



Quarterly D&O Pricing Index

Fourth Quarter 2019

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AON REPORTS FOURTH QUARTER 2019 PUBLIC D&O PRICING

AVERAGE CHANGE FOR PRIMARY POLICIES WITH SAME LIMIT AND SAME DEDUCTIBLE INCREASED 14.8 PERCENT IN THE FOURTH QUARTER.

Fourth Quarter Key Metrics and Highlights

- Average price per million increased 64.9 percent compared to the prior year quarter; price per million, adjusted for certain items, increased 61.0 percent
- Price per million for clients that renewed in both Q4 2019 and Q4 2018 increased 44.2 percent
- 1 percent of primary policies renewing with the same limit and deductible experienced a price decrease – 94 percent had a price increase
- Overall price change for primary policies renewing with same limit and deductible was up 14.8 percent
- 88.5 percent of primary policies renewed with the same limit
- 58.6 percent of primary policies renewed with the same deductible
- 54.8 percent of primary policies renewed with the same limit and deductible
- 94.9 percent of primary policies renewed with the same carrier

New York – April 28, 2020 – Aon Commercial Risk Solutions (U.S.) today reported public Directors' & Officers' ("D&O") liability pricing for the three months ended December 31, 2019.

Each quarter, Aon's Financial Services Group ("FSG") publishes a pricing index of D&O insurance that tracks premium changes relative to the base year of 2001.^{1,2}

The Pricing Index increased to 1.27 from 0.77 in the prior year quarter. The average cost of \$1 million in limits increased 64.9 percent compared to the prior year quarter.

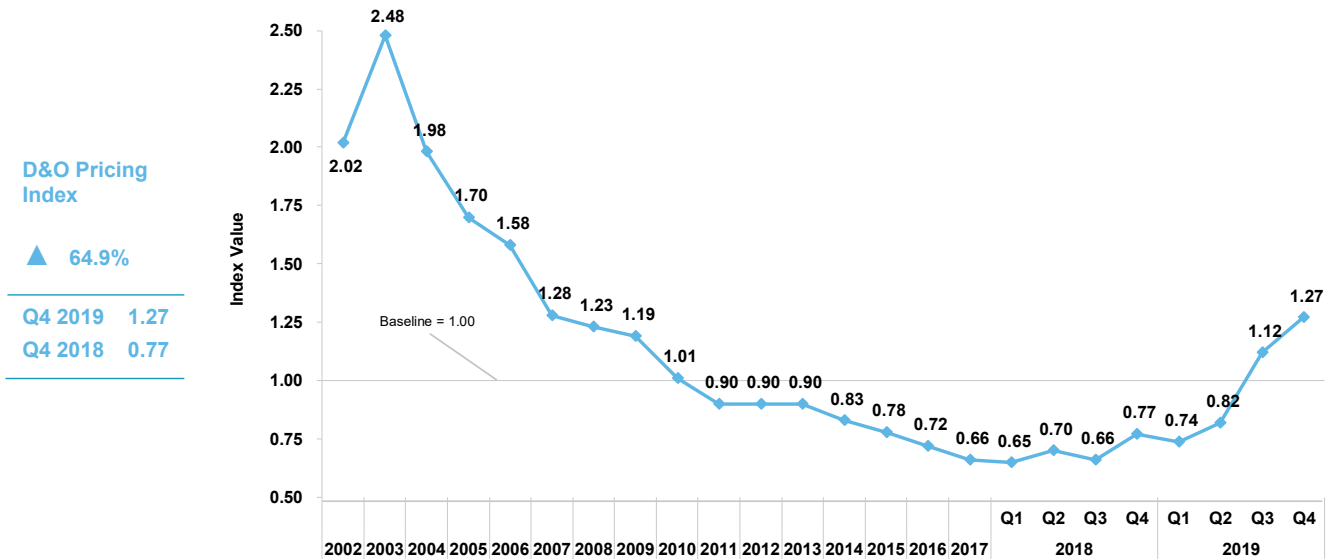
1.27 is the highest Quarterly Index value since Q2 2009.

