Aon plc
Form 10-Q
October 31, 2012

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

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

**FOR THE QUARTERLY PERIOD ENDED September 30, 2012**

**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.) |
| **8 DEVONSHIRE SQUARE, LONDON, ENGLAND** | **EC2M 4PL** |

| (Address of Principal Executive Offices) | (Zip Code) |
|---|---|

**+44 20 7623 5500**

(Registrant s Telephone Number,

Including Area Code)

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

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

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

| | |
|---|---|
| Large accelerated filer x | Accelerated filer o |
| Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company 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 x

Number of Class A Ordinary Shares of Aon plc, $0.01 nominal value, outstanding as of September 30, 2012: 318,667,385

**Part I Financial Information**

**ITEM 1. FINANCIAL STATEMENTS**

***Aon plc***

**Condensed Consolidated Statements of Income**

**(Unaudited)**

| (millions, except share data) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Commissions, fees and other | $ 2,726 | $ 2,708 | $ 8,368 | $ 8,255 |
| Fiduciary investment income | 11 | 15 | 31 | 38 |
| Total revenue | 2,737 | 2,723 | 8,399 | 8,293 |
| **Expenses** | | | | |
| Compensation and benefits | 1,620 | 1,634 | 4,920 | 4,843 |
| Other general expenses | 778 | 761 | 2,344 | 2,284 |
| Total operating expenses | 2,398 | 2,395 | 7,264 | 7,127 |
| **Operating income** | 339 | 328 | 1,135 | 1,166 |
| Interest income | 1 | 4 | 6 | 14 |
| Interest expense | (57) | (60) | (173) | (186) |
| Other (expense) income | (9) | 20 | 3 | 6 |
| **Income from continuing operations before income taxes** | 274 | 292 | 971 | 1,000 |
| Income taxes | 64 | 84 | 257 | 274 |
| **Income from continuing operations** | 210 | 208 | 714 | 726 |
| **(Loss) income from discontinued operations before income taxes** | | | (1) | 5 |
| Income taxes | | | | 1 |
| **(Loss) income from discontinued operations** | | | (1) | 4 |
| **Net income** | 210 | 208 | 713 | 730 |
| Less: Net income attributable to noncontrolling interests | 6 | 10 | 25 | 28 |
| **Net income attributable to Aon shareholders** | $ 204 | $ 198 | $ 688 | $ 702 |
| **Net income (loss) attributable to Aon shareholders** | | | | |
| Income from continuing operations | $ 204 | $ 198 | $ 689 | $ 698 |
| (Loss) income from discontinued operations | | | (1) | 4 |
| **Net income** | $ 204 | $ 198 | $ 688 | $ 702 |
| **Basic net income per share attributable to Aon shareholders** | | | | |
| Continuing operations | $ 0.62 | $ 0.59 | $ 2.08 | $ 2.07 |
| Discontinued operations | | | | 0.01 |
| **Net income** | $ 0.62 | $ 0.59 | $ 2.08 | $ 2.08 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Diluted net income per share attributable to Aon shareholders** | | | | | | | | |
| Continuing operations | $ | 0.62 | $ | 0.59 | $ | 2.06 | $ | 2.04 |
| Discontinued operations | | | | | | | | 0.01 |
| **Net income** | $ | 0.62 | $ | 0.59 | $ | 2.06 | $ | 2.05 |
| **Cash dividends per share paid on ordinary shares** | $ | 0.16 | $ | 0.15 | $ | 0.46 | $ | 0.45 |
| **Weighted average ordinary shares outstanding - basic** | | 327.3 | | 332.6 | | 330.6 | | 336.7 |
| **Weighted average ordinary shares outstanding - diluted** | | 331.0 | | 336.9 | | 334.4 | | 341.8 |

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

*Aon plc*

**Condensed Consolidated Statements of Comprehensive Income**

**(Unaudited)**

| (millions) | Three Months Ended September 30, 2012 | Three Months Ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|
| Net income | $ 210 | $ 208 | $ 713 | $ 730 |
| Less: Net income attributable to noncontrolling interests | 6 | 10 | 25 | 28 |
| Net income attributable to Aon shareholders | $ 204 | $ 198 | $ 688 | $ 702 |
| Other comprehensive income (loss), net of tax: | | | | |
| Change in fair value of derivatives | 15 | (9) | 5 | (14) |
| Foreign currency translation adjustments | 164 | (209) | 71 | (12) |
| Post-retirement benefit obligation | 7 | 15 | 46 | 42 |
| Total other comprehensive income (loss) | 186 | (203) | 122 | 16 |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | 4 | (1) | 2 | (1) |
| Total other comprehensive income (loss) attributable to Aon shareholders | 182 | (202) | 120 | 17 |
| Comprehensive income (loss) attributable to Aon shareholders | $ 386 | $ (4) | $ 808 | $ 719 |

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

***Aon plc***

**Condensed Consolidated Statements of Financial Position**

| (millions, except par value) | Sept. 30, 2012 (Unaudited) | Dec. 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 290 | $ 272 |
| Short-term investments | 718 | 785 |
| Receivables, net | 2,959 | 3,183 |
| Fiduciary assets | 11,343 | 10,838 |
| Other current assets | 392 | 427 |
| **Total Current Assets** | 15,702 | 15,505 |
| Goodwill | 8,856 | 8,770 |
| Intangible assets, net | 3,040 | 3,276 |
| Fixed assets, net | 814 | 783 |
| Investments | 160 | 239 |
| Other non-current assets | 937 | 979 |
| **TOTAL ASSETS** | $ 29,509 | $ 29,552 |
| **LIABILITIES AND EQUITY** | | |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Fiduciary liabilities | $ 11,343 | $ 10,838 |
| Short-term debt and current portion of long-term debt | 291 | 337 |
| Accounts payable and accrued liabilities | 1,519 | 1,832 |
| Other current liabilities | 801 | 753 |
| **Total Current Liabilities** | 13,954 | 13,760 |
| Long-term debt | 4,111 | 4,155 |
| Pension, other post retirement and other post employment liabilities | 1,757 | 2,192 |
| Other non-current liabilities | 1,326 | 1,325 |
| **TOTAL LIABILITIES** | 21,148 | 21,432 |
| **EQUITY** | | |
| Ordinary shares (2012 - $0.01 nominal value; 2011 - $1.00 par value) Authorized: 750 shares (issued: 2012 - 318.7; 2011 - 386.4) | 3 | 386 |
| Additional paid-in capital | 4,373 | 4,021 |
| Retained earnings | 6,179 | 8,594 |
| Treasury shares at cost (shares: 2012 - 0; 2011 - 59.6) | | (2,553) |
| Accumulated other comprehensive loss | (2,250) | (2,370) |
| **TOTAL AON SHAREHOLDERS EQUITY** | 8,305 | 8,078 |
| Noncontrolling interests | 56 | 42 |
| **TOTAL EQUITY** | 8,361 | 8,120 |
| **TOTAL LIABILITIES AND EQUITY** | $ 29,509 | $ 29,552 |

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

***Aon plc***

**Condensed Consolidated Statement of Shareholders Equity**

**(Unaudited)**

| (millions) | Shares | Ordinary Shares and Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss, Net of Tax | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2011** | 386.4 | $ 4,407 | $ 8,594 | $ (2,553) | $ (2,370) | $ 42 | $ 8,120 |
| Net income | | | 688 | | | 25 | 713 |
| Retirement of treasury shares | (60.0) | (60) | (2,412) | 2,472 | | | |
| Shares issued - employee benefit plans | 3.0 | 20 | | | | | 20 |
| Shares purchased | (10.7) | | (525) | (100) | | | (625) |
| Shares reissued - employee benefit plans | | (181) | (13) | 181 | | | (13) |
| Tax benefit - employee benefit plans | | 30 | | | | | 30 |
| Share-based compensation expense | | 160 | | | | | 160 |
| Dividends to shareholders | | | (153) | | | | (153) |
| Change in net derivative gains/losses | | | | | 5 | | 5 |
| Net foreign currency translation adjustments | | | | | 69 | 2 | 71 |
| Net post-retirement benefit obligation | | | | | 46 | | 46 |
| Purchase of subsidiary shares from non-controlling interests | | | | | | 4 | 4 |
| Dividends paid to non-controlling interests on subsidiary common stock | | | | | | (17) | (17) |
| **Balance at September 30, 2012** | 318.7 | $ 4,376 | $ 6,179 | $ | $ (2,250) | $ 56 | $ 8,361 |

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

***Aon plc***

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

| (millions) | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 713 | $ 730 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Gain from sales of businesses, net | (1) | (4) |
| Depreciation of fixed assets | 168 | 164 |
| Amortization of intangible assets | 313 | 273 |
| Share-based compensation expense | 160 | 179 |
| Deferred income taxes | 21 | 3 |
| Change in assets and liabilities: | | |
| Fiduciary receivables | (447) | 412 |
| Short term investments - funds held on behalf of clients | 118 | (626) |
| Fiduciary liabilities | 329 | 214 |
| Receivables, net | 240 | (36) |
| Accounts payable and accrued liabilities | (347) | (227) |
| Restructuring reserves | (43) | (68) |
| Current income taxes | 67 | 172 |
| Pension and other post employment liabilities | (414) | (334) |
| Other assets and liabilities | (10) | (65) |
| **CASH PROVIDED BY OPERATING ACTIVITIES** | 867 | 787 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Sales of long-term investments | 171 | 103 |
| Purchases of long-term investments | (9) | (28) |
| Net sales of short-term investments - non-fiduciary | 66 | 176 |
| Acquisition of businesses, net of cash acquired | (97) | (102) |
| Proceeds from sale of businesses | 2 | 9 |
| Capital expenditures | (201) | (151) |
| **CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES** | (68) | 7 |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Share repurchase | (625) | (828) |
| Issuance of shares for employee benefit plans | 93 | 165 |
| Issuance of debt | 333 | 1,572 |
| Repayment of debt | (427) | (1,523) |
| Cash dividends to shareholders | (153) | (150) |
| Purchase of shares from noncontrolling interests | | (24) |
| Dividends paid to noncontrolling interests | (17) | (21) |
| **CASH USED FOR FINANCING ACTIVITIES** | (796) | (809) |
| | | |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | 15 | (36) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 18 | (51) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 272 | 346 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | $ 290 | $ 295 |
| | | |
| **Supplemental disclosures:** | | |
| Interest paid | $ 172 | $ 216 |

| | | | | |
|---|---|---|---|---|
| Income taxes paid, net of refunds | $ | 139 | $ | 74 |

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

**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**1. Basis of Presentation**

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

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. The results for the three and nine months ended September 30, 2012 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2012.

