	$4,092,170,499
11/1/18 – 11/30/18	439,837	$161.86	439,837	$4,020,978,648
12/1/18 – 12/31/18	306,371	$154.91	306,371	$3,973,517,694
	1,256,521	$156.48	1,256,521	

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

(2) The Repurchase Program was established in April 2012 with $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.

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

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

Item 6. Selected Financial Data

(millions, except per share data)	2018	2017	2016	2015	2014
Income Statement Data					
Total revenue from continuing operations	$10,770	$9,998	$9,409	$9,480	$9,892
Income from continuing operations	1,100	435	1,253	1,253	1,312
Net income from discontinued operations	74	828	177	169	119
Net income	1,174	1,263	1,430	1,422	1,431
Less: Net income attributable to noncontrolling interests	40	37	34	37	34
Net income attributable to Aon shareholders	$1,134	$1,226	$1,396	$1,385	$1,397
Basic Net Income Per Share Attributable to Aon Shareholders					
Continuing operations	$4.32	$1.54	$4.55	$4.33	$4.32
Discontinued operations	0.30	3.20	0.66	0.60	0.40
Net income	$4.62	$4.74	$5.21	$4.93	$4.73
Diluted Net Income Per Share Attributable to Aon Shareholders					
Continuing operations	$4.29	$1.53	$4.51	$4.28	$4.27
Discontinued operations	0.30	3.17	0.65	0.60	0.40
Net income	$4.59	$4.70	$5.16	$4.88	$4.66
Balance Sheet Data					
Fiduciary assets [(1)]	$10,166	$9,625	$8,959	$9,465	$11,026
Intangible assets including goodwill	$9,320	$10,091	$9,300	$8,795	$9,338
Total assets	$26,422	$26,088	$26,615	$26,883	$29,572
Long-term debt	$5,993	$5,667	$5,869	$5,138	$4,768
Total equity	$4,219	$4,648	$5,532	$6,059	$6,527
Class A Ordinary Shares and Other Data					
Dividends paid per share	$1.56	$1.41	$1.29	$1.15	$0.92
At year-end:					
Market price, per share	$145.36	$134.00	$111.53	$92.21	$94.83
Shares outstanding	240.1	247.6	262.0	269.8	280.0

(1) Represents insurance premium receivables from clients and claims receivables from insurance carriers as well as cash and investments held in a fiduciary capacity.

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

EXECUTIVE SUMMARY OF 2018 FINANCIAL RESULTS

Aon 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 "Summary of Significant Accounting Principles and Practices" for further information surrounding the quantitative and qualitative impacts of adopting the new accounting guidance.

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

- Revenue increased $772 million, or 8%, to $10,770 million in 2018 compared to 2017, reflecting 5% organic revenue growth, a 2% increase related to acquisitions, net of divestitures, and a 1% favorable impact from translating prior year period results at current period foreign exchange rates ("foreign currency translation"). Organic revenue growth for the year was driven by growth across every major revenue line, with particular strength in Reinsurance Solutions, Commercial Risk Solutions, and Health Solutions.
- Operating expenses increased $293 million, or 3%, to $9,226 million in 2018 compared to 2017 due primarily to a $172 million increase in expenses related to acquisitions, net of divestitures, a $75 million increase in expense related to legacy litigation, $71 million of accelerated amortization related to tradenames, a $59 million unfavorable impact from foreign currency translation, a $14 million increase in expense to support GDPR compliance, and an increase in expense associated with 5% organic revenue growth, partially offset by a $204 million net decrease in impairment charges, $195 million of incremental savings related to restructuring and other operational improvement initiatives, and a $28 million decrease in regulatory and compliance costs.
- Operating margin increased to 14.3% in 2018 from 10.7% in 2017, including an increase of 90 basis points resulting from adoption of the new revenue recognition standard in 2018. The underlying increase in operating margin from the prior year is primarily driven by organic revenue growth of 5% and strong core operational improvement, partially offset by an increase in operating expenses, described above.
- Due to the factors set forth above, net income from continuing operations was $1,100 million in 2018, an increase of $665 million, or 153%, from 2017.
- Diluted earnings per share from continuing operations was $4.29 per share during the twelve months of 2018 compared to $1.53 per share for the prior year period, including an increase of $0.32 per share resulting from the adoption of the new revenue recognition standard.
- Cash flow provided by operating activities was $1,686 million in 2018, an increase of $1,017 million, or 152%, from $669 million in 2017. The prior year included $940 million of cash tax payments related to the sale of the Divested Business. Strong operational improvement and working capital improvements in both receivables and payables contributed to year-over-year growth, partially offset by $145 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 margins, adjusted diluted earnings per share, and free cash flow. These non-GAAP metrics should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto (the "Financial Statements"). The following is our measure of performance against these four metrics from continuing operations for 2018:

- Organic revenue growth, a non-GAAP measure defined under the caption "Review of Consolidated Results — Organic Revenue Growth," was 5% in 2018, compared to 4% organic growth in the prior year. Organic revenue growth was driven by growth across every major revenue line, with particular strength in Reinsurance Solutions, Commercial Risk Solutions, and Health Solutions.
- Adjusted operating margin, a non-GAAP measure defined under the caption "Review of Consolidated Results — Adjusted Operating Margin," was 25.0% in 2018, compared to 22.8% in the prior year. The increase in adjusted

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operating margin primarily reflects organic revenue growth of 5%, core operational improvement, and $195 million of savings related to restructuring and other operational improvement initiatives.

- 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 $8.16 per share in 2018, an increase of $1.69 per share, or 26%, from $6.47 per share in 2017. The increase demonstrates strong operational performance and effective capital management, highlighted by $1.4 billion of share repurchase during 2018, partially offset by a higher adjusted effective tax rate.
- Free cash flow, a non-GAAP measure defined under the caption "Review of Consolidated Results — Free Cash Flow," was $1,446 million in 2018, an increase of $960 million, or 198%, from $486 million in 2017, driven by an increase of $1,017 million in cash flow in operations, partially offset by a $57 million increase in capital expenditures, including investments in our operating model.

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 "Summary of Significant Accounting Principles and Practices" for further information surrounding the quantitative and qualitative impacts of adopting the new accounting guidance.

Our consolidated results are as follow:

	Years ended December 31		
(millions)	2018	2017	2016
Revenue			
Total revenue	$10,770	$9,998	$9,409
Expenses			
Compensation and benefits	6,103	6,003	5,514
Information technology	484	419	386
Premises	370	348	343
Depreciation of fixed assets	176	187	162
Amortization and impairment of intangible assets	593	704	157
Other general expenses	1,500	1,272	1,036
Total operating expenses	9,226	8,933	7,598
Operating income	1,544	1,065	1,811
Interest income	5	27	9
Interest expense	(278)	(282)	(282)
Other income (expense)	(25)	(125)	(137)
Income from continuing operations before income taxes	1,246	685	1,401
Income taxes	146	250	148
Net income from continuing operations	1,100	435	1,253
Net income from discontinued operations	74	828	177
Net income	1,174	1,263	1,430
Less: Net income attributable to noncontrolling interests	40	37	34
Net income attributable to Aon shareholders	$1,134	$1,226	$1,396

Consolidated Results for 2018 Compared to 2017

Revenue

Total revenue increased $772 million, or 8%, to $10,770 million in 2018, compared to $9,998 million in 2017. The increase was driven by 5% organic revenue growth, a 2% increase related to acquisitions, net of divestitures, and a 1% favorable impact

from foreign currency translation. Organic revenue growth for the year was driven by growth across every major revenue line, with particular strength in Reinsurance Solutions, Commercial Risk Solutions, and Health Solutions.
Commercial Risk Solutions revenue increased $483 million, or 12%, to $4,652 million in 2018, compared to $4,169 million in 2017. Organic revenue growth was 6% in 2018 driven by growth across every major geography, with particular strength in U.S. Retail driven by record new business generation and strong management of the renewal book portfolio. Results also include double-digit growth in both cyber solutions and transaction liability, two specific areas of investment to support increasing client demand.
Reinsurance Solutions revenue increased $134 million, or 9%, to $1,563 million in 2018, compared to $1,429 million in 2017. Organic revenue growth was 7% in 2018 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 revenue increased $110 million, or 6%, to $1,865 million in 2018, compared to $1,755 million in 2017. Organic revenue growth was 2% in 2018 driven by solid growth in core actuarial retirement and in the talent practice, as well as modest growth in investment consulting.
Health Solutions revenue increased $81 million, or 5%, to $1,596 million in 2018, compared to $1,515 million in 2017. Organic revenue growth was 5% in 2018 driven primarily by strong growth in health & benefits brokerage, in both the Americas and internationally, and in the health care exchange business driven by new client wins in both the active and retiree exchanges.
Data & Analytic Services revenue decreased $35 million, or 3%, to $1,105 million in 2018, compared to $1,140 million in 2017. Organic revenue growth was 3% in 2018 driven by strong growth globally across Affinity.