However, the Q4 2019 results were impacted by a large financial institution that purchases their D&O insurance in 18-month programs. As such, their program renewed in Q4 2019, but was not in the corresponding Q4 2018 sample, contributing to an overstated "increase" in the overall Index value by their reappearance in the Q4 2019 sample.

Excluding this client, the Q4 2019 Pricing Index increased 61.0 percent compared to Q4 2018.

QUARTERLY INDEX OF D&O PRICING

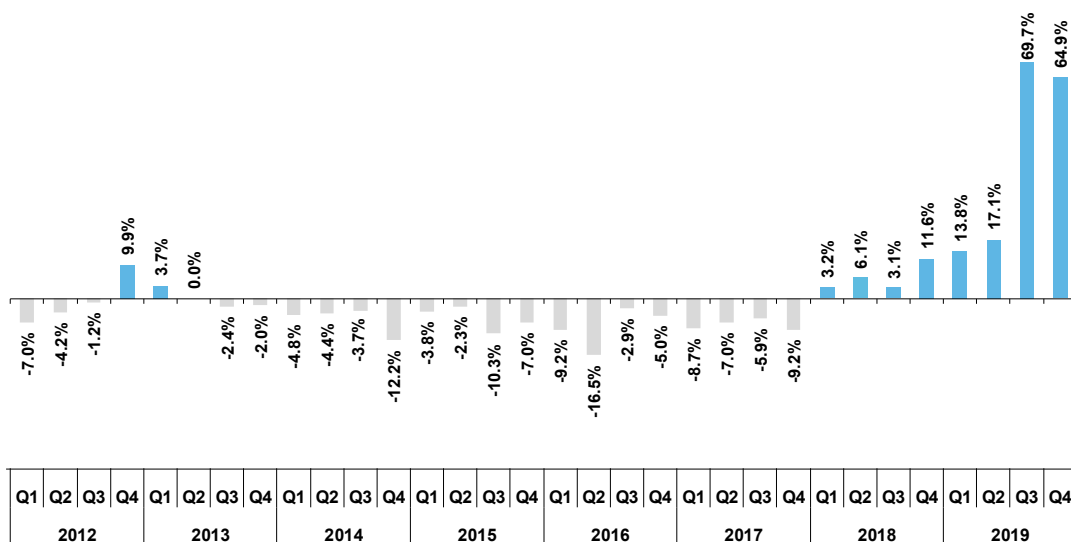
Q1-2002 through Q4-2019 | Base Year: 2001 = 1.00



The increase in Q4 2019 represents the eighth consecutive quarter of year-over-year price increases, following a period of eighteen quarterly pricing decreases over the prior four years.

QUARTERLY “YEAR-OVER-YEAR” PRICE CHANGES

Q1-2012 through Q4-2019



A better comparison, however, is to look at only those programs that renewed in both Q4 2019 and Q4 2018. On that basis, pricing increased 44.2 percent.

It is instructive to note that the Pricing Index includes all limits purchased by publicly traded companies during the quarter. Changes in clients renewing during the quarter, changes in limits purchased, or a shift in the mix of limits between ABC limits and Side-A only limits can affect the overall performance of the Index.