***Company Redomestication***

On April 2, 2012, the Company completed the reorganization of the corporate structure of the group of companies controlled by its predecessor, Aon Corporation, as holding company of the Aon group, pursuant to which Aon Corporation merged with one of its indirect, wholly-owned subsidiaries and Aon plc became the publicly-held parent company of the Aon group. This transaction is referred to as the Redomestication. In the Redomestication, each issued and outstanding share of Aon Corporation common stock held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value $0.01 per share, of Aon plc. Likewise, equity incentive and compensation plans were assumed by Aon plc and amended to provide that those plans will now provide for the award and issuance of Class A Ordinary Shares instead of shares of common stock of Aon Corporation on a one-for-one basis. Shares of treasury stock of Aon Corporation were cancelled in the Redomestication. Any references to Aon , the Company , us , or we, or any similar references relating to periods before the Redomestication shall be construed as references to Aon Corporation, being the previous parent company of the Aon group.

***Reclassification***

Certain amounts in prior year s Condensed Consolidated Financial Statements and related notes have been reclassified to conform to the 2012 presentation. In prior periods, remeasurement gains and losses from foreign currency transactions and related derivative instruments were recognized in Other general expenses in the Condensed Consolidated Statements of Income. These gains and losses are now included in Other (expense) income in the Condensed Consolidated Statements of Income and disclosed in Note 4 to these Condensed Consolidated Financial Statements. The Company believes this provides greater clarity into the income generated from operations.

***Use of Estimates***

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

**2. Accounting Principles and Practices**

***Changes in Accounting Principles***

*Indefinite-Lived Intangible Asset Impairment*

In July 2012, the Financial Accounting Standards Board ( FASB ) issued guidance on the testing of indefinite-lived intangible assets for impairment that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual quantitative test. The recently issued guidance gives an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a an indefinite-lived intangible asset is less than its carrying amount. If an entity concludes that this is the case, it must perform the quantitative test. The guidance is effective for Aon in the first quarter 2013. The adoption of this guidance is not expected to have a material impact on the Company s Consolidated Financial Statements.

*Goodwill Impairment*

In September 2011, the FASB issued final guidance on goodwill impairment that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual two-step test. The two-step test requires an entity to assess goodwill for impairment by quantitatively comparing the fair value of a reporting unit with its carrying amount, including goodwill (Step 1). If the reporting unit s fair value is less than its carrying amount, Step 2 of the test must be performed to measure the amount of goodwill impairment, if any. The guidance gives an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity concludes that this is the case, it must perform the two-step test. Otherwise, the two-step test is not required. The Company early adopted this guidance in the fourth quarter 2011. The adoption of this guidance did not have a material impact on the Company s Consolidated Financial Statements.

*Comprehensive Income*

In June 2011, the FASB issued guidance that updates principles related to the presentation of comprehensive income. The revised guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements and eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The guidance, which must be applied retroactively, was effective for Aon beginning in the first quarter of 2012. The adoption of this guidance affects only the presentation of these Condensed Consolidated Financial Statements, and had no effect on the financial condition, results of operations or cash flows of the Company.

*Fair Value Measurement*

In May 2011, the FASB issued guidance that clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The additional required disclosures include quantitative information, sensitivity discussion, and description of the valuation process, as well as increased disclosure of unobservable inputs that are significant to the fair value measurement and transfers between Level 1 and Level 2. The guidance is effective for Aon beginning in the first quarter 2012. The adoption of this guidance did not have a material impact on the Company s financial statements.

**3. Cash and Cash Equivalents**

Cash and cash equivalents include cash balances and all highly liquid investments with initial maturities of three months or less. Short-term investments include certificates of deposit, money market funds and highly liquid debt instruments purchased with initial maturities in excess of three months but less than one year and are carried at amortized cost, which approximates fair value.

The Company is required to hold £77 million of operating funds in the U.K. as required by the Financial Services Authority, which were included in Short-term investments. These operating funds, when translated to U.S. dollars, were $124 million and $120 million at September 30, 2012 and December 31, 2011, respectively. Cash and cash equivalents included restricted balances of $88 million and $71 million at September 30, 2012 and December 31, 2011 respectively.

**4. Other (Expense) Income**

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Equity earnings | $ | $ 5 | $ 8 | $ 9 |
| Realized gain on sale of investments | 9 | 1 | 11 | 10 |
| Foreign currency remeasurement (losses) gains | (24) | 24 | (24) | 18 |
| Hedging gains (losses) | 8 | (11) | 8 | (13) |
| Loss on extinguishment of debt | | | | (19) |
| Other | (2) | 1 | | 1 |
| | $ (9) | $ 20 | $ 3 | $ 6 |

**5. Acquisitions and Dispositions**

***Acquisitions***

During the nine months ended September 30, 2012, the Company completed the acquisition of two businesses in the HR Solutions segment and four businesses in the Risk Solutions segment. During the nine months ended September 30, 2011, the Company completed the acquisition of one business in the HR Solutions segment and two businesses in the Risk Solutions segment.

The following table includes the aggregate consideration transferred and the preliminary value of intangible assets recorded as a result of the Company s acquisitions.

| | Nine months ended September 30, | |
|---|---|---|
| **(millions)** | **2012** | **2011** |
| Consideration | $ 110 | $ 100 |
| | | |
| Intangible assets: | | |
| Goodwill | $ 60 | $ 58 |
| Other intangible assets | 56 | 29 |
| | $ 116 | $ 87 |

The results of operations of these acquisitions are included in the Condensed Consolidated Financial Statements as of the acquisition date. The results of operations of the Company would not have been materially different if these acquisitions had been reported from the beginning of the period.

***Dispositions — Continuing Operations***

During the nine months ended September 30, 2012, the Company completed the sale of two businesses in the Risk Solutions segment and one business in the HR Solutions segment. A pretax gain of $1 million was recognized on these sales, which is included in Other (expense) income in the Condensed Consolidated Statements of Income. During the nine months ended September 30, 2011, the Company completed the sale of two businesses in the Risk Solutions segment. A pretax loss of $2 million was recognized on these sales, which is included in Other (expense) income in the Condensed Consolidated Statements of Income.

**6. Goodwill and Other Intangible Assets**

The change in the net carrying amount of goodwill by operating segment for the nine months ended September 30, 2012 is as follows (in millions):

| | Risk Solutions | HR Solutions | Total |
|---|---|---|---|
| Balance as of December 31, 2011 | $ 5,557 | $ 3,213 | $ 8,770 |
| Goodwill related to current year acquisitions | 55 | 5 | 60 |
| Goodwill related to other prior year acquisitions | (6) | | (6) |
| Transfer related to Health and Benefits Consulting (1) | 313 | (313) | |
| Foreign currency translation | 18 | 14 | 32 |
| Balance as of September 30, 2012 | $ 5,937 | $ 2,919 | $ 8,856 |

(1) Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment.

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

| | September 30, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Intangible assets with indefinite lives: | | | | | | |
| Trademarks | $ 1,024 | $ | $ 1,024 | $ 1,024 | $ | $ 1,024 |
| | | | | | | |
| Intangible assets with finite lives: | | | | | | |
| Trademarks | 6 | 2 | 4 | 4 | 1 | 3 |
| Customer related and contract based | 2,671 | 874 | 1,797 | 2,608 | 615 | 1,993 |
| Marketing, technology and other | 609 | 394 | 215 | 606 | 350 | 256 |
| | $ 4,310 | $ 1,270 | $ 3,040 | $ 4,242 | $ 966 | $ 3,276 |

Amortization expense from finite lived intangible assets was $105 million and $313 million for the three and nine months ended September 30, 2012, respectively. Amortization expense from finite lived intangible assets was $91 million and $273 million for the three and nine months ended September 30, 2011, respectively.

The estimated future amortization for intangible assets as of September 30, 2012 is as follows (in millions):

| | HR Solutions | Risk Solutions | Total |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Remainder of 2012 | $ 76 | $ 32 | $ 108 |
| 2013 | 278 | 112 | 390 |
| 2014 | 240 | 96 | 336 |
| 2015 | 210 | 82 | 292 |
| 2016 | 175 | 70 | 245 |
| Thereafter | 478 | 167 | 645 |
| | $ 1,457 | $ 559 | $ 2,016 |

**7. Restructuring**

***Aon Hewitt Restructuring Plan***

On October 14, 2010, Aon announced a global restructuring plan ( Aon Hewitt Plan ) in connection with the acquisition of Hewitt Associates, Inc. The Aon Hewitt Plan is intended to streamline operations across the combined Aon Hewitt organization and includes approximately 2,000 job eliminations. The Company expects these restructuring activities and related expenses to affect continuing operations into 2013. The Aon Hewitt Plan is expected to result in cumulative costs of approximately $325 million through the end of the plan, consisting of approximately $180 million in employee termination costs and approximately $145 million in real estate rationalization costs across the Company.