Compensation and Benefits

Compensation and benefits increased $100 million, or 2%, in 2018 compared to 2017. The increase was primarily driven by a $145 million increase in expenses related to acquisitions, net of divestitures, a $50 million unfavorable impact from foreign currency translation, and an increase in expense associated with 5% organic revenue growth, partially offset by a $184 million decrease in restructuring costs, $182 million of incremental savings related to restructuring and other operational improvement initiatives, and a $51 million decrease related to the adoption of the new revenue recognition standard in 2018.

Information Technology

Information technology, which represents costs associated with supporting and maintaining our infrastructure, increased $65 million, or 16%, in 2018 compared to 2017. The increase was primarily driven by a $16 million increase in expenses related to acquisitions, net of divestitures, a $14 million increase in restructuring costs, an increase in expense associated with 5% organic revenue growth, and investments supporting long-term growth initiatives, partially offset by $1 million of incremental savings related to restructuring and other operational improvement initiatives.

Premises

Premises, which represents the cost of occupying offices in various locations throughout the world, increased $22 million, or 6%, in 2018 compared to 2017. The increase was primarily driven by a $20 million increase in restructuring costs, and a $10 million increase in expenses related to acquisitions, net of divestitures, partially offset by $16 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 decreased $11 million, or 6%, in 2018 compared to 2017. The decrease was primarily driven by a $13 million decrease in restructuring costs, partially offset by a $4 million increase related to acquisitions, net of divestitures.

Amortization and Impairment of Intangible 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 $111 million, or 16%, in 2018 compared to 2017. The decrease was primarily driven by a net $204 million decrease in impairment charges, partially offset by a $71 million increase in accelerated amortization related to tradenames.

Other General Expenses

Other general expenses increased $228 million, or 18%, in 2018 compared to 2017. The increase was primarily driven by a $151 million increase in restructuring costs, a $75 million increase in legacy litigation, an $11 million increase in expense to support GDPR regulatory compliance, and an increase in expense associated with 5% organic revenue growth, partially offset by a $28 million decrease in costs related to regulatory and compliance matters.

Interest Income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income was $5 million in 2018, a decrease of $22 million, or 81%, from 2017, due primarily to additional income earned on the balance of cash proceeds from the Divested Business in the prior year period.

Interest Expense

Interest expense, which represents the cost of our debt obligations, was $278 million in 2018, a decrease of $4 million, or 1%, from 2017. This decrease was driven primarily by the maturity of higher interest rate term debt in Q1 2018 partially offset by interest on a higher average commercial paper outstanding compared to the prior year.

Other Income (Expense)

Other expense decreased $100 million, or 80%, to $25 million in 2018 compared to 2017. Other expense in 2018 includes, among other things, $49 million of losses on certain financial instruments and $6 million in net losses on the disposition of businesses, partially offset by a $25 million favorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies and $4 million of equity earnings. Other expense in 2017 includes $86 million of pension and other post-retirement expense, a $37 million unfavorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies, and $16 million in net losses on the disposition of businesses, partially offset by $12 million in equity earnings.

Income From Continuing Operations before Income Taxes

Due to factors discussed above, income from continuing operations before income taxes was $1,246 million in 2018, an 82% increase from $685 million in 2017.

Income Taxes From Continuing Operations

The effective tax rate on net income from continuing operations was 11.7% in 2018 and 36.5% in 2017. The primary drivers of the 2018 tax rate include the following:

- 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 the post-enactment date impacts of the Tax Reform Act.
- Certain discrete items including the tax benefit associated with the sale of certain assets and liabilities previously classified as held for sale and the impact of share-based payments offset by the net tax expense from finalizing the impact of the enactment of the Tax Reform Act and changes in valuation allowances.

The 2017 tax rate reflects changes in the geographical distribution of income including restructuring charges and the impairment and amortization of tradenames, the impact of share-based payments, and the provisional estimate of the enactment date impact of the Tax Reform Act.

Income from Discontinued Operations, Net of Tax

Net income from discontinued operations decreased $754 million to $74 million compared to 2017 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 decreased to $1,134 million, or $4.59 per diluted share, in 2018, compared to $1,226 million, or $4.70 per diluted share, in 2017.

Consolidated Results for 2017 Compared to 2016

Revenue

Total revenue increased by 6%, or $589 million, to $9,998 million in 2017, compared to $9,409 million in 2016. The increase was driven by 4% organic revenue growth and a 2% increase related to acquisitions, net of divestitures. Organic revenue growth for the year was driven by growth across every major revenue line, with particular strength in Reinsurance Solutions, Health Solutions, and Data & Analytic Services.

Commercial Risk Solutions revenue increased $240 million, or 6%, to $4,169 million in 2017, compared to $3,929 million in 2016. Organic revenue growth was 2% in 2017 driven by growth across nearly every geography, with particular strength in U.S. Retail driven by record new business generation and strong management of the renewal book portfolio.

Reinsurance Solutions revenue increased $68 million, or 5%, to $1,429 million in 2017, compared to $1,361 million in 2016. Organic revenue growth was 6% in 2017 driven by growth across all major product lines, highlighted by continued net new business generation in the treaty portfolio, growth in facultative placements, and strong growth in capital markets.

Retirement Solutions revenue increased $48 million, or 3%, to $1,755 million in 2017, compared to $1,707 million in 2016. Organic revenue growth was 3% in 2017 driven by double-digit growth in investment consulting, primarily for delegated investment management, as well as solid growth in the Talent, Rewards, and Performance practice.

Health Solutions revenue increased $145 million, or 11%, to $1,515 million in 2017, compared to $1,370 million in 2016. Organic revenue growth was 7% in 2017 driven primarily by strong growth in health & benefits brokerage, in both the Americas and internationally.

Data & Analytic Services revenue increased $90 million, or 9%, to $1,140 million in 2017, compared to $1,050 million in 2016. Organic revenue growth was 6% in 2017 driven by strong growth across Affinity, with particular strength in the U.S.

Compensation and Benefits

Compensation and benefits increased $489 million in 2017, or 9%, compared to 2016. The increase was primarily driven by $299 million of restructuring charges, a $154 million increase in expenses related to acquisitions, net of divestitures, and an increase in expense associated with 4% organic revenue growth, partially offset by $104 million of savings related to restructuring and other operational improvement initiatives and a $92 million decrease in expenses related to certain pension settlements.

Information Technology

Information technology, which represents costs associated with supporting and maintaining our infrastructure, increased $33 million in 2017, or 9%, compared to 2016. The increase was primarily driven by $33 million of restructuring costs, a $7 million increase in expenses related to acquisitions, net of divestitures, as well as investments in growth, partially offset by $37 million of savings related to restructuring and other operational improvement initiatives.