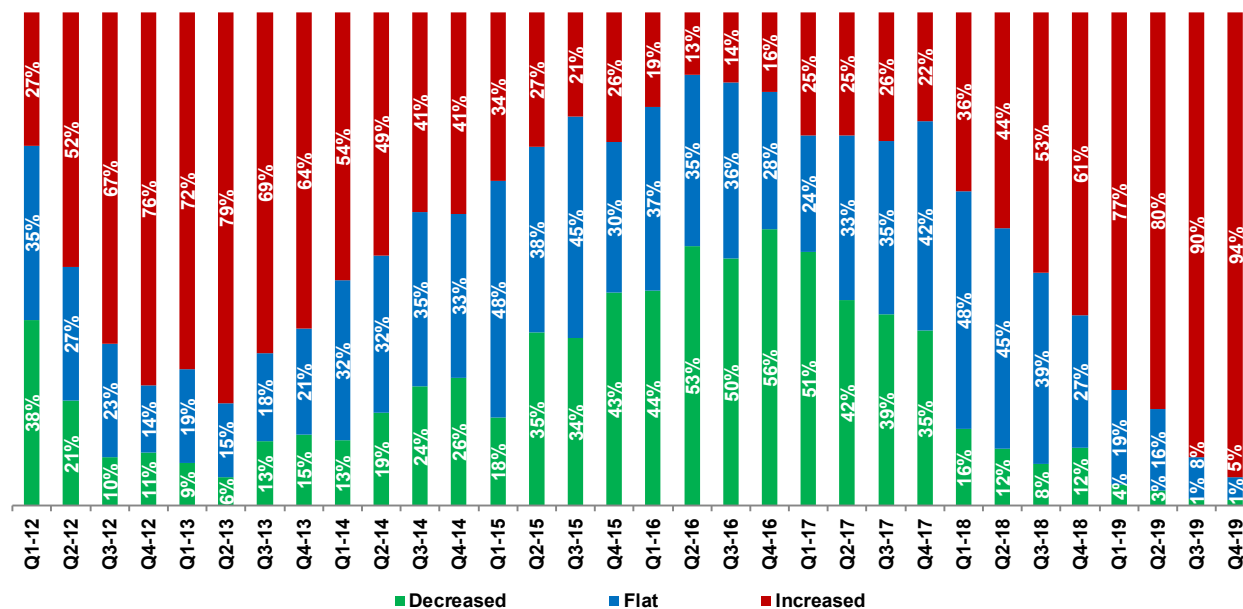
FOURTH QUARTER PRIMARY POLICIES

By looking at only primary policies in the quarter that renewed with the same limit and deductible as the prior year, we can eliminate some of that “noise” and focus only on those policies that renewed on a “like-for-like” basis.

For the fourth quarter, 1 percent of primary policies received a price decrease, 5 percent renewed “flat”, while 94 percent of companies received a price increase. Percentages may not sum to 100 percent due to rounding.

PRIMARY PRICE CHANGE DISTRIBUTION

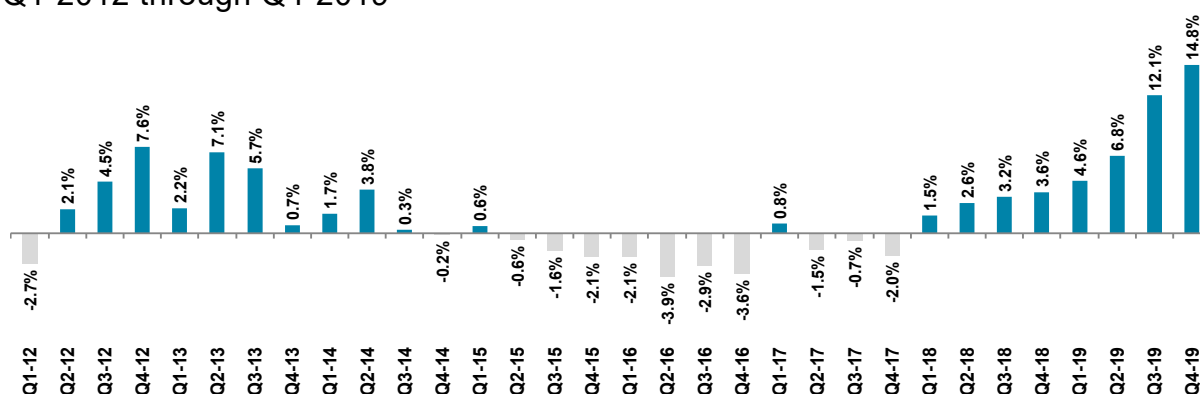
Q1-2012 through Q4-2019



The average primary price decrease was 1.2 percent, while the average price increase was 16.9 percent. The overall price change for primary policies in the fourth quarter, renewing with the same limit and deductible, was up 14.8 percent.

PRIMARY PRICE CHANGES

Q1-2012 through Q4-2019



THE QUARTER DECONSTRUCTED

October 2019

In October, no primary policies received a price decrease, 6 percent renewed “flat”, while 94 percent of companies received a price increase.

The average primary price increase in October was 13.0 percent. The overall price change for primary policies in October was up 12.5 percent.