From the inception of the Aon Hewitt Plan through September 30, 2012, in excess of 1,800 jobs have been eliminated and total expenses of $214 million have been incurred. The Company recorded $32 million and $57 million of restructuring and related charges in the three and nine months ended September 30, 2012, respectively. The Company recorded $26 million and $80 million of restructuring and related charges in the three and nine months ended September 30, 2011, respectively. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

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

| | 2010 | 2011 | Third Quarter 2012 | Nine Months 2012 | Total Inception to Date | Estimated Total Cost for Restructuring Plan (1) |
|---|---|---|---|---|---|---|
| Workforce reduction | $ 49 | $ 64 | $ 25 | $ 44 | $ 157 | $ 180 |
| Lease consolidation | 3 | 32 | 6 | 11 | 46 | 95 |
| Asset impairments | | 7 | | 1 | 8 | 47 |
| Other costs associated with restructuring (2) | | 2 | 1 | 1 | 3 | 3 |
| Total restructuring and related expenses | $ 52 | $ 105 | $ 32 | $ 57 | $ 214 | $ 325 |

(1) Actual costs, when incurred, will vary due to changes in the assumptions built into this plan. Significant assumptions likely to change when plans are finalized and implemented include, but are not limited to, changes in severance calculations, changes in the assumptions underlying sublease loss calculations due to changing market conditions, and changes in the overall analysis that might cause the Company to add or cancel component initiatives.

(2) Other costs associated with restructuring initiatives, including moving costs and consulting and legal fees, are recognized when incurred.

Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment. Restructuring costs associated with the Health and Benefits Consulting business are reflected in the Risk Solutions segment, including $41 million that was reclassified from the HR Solutions segment to the Risk Solutions segment for 2011. During the third quarter 2011, $26 million in restructuring expenses were recorded, $14 million of which related to the Health and Benefits Consulting business. The following summarizes the restructuring and related expenses, by segment, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

| | 2010 | 2011 | Third Quarter 2012 | Nine Months 2012 | Total Inception to Date | Estimated Total Cost for Restructuring Plan |
|---|---|---|---|---|---|---|
| HR Solutions | $ 52 | $ 49 | $ 16 | $ 36 | $ 137 | $ 243 |
| Risk Solutions | | 56 | 16 | 21 | 77 | 82 |
| Total restructuring and related expenses | $ 52 | $ 105 | $ 32 | $ 57 | $ 214 | $ 325 |

***Aon Benfield Restructuring Plan***

The Company announced a global restructuring plan ( Aon Benfield Plan ) in conjunction with its acquisition of Benfield in 2008. The Aon Benfield Plan was intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan included 810 job eliminations. Additionally, duplicate space and assets were abandoned. The Company incurred all remaining costs for the Aon Benfield Plan and the plan was closed in the first quarter 2012.

The Company recorded $8 million of restructuring and related charges in the nine months ended September 30, 2012. The Company recorded $3 million of restructuring and related charges in the three months ended September 30, 2011, and a net restructuring benefit of $2 million in the nine months ended September 30, 2011. All costs associated with the Aon Benfield Plan are included in the Risk Solutions segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

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

| | Purchase Price Allocation | 2009 | 2010 | 2011 | Third Quarter 2012 | Nine Months 2012 | Inception to Date | Total Cost for Restructuring Plan |
|---|---|---|---|---|---|---|---|---|
| Workforce reduction | $ 32 | $ 38 | $ 15 | $ 33 | $ | $ 8 | $ 126 | $ 126 |
| Lease consolidation | 20 | 14 | 7 | (15) | | | 26 | 26 |
| Asset impairments | | 2 | 2 | | | | 4 | 4 |
| Other costs associated with restructuring | 1 | 1 | 2 | 1 | | | 5 | 5 |
| Total restructuring and related expenses | $ 53 | $ 55 | $ 26 | $ 19 | $ | $ 8 | $ 161 | $ 161 |

As of September 30, 2012, the Company s liabilities for its restructuring plans are as follows (in millions):

| | Aon Hewitt Plan | Aon Benfield Plan | 2007 Plan | Other | Total |
|---|---|---|---|---|---|
| Balance at December 31, 2011 | $ 95 | $ 20 | $ 50 | $ 8 | $ 173 |
| Expensed | 56 | 8 | | | 64 |
| Cash payments | (71) | (20) | (15) | (3) | (109) |
| Foreign exchange translation and other | | 1 | 2 | | 3 |
| Balance at September 30, 2012 | $ 80 | $ 9 | $ 37 | $ 5 | $ 131 |

**8. Investments**

The Company earns income on cash balances and investments, as well as on premium trust balances that the Company maintains for premiums collected from insureds but not yet remitted to insurance companies, and funds held under the terms of certain outsourcing agreements to pay certain obligations on behalf of clients. Premium trust balances and a corresponding liability are included in Fiduciary assets and Fiduciary liabilities in the accompanying Condensed Consolidated Statements of Financial Position.

The Company s interest-bearing assets and other investments are included in the following categories in the Condensed Consolidated Statements of Financial Position (in millions):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Cash and cash equivalents | $ 290 | $ 272 |
| Short-term investments | 718 | 785 |
| Fiduciary assets (1) | 4,147 | 4,190 |
| Investments | 160 | 239 |
| | $ 5,315 | $ 5,486 |

(1) Fiduciary assets include funds held on behalf of clients but does not include fiduciary receivables.

The Company s investments are as follows (in millions):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Equity method investments (2) | $ 103 | $ 164 |
| Other investments, at cost | 39 | 60 |
| Fixed-maturity securities | 18 | 15 |
| | $ 160 | $ 239 |

(2) The reduction in equity method investments is primarily due to redemptions.

**9. Debt**

The Company uses proceeds from the commercial paper market from time to time in order to meet short-term working capital needs. At September 30, 2012, the Company had no commercial paper outstanding when compared to the $50 million of commercial paper outstanding at December 31, 2011. The weighted average commercial paper outstanding for the three and nine months ended September 30, 2012 was $15 million and $41 million, respectively. The weighted average interest rate of the commercial paper outstanding for the three and nine months ended September 30, 2012 was 0.52% and 0.51%, respectively.

On March 20, 2012, the Company entered into a $400 million five year credit agreement ( Revolving Credit Agreement ). Borrowings under the Revolving Credit Agreement will bear interest, at the Company s option, at a rate equal to either (a) the rate for eurodollar deposits as reflected on the applicable Reuters LIBOR01 page for the interest period relevant to such borrowing ( Eurodollar Rate ), plus the applicable margin or (b) the highest of (i) the rate of interest publicly announced by Citibank as its prime rate, (ii) the federal funds effective rate from time to time plus 0.5% and (iii) the one month Eurodollar rate plus 1.0%, in each case plus the applicable margin. The applicable margin for borrowings under the Revolving Credit Agreement may change depending on achievement of certain public debt ratings. The Revolving Credit Agreement has a maturity date of March 20, 2017 and contains covenants with respect to the ratio of consolidated funded debt to consolidated adjusted EBITDA (which may not be more than the lower of (a) 3.25 to 1.00 or (b) the greater of (i) 3.00 to 1.00 or (ii) the lowest ratio of consolidated funded debt to consolidated adjusted EBITDA then set forth in certain of Aon s other credit facilities), as well as other customary covenants, undertakings and events of default. In conjunction with the Company entering into the Revolving Credit Agreement, the prior revolving credit agreement dated December 4, 2009 was terminated. There were no borrowings on the Revolving Credit Agreement at September 30, 2012. On April 2, 2012, in connection with the Redomestication, Aon plc became party to the Revolving Credit Agreement and guaranteed the obligations of Aon Corporation thereunder. The Company was in compliance with all debt covenants as of September 30, 2012.

**10. Shareholders Equity**

***Redomestication***

Prior to the Redomestication, the Company accounted for purchases of its outstanding common stock using the treasury stock method included in U.S. GAAP. Under this method, the Company recorded purchases of its own outstanding common stock as a reduction to Additional paid-in capital based on the cost of the shares acquired. Under U.K. law, when the Company repurchases its outstanding shares, those shares are treated as cancelled. In April 2012, the Company constructively cancelled 60 million shares of treasury stock related to the Redomestication. The impact of the cancellation of all outstanding treasury shares was a decrease in Ordinary shares and Retained earnings of $60 million and $2.4 billion, respectively. The balance of Treasury stock at cost of $2.5 billion was also eliminated as part of the cancellation. Additionally, effective upon the completion of the Redomestication, the par value of Aon s outstanding equity shares decreased from $1.00 to $0.01. The impact of this change was a decrease in Ordinary shares of $323 million, and an increase in Additional paid-in capital of $323 million.

As a U.K. incorporated company, Aon plc must have distributable reserves to repurchase shares or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company and, amongst other methods, through a reduction in share capital approved by the English Companies Court. Distributable reserves are not linked to a U.S. GAAP reported amount. On April 4, 2012, the Company received approval from the English Companies Court to reduce its share premium and in connection with that approval, recognized distributable reserves in the amount of $8 billion.

***Ordinary Shares***

In January 2010, the Company s Board of Directors authorized a share repurchase program under which up to $2.0 billion of common stock may be repurchased ( 2010 Share Repurchase Program ). Shares could be repurchased through the open market or in privately negotiated transactions, including structured repurchase programs, from time to time, based on prevailing market conditions, and were to be funded from available capital. Any repurchased shares were to be available for employee stock plans and for other corporate purposes.

During the three months ended March 31, 2012, the Company repurchased 2.1 million shares at an average price per share of $48.32 for a total cost of $100 million under the 2010 Share Repurchase Program. Since the inception of the 2010 Share Repurchase Program, the Company repurchased a total of 18.2 million shares for an aggregate cost of $913 million as of March 31, 2012.

The 2010 Share Repurchase Program, which related to common stock of Aon Corporation and preceded the Redomestication, did not extend to shares of Aon plc. In April 2012, the Company s Board of Directors therefore authorized a share repurchase program under which up to $5.0 billion of Class A ordinary shares may be repurchased ( 2012 Share Repurchase Program ). Under this program, shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital.

During the three months ended September 30, 2012, the Company repurchased 5.4 million shares at an average price per share of $51.37 for a total cost of $275 million. During the nine months ended September 30, 2012, the Company repurchased 12.7 million shares at an average price per share of $49.22 for a total cost of $625 million under the 2012 Share Repurchase Program and the previously completed 2010 Share Repurchase Program. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is $4.5 billion.

***Participating Securities***

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities, as defined, and therefore, should be included in computing basic and diluted earnings per share using the two class method. Certain of the Company s restricted share awards allow the holder to receive a non-forfeitable dividend equivalent.