Premises

Premises, which represents the cost of occupying offices in various locations throughout the world, increased $5 million in 2017, or 1%, compared to 2016. The increase was primarily driven by an $11 million increase in expenses related to acquisitions, net of divestitures, and $8 million of restructuring costs, partially offset by $3 million of 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 increased $25 million in 2017, or 15%, compared to 2016. The increase was primarily driven by $26 million of restructuring costs and a $14 million increase in expenses associated with acquisitions, net of divestitures, partially offset by $1 million of savings related to restructuring and other operational improvement initiatives as well as a decrease as we continue to optimize our real estate and information technology portfolio.

Amortization and Impairment of Intangible 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 increased $547 million for the year, or 348%, compared to 2016. The increase was primarily driven by a $380 million non-cash impairment charge to the indefinite lived tradenames associated with the Divested Business, $143 million of accelerated amortization related to tradenames, and an increase associated with recent acquisitions, net of divestitures.

Other General Expenses

Other general expenses increased $236 million in 2017, or 23%, compared to 2016. The increase was primarily driven by $131 million of restructuring costs, a $71 million increase in expenses associated with acquisitions, net of divestitures, $28 million of costs related to regulatory and compliance matters, and an increase in expense associated with 4% organic revenue growth, partially offset by $20 million of savings related to restructuring and other operational improvement initiatives and a $15 million decrease in expenses related to the sale of the Divested Business in the prior year period.

Interest Income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. Interest income was $27 million in 2017, an increase of $18 million, or 200%, from 2016, due primarily to additional income earned on the balance of cash proceeds from the Divested Business.

Interest Expense

Interest expense, which represents the cost of our debt obligations, was $282 million in 2017, similar to the prior year period.

Other Income (Expense)

Other expense decreased $12 million from $137 million in 2016 to $125 million in 2017. Other expense in 2017 includes, among other things, $86 million of pension and other post-retirement expense, a $37 million unfavorable impact of exchange rates on the remeasurement of assets and liabilities in non-functional currencies, and $16 million in net losses on the disposition of businesses, partially offset by $12 million in equity earnings. Other expense in 2016 includes $173 million of pension and other post-retirement expense and $14 million of losses on certain financial instruments, partially offset by $39 million in net gains on the disposition of businesses and $13 million in equity earnings.

Income From Continuing Operations before Income Taxes

Due to factors discussed above, income from continuing operations before income taxes was $685 million in 2017, a 51% decrease from $1,401 million in 2016.

Income Taxes From Continuing Operations

The effective tax rate on net income from continuing operations was 36.5% in 2017 and 10.6% in 2016. The 2017 rate reflects changes in the geographical distribution of income, the impact of share-based payments, and the provisional estimate of the impact of U.S. tax reform based on Aon's initial analysis of the Tax Cuts and Jobs Act. The 2016 rate reflects changes in the geographical distribution of income and the impact from certain pension settlements in the second and fourth quarters.

Income from Discontinued Operations, Net of Tax

On February 9, 2017, the Company entered into a Purchase Agreement with the Buyer to sell the Divested Business. The Company has retrospectively classified the results of the Divested Business as discontinued operations in the Company’s Consolidated Statements of Income for all periods presented. Income from discontinued operations, net of tax, increased $651 million to $828 million compared to 2016. This increase was primarily driven by the gain on sale of the Divested Business.

Net Income Attributable to Aon Shareholders

Net income attributable to Aon shareholders decreased to $1,226 million, or $4.70 per diluted share, in 2017, compared to $1,396 million, or $5.16 per diluted share, in 2016.

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):

	Twelve Months Ended							
	Dec 31, 2018	Dec 31, 2017	% Change	Revenue Recognition[1]	Less: Currency Impact [2]	Less: Fiduciary Investment Income [3]	Less: Acquisitions, Divestitures & Other	Organic Revenue Growth [4]
Commercial Risk Solutions	$4,652	$4,169	12 %	— %	1 %	— %	5 %	6 %
Reinsurance Solutions	1,563	1,429	9	(1)	2	1	—	7
Retirement Solutions	1,865	1,755	6	—	1	—	3	2
Health Solutions	1,596	1,515	5	(1)	—	—	1	5
Data & Analytic Services	1,105	1,140	(3)	—	—	—	(6)	3
Elimination	(11)	(10)	NA	NA	NA	NA	NA	NA
Total revenue	$10,770	$9,998	8 %	— %	1 %	— %	2 %	5 %

	Twelve Months Ended						
	Dec 31, 2017	Dec 31, 2016	% Change	Less: Currency Impact [2]	Less: Fiduciary Investment Income [3]	Less: Acquisitions, Divestitures & Other	Organic Revenue Growth [4]
Commercial Risk Solutions	$4,169	$3,929	6 %	— %	— %	4 %	2 %
Reinsurance Solutions	1,429	1,361	5	—	—	(1)	6
Retirement Solutions	1,755	1,707	3	(1)	—	1	3
Health Solutions	1,515	1,370	11	—	—	4	7
Data & Analytic Services	1,140	1,050	9	—	—	3	6
Elimination	(10)	(8)	NA	NA	NA	NA	NA
Total revenue	$9,998	$9,409	6 %	— %	— %	2 %	4 %

(1) Revenue Recognition represents the impact of Aon’s adoption of the 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.

(3) Fiduciary investment income for the years ended December 31, 2018, 2017, and 2016, respectively, was $53 million, $32 million, and $22 million.

(4) Organic revenue growth 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.

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 reported operating margins is as follows (in millions, except percentage data):

	Years ended December 31		
	2018	2017	2016
Revenue from continuing operations	$10,770	$9,998	$9,409
Operating income from continuing operations - as reported	$1,544	$1,065	$1,811
Amortization and impairment of intangible assets[3]	593	704	157
Restructuring	485	497	—
Legacy litigation	75	—	—
Regulatory and compliance matters	—	28	—
Transaction costs	—	—	15
Operating income from continuing operations - as adjusted	$2,697	$2,294	$1,983
Operating margin from continuing operations - as reported	14.3 %	10.7 %	19.2 %
Operating margin from continuing operations - as adjusted	25.0 %	22.9 %	21.1 %

Adjusted Diluted Earnings per Share

We also 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, plus 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.

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

	Year Ended December 31, 2018		
(millions, except per share data)	U.S. GAAP	Adjustments	Non-GAAP Adjusted
Operating income from continuing operations	$1,544	$ 1,153	$ 2,697
Interest income	5	—	5
Interest expense	(278)	—	(278)
Other income (expense) [1]	(25)	37	12
Income before income taxes from continuing operations	1,246	1,190	2,436
Income taxes [2]	146	233	379
Net income from continuing operations	1,100	957	2,057
Net income (loss) from discontinued operations [3]	74	(82)	(8)
Net income	1,174	875	2,049
Less: Net income attributable to noncontrolling interests	40	—	40
Net income attributable to Aon shareholders	$1,134	$ 875	$ 2,009
Diluted net income (loss) per share attributable to Aon shareholders			
Continuing operations	$4.29	$ 3.87	$ 8.16
Discontinued operations	0.30	(0.33)	(0.03)
Net income	$4.59	$ 3.54	$ 8.13
Weighted average ordinary shares outstanding — diluted	247.0	—	247.0
Effective tax rates [3]			
Continuing operations - U.S. GAAP	11.7 %		15.6 %
Discontinued operations - U.S. GAAP	15,949.9 %		29.7 %