November 2019

In November, 3 percent of primary policies received a price decrease, no policies renewed “flat”, while 97 percent of companies received a price increase.

The average primary price decrease in November was 1.2 percent, while the average price increase was 22.0 percent. The overall price change for primary policies in November was up 16.5 percent.

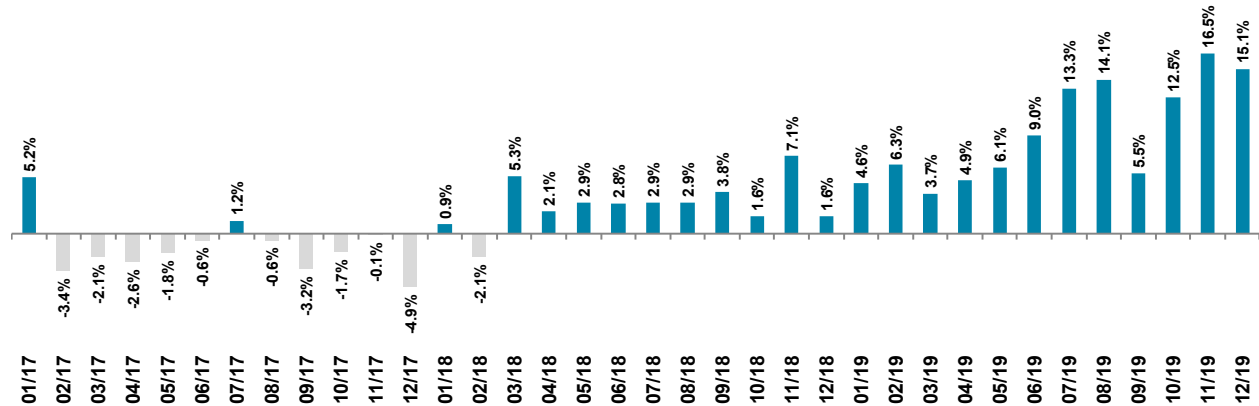
December 2019

In December, no primary policies received a price decrease, 10 percent renewed “flat”, while 90 percent of companies received a price increase.

The average primary price increase in December was 15.9 percent. The overall price change for primary policies in December was up 15.1 percent.