Income from continuing operations, Income from discontinued operations and Net income, attributable to participating securities, were as follows (in millions):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Income from continuing operations | $ 2 | $ 3 | $ 8 | $ 11 |
| Income from discontinued operations | | | | |
| Net income | $ 2 | $ 3 | $ 8 | $ 11 |

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Shares for basic earnings per share (1) | 327.3 | 332.6 | 330.6 | 336.7 |
| Common stock equivalents | 3.7 | 4.3 | 3.8 | 5.1 |
| Shares for diluted earnings per share | 331.0 | 336.9 | 334.4 | 341.8 |

(1) Includes 4.5 million and 5.2 million of participating securities for the three months ended September 30, 2012 and 2011, respectively, and 4.7 million and 5.5 million of participating securities for the nine months ended September 30, 2012 and 2011, respectively.

Certain ordinary share equivalents, primarily related to options, were not included in the computation of diluted net income per share because their inclusion would have been antidilutive. The number of shares excluded from the calculation was 0.1 million and 1.0 million for the three months ended September 30, 2012 and 2011, respectively, and 0.1 million and 0.1 million for the nine months ended September 30, 2012 and 2011, respectively.

***Accumulated Other Comprehensive Loss***

The components of Accumulated other comprehensive loss, net of related tax, are as follows (in millions):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Net derivative losses | $ (32) | $ (37) |
| Net foreign exchange translation adjustments | 193 | 124 |
| Net postretirement benefit obligations | (2,411) | (2,457) |
| Accumulated other comprehensive loss, net of tax | $ (2,250) | $ (2,370) |

**11. Employee Benefits**

The following table provides the components of the net periodic benefit cost for Aon s U.S. pension plans, along with its most significant international pension plans, which are located in the U.K., the Netherlands, and Canada (in millions):

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | U.S. | | International | |
| | 2012 | 2011 | 2012 | 2011 |
| Service cost | $ | $ | $ 4 | $ 5 |
| Interest cost | 29 | 31 | 66 | 67 |
| Expected return on plan assets | (31) | (30) | (80) | (73) |
| Amortization of net actuarial loss | 10 | 8 | 15 | 14 |
| Net periodic benefit cost | $ 8 | $ 9 | $ 5 | $ 13 |

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | U.S. | | International | |
| | 2012 | 2011 | 2012 | 2011 |
| Service cost | $ | $ | $ 12 | $ 15 |
| Interest cost | 89 | 92 | 198 | 201 |
| Expected return on plan assets | (95) | (90) | (241) | (217) |
| Amortization of net actuarial loss | 32 | 23 | 44 | 41 |
| Net periodic benefit cost | $ 26 | $ 25 | $ 13 | $ 40 |

Based on current assumptions, in 2012, Aon plans to contribute $226 million and $415 million to its U.S. and most significant international defined benefit pension plans, respectively. During the nine months ended September 30, 2012, contributions of $195 million were made to the Company s U.S. pension plans and $259 million were made to its most significant international pension plans. On September 30, 2012, the Company completed a merger of five of the seven legacy Aon and Hewitt UK pension plans into one single plan. In addition to decreasing management time and improving governance, additional benefits are expected to be derived through improved operational efficiencies, reduced advisor and asset manager costs, and a higher level of control over investments. In connection with this transaction, on October 1, 2012, the Company made a discretionary contribution of approximately $80 million.

**12. Share-Based Compensation Plans**

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Restricted stock units ( RSUs ) | $ 37 | $ 31 | $ 120 | $ 108 |
| Performance share awards ( PSAs ) | 15 | 24 | 30 | 59 |
| Stock options | 1 | 2 | 4 | 7 |
| Employee stock purchase plans | 2 | 2 | 6 | 5 |
| Total stock-based compensation expense | $ 55 | $ 59 | $ 160 | $ 179 |

***Share Awards***

A summary of the status of the Company s RSUs is as follows (shares in thousands):

| | Nine months ended September 30, 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Shares | | Fair Value (1) | Shares | | Fair Value (1) |
| Non-vested at beginning of period | 9,916 | $ | 42 | 10,674 | $ | 38 |
| Granted | 4,888 | | 46 | 3,366 | | 51 |
| Vested | (3,343) | | 42 | (3,385) | | 39 |
| Forfeited | (516) | | 44 | (410) | | 39 |
| Non-vested at end of period | 10,945 | | 44 | 10,245 | | 42 |

(1) Represents per share weighted average fair value of award at date of grant

Information as of September 30, 2012 regarding the Company s PSAs granted during the nine months ended September 30, 2012 and the years ended December 31, 2011 and 2010, respectively, is as follows (shares in thousands, dollars in millions, except fair value):

| | As of September 30, 2012 | As of December 31, 2011 | As of December 31, 2010 |
|---|---|---|---|
| Target PSAs granted | 1,369 | 1,715 | 1,390 |
| Fair value (1) | $ 47 | $ 50 | $ 39 |
| Number of shares that would be issued based on current performance levels | 1,367 | 1,131 | 1,241 |
| Unamortized expense, based on current performance levels | $ 52 | $ 25 | $ 4 |

(1) Represents per share weighted average fair value of award at date of grant.

***Share Options***

In connection with its incentive compensation plans, the Company did not grant any share options in the nine months ended September 30, 2012. During the nine months ended September 30, 2011, the Company granted 80,000 share options at a weighted average exercise price of $53 per share. The weighted average volatility, expected dividend yield and risk-free rate assumed related to those options were 26.1%, 1.3% and 2.2%, respectively. The weighted average expected life was 5.5 years, and the weighted average estimated fair value per share was $10.92.

A summary of the status of the Company s share options and related information is as follows (shares in thousands):

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Shares | Weighted- Average Exercise Price | Shares | Weighted- Average Exercise Price |
| Beginning outstanding | 9,116 | $ 32 | 13,919 | $ 32 |
| Granted | | | 80 | 53 |
| Exercised | (2,570) | 31 | (3,781) | 32 |
| Forfeited and expired | (67) | 37 | (300) | 37 |
| Outstanding at end of period | 6,479 | 32 | 9,918 | 32 |
| Exercisable at end of period | 5,969 | 31 | 8,566 | 30 |

The weighted average remaining contractual life, in years, of outstanding options was 2.8 years and 3.3 years at September 30, 2012 and 2011, respectively.

The aggregate intrinsic value represents the total pretax intrinsic value, based on options with an exercise price less than the Company s closing stock price of $52.29 as of September 30, 2012, which would have been received by the option holders had those option holders exercised their options as of that date. At September 30, 2012, the aggregate intrinsic value of options outstanding was $131 million, of which $125 million was exercisable.

Other information related to the Company s share options is as follows (in millions):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Aggregate intrinsic value of stock options exercised | $ 23 | $ 4 | $ 47 | $ 69 |
| Cash received from the exercise of stock options | 29 | 8 | 80 | 129 |
| Tax benefit realized from the exercise of stock options | 5 | | 8 | 12 |

Unamortized deferred compensation expense, which includes both options and awards, amounted to $329 million as of September 30, 2012, with a remaining weighted-average amortization period of approximately 2.1 years.

**13. Derivatives and Hedging**

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

***Foreign Exchange Risk Management***

The Company is exposed to foreign exchange risk when it receives revenues, pays expenses, or enters into intercompany loans denominated in a currency that differs from its functional currency. The Company uses foreign exchange derivatives, typically forward contracts, options and cross currency swaps, to reduce its overall exposure to the effects of currency fluctuations on cash flows. These exposures are hedged, on average, for less than two years; however, in limited instances, the Company has hedged certain exposures up to five years in the future.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to hedge its net investments in foreign operations for up to two years in the future.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to manage the currency exposure of the Company s global liquidity profile for up to one year in the future. These derivatives are not accounted for as hedges, and changes in fair value are recorded each period in Other (expense) income in the Condensed Consolidated Statements of Income.

***Interest Rate Risk Management***

The Company holds variable-rate short-term brokerage and other operating deposits. The Company uses interest rate derivatives, typically swaps, to reduce its exposure to the effects of interest rate fluctuations on the forecasted interest receipts from these deposits for up to two years in the future.

Certain derivatives also give rise to credit risks from the possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to the Company. The Company has limited its credit risk by using International Swaps and Derivatives Association ( ISDA ) master agreements, collateral and credit support arrangements, entering into non-exchange-traded derivatives with highly-rated major financial institutions and by using exchange-traded instruments. The Company monitors the credit worthiness of, and exposure to, its counterparties. As of September 30, 2012, all net derivative positions were free of credit risk contingent features. The Company has not received or pledged any collateral as of September 30, 2012.

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

| | Notional Amount | | Derivative Assets (1) | | Derivative Liabilities (2) | |
|---|---|---|---|---|---|---|
| | September 30, 2012 | December 31, 2011 | September 30, 2012 | December 31, 2011 | September 30, 2012 | December 31, 2011 |
| Derivatives accounted for as hedges: | | | | | | |
| Interest rate contracts | $ 342 | $ 702 | $ 16 | $ 16 | $ | $ |
| Foreign exchange contracts | 1,224 | 1,297 | 224 | 140 | 283 | 188 |
| Total | 1,566 | 1,999 | 240 | 156 | 283 | 188 |
| Derivatives not accounted for as hedges: | | | | | | |
| Foreign exchange contracts | 187 | 246 | 2 | 1 | 1 | 1 |
| Total | $ 1,753 | $ 2,245 | $ 242 | $ 157 | $ 284 | $ 189 |

(1) Included within Other current assets or Other non-current assets

(2) Included within Other current liabilities or Other non-current liabilities

The amounts of derivative gains (losses) recognized in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2012 and 2011 are as follows (in millions):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Gain (Loss) recognized in Accumulated Other Comprehensive Loss: | | | | |
| Cash Flow Hedges: | | | | |
| Interest rate contracts (1) | $ | $ 1 | $ | $ (1) |
| Foreign exchange contracts (2) | 16 | (10) | (14) | (31) |
| Total | 16 | (9) | (14) | (32) |
| | | | | |
| Foreign Net Investment Hedges: | | | | |
| Foreign exchange contracts | $ 3 | $ 13 | $ 4 | $ (4) |
| | | | | |
| Gain (Loss) reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion): | | | | |
| | | | | |
| Cash Flow Hedges: | | | | |
| Interest rate contracts (1) | $ | $ | $ | $ 1 |
| Foreign exchange contracts (2) | (7) | 3 | (23) | (12) |
| Total | (7) | 3 | (23) | (11) |
| | | | | |
| Foreign Net Investment Hedges: | | | | |
| Foreign exchange contracts | $ | $ | $ | $ |

(1) Included within Fiduciary investment income and Interest expense

(2) Included within Other (expense) income and Interest expense

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount of Gain (Loss) Recognized in Income on Derivative (1) | | Amount of Gain (Loss) Recognized in Income on Related Hedge Item (2) | | Amount of Gain (Loss) Recognized in Income on Derivative (1) | | Amount of Gain (Loss) Recognized in Income on Related Hedge Item (2) | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Fair value hedges: | | | | | | | | |
| Foreign exchange contracts | (3) | 2 | 3 | (3) | | | | 1 |

(1) Relates to fixed rate debt

(2) Included in Interest expense

It is estimated that approximately $18 million of pretax losses currently included within Accumulated other comprehensive loss will be reclassified into earnings in the next twelve months.