	Year Ended December 31, 2017		
(millions, except per share data)	U.S. GAAP	Adjustments	Non-GAAP Adjusted
Operating income from continuing operations	$1,065	$ 1,229	$ 2,294
Interest income	27	—	27
Interest expense	(282)	—	(282)
Other income (expense) [1]	(125)	128	3
Income before income taxes from continuing operations	685	1,357	2,042
Income taxes [2]	250	55	305
Net income from continuing operations	435	1,302	1,737
Net income (loss) from discontinued operations [3]	828	(772)	56
Net income	1,263	530	1,793
Less: Net income attributable to noncontrolling interests	37	—	37
Net income attributable to Aon shareholders	$1,226	$ 530	$ 1,756
Diluted net income (loss) per share attributable to Aon shareholders			
Continuing operations	$1.53	$ 4.99	$ 6.52
Discontinued operations	3.17	(2.95)	0.22
Net income	$4.70	$ 2.04	$ 6.74
Weighted average ordinary shares outstanding — diluted	260.7	—	260.7
Effective tax rates [3]			
Continuing operations - U.S. GAAP	36.5 %		14.9 %
Discontinued operations - U.S. GAAP	58.9 %		11.7 %

	Year Ended December 31, 2016		
(millions, except per share data)	U.S. GAAP	Adjustments	Non-GAAP Adjusted
Operating income from continuing operations	$1,811	$ 172	$ 1,983
Interest income	9	—	9
Interest expense	(282)	—	(282)
Other income (expense) [1]	(137)	220	83
Income before income taxes from continuing operations	1,401	392	1,793
Income taxes [2]	148	102	250
Net income from continuing operations	1,253	290	1,543
Net income from discontinued operations [3]	177	94	271
Net income	1,430	384	1,814
Less: Net income attributable to noncontrolling interests	34	—	34
Net income attributable to Aon shareholders	$1,396	$ 384	$ 1,780
Diluted net income (loss) per share attributable to Aon shareholders			
Continuing operations	$4.51	$ 1.07	$ 5.58
Discontinued operations	0.65	0.36	1.01
Net income	$5.16	$ 1.43	$ 6.59
Weighted average ordinary shares outstanding — diluted	270.3	—	270.3
Effective tax rates [3]			
Continuing operations - U.S. GAAP	10.6 %		13.9 %
Discontinued operations - U.S. GAAP	34.0 %		30.2 %

(1) Adjusted Other income (expense) excludes Pension settlement charges of $37 million, $128 million, and $220 million, for the years ended 2018, 2017, and 2016, respectively.

(2) 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. 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 the tax adjustments recorded to finalize the 2017 accounting for the enactment date impact of the Tax Reform Act recorded pursuant to SAB 118.

(3) Adjusted net income from discontinued operations excludes the gain on sale of discontinued operations of $82 million, $779 million, and $0 million for the years ended 2018, 2017, and 2016, respectively. Adjusted net income from discontinued operations excludes intangible asset amortization of $0 million, $11 million, and $120 million for the twelve months ended December 31, 2018, 2017, and 2016, 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 minus 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 cash flow provided by operations is as follows (in millions):

Years Ended December 31	2018	2017	2016
Cash Provided by Continuing Operating Activities	$1,686	$669	$1,829
Capital Expenditures Used for Continuing Operations	(240)	(183)	(156)
Free Cash Flow Provided By Continuing Operations	$1,446	$486	$1,673

Impact of Foreign Currency Exchange Rate Fluctuations

We conduct business in more than 120 countries and sovereignties and, because of this, foreign currency exchange rate fluctuations have a significant impact on our business. Foreign currency 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 rate fluctuations 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's revenue, expenses, and net income using the current year's foreign currency exchange rates.

Translating prior year results at current year foreign currency exchange rates, currency fluctuations had a $0.08 favorable impact on net income per diluted share during the year ended December 31, 2018. Currency fluctuations had a $0.12 favorable impact on net income per diluted share during the year ended December 31, 2017, when 2016 results were translated at 2017 rates. Currency fluctuations had no impact on net income per diluted share during the year ended December 31, 2016, when 2015 results were translated at 2016 rates.

Translating prior year results at current year foreign currency exchange rates, currency fluctuations had a $0.09 favorable impact on adjusted net income per diluted share during the year ended December 31, 2018. Currency fluctuations had a $0.08 favorable impact on adjusted net income per diluted share during the year ended December 31, 2017, when 2016 results were translated at 2017 rates. Currency fluctuations had a $0.04 unfavorable impact on adjusted net income per diluted share during the year ended December 31, 2016, when 2015 results were translated at 2016 rates. These translations are performed for comparative 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"), conducted 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., to assess whether any feature or combination of features in the

target market prevents, restricts, or distorts competition. The CMA issued a final report on December 12, 2018. The CMA will draft a series of orders that will set out the detailed remedies, expected in first quarter of 2019, when they will be subject to further public consultation. We do not anticipate the remedies to have a significant impact on the Company's consolidated financial position or business.

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 U.K. 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 and claims in Fiduciary assets in the 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 underwriters. 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 the premiums, claims, and refunds, make payments to underwriters and insureds, and collect funds from clients and make payments on their behalf, and upon the impact of foreign currency movements. Fiduciary assets, because of their nature, are generally invested in very liquid securities with highly rated, credit-worthy financial institutions. In our Consolidated Statements of Financial Position, the amount we report for Fiduciary assets and Fiduciary liabilities are equal. Our Fiduciary assets included cash and short-term investments of $3.9 billion and $3.7 billion at December 31, 2018 and 2017, respectively, and fiduciary receivables of $6.3 billion and $5.9 billion at December 31, 2018 and 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 December 31, 2018, non-U.S. cash balances of one or more entities were negative; however, the overall balance was positive.

The following table summarizes our Fiduciary assets, non-fiduciary Cash and cash equivalents, and Short-term investments as of December 31, 2018 (in millions):

	Statement of Financial Position Classification			
Asset Type	Cash and Cash Equivalents	Short-term Investments	Fiduciary Assets	Total
Certificates of deposit, bank deposits or time deposits	$656	$ —	$ 2,279	$2,935
Money market funds	—	172	1,587	1,759
Cash and short-term investments	656	172	3,866	4,694
Fiduciary receivables	—	—	6,300	6,300
Total	$656	$ 172	$ 10,166	$10,994

Cash and cash equivalents decreased $100 million in 2018 compared to 2017. A summary of our cash flows provided by and used for continuing operations from operating, investing, and financing activities is as follows (in millions):

	Years Ended December 31	
	2018	2017
Cash provided by operating activities - continuing operations	$1,686	$669
Cash provided by investing activities - continuing operations	$31	$2,806
Cash used for financing activities - continuing operations	$(1,699)	$(3,265)
Effect of exchange rates changes on cash and cash equivalents	$(118)	$69

Operating Activities

Net cash provided by operating activities for continuing operations during the twelve months ended December 31, 2018 increased $1,017 million, or 152%, from the prior year to $1,686 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 the collection of receivables.

Pension Contributions

Pension cash contributions were $252 million for the twelve months ended December 31, 2018, which includes our acceleration of contributions to the qualified U.S. pension plan, as compared to cash contributions of $146 million and a non-cash contribution of $80 million for the twelve months ended December 31, 2017. In 2019, we expect to contribute approximately $145 million to our pension plans, with the majority attributable to non-U.S. pension plans, which are subject to changes in foreign exchange rates.

Restructuring Plan

In 2017, we 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. We expect these restructuring activities and related expenses to affect continuing operations through 2019, including an estimated 4,800 to 5,400 role eliminations. In the fourth quarter of 2018, we expanded the Restructuring Plan, which resulted in additional expected costs of approximately $200 million, consisting of $150 million of cash investment and $50 million of non-cash charges. Annualized estimated savings increased $50 million as a result of the expanded program. We do not expect any further adjustments to the total estimated program costs or annualized savings through the remainder of the program, which will be completed in the fourth quarter of 2019.

We expect the Restructuring Plan to result in cumulative costs of approximately $1,225 million through the end of the plan, consisting of approximately $450 million in employee termination costs, $130 million in technology rationalization costs, $65 million in real estate consolidation costs, $50 million in non-cash asset impairments, such as expense taken on software no longer in use, and $530 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 and other operational improvement initiatives will be approximately $500 million by the end of 2019.