MONTHLY PRIMARY PRICE CHANGE

January 2017 – December 2019

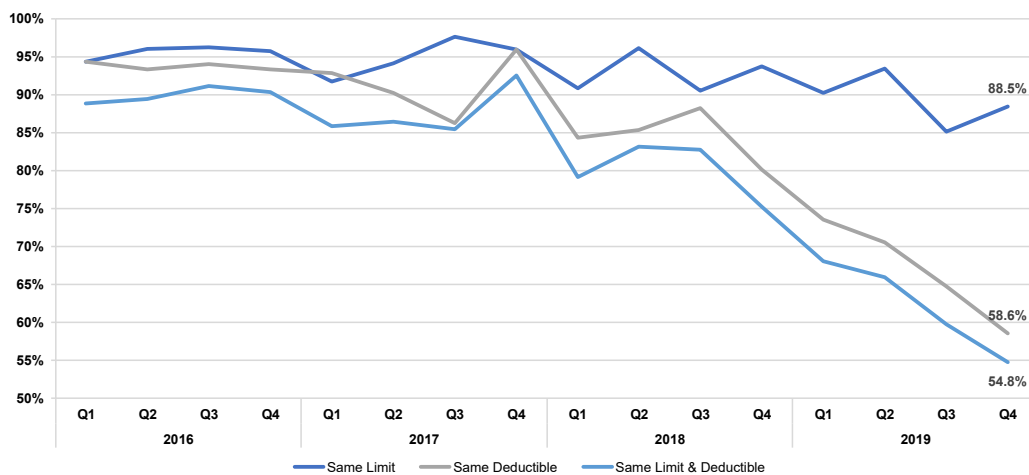


LIMIT, DEDUCTIBLE, AND CARRIER CHANGES

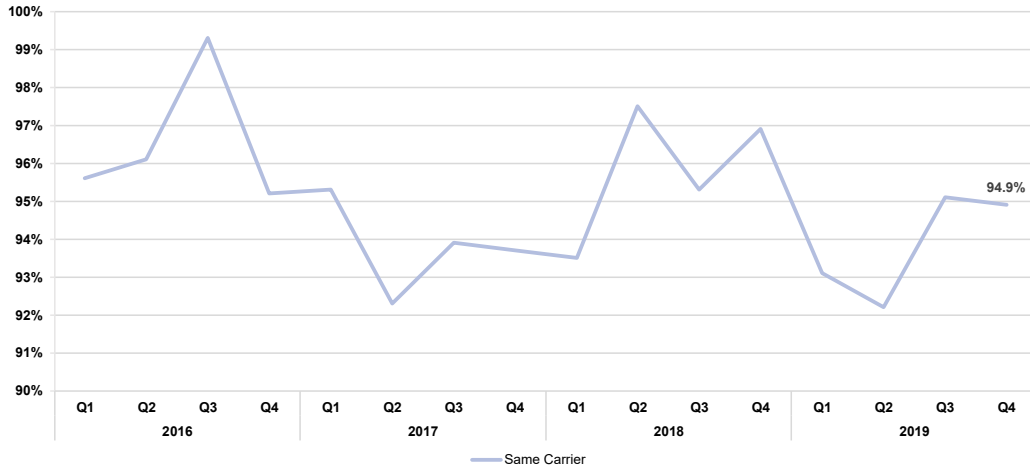
Fourth Quarter – In Q4 2019, 88.5 percent of primary policies renewed with the same limit, 58.6 percent of policies renewed with the same deductible.

When we first started reporting on changes at the primary layer in January 2012, we focused on the clients that renewed with the same limit and same deductible as the prior year, to eliminate any rate variability due to changing limits and/or deductibles. Historically the percentage of clients renewing with the same limit was in the mid- to high-90s, and the percentage of clients renewing with the same deductible was in the mid- to low-90s.

Concurrent with the primary layer rate increases that started in Q1 2018, the percentage of clients renewing with the same limit and/or deductible had been dropping steadily, before dropping precipitously since Q4 2018. For the fourth quarter, only 54.8 percent of clients renewed with the same limit AND deductible as the prior-year quarter.



Despite the recent movement in limit and deductible levels, in the fourth quarter, 94.9 percent of primary policies renewed with the same carrier. Just 5.1 percent of policies renewed with a different primary carrier.



On average, policies that renewed with the same limit, deductible, and carrier experienced a 14.8 percent premium increase in the fourth quarter.

SECURITIES CLASS ACTION LITIGATION

Fourth Quarter – According to Stanford Law School’s Securities Class Action Clearinghouse, in Q4 2019, plaintiffs filed 94 new federal securities class action cases (filings) – 12 fewer than in the fourth quarter of 2018 (106), a decrease of 11 percent.

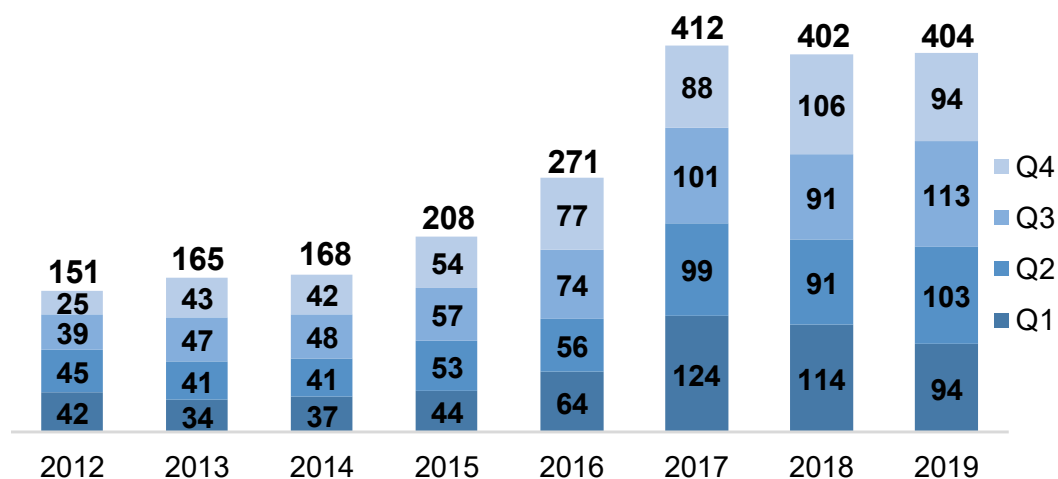
Full Year – For the full year, plaintiffs filed 404 new federal securities class action cases (filings) – 2 more than in 2019 (402), an increase of less than 1 percent.