The amount of gain (loss) recognized in income on the ineffective portion of derivatives for the three and nine months ended September 30, 2012 and 2011 was not material.

During the three and nine months ended September 30, 2012, the Company recorded a gain of $6 million and $12 million, respectively, in Other (expense) income for foreign exchange derivatives not designated or qualifying as hedges. During the three and nine months ended September 30, 2011, the Company recorded a loss of $9 million in each period, in Other (expense) income for foreign exchange derivatives not designated or qualifying as hedges.

**14. Fair Value and Financial Instruments**

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

- Level 1 observable inputs such as quoted prices for identical assets in active markets;
- Level 2 inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly; and
- Level 3 unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

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

*Money market funds and highly liquid debt securities* are carried at cost and amortized cost, respectively, as an approximation of fair value. Based on market convention, the Company considers cost a practical and expedient measure of fair value.

*Cash, cash equivalents, and highly liquid debt instruments* consist of cash and institutional short-term investment funds. The Company independently reviews the short-term investment funds to obtain reasonable assurance the fund net asset value is $1 per share.

*Equity investments* consist of domestic and international equity securities and exchange traded equity derivatives valued using the closing stock price on a national securities exchange. Over the counter equity derivatives are valued using observable inputs such as underlying prices of the equity security and volatility. The Company independently reviews the listing of Level 1 equity securities in the portfolio and agrees the closing stock prices to a national securities exchange, and on a sample basis, independently verifies the observable inputs for Level 2 equity derivatives and securities.

*Fixed income investments* consist of certain categories of bonds and derivatives. Corporate, government, and agency bonds are valued by pricing vendors who estimate fair value using recently executed transactions and proprietary models based on observable inputs, such as interest rate spreads, yield curves and credit risk. Asset-backed securities are valued by pricing vendors who estimate fair value using discounted cash flow models utilizing observable inputs based on trade and quote activity of securities with similar features. Fixed income derivatives are valued by pricing vendors using observable inputs such as interest rates and yield curves. The Company obtains a detailed understanding of the models, inputs, and assumptions used in developing prices provided by its vendors. This understanding includes discussions with valuation resources at the vendor. During these discussions, the Company uses a fair value measurement questionnaire, which is part of the Company s internal controls over financial reporting, to obtain the information necessary to assert the model, inputs and assumptions used comply with U.S. GAAP, including disclosure requirements. The Company also obtains observable inputs from the pricing vendor and independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company s guidelines, it is then reviewed by a member of management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and have not historically been material to the fair value estimates used in the Condensed Consolidated Financial Statements.

*Pooled funds* consist of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles. Pooled investment funds fair value is estimated based on the proportionate share ownership in the underlying net assets of the investment, which is based on the fair value of the underlying securities that trade on a national securities exchange. Where possible, the Company independently reviews the listing securities in the portfolio and agrees the closing stock prices to a national securities exchange. The Company gains an understanding of the investment guidelines and valuation policies of the fund and discusses fund performance with pooled fund managers. The Company obtains audited fund manager financial statements, when available. If the pooled fund is designed to replicate a publicly traded index, the Company compares the performance of the fund to the index to assess the reasonableness of the fair value measurement.

*Alternative investments* consist of limited partnerships, private equity and hedge funds. Alternative investment fair value is generally estimated based on the proportionate share ownership in the underlying net assets of the investment as determined by the general partner or investment manager. The valuations are based on various factors depending on investment strategy, proprietary models, and specific financial data or projections. The Company obtains audited fund manager financial statements, when available. The Company obtains a detailed understanding of the models, inputs and assumptions used in developing prices provided by the investment managers (or appropriate party) through regular discussions. During these discussions with the investment managers, the Company uses a fair value measurement questionnaire, which is part of the Company s internal controls over financial reporting, to obtain the information necessary to assert the model, inputs and assumptions used comply with U.S. GAAP, including disclosure requirements. The Company also obtains observable inputs from the investment manager and independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company s guidelines, it is then reviewed by a member of management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and have not historically been material to the fair value estimates in the Condensed Consolidated Financial Statements.

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

*Annuity contracts* consist of insurance group annuity contracts purchased to match the pension benefit payment stream owed to certain selected plan participant demographics within a few major United Kingdom defined benefit plans. Annuity contracts are valued using a discounted cash flow model utilizing assumptions such as discount rate, mortality, and inflation. The Company independently verifies the observable inputs.

*Real estate and REITs* consist of publicly traded REITs and direct real estate investments. Level 1 REITs are valued using the closing stock price on a national securities exchange. The Level 3 values are based on the proportionate share of ownership in the underlying net asset value as determined by the investment manager. The Company independently reviews the listing of Level 1 REIT securities in the portfolio and agrees the closing stock prices to a national securities exchange. The Company gains an understanding of the investment guidelines and valuation policies of the Level 3 real estate funds and discusses performance with the fund managers. The Company obtains audited fund manager financial statements, when available. See the description of Alternative Investments for further detail on valuation procedures surrounding Level 3 REITs.

*Guarantees* are carried at fair value, which is based on discounted estimated cash flows using published historical cumulative default rates and discount rates commensurate with the underlying exposure.

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

The following tables present the categorization of the Company s assets and liabilities that are measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011 (in millions):

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Balance at September 30, 2012** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Assets: | | | | |
| Money market funds and highly liquid debt securities (1) | $ 2,612 | $ 2,587 | $ 25 | $ |
| Other investments | | | | |
| Fixed maturity securities | | | | |
| Corporate bonds | 12 | | | 12 |
| Government bonds | 6 | | 6 | |
| Derivatives | | | | |
| Interest rate contracts | 16 | | 16 | |
| Foreign exchange contracts | 226 | | 226 | |
| Liabilities: | | | | |
| Derivatives | | | | |
| Foreign exchange contracts | 284 | | 284 | |

(1) Includes $2,587 million of money market funds and $25 million of highly liquid debt securities that are classified as Fiduciary assets, Short-term investments or Cash and cash equivalents in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity. See Note 8 Investments for additional information regarding the Company s investments.

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Balance at December 31, 2011** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Assets: | | | | |
| Money market funds and highly liquid debt securities (1) | $ 2,428 | $ 2,403 | $ 25 | $ |

| | | | | |
|---|---|---|---|---|
| Other investments | | | | |
| Fixed maturity securities | | | | |
| Corporate bonds | 12 | | | 12 |
| Government Bonds | 3 | | 3 | |
| Derivatives | | | | |
| Interest rate contracts | 16 | | 16 | |
| Foreign exchange contracts | 141 | | 141 | |
| Liabilities: | | | | |
| Derivatives | | | | |
| Foreign exchange contracts | 189 | | 189 | |

(1) Includes $2,403 million of money market funds and $25 million of highly liquid debt securities that are classified as Fiduciary assets, Short-term investments or Cash and cash equivalents in the Condensed Consolidated Statements of Financial Position,

depending on their nature and initial maturity. See Note 8 Investments for additional information regarding the Company s investments.

There were no transfers of assets or liabilities between fair value hierarchy levels during either the three or nine months ended September 30, 2012 and 2011. There were no realized or unrealized gains or losses recognized in the Condensed Consolidated Statements of Income during either the three or nine months ended September 30, 2012 and 2011, related to assets and liabilities measured at fair value using unobservable inputs.

The fair value of all long-term debt instruments is classified as Level 2. The following table discloses the Company s financial instruments where the carrying amounts and fair values differ (in millions):

| | September 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| Long-term debt | $ 4,111 | $ 4,618 | $ 4,155 | $ 4,494 |

**15. Commitments and Contingencies**

***Legal***

Aon and its subsidiaries are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business, which frequently include errors and omissions ( E&O ) claims. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or extraordinary damages. Aon has historically purchased E&O insurance and other insurance to provide protection against certain losses that arise in such matters. Aon has exhausted or materially depleted its coverage under some of the policies that protect the Company and, consequently, is self-insured or materially self-insured for some historical claims. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These amounts are adjusted from time to time as developments warrant. Amounts related to settlement provisions are recorded in Other general expenses in the Condensed Consolidated Statements of Income.

At the time of the 2004-05 investigation of the insurance industry by the Attorney General of New York and other regulators, purported classes of clients filed civil litigation against Aon and other companies under a variety of legal theories, including state tort, contract, fiduciary duty, antitrust and statutory theories and federal antitrust and Racketeer Influenced and Corrupt Organizations Act ( RICO ) theories. The federal actions were consolidated in the U.S. District Court for the District of New Jersey, and a state court collective action was filed in California. In the New Jersey actions, the Court dismissed plaintiffs federal antitrust and RICO claims in separate orders in August and October 2007, respectively. In August 2010, the U.S. Court of Appeals for the Third Circuit affirmed the dismissals of most, but not all, of the claims. In March 2011, Aon entered into a Memorandum of Understanding documenting a settlement of the civil cases consolidated in the U.S. District Court for the District of New Jersey. Under that agreement, Aon will pay $550,000 in exchange for dismissal of the class claims. This agreement received final approval in the trial court in March 2012. In April 2012, certain entities that had objected to the settlement filed notices of appeal from the trial court judgment. Several non-class claims brought by individual plaintiffs who opted out of the class action proceeding will remain pending, but the Company does not believe these present material exposure to the Company individually or in the aggregate. The outcome of these lawsuits, and the amount of any losses or other payments that may result, cannot be estimated at this time.