The following table summarizes restructuring and separation costs by type that have been incurred through December 31, 2018 and are estimated to be incurred through the end of the Restructuring Plan (in millions). Estimated remaining costs by type may be revised in future periods as these assumptions are updated:

	Year Ended December 31, 2018	Inception to Date	Estimated Remaining Costs	Estimated Total Cost [1]
Workforce reduction	$ 115	$ 414	$ 36	$ 450
Technology rationalization [2]	47	80	50	130
Lease consolidation [2]	28	36	29	65
Asset impairments	13	39	11	50

Other costs associated with restructuring and separation (2) (3)	282	413	117	530
Total restructuring and related expenses	$ 485	982	$ 243	$ 1,225

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(1) 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, 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 twelve months ended December 31, 2018 were $5 million, $25 million, and $85 million; and since inception of the Restructuring Plan, were $6 million, $33 million, and $88 million, respectively. 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 $95 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 December 31, 2018, our liabilities for the Restructuring Plan were as follows (in millions):

	Restructuring Plan
Balance at December 31, 2017	$ 186
Expensed	448
Cash payments	(425)
Foreign currency translation and other	(8)
Balance at December 31, 2018	$ 201

Investing Activities

Cash flow provided by investing activities in continuing operations was $31 million during the twelve months ended December 31, 2018, a decrease of $2,775 million compared to prior year. 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 Consolidated Statements of Income.

Short-term Investments

Short-term investments decreased $357 million at December 31, 2018 as compared to December 31, 2017. As disclosed in Note 16 “Fair Value Measurements and Financial Instruments” of the Financial Statements contained in Part II, Item 8 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 2018, the Company completed the acquisition of eight businesses for consideration of $58 million, net of cash acquired, and completed the disposition of four business for a net cash outflow of $10 million.

During 2017, the Company completed the acquisition of seventeen businesses for consideration of $1,029 million, net of cash acquired, and the sale of nine businesses for $4,246 million.

Capital Expenditures

The Company’s additions to fixed assets, including capitalized software, which amounted to $240 million in 2018 and $183 million in 2017, primarily related 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 twelve months ended December 31, 2018 was $1,699 million, an increase of $1,566 million compared to prior year. 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.

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 $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):

	Twelve months ended December 31	
	2018	2017 [1]
Shares repurchased	10.0	18.0
Average price per share	$143.94	$133.67
Costs recorded to retained earnings		
Total repurchase cost	$1,447	$2,403
Additional associated costs	7	12
Total costs recorded to retained earnings	$1,454	$2,415

(1) Included in the 18.0 million shares repurchased during the twelve months ended December 31, 2017 were 0.1 million shares that did not settle until January 2018. These shares were settled at an average price per share of $134.41 and total cost of $15.9 million.

At December 31, 2018, the remaining authorized amount for share repurchase under the Repurchase Program was approximately $4.0 billion. Under the Repurchase Program, the Company has repurchased a total of 118.3 million shares for an aggregate cost of approximately $11.0 billion.

Borrowings

Total debt at December 31, 2018 was $6.2 billion, an increase of $278 million compared to December 31, 2017. Commercial paper activity during the years ended December 31, 2018 and 2017 is as follows (in millions):

	Twelve months ended December 31	
	2018	2017
Total issuances[1]	$5,400	$1,648
Total repayments	(5,118)	(1,997)
Net issuances	$282	$(349)

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

On December 3, 2018, Aon Corporation issued $350 million 4.50% Senior Notes due December 2028. The Company used the proceeds for general corporate purposes.

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

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 may be created through the earnings of the U.K. parent company and, among other methods, through a reduction in share capital approved by the courts of England and Wales. Distributable reserves are not linked to a U.S. GAAP reported amount (e.g., retained earnings). As of December 31, 2018 and 2017, we had distributable reserves in excess of $2.2 billion and $1.2 billion, respectively. We believe that we will have sufficient distributable reserves to fund shareholder dividends and make share repurchases 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 December 31, 2018, we had two primary committed credit facilities outstanding: our $900 million multi-currency U.S. credit facility expiring in February 2021 (the "2021 Facility") and our $400 million multi-currency U.S. credit facility expiring in October 2022 (the "2022 Facility"). On February 2, 2019, we extended the 2021 Facility by one year, and it will now expire in February 2022.

Each of these facilities includes customary representations, warranties, and covenants, including financial covenants that require us 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 December 31, 2018, we did not have borrowings under either the 2021 Facility or the 2022 Facility, and we were in compliance with all other covenants contained therein during the twelve months ended December 31, 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 February 19, 2019 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 and commercial paper could increase our borrowing costs, reduce or eliminate our access to debt capital, reduce our financial flexibility, or restrict our access to the commercial paper market altogether, and/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 December 31, 2018, the undiscounted maximum potential future payments under the lease guarantee were $85 million, with an estimated fair value of $17 million. No cash payments were made in connection to the lease commitments during the year ended December 31, 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 December 31, 2018, the undiscounted maximum potential future payments under the performance guarantees were $188 million, with an estimated fair value of $1 million. No cash payments were made in connection to the performance guarantees during the year ended December 31, 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 ("LOCs"). We had total LOCs outstanding of approximately $83 million at December 31, 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.

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 $103 million at December 31, 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 “Claims, Lawsuits, and Other Contingencies” of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report, 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.

Contractual Obligations

Summarized in the table below are our contractual obligations and commitments as of December 31, 2018. Payments by year due are estimated as follows (in millions):

	Payments due by				
	2019	2020-2021	2022-2023	After 2023	Total
Principal payments on debt	$251	$ 1,000	$ —	$5,095	$6,346
Interest payments on debt	275	514	467	2,220	3,476
Operating leases	303	474	330	472	1,579
Pension and other postretirement benefit plans	150	270	298	314	1,032
Purchase obligations	179	132	24	5	340
Total	$1,158	$ 2,390	$ 1,119	$8,106	$12,773

Pension and other postretirement benefit plan obligations include estimates of our minimum funding requirements pursuant to the Employee Retirement Income Security Act and other regulations, as well as minimum funding requirements agreed with the trustees of our U.K. pension plans. Additional amounts may be agreed to with, or required by, the U.K. pension plan trustees. Nonqualified pension and other postretirement benefit obligations are based on estimated future benefit payments. We may make additional discretionary contributions.

In 2017, our principal U.K. subsidiary agreed with the trustees of one of the U.K. plans to contribute £44 million ($59 million at December 31, 2017 exchange rates) through 2019 which is estimated to bring the plan to 100% funded basis. Contributions were based on the 2016 valuation and no further contributions are forecasted after 2019. The trustees of the plan have certain rights to request that our U.K. subsidiary advance an amount equal to an actuarially determined winding-up deficit. As of December 31, 2018, the estimated winding-up deficit was £84 million ($106 million at December 31, 2018 exchange rates). The trustees of the plan have accepted in practice the agreed-upon schedule of contributions detailed above and have not requested the winding-up deficit be paid.

Purchase obligations are defined as agreements to purchase goods and services that are enforceable and legally binding on us, and that specifies all significant terms, including the goods to be purchased or services to be rendered, the price at which the goods or services are to be rendered, and the timing of the transactions. Most of our purchase obligations are related to purchases of information technology services or other service contracts. Purchase obligations exclude $279 million of liabilities for uncertain tax positions due to our inability to reasonably estimate the period(s) when potential cash settlements will be made.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

In accordance with our policies, we regularly evaluate our estimates, assumptions, and judgments, including, but not limited to, those concerning restructuring, revenue recognition, pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, and base our estimates, assumptions, and judgments on our historical experience and on factors we believe reasonable under the circumstances. The results involve judgments

about the carrying values of assets and liabilities not readily apparent from other sources. If our assumptions or conditions change, the actual results we report may differ from these estimates. We believe the following critical accounting policies affect the more significant estimates, assumptions, and judgments we use to prepare these Financial Statements.

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 near 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 health care 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.