According to a recent report by Cornerstone Research, “Filing activity in federal and state courts accelerated in 2019. Each of the last three years-2017 through 2019-has been more active than any previous year. More core filings in federal and state courts occurred in 2019 than in any other year. Unlike in earlier years with heightened levels of filings (e.g., at the time of the dot-com bust or the financial crisis), the current peaks have occurred despite a lack of financial market turbulence.

Core federal filings against S&P 500 companies occurred with slightly lower frequency than in 2018 but remained elevated compared with historical measures. Given the number of filings and the frequency of filings involving larger companies, historically large amounts of market capitalization losses (as measured by DDL and MDL) are being litigated.”³

FEDERAL SECURITIES CLASS ACTIONS

Q1-2012 through Q4-2019



Source: Stanford Law School's Securities Class Action Clearinghouse

ENDNOTES

¹ The Quarterly D&O Pricing Index is compiled using the proprietary policy data of the Aon Global Risk Insight Platform ("Aon GRIP"). The D&O Pricing Index is currently comprised of policy information on almost 13,000 D&O programs for publicly traded companies between January 1, 2001 and December 31, 2019. The Index represents the weighted average cost of \$1,000,000 of D&O insurance (Total Premium / Total Limits). The average "rate per million" of limit includes D&O placements (A/B/C Coverage), Side-A only (non-indemnifiable loss) placements, and Side-A DIC (difference-in-conditions) placements. Programs with blended coverage (e.g., a shared limit for D&O and Fiduciary Liability combined) are excluded from the Index.

While the Index data includes a small number of foreign companies that trade on a U.S. exchange, most of the companies are U.S. issuers traded on U.S. exchanges. As such, the data is representative of the U.S. D&O market and not the global D&O market.

Aon first produced the Quarterly D&O Pricing Index in Q2 2006. The base year (2001) is the average price per million for \$1,000,000 of D&O coverage for the 2001 calendar year.

² In the first quarter of 2008, FSG began adding S&P's Compustat company data to our proprietary policy data. Some companies previously included in our pricing index are not included in this S&P data, primarily foreign issuers not traded on U.S. exchanges and some smaller U.S. companies (e.g., OTC:BB). These companies have been removed from the D&O Pricing Index which resulted in some minor changes to prior results. We do not view these changes as material to the overall results of the Index.

³ Cornerstone Research: Securities Class Action Filings – 2019 Year in Review

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ABOUT AON

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

ABOUT GLOBAL RISK INSIGHT PLATFORM (“GRIP”)

The Global Risk Insight Platform is the world's leading repository of insurance placement activities. By capturing information about key broking activities, GRIP provides timely insight into market trends and client buying behaviours. As a result of the contributions of 6,300 Aon GRIP users spanning 20 countries in North and South America, Europe, Asia and the Pacific, Aon GRIP* provides insights into:

- US \$30.6B in annual premium flow
- 142,875 distinct opportunities to quote annually
- 164 client countries
- 1,655 global carriers
- 71,884 distinct global clients
- 92 lines of coverage

*as of September 30, 2018

ABOUT FINANCIAL SERVICES GROUP (“FSG”)

Aon’s Financial Services Group is the premier team of executive liability brokerage professionals, with extensive experience in representing buyers of complex insurance products including directors’ and officers’ liability, employment practices liability, fiduciary liability, fidelity, and professional liability insurance. FSG’s global platform assists clients in addressing their executive liability exposures across their world-wide operations. Aon’s U.S. Financial Services Group manages more than \$2.9 billion in annual premium, assists with approximately \$1.0 billion in claim recoveries annually, and uses its unmatched data to support the diverse business goals of its clients.



Aon Global Risk Insight Platform

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