A retail insurance brokerage subsidiary of Aon provides insurance brokerage services to Northrop Grumman Corporation ( Northrop ). This Aon subsidiary placed Northrop s excess property insurance program for the period covering 2005. Northrop suffered a substantial loss in August 2005 when Hurricane Katrina damaged Northrop s facilities in the Gulf states. Northrop s excess insurance carrier, Factory Mutual Insurance Company ( Factory Mutual ), denied coverage for the claim pursuant to a flood exclusion. Northrop sued Factory Mutual in the United States District Court for the Central District of California and later sought to add this Aon subsidiary as a defendant, asserting that if Northrop s policy with Factory Mutual does not cover the losses suffered by Northrop stemming from Hurricane Katrina, then this Aon subsidiary will be responsible for Northrop s losses. On August 26, 2010, the court granted in large part Factory Mutual s motion for partial summary judgment regarding the applicability of the flood exclusion and denied Northrop s motion to add this Aon subsidiary as a defendant in the federal lawsuit. On January 27, 2011, Northrop filed suit against this Aon subsidiary in state court in Los Angeles, California, pleading claims for negligence, breach of contract and negligent misrepresentation. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

Another retail insurance brokerage subsidiary of Aon has been sued in Tennessee state court by a client, Opry Mills Mall Limited Partnership ( Opry Mills ) that sustained flood damage to its property in May 2010. The lawsuit seeks $200 million from numerous insurers with whom this Aon subsidiary placed the client s property insurance coverage. The insurers contend that only $50 million in coverage is available for the loss because the flood event occurred on property in a high hazard flood zone. Opry Mills is seeking full coverage from the insurers for the loss and has sued this Aon subsidiary in the alternative for the same $150 million difference on various theories of professional liability if the court determines there is not full coverage. Aon believes it has meritorious defenses and

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intends to vigorously defend itself against these claims. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

A pensions consulting and administration subsidiary of Hewitt prior to its acquisition by Aon provided advisory services to the Trustees of the Philips UK pension fund and the relevant employer of fund beneficiaries (together, Philips ). In December 2011, the Aon subsidiary received notice of a potential claim alleging negligence and breach of duty. The notice asserts Philips right to claim damages related to Philips use of a credit default swap hedging strategy pursuant to the supply of the advisory services, which is said to have resulted in substantial damages to Philips. No lawsuit has yet been filed. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these allegations. The outcome of this circumstance, and the amount of any losses or other payments that may result, cannot be estimated at this time.

From time to time, Aon s clients may bring claims and take legal action pertaining to the performance of fiduciary responsibilities. Whether client claims and legal action related to the Company s performance of fiduciary responsibilities are founded or unfounded, if such claims and legal actions are resolved in a manner unfavorable to the Company, they may adversely affect Aon s financial results and materially impair the market perception of the Company and that of its products and services.

Although the ultimate outcome of all matters referred to above cannot be ascertained, and liabilities in indeterminate amounts may be imposed on Aon or its subsidiaries, on the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on the consolidated financial position of Aon. However, 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.

***Guarantees and Indemnifications***

In connection with the Redomestication, the Company on April 2, 2012 entered various agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under issued and outstanding debt securities. Those agreements included the (1) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc, and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee ) (amending and restating the Indenture, dated as of September 10, 2010, between Aon Corporation and the Trustee), (2) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of December 16, 2002, between Aon Corporation and the Trustee), (3) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of January 13, 1997, as supplemented by the First Supplemental Indenture, dated as of January 13, 1997) (4) First Supplemental Indenture, dated as of April 2, 2012, among Aon Finance N.S. 1, ULC, as issuer, Aon Corporation, as guarantor, Aon plc, as guarantor, and Computershare Trust Company of Canada, as trustee, and (5) Amended and Restated Trust Deed, among Aon Corporation, Aon plc, Aon Services Luxembourg & Co S.C.A. (formerly known as Aon Financial Services Luxembourg S.A.) ( Aon Luxembourg ) and BNY Mellon Corporate Trustee Services Limited, as trustee (the Luxembourg Trustee ) (amending and restating the Trust Deed, dated as of July 1, 2009, as amended and restated on January 12, 2011, among Aon Delaware, Aon Luxembourg and the Luxembourg Trustee).

Effective as of the same date, the Company also entered into agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under the (1) $450,000,000 Term Credit Agreement dated June 15, 2011, among Aon Corporation, as borrower, Bank of America, N.A., as administrative agent and the other agents and lenders party thereto, (2) $400,000,000 Five-Year Agreement dated March 20, 2012, among Aon Corporation, as borrower, Citibank, N.A., as administrative agent and the other agents and lenders party thereto and (3) 650,00,000 Facility Agreement, dated October 15, 2010, among Aon Corporation, the subsidiaries of Aon Corporation party thereto as borrowers, Citibank International plc, as agent, and the other agents and lenders party thereto, as amended on July 18, 2011.

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

Aon had total letters of credit ( LOCs ) outstanding for approximately $69 million at September 30, 2012, as compared to $75 million at December 31, 2011. These letters of credit cover the beneficiaries related to Aon s Canadian pension plan scheme and secure deductible retentions for Aon s own workers compensation program and one of the U.S. pension plans. Aon also has issued letters of credit to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries. Amounts are accrued in the Condensed Consolidated Financial Statements to the extent the guarantees are probable and estimable.

Aon has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. Costs associated with these guarantees, to the extent estimable and probable, are provided in Aon s allowance for doubtful accounts. The maximum exposure with respect to such contractual contingent guarantees was approximately $36 million at September 30, 2012.

Aon has provided commitments to fund certain limited partnerships in which it has an interest in the event that the general partners request funding. Some of these commitments have specific expiration dates and the maximum potential funding under these commitments was $55 million at September 30, 2012. During the three and nine months ended September 30, 2012, the Company funded $4 million and $8 million, respectively, of these commitments.

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

**16. Related Party Transactions**

During the nine months ended September 30, 2012, the Company, in the ordinary course of business, provided retail brokerage, consulting and financial advisory services to, and received wholesale brokerage services from, an entity that is controlled by one of the Company s shareholders. These transactions were negotiated on an arms-length basis and contain customary terms and conditions. During the three and nine months ended September 30, 2012, commissions and fee revenue from these transactions were approximately $3 million and $11 million, respectively. During the three and nine months ended September 30, 2011, commissions and fee revenue from these transactions was $3 million and $5 million, respectively.

**17. Segment Information**

The Company has two reportable segments: Risk Solutions and HR Solutions. Unallocated income and expenses, when combined with the operating segments and after the elimination of intersegment revenues and expenses, total to the amounts in the Condensed Consolidated Financial Statements.

Reportable operating segments have been determined using a management approach, which is consistent with the basis and manner in which Aon s chief operating decision-maker ( CODM ) uses financial information for the purposes of allocating resources and evaluating performance. The CODM assesses performance based on operating income and generally accounts for inter-segment revenue as if the revenue were from third parties and at what management believes are current market prices. The Company does not present net assets by segment as this information is not reviewed by the CODM.

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

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

Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment. All prior year amounts have been adjusted to reflect that transfer.

Aon s total revenue is as follows (in millions):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Risk Solutions | $ 1,778 | $ 1,772 | $ 5,582 | $ 5,535 |
| HR Solutions | 971 | 957 | 2,847 | 2,778 |
| Intersegment elimination | (12) | (6) | (30) | (20) |
| Total revenue | $ 2,737 | $ 2,723 | $ 8,399 | $ 8,293 |

Commissions, fees and other revenues by product are as follows (in millions):

| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|
| Retail brokerage | $ 1,390 | $ 1,392 | $ 4,395 | $ 4,378 |
| Reinsurance brokerage | 377 | 365 | 1,156 | 1,119 |
| Total Risk Solutions Segment | 1,767 | 1,757 | 5,551 | 5,497 |
| | | | | |
| Consulting services | 394 | 403 | 1,140 | 1,141 |
| Outsourcing | 585 | 558 | 1,723 | 1,655 |
| Intrasegment | (8) | (4) | (16) | (18) |
| Total HR Solutions Segment | 971 | 957 | 2,847 | 2,778 |
| Intersegment | (12) | (6) | (30) | (20) |
| Total commissions, fees and other revenue | $ 2,726 | $ 2,708 | $ 8,368 | $ 8,255 |

Fiduciary investment income by segment is as follows (in millions):

| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|
| Risk Solutions | $ 11 | $ 15 | $ 31 | $ 38 |
| HR Solutions | | | | |
| Total fiduciary investment income | $ 11 | $ 15 | $ 31 | $ 38 |

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

| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|
| Risk Solutions | $ 309 | $ 311 | $ 1,059 | $ 1,036 |
| HR Solutions | 80 | 61 | 211 | 239 |
| Segment income from continuing operations before income taxes | 389 | 372 | 1,270 | 1,275 |
| Unallocated expenses | (50) | (44) | (135) | (109) |
| Interest income | 1 | 4 | 6 | 14 |
| Interest expense | (57) | (60) | (173) | (186) |
| Other (expense) income | (9) | 20 | 3 | 6 |
| Income from continuing operations before income taxes | $ 274 | $ 292 | $ 971 | $ 1,000 |

Unallocated expenses include administrative or other costs not attributable to the operating segments, such as corporate governance costs and the costs associated with corporate investments. Interest income represents income earned primarily on operating cash balances and certain income producing securities. Interest expense represents the cost of worldwide debt obligations.