Restructuring

Workforce reduction costs

The method used to account for workforce reduction costs depends on whether the costs result from an ongoing severance plan or are one-time costs. We account for relevant expenses as severance costs when we have an established severance policy, statutory requirements dictate the severance amounts, or we have an established pattern of paying by a specific formula. We recognize these costs when the likelihood of future settlement is probable and the amount of the related benefit is reasonably estimable, or on a straight-line basis over the remaining service period, if applicable.

We estimate our one-time workforce reduction costs related to exit and disposal activities not resulting from an ongoing severance plan based on the benefits available to the employees being terminated. We recognize these costs when we identify the specific classification (or functions) and locations of the employees being terminated, notify the employees who might be included in the termination, and expect to terminate employees within the legally required notification period. When employees are receiving incentives to stay beyond the legally required notification period, we record the cost of their severance over the remaining service period.

Lease consolidation costs

Where we have provided notice of cancellation pursuant to a lease agreement or abandoned space and have no intention of reoccupying it, we recognize a loss. The loss reflects our best estimate of the net present value of the future cash flows associated with the lease at the date we provide notice of cancellation in accordance with contractual terms, vacate the property, or sign a sublease arrangement. To determine the loss, we estimate sublease income based on current market quotes for similar properties. When we finalize definitive agreements with the sublessee, we adjust our sublease losses for actual outcomes.

Fair value concepts of one-time workforce reduction costs and lease losses

Accounting guidance requires that our exit and disposal accruals reflect the fair value of the liability. Where material, we discount the lease loss calculations to arrive at their net present value. Most workforce reductions happen over a short span of time, so no discounting is necessary.

For the remaining lease term, we decrease the liability for payments and increase the liability for accretion of the discount, if material. The discount reflects our incremental borrowing rate, which matches the lifetime of the liability. Significant changes in the discount rate selected or the estimations of sublease income in the case of leases could impact the amounts recorded.

Asset impairments

Asset impairments relate to fixed assets and are accounted for in the period when they become known. Furthermore, we record impairments by reducing the book value to the net present value of future cash flows (in situations where the asset had an identifiable cash flow stream) or accelerating the depreciation to reflect the revised useful life. Asset impairments are included in Depreciation of fixed assets in the Consolidated Statements of Income.

Other associated costs of exit and disposal activities

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

Pensions

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

relating to salary and services for our U.S., U.K., Netherlands, and Canadian plans to the extent statutorily permitted. The service cost component of net periodic benefit cost is reported in Compensation and benefits and all other components are reported in Other income (expense). We used a full-yield curve approach in the estimation of the service and interest cost

components of net periodic pension and postretirement benefit cost for our major pension and other postretirement benefit plans; this was obtained by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

Recognition of gains and losses and prior service

Certain changes in the value of the obligation and in the value of plan assets, which may occur due to various factors such as changes in the discount rate and actuarial assumptions, actual demographic experience, and/or plan asset performance are not immediately recognized in net income. Such changes are recognized in Other comprehensive income and are amortized into net income as part of the net periodic benefit cost.

Unrecognized gains and losses that have been deferred in Other comprehensive income, as previously described, are amortized into expense as a component of periodic pension expense based on the average life expectancy of the U.S., U.K., Netherlands, and Canada plan members. We amortize any prior service expense or credits that arise as a result of plan changes over a period consistent with the amortization of gains and losses.

As of December 31, 2018, our pension plans have deferred losses that have not yet been recognized through income in the Consolidated Financial Statements. We amortize unrecognized actuarial losses outside of a corridor, which is defined as 10% of the greater of market-related value of plan assets or projected benefit obligation. To the extent not offset by future gains, incremental amortization as calculated above will continue to affect future pension expense similarly until fully amortized.

The following table discloses our unrecognized actuarial gains and losses, the number of years over which we are amortizing the experience loss, and the estimated 2019 amortization of loss by country (millions, except amortization period):

	U.K.	U.S.	Other
Unrecognized actuarial gains and losses	$1,136	$1,708	$433
Amortization period	8 - 28	7 - 23	13 - 40
Estimated 2019 amortization of loss	$30	$55	$12

The unrecognized prior service cost (credit) at December 31, 2018 was $3 million, $30 million, and $(7) million for the U.S., U.K. and other plans, respectively.

For the U.S. pension plans, we use a market-related valuation of assets approach to determine the expected return on assets, which is a component of net periodic benefit cost recognized in the Consolidated Statements of Income. This approach recognizes 20% of any gains or losses in the current year's value of market-related assets, with the remaining 80% spread over the next four years. As this approach recognizes gains or losses over a five-year period, the future value of assets and therefore, our net periodic benefit cost will be impacted as previously deferred gains or losses are recorded. As of December 31, 2018, the market-related value of assets was $2.0 billion. We do not use the market-related valuation approach to determine the funded status of the U.S. plans recorded in the Consolidated Statements of Financial Position. Instead, we record and present the funded status in the Consolidated Statements of Financial Position based on the fair value of the plan assets. As of December 31, 2018, the fair value of plan assets was $1.8 billion.

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

Rate of return on plan assets and asset allocation

The following table summarizes the expected long-term rate of return on plan assets for future pension expense as of December 31, 2018:

	U.K.	U.S.	Other
Expected return	3.64%	7.05%	2.50 - 4.10%

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

The U.S. pension plan asset allocation is based on approved allocations following adopted investment guidelines. The investment policy for U.K. and other non-U.S. pension plans is generally determined by the plans' trustees. Because there are several pension plans maintained in the U.K. and other non-U.S. categories, our target allocation presents a range of the target allocation of each plan. Target allocations are subject to change.

Impact of changing economic assumptions

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

Holding all other assumptions constant, the following table reflects what a 25 basis point ("bps") increase and decrease in our estimated discount rate would have on our projected benefit obligation at December 31, 2018 (in millions):

Increase (decrease) in projected benefit obligation [1]	25 bps Change in Discount Rate	
	Increase	Decrease
U.K. plans	$(158)	$ 168
U.S. plans	(80)	84
Other plans	(70)	79

(1) Increases to the projected benefit obligation reflect increases to our pension obligations, while decreases in the projected benefit obligation are recoveries toward fully-funded status. A change in the discount rate has an inverse relationship to the projected benefit obligation.

Holding all other assumptions constant, the following table reflects what a 25 bps increase and decrease in our discount rate would have on our estimated 2019 pension expense (in millions):

	25 bps Change in Discount Rate	
Increase (decrease) in expense	Increase	Decrease
U.K. plans	$(2)	$ 1
U.S. plans	1	(1)
Other plans	(1)	1

Holding all other assumptions constant, the following table reflects what a 25 bps increase and decrease in our long-term rate of return on plan assets would have on our estimated 2019 pension expense (in millions):

	25 bps Change in Long-Term Rate of Return on Plan Assets	
Increase (decrease) in expense	Increase	Decrease
U.K. plans	$(13)	$ 13
U.S. plans	(5)	5
Other plans	(2)	2

Estimated future contributions

We estimate cash contributions of approximately $145 million to our pension plans in 2019 as compared with cash contributions of $252 million in 2018, which includes our acceleration of contributions to the qualified U.S. pension plan.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair market value of the net assets acquired. We classify our intangible assets acquired as either tradenames, customer-related and contract-based, or technology and other.

Goodwill is not amortized, but rather tested for impairment at least annually in the fourth quarter. We test more frequently if there are indicators of impairment or whenever business circumstances suggest that the carrying value of goodwill may not be recoverable. These indicators may include a sustained significant decline in our share price and market capitalization, a decline in our expected future cash flows, or a significant adverse change in legal factors or in the business climate, among others. No events occurred during 2018 that indicate the existence of an impairment with

respect to our reported goodwill.