Other (expense) income consists of equity earnings, realized gains or losses on the sale of investments, gains or losses on the disposal of businesses, gains or losses on hedging activities, and gains or losses on foreign currency transactions.

**18. Guarantee of Registered Securities**

As described in Note 15, in connection with the Redomestication, on April 2, 2012, Aon plc ( Parent Guarantor ) entered into various agreements pursuant to which it agreed to guarantee the obligations of Aon Corporation ( Subsidiary Issuer ) arising under issued and outstanding debt securities. Aon Corporation is a 100% indirectly owned subsidiary of Aon plc. The debt securities that are subject to Rule 3-10 of Regulation S-X are the 7.375% debt securities due December 2012, the 3.50% senior notes due September 2015, the 3.125% senior notes due May 2016, the 5.00% senior notes due September 2020, the 8.205% junior subordinated deferrable interest debentures due January 2027 and the 6.25% senior notes due September 2040. All guarantees of Aon plc are full and unconditional. There are no subsidiaries of Aon plc that are guarantors of the debt.

The following tables set forth condensed consolidating statements of income for the three and nine months ended September 30, 2012 and 2011, condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2012 and 2011, condensed consolidating statements of financial position as of September 30, 2012 and December 31, 2011, and condensed consolidating statements of cash flows for the nine months ended September 30, 2012 and 2011 in accordance with Rule 3-10 of

Regulation S-X. The condensed consolidating financial information includes the accounts of Aon plc, the accounts of Aon Corporation, and the combined accounts of the non-guarantor subsidiaries. The condensed consolidating financial statements are presented in all periods as a merger under common control, with Aon plc presented as the Parent Guarantor in all periods prior and subsequent to the Redomestication. The principal consolidating adjustments are to eliminate the investment in subsidiaries and intercompany balances and transactions.

**Condensed Consolidating Statement of Income**

| | Three Months Ended September 30, 2012 | | | | |
|---|---|---|---|---|---|
| **(millions)** | **Parent Guarantor** | **Subsidiary Issuer** | **Other Non-Guarantor Subsidiaries** | **Consolidating Adjustments** | **Consolidated** |
| **Revenue** | | | | | |
| Commissions, fees and other | $ | $ | $ 2,726 | $ | $ 2,726 |
| Fiduciary investment income | | | 11 | | 11 |
| Total revenue | | | 2,737 | | 2,737 |
| | | | | | |
| **Expenses** | | | | | |
| Compensation and benefits | 34 | (11) | 1,597 | | 1,620 |
| Other general expenses | 19 | 6 | 753 | | 778 |
| Total operating expenses | 53 | (5) | 2,350 | | 2,398 |
| **Operating (loss) income** | (53) | 5 | 387 | | 339 |
| Interest income | | | 1 | | 1 |
| Interest expense | | (44) | (13) | | (57) |
| Intercompany interest (expense) income | (8) | 48 | (40) | | |
| Other income (expense) | | 10 | (19) | | (9) |
| **(Loss) income from continuing operations before taxes** | (61) | 19 | 316 | | 274 |
| Income tax (benefit) expense | (15) | 11 | 68 | | 64 |
| **(Loss) income from continuing operations** | (46) | 8 | 248 | | 210 |
| | | | | | |
| **Loss from discontinued operations before taxes** | | | | | |
| Income taxes | | | | | |
| **Loss from discontinued operations** | | | | | |
| | | | | | |
| **Equity in earnings of subsidiaries, net of tax** | 250 | 209 | 217 | (676) | |
| | | | | | |
| **Net income** | 204 | 217 | 465 | (676) | 210 |
| Less: Net income attributable to noncontrolling interests | | | 6 | | 6 |
| **Net income attributable to Aon shareholders** | $ 204 | $ 217 | $ 459 | $ (676) | $ 204 |

**Condensed Consolidating Statement of Income**

| | Three Months Ended September 30, 2011 | | | | |
|---|---|---|---|---|---|
| (millions) | Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
| **Revenue** | | | | | |
| Commissions, fees and other | $ | $ | $ 2,708 | $ | $ 2,708 |
| Fiduciary investment income | | | 15 | | 15 |
| Total revenue | | | 2,723 | | 2,723 |
| **Expenses** | | | | | |
| Compensation and benefits | | (2) | 1,636 | | 1,634 |
| Other general expenses | | 20 | 741 | | 761 |
| Total operating expenses | | 18 | 2,377 | | 2,395 |
| **Operating (loss) income** | | (18) | 346 | | 328 |
| Interest income | | | 4 | | 4 |
| Interest expense | | (40) | (20) | | (60) |
| Intercompany interest income (expense) | | 47 | (47) | | |
| Other income | | | 20 | | 20 |
| **(Loss) income from continuing operations before taxes** | | (11) | 303 | | 292 |
| Income tax (benefit) expense | | (3) | 87 | | 84 |
| **(Loss) income from continuing operations** | | (8) | 216 | | 208 |
| **Income from discontinued operations before taxes** | | | | | |
| Income tax benefit | | | | | |
| **Income from discontinued operations** | | | | | |
| **Equity in earnings of subsidiaries, net of tax** | 198 | 174 | 166 | (538) | |
| **Net income** | 198 | 166 | 382 | (538) | 208 |
| Less: Net income attributable to noncontrolling interests | | | 10 | | 10 |
| **Net income attributable to Aon shareholders** | $ 198 | $ 166 | $ 372 | $ (538) | $ 198 |

**Condensed Consolidating Statement of Income**

| (millions) | Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2012 | | | | |
| **Revenue** | | | | | |
| Commissions, fees and other | $ | $ | $ 8,368 | $ | $ 8,368 |
| Fiduciary investment income | | | 31 | | 31 |
| Total revenue | | | 8,399 | | 8,399 |
| | | | | | |
| **Expenses** | | | | | |
| Compensation and benefits | 18 | 22 | 4,880 | | 4,920 |
| Other general expenses | 21 | 26 | 2,297 | | 2,344 |
| Total operating expenses | 39 | 48 | 7,177 | | 7,264 |
| **Operating (loss) income** | (39) | (48) | 1,222 | | 1,135 |
| Interest income | | 1 | 5 | | 6 |
| Interest expense | | (124) | (49) | | (173) |
| Intercompany interest (expense) income | (10) | 140 | (130) | | |
| Other income | | 12 | (9) | | 3 |
| **(Loss) income from continuing operations before taxes** | (49) | (19) | 1,039 | | 971 |
| Income tax (benefit) expense | | (4) | 261 | | 257 |
| **(Loss) income from continuing operations** | (49) | (15) | 778 | | 714 |
| | | | | | |
| **Loss from discontinued operations before taxes** | | | (1) | | (1) |
| Income taxes | | | | | |
| **Loss from discontinued operations** | | | (1) | | (1) |
| | | | | | |
| **Equity in earnings of subsidiaries, net of tax** | 737 | 662 | 647 | (2,046) | |
| | | | | | |
| **Net income** | 688 | 647 | 1,424 | (2,046) | 713 |
| Less: Net income attributable to noncontrolling interest | | | 25 | | 25 |
| **Net income attributable to Aon shareholders** | $ 688 | $ 647 | $ 1,399 | $ (2,046) | $ 688 |

**Condensed Consolidating Statement of Income**

| (millions) | Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2011 | | | | |
| **Revenue** | | | | | |
| Commissions, fees and other | $ | $ | $ 8,255 | $ | $ 8,255 |
| Fiduciary investment income | | 2 | 36 | | 38 |
| Total revenue | | 2 | 8,291 | | 8,293 |
| | | | | | |
| **Expenses** | | | | | |
| Compensation and Benefits | | (7) | 4,850 | | 4,843 |
| Other general expenses | | 40 | 2,245 | | 2,284 |
| Total operating expenses | | 33 | 7,095 | | 7,127 |
| **Operating (loss) income** | | (31) | 1,196 | | 1,166 |
| Interest income | | 4 | 10 | | 14 |
| Interest expense | | (131) | (55) | | (186) |
| Intercompany interest income (expense) | | 135 | (135) | | |
| Other (expense) income | | (27) | 33 | | 6 |
| **(Loss) income from continuing operations before taxes** | | (50) | 1,049 | | 1,000 |
| Income tax (benefit) expense | | (18) | 292 | | 274 |
| **(Loss) income from continuing operations** | | (32) | 757 | | 726 |
| | | | | | |
| **Income from discontinued operations before taxes** | | 5 | | | 5 |
| Income tax expense | | 1 | | | 1 |
| **Income from discontinued operations** | | 4 | | | 4 |
| | | | | | |
| **Equity in earnings of subsidiaries, net of tax** | 702 | 628 | 600 | (1,930) | |
| | | | | | |
| **Net income** | 702 | 600 | 1,357 | (1,930) | 730 |
| Less: Net income attributable to noncontrolling interests | | | 28 | | 28 |
| **Net income attributable to Aon shareholders** | $ 702 | $ 600 | $ 1,329 | $ (1,930) | $ 702 |

**Condensed Consolidating Statement of Comprehensive Income**

| | Three Months Ended September 30, 2012 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **(millions)** | | **Parent Guarantor** | | **Subsidiary Issuer** | | **Other Non-Guarantor Subsidiaries** | | **Consolidating Adjustments** | | **Consolidated** |
| Net income | $ | 204 | $ | 217 | $ | 465 | $ | (676) | $ | 210 |
| Less: Net income attributable to noncontrolling interests | | | | | | 6 | | | | 6 |
| Net income attributable to Aon shareholders | $ | 204 | $ | 217 | $ | 459 | $ | (676) | $ | 204 |
| Other comprehensive loss, net of tax: | | | | | | | | | | |
| Change in fair value of derivatives | | | | 1 | | 14 | | | | 15 |
| Foreign currency translation adjustments | | | | 17 | | 147 | | | | 164 |
| Post-retirement benefit obligation | | | | 9 | | (2) | | | | 7 |
| Total other comprehensive income (loss) | | | | 27 | | 159 | | | | 186 |
| Equity in other comprehensive (loss) income of subsidiaries, net of tax | | 182 | | 155 | | 182 | | (519) | | |
| Less: Other comprehensive loss attributable to noncontrolling interests | | | | | | 4 | | | | 4 |
| Total other comprehensive loss attributable to Aon shareholders | | 182 | | 182 | | 337 | | (519) | | 182 |
| Comprehensive income (loss) attributable to Aon shareholders | $ | 386 | $ | 399 | $ | 796 | $ | (1,195) | $ | 386 |