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

When evaluating these assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, then the goodwill impairment test becomes a two-step analysis. Step 1 requires the fair value of each reporting unit to be compared to its book value. Management must apply judgment in determining the estimated fair value of the reporting units. If the fair value of a reporting unit is determined to be greater than the carrying value of the reporting unit, goodwill is deemed not to be impaired and no further testing is necessary. If the fair value of a reporting unit is less than the carrying value, we perform Step 2. Step 2 uses the calculated fair value of the reporting unit to perform a hypothetical purchase price allocation to the fair value of the assets and liabilities of the reporting unit. The difference between the fair value of the reporting unit calculated in Step 1 and the fair value of the underlying assets and liabilities of the reporting unit is the implied fair value of the reporting unit's goodwill. A charge is recorded in the financial statements if the carrying value of the reporting unit's goodwill is greater than its implied fair value.

In determining the fair value of our reporting units, we use a discounted cash flow ("DCF") model based on our most current forecasts. We discount the related cash flow forecasts using the weighted-average cost of capital method at the date of evaluation. Preparation of forecasts and selection of the discount rate for use in the DCF model involve significant judgments, and changes in these estimates could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We also use market multiples which are obtained from quoted prices of comparable companies to corroborate our DCF model results. The combined estimated fair value of our reporting units from our DCF model often results in a premium over our market capitalization, commonly referred to as a control premium. We believe the implied control premium determined by our impairment analysis is reasonable based upon historic data of premiums paid on actual transactions within our industry. Based on tests performed in both 2018 and 2017, there was no indication of goodwill impairment, and no further testing was required.

We review intangible assets that are being amortized for impairment whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. There were no indications that the carrying values of amortizable intangible assets were impaired as of December 31, 2018. If we are required to record impairment charges in the future, they could materially impact our results of operations.

Contingencies

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

Share-Based Payments

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

Restricted Share Units

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

of the underlying share on the date of grant, reduced by the present value of estimated dividends foregone during the vesting period where applicable.

Performance Share Awards

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

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

The largest plan is the Leadership Performance Plan ("LPP"), which has a three-year performance period. As the percent of expected performance increases or decreases, the potential change in expense can go from 0% to 200% of the targeted total expense. The 2016 to 2018 performance period ended on December 31, 2018, the 2015 to 2017 performance period ended on December 31, 2017 and the 2014 to 2016 performance period ended on December 31, 2016. The LPP currently has two open performance periods: 2017 to 2019 and 2018 to 2020. A 10% upward adjustment in our estimated performance achievement percentage for both open performance periods would have increased our 2018 expense by approximately $2.1 million, while a 10% downward adjustment would have decreased our expense by approximately $6.0 million.

Income Taxes

We earn income in numerous countries and this income is subject to the laws of taxing jurisdictions within those countries.

The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies and are based on management's assumptions and estimates about future operating results and levels of taxable income, and judgments regarding the interpretation of the provisions of current accounting principles.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In this assessment, significant weight is given to evidence that can be objectively verified.

We assess carryforwards and tax credits for realization as a reduction of future taxable income by using a "more likely than not" determination.

We base the carrying values of liabilities and assets for income taxes currently payable and receivable on management's interpretation of applicable tax laws and incorporate management's assumptions and judgments about using tax planning strategies in various taxing jurisdictions. Using different estimates, assumptions, and judgments in accounting for income taxes, especially those that deploy tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and changes in our results of operations.

Income Tax Accounting Implications of the Tax Cuts and Jobs Act

On December 22, 2017, the Tax Reform Act was enacted into law and the new legislation contained several key tax provisions that impacted the Company. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which allowed registrants to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. Since the Tax Reform Act was passed late in the fourth quarter of 2017 and ongoing guidance and accounting interpretation was expected, certain items were considered provisional in the Company's financial statements for 2017 due to the forthcoming guidance and ongoing analysis of year-end data and tax positions. In the fourth quarter of 2018, the Company completed its analysis in accordance with SAB 118. See Note 11 "Income Taxes" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for additional information and a detailed description of the impact of completing the accounting for 2017.

NEW ACCOUNTING PRONOUNCEMENTS

Note 2 "Summary of Significant Accounting Principles and Practices" of the Notes to Consolidated Financial Statements contains a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to potential fluctuations in earnings, cash flows, and the fair values 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. Refer to Note 2 "Summary of Significant Accounting Principles and Practices" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for a discussion of our accounting policies for financial instruments and derivatives.

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 revenues in currencies that differ from their functional currencies. Our U.K. subsidiaries earn a portion of their revenue in U.S. dollars, euros, and Japanese yen, but most of their expenses are incurred in British pounds. At December 31, 2018, we have hedged approximately 45% of our U.K. subsidiaries' expected exposures to the U.S. dollar, euro, and Japanese yen transactions for the years ending December 31, 2019, 2020, and 2021 respectively. We generally do not hedge exposures beyond three years.

We also use forward 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 potential loss in future earnings from foreign exchange derivative instruments resulting from a hypothetical 10% adverse change in year-end exchange rates would be $21 million and $5 million at December 31, 2019 and 2020, respectively.

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 is reported within the Consolidated Statements of Income prospectively. We are undergoing steps to limit this exposure and the impact to 2018 was insignificant. Revenue from our Argentine operations was less than 1% of our consolidated revenue for the twelve months ended December 31, 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 North America, continental Europe, and the Asia Pacific region. A hypothetical, instantaneous parallel decrease in the year-end yield curve of 100 basis points would cause a decrease, net of derivative positions, of $42 million to each of 2019 and 2020 pretax income. A corresponding increase in the year-end yield curve of 100 basis points would cause an increase, net of derivative positions, of $42 million to each of 2019 and 2020 pre-tax income.

We have long-term debt outstanding with a fair market value of $6.2 billion at both December 31, 2018 and 2017. This fair value was greater than the carrying value by $166 million at December 31, 2018, and $600 million greater than the carrying value at December 31, 2017. A hypothetical 1% increase or decrease in interest rates would change the fair value by a decrease of 7% or an increase of 8%, respectively, at December 31, 2018.

We have selected hypothetical changes in foreign currency exchange rates, interest rates, and equity market prices to illustrate the possible impact of these changes; we are not predicting market events.

Item 8. Financial Statements and Supplementary Data
Report of Independent Registered Public Accounting Firm
Board of Directors and Shareholders
Aon plc

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Aon plc (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 19, 2019, expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for revenue in 2018.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 1986.
Chicago, Illinois
February 19, 2019

Aon plc
Consolidated Statements of Income

(millions, except per share data)	Years ended December 31		
	2018	2017	2016
Revenue			
Total revenue	$10,770	$9,998	$9,409
Expenses			
Compensation and benefits	6,103	6,003	5,514
Information technology	484	419	386
Premises	370	348	343
Depreciation of fixed assets	176	187	162
Amortization and impairment of intangible assets	593	704	157
Other general expenses	1,500	1,272	1,036
Total operating expenses	9,226	8,933	7,598
Operating income	1,544	1,065	1,811
Interest income	5	27	9
Interest expense	(278)	(282)	(282)
Other income (expense)	(25)	(125)	(137)
Income from continuing operations before income taxes	1,246	685	1,401
Income taxes	146	250	148
Net income from continuing operations	1,100	435	1,253
Net income from discontinued operations	74	828	177
Net income	1,174	1,263	1,430
Less: Net income attributable to noncontrolling interests	40	37	34
Net income attributable to Aon shareholders	$1,134	$1,226	$1,396
Basic net income per share attributable to Aon shareholders			
Continuing operations	$4.32	$1.54	$4.55
Discontinued operations	0.30	3.20	0.66
Net income	$4.62	$4.74	$5.21
Diluted net income per share attributable to Aon shareholders			
Continuing operations	$4.29	$1.53	$4.51
Discontinued operations	0.30	3.17	0.65
Net income	$4.59	$4.70	$5.16
Weighted average ordinary shares outstanding - basic	245.2	258.5	268.1
Weighted average ordinary shares outstanding - diluted	247.0	260.7	270.3

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Comprehensive Income

(millions)	Years Ended December 31 2018	2017	2016
Net income	$1,174	$1,263	$1,430
Less: Net income attributable to noncontrolling interests	40	37	34
Net income attributable to Aon shareholders	1,134	1,226	1,396
Other comprehensive income (loss), net of tax:			
Change in fair value of financial instruments	11	12	(12)
Foreign currency translation adjustments	(444)	390	(495)
Postretirement benefit obligation	17	19	16
Total other comprehensive income (loss)	(416)	421	(491)
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(4)	5	(2)

Total other comprehensive income (loss) attributable to Aon shareholders	(412)	416	(489)
Comprehensive income attributable to Aon shareholders	$722	$1,642	$907

See accompanying Notes to Consolidated Financial Statements.