**Condensed Consolidating Statement of Comprehensive Income**

| | Three Months Ended September 30, 2011 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **(millions)** | | **Parent Guarantor** | | **Subsidiary Issuer** | | **Other Non-Guarantor Subsidiaries** | | **Consolidating Adjustments** | | **Consolidated** |
| Net income | $ | 198 | $ | 166 | $ | 382 | $ | (538) | $ | 208 |
| Less: Net income attributable to noncontrolling interests | | | | | | 10 | | | | 10 |
| Net income attributable to Aon shareholders | $ | 198 | $ | 166 | $ | 372 | $ | (538) | $ | 198 |
| Other comprehensive income, net of tax: | | | | | | | | | | |
| Change in fair value of derivatives | | | | | | (9) | | | | (9) |
| Foreign currency translation adjustments | | | | (5) | | (204) | | | | (209) |
| Post-retirement benefit obligation | | | | 4 | | 11 | | | | 15 |
| Total other comprehensive (loss) income | | | | (1) | | (202) | | | | (203) |
| Equity in other comprehensive income (loss) of subsidiaries, net of tax | | (202) | | (201) | | (202) | | 605 | | |
| Less: Other comprehensive income attributable to noncontrolling interests | | | | | | (1) | | | | (1) |
| Total other comprehensive income attributable to Aon shareholders | | (202) | | (202) | | (403) | | 605 | | (202) |
| Comprehensive income attributable to Aon Shareholders | $ | (4) | $ | (36) | $ | (31) | $ | 67 | $ | (4) |

**Condensed Consolidating Statement of Comprehensive Income**

| | Nine Months Ended September 30, 2012 | | | | |
|---|---|---|---|---|---|
| (millions) | Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
| Net income | $ 688 | $ 647 | $ 1,424 | $ (2,046) | $ 713 |
| Less: Net income attributable to noncontrolling interests | | | 25 | | 25 |
| Net income attributable to Aon shareholders | $ 688 | $ 647 | $ 1,399 | $ (2,046) | $ 688 |
| Other comprehensive loss, net of tax: | | | | | |
| Change in fair value of derivatives | | 1 | 4 | | 5 |
| Foreign currency translation adjustments | | 16 | 55 | | 71 |
| Post-retirement benefit obligation | | 24 | 22 | | 46 |
| Total other comprehensive income (loss) | | 41 | 81 | | 122 |
| Equity in other comprehensive (loss) income of subsidiaries, net of tax | 120 | 78 | 119 | (317) | |
| Less: Other comprehensive loss attributable to noncontrolling interests | | | 2 | | 2 |
| Total other comprehensive loss attributable to Aon shareholders | 120 | 119 | 198 | (317) | 120 |
| Comprehensive income attributable to Aon shareholders | $ 808 | $ 766 | $ 1,597 | $ (2,363) | $ 808 |

**Condensed Consolidating Statement of Comprehensive Income**

| (millions) | Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2011 | | | | |
| Net income | $ 702 | $ 600 | $ 1,357 | $ (1,930) | $ 730 |
| Less: Net income attributable to noncontrolling interests | | | 28 | | 28 |
| Net income attributable to Aon shareholders | $ 702 | $ 600 | $ 1,329 | $ (1,930) | $ 702 |
| Other comprehensive income, net of tax: | | | | | |
| Change in fair value of derivatives | | (1) | (13) | | (14) |
| Foreign currency translation adjustments | | (9) | (3) | | (12) |
| Post-retirement benefit obligation | | 13 | 29 | | 42 |
| Total other comprehensive (loss) income | | 3 | 13 | | 16 |
| Equity in other comprehensive income (loss) of subsidiaries, net of tax | 17 | 12 | 15 | (44) | |
| Less: Other comprehensive income attributable to noncontrolling interests | | | (1) | | (1) |
| Total other comprehensive income attributable to Aon shareholders | 17 | 15 | 29 | (44) | 17 |
| Comprehensive income attributable to Aon shareholders | $ 719 | $ 615 | $ 1,358 | $ (1,974) | $ 719 |

**Condensed Consolidating Statement of Financial Position**

| (millions) | Parent Guarantor | Subsidiary Issuer | September 30, 2012 Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 1 | $ 58 | $ 231 | $ | $ 290 |
| Short-term investments | 16 | 261 | 441 | | 718 |
| Receivables, net | | 2 | 2,957 | | 2,959 |
| Fiduciary assets | | | 11,343 | | 11,343 |
| Intercompany receivables | | 1,677 | 2,868 | (4,545) | |
| Other current assets | | 41 | 351 | | 392 |
| **Total Current Assets** | 17 | 2,039 | 18,191 | (4,545) | 15,702 |
| Goodwill | | | 8,856 | | 8,856 |
| Intangible assets, net | | | 3,040 | | 3,040 |
| Fixed assets, net | | | 814 | | 814 |
| Investments | | 41 | 119 | | 160 |
| Intercompany receivables | | 2,240 | 2,171 | (4,411) | |
| Other non-current assets | 222 | 659 | 56 | | 937 |
| Investment in subsidiary | 10,797 | 10,349 | 8,446 | (29,592) | |
| **TOTAL ASSETS** | $ 11,036 | $ 15,328 | $ 41,693 | $ (38,548) | $ 29,509 |
| **LIABILITIES AND EQUITY** | | | | | |
| Fiduciary liabilities | $ | $ | $ 11,343 | $ | $ 11,343 |
| Short-term debt and current portion of long-term debt | | 268 | 23 | | 291 |
| Accounts payable and accrued liabilities | 4 | 86 | 1,429 | | 1,519 |
| Intercompany payables | 34 | 1,779 | 1,782 | (3,595) | |
| Other current liabilities | | 47 | 754 | | 801 |
| **Total Current Liabilities** | 38 | 2,180 | 15,331 | (3,595) | 13,954 |
| Long-term debt | | 3,030 | 1,081 | | 4,111 |
| Pension, other post retirement and other post employment liabilities | | 1,167 | 590 | | 1,757 |
| Intercompany payables | 2,690 | 359 | 2,311 | (5,360) | |
| Other non-current liabilities | 3 | 146 | 1,177 | | 1,326 |
| **TOTAL LIABILITIES** | 2,731 | 6,882 | 20,490 | (8,955) | 21,148 |
| **TOTAL AON SHAREHOLDERS EQUITY** | 8,305 | 8,446 | 21,146 | (29,592) | 8,305 |
| Noncontrolling interests | | | 56 | | 56 |
| **TOTAL EQUITY** | 8,305 | 8,446 | 21,202 | (29,592) | 8,361 |
| **TOTAL LIABILITIES AND EQUITY** | $ 11,036 | $ 15,328 | $ 41,692 | $ (38,547) | $ 29,509 |

**Condensed Consolidating Statement of Financial Position**

| (millions) | Dec. 31, 2011 Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating Adjustments | Consolidated |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ | $ (21) | $ 293 | $ | $ 272 |
| Short-term investments | | 321 | 464 | | 785 |
| Receivables, net | | 2 | 3,181 | | 3,183 |
| Fiduciary assets | | | 10,838 | | 10,838 |
| Intercompany receivables | 3 | 610 | 539 | (1,152) | |
| Other current assets | | 57 | 378 | (8) | 427 |
| **Total Current Assets** | 3 | 969 | 15,693 | (1,160) | 15,505 |
| Goodwill | | | 8,770 | | 8,770 |
| Intangible assets, net | | | 3,276 | | 3,276 |
| Fixed assets, net | | | 783 | | 783 |
| Investments | | 39 | 200 | | 239 |
| Intercompany receivables | | 2,133 | 2,202 | (4,335) | |
| Other non-current assets | | 900 | 781 | (702) | 979 |
| Investment in subsidiary | 10,183 | 9,269 | 7,714 | (27,166) | |
| **TOTAL ASSETS** | $ 10,186 | $ 13,310 | $ 39,419 | $ (33,363) | $ 29,552 |
| **LIABILITIES AND EQUITY** | | | | | |
| Fiduciary liabilities | $ | $ | $ 10,838 | $ | $ 10,838 |
| Short-term debt and current portion of long-term debt | | 318 | 19 | | 337 |
| Accounts payable and accrued liabilities | | 78 | 1,758 | (4) | 1,832 |
| Intercompany payables | | 206 | 609 | (815) | |
| Other current liabilities | | 5 | 752 | (4) | 753 |
| **Total Current Liabilities** | | 607 | 13,976 | (823) | 13,760 |
| Long-term debt | | 3,063 | 1,092 | | 4,155 |
| Pension, other post retirement and other post employment liabilities | | 1,407 | 785 | | 2,192 |
| Intercompany payables | 2,108 | 378 | 2,186 | (4,672) | |
| Other non-current liabilities | | 141 | 1,886 | (702) | 1,325 |
| **TOTAL LIABILITIES** | 2,108 | 5,596 | 19,925 | (6,197) | 21,432 |
| **TOTAL AON SHAREHOLDERS EQUITY** | 8,078 | 7,714 | 19,452 | (27,166) | 8,078 |
| Noncontrolling interests | | | 42 | | 42 |
| **TOTAL EQUITY** | 8,078 | 7,714 | 19,494 | (27,166) | 8,120 |
| **TOTAL LIABILITIES AND EQUITY** | $ 10,186 | $ 13,310 | $ 39,419 | $ (33,363) | $ 29,552 |

**Condensed Consolidating Statement of Cash Flows**

| | Nine Months Ended September 30, 2012 | | | |
|---|---|---|---|---|
| (millions) | Parent Guarantor | Subsidiary Issuer | Other Non-Guarantor Subsidiaries | Consolidating |