Aon plc

Consolidated Statements of Financial Position

(millions, except nominal value)	As of December 31 2018	2017
Assets		
Current assets		
Cash and cash equivalents	$656	$756
Short-term investments	172	529
Receivables, net	2,760	2,478
Fiduciary assets	10,166	9,625
Other current assets	618	289
Total current assets	14,372	13,677
Goodwill	8,171	8,358
Intangible assets, net	1,149	1,733
Fixed assets, net	588	564
Deferred tax assets	561	389
Prepaid pension	1,133	1,060
Other non-current assets	448	307
Total assets	$26,422	$26,088
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$1,943	$1,961
Short-term debt and current portion of long-term debt	251	299
Fiduciary liabilities	10,166	9,625
Other current liabilities	936	870
Total current liabilities	13,296	12,755
Long-term debt	5,993	5,667
Deferred tax liabilities	181	127
Pension, other postretirement, and postemployment liabilities	1,636	1,789
Other non-current liabilities	1,097	1,102
Total liabilities	22,203	21,440
Equity		
Ordinary shares - $0.01 nominal value Authorized: 750 shares (issued: 2018 - 240.1; 2017 - 247.6)	2	2
Additional paid-in capital	5,965	5,775
Retained earnings	2,093	2,302
Accumulated other comprehensive loss	(3,909)	(3,496)
Total Aon shareholders' equity	4,151	4,583
Noncontrolling interests	68	65
Total equity	4,219	4,648

Total liabilities and equity	$26,422	$26,088

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Shareholders' Equity

(millions)	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Non-controlling Interests	Total
Balance at January 1, 2016	269.8	$ 5,412	$ 4,013	$ (3,423)	$ 57	$ 6,059
Net income	—	—	1,396	—	34	1,430
Shares issued — employee stock compensation plans	4.3	(125)	—	—	—	(125)
Shares purchased	(12.1)	—	(1,257)	—	—	(1,257)
Tax benefit — employee benefit plans	—	(4)	—	—	—	(4)
Share-based compensation expense	—	331	—	—	—	331
Dividends to shareholders ($1.29 per share)	—	—	(345)	—	—	(345)
Net change in fair value of financial instruments	—	—	—	(12)	—	(12)
Net foreign currency translation adjustments	—	—	—	(493)	(2)	(495)
Net postretirement benefit obligation	—	—	—	16	—	16
Net purchases of shares from noncontrolling interests	—	(34)	—	—	(4)	(38)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(28)	(28)
Balance at December 31, 2016	262.0	5,580	3,807	(3,912)	57	5,532
Adoption of new accounting guidance	—	—	49	—	—	49
Balance at January 1, 2017	262.0	5,580	3,856	(3,912)	57	5,581
Net income	—	—	1,226	—	37	1,263
Shares issued — employee stock compensation plans	3.6	(120)	(1)	—	—	(121)
Shares purchased	(18.0)	—	(2,415)	—	—	(2,415)
Share-based compensation expense	—	321	—	—	—	321
Dividends to shareholders ($1.41 per share)	—	—	(364)	—	—	(364)
Net change in fair value of financial instruments	—	—	—	12	—	12
Net foreign currency translation adjustments	—	—	—	385	5	390
Net postretirement benefit obligation	—	—	—	19	—	19
Net purchases of shares from noncontrolling interests	—	(4)	—	—	(7)	(11)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(27)	(27)
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	—	—	1,134	—	40	1,174
Shares issued — employee stock compensation plans	2.5	(148)	—	—	—	(148)
Shares purchased	(10.0)	—	(1,454)	—	—	(1,454)
Share-based compensation expense	—	338	—	—	—	338
Dividends to shareholders ($1.56 per share)	—	—	(382)	—	—	(382)
Net change in fair value of financial instruments	—	—	—	11	—	11
Net foreign currency translation adjustments	—	—	—	(440)	(4)	(444)
Net postretirement benefit obligation	—	—	—	17	—	17
	—	—	—	—	(1)	(1)

Net purchases of shares from noncontrolling interests						
Dividends paid to noncontrolling interests on subsidiary common stock	—		—	—	(32)	(32)
Balance at December 31, 2018	240.1	$ 5,967	$ 2,093	$ (3,909)	$ 68	$ 4,219

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Cash Flows

	Years ended December 31		
(millions)	2018	2017	2016
Cash flows from operating activities			
Net income	$1,174	$1,263	$1,430
Less: Income from discontinued operations, net of income taxes	74	828	177
Adjustments to reconcile net income to cash provided by operating activities:			
Loss (gain) from sales of businesses and investments, net	6	16	(39)
Depreciation of fixed assets	176	187	162
Amortization and impairment of intangible assets	593	704	157
Share-based compensation expense	338	319	306

Deferred income taxes	(225)	(18)	(24)
Change in assets and liabilities:			
Fiduciary receivables	(679)	171	595
Short-term investments — funds held on behalf of clients	(320)	(135)	(540)
Fiduciary liabilities	999	(36)	(55)
Receivables, net	(127)	(254)	(105)
Accounts payable and accrued liabilities	25	96	53
Restructuring reserves	23	172	—
Current income taxes	34	(914)	(42)
Pension, other postretirement and other postemployment liabilities	(259)	(66)	42
Other assets and liabilities	2	(8)	66
Cash provided by operating activities - continuing operations	1,686	669	1,829
Cash provided by operating activities - discontinued operations	—	65	497
	1,686	734	2,326

Cash provided by operating activities			
Cash flows from investing activities			
Proceeds from investments	71	68	43
Payments for investments	(80)	(64)	(64)
Net sales (purchases) of short-term investments — non-fiduciary	348	(232)	61
Acquisition of businesses, net of cash acquired	(58)	(1,029)	(879)
Sale of businesses, net of cash sold	(10)	4,246	107
Capital expenditures	(240)	(183)	(156)
Cash provided by (used for) investing activities - continuing operations	31	2,806	(888)
Cash used for investing activities - discontinued operations	—	(19)	(66)
Cash provided by (used for)	31	2,787	(954)

investing activities			
Cash flows from financing activities			
Share repurchase	(1,470)	(2,399)	(1,257)
Issuance of shares for employee benefit plans	(149)	(121)	(129)
Issuance of debt	5,754	1,654	3,467
Repayment of debt	(5,417)	(1,999)	(2,945)
Cash dividends to shareholders	(382)	(364)	(345)
Noncontrolling interests and other financing activities	(35)	(36)	(77)
Cash used for financing activities - continuing operations	(1,699)	(3,265)	(1,286)
Cash used for financing activities - discontinued operations	—	—	—
Cash used for financing activities	(1,699)	(3,265)	(1,286)
Effect of exchange rates on cash and cash equivalents	(118)	69	(39)
	(100)	325	47

Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of period	756	431	384
Cash and cash equivalents at end of period	$656	$756	$431
Supplemental disclosures:			
Interest paid	$266	$272	$272
Income taxes paid, net of refunds	$337	$1,182	$218

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The Financial Statements include the accounts of Aon and its controlled subsidiaries. Intercompany accounts and transactions have been eliminated. The