



Quarterly D&O Pricing Index

First Quarter 2018

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Aon Risk Solutions

Financial Services Group | A Division of Aon Risk Services, Inc.

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AON REPORTS FIRST QUARTER 2018 PUBLIC D&O PRICING

AVERAGE CHANGE FOR PRIMARY POLICIES WITH SAME LIMIT AND SAME DEDUCTIBLE INCREASED 1.5 PERCENT IN THE FIRST QUARTER

First Quarter Key Metrics and Highlights

- D&O price per million was up 3.2 percent compared to the prior year quarter
- Price per million for clients that renewed in both Q1 2018 and Q1 2017 increased 1.6 percent
- 16 percent of primary policies renewing with the same limit and deductible experienced a price decrease – 36 percent had a price increase
- Overall price change for primary policies renewing with same limit and deductible was up 1.5 percent
- 90.9 percent of primary policies renewed with the same limit
- 84.4 percent of primary policies renewed with the same deductible
- 93.5 percent of primary policies renewed with the same carrier

New York – May 8, 2018 – Aon Risk Solutions (U.S.) today reported public D&O pricing for the three months and twelve months ended March 31, 2018.

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

The Pricing Index increased to 0.65 from 0.63 in the prior year quarter. The average price for \$1 million in limits increased 3.2 percent compared to the prior year quarter.

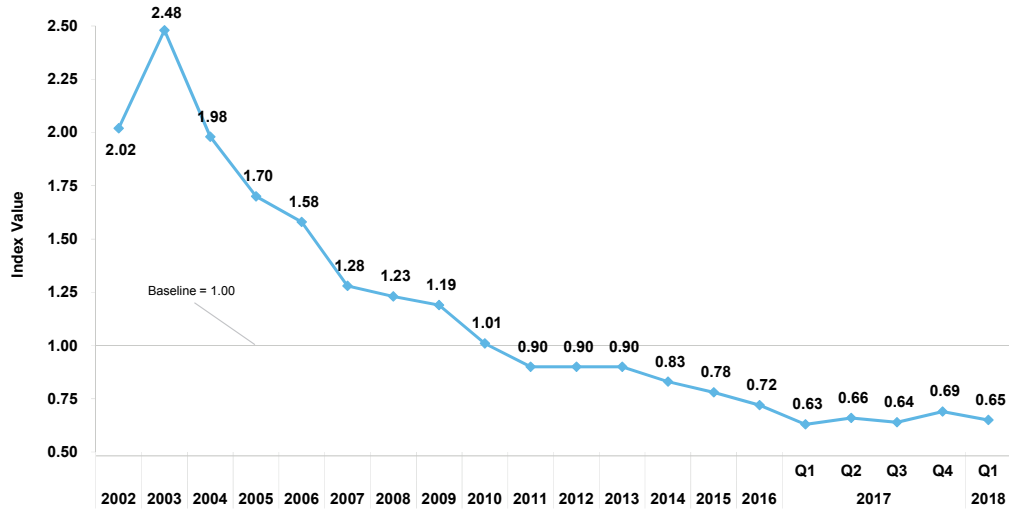
QUARTERLY INDEX OF D&O PRICING

Q1-2002 through Q1-2018 | Base Year: 2001 = 1.00

D&O Pricing Index

▲ 3.2%

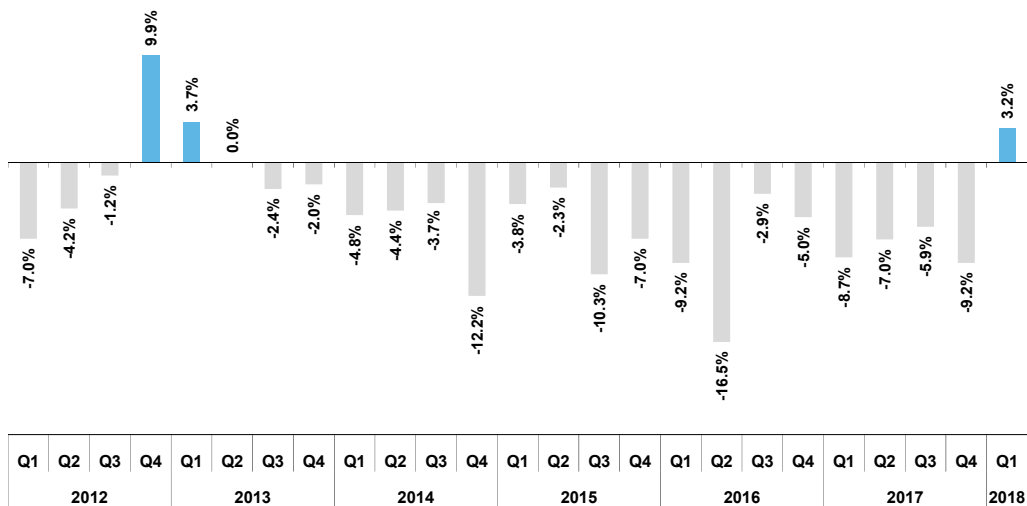
Q1 2018 0.65
Q1 2017 0.63



The increase in Q1 2018 represents the first quarter of year-over-year price increases since Q1 2013.

QUARTERLY “YEAR-OVER-YEAR” PRICE CHANGES

Q1-2012 through Q1-2018



A better comparison, however, is to look at only those programs that renewed in both Q1 2018 and Q1 2017. On that basis, pricing increased 1.6 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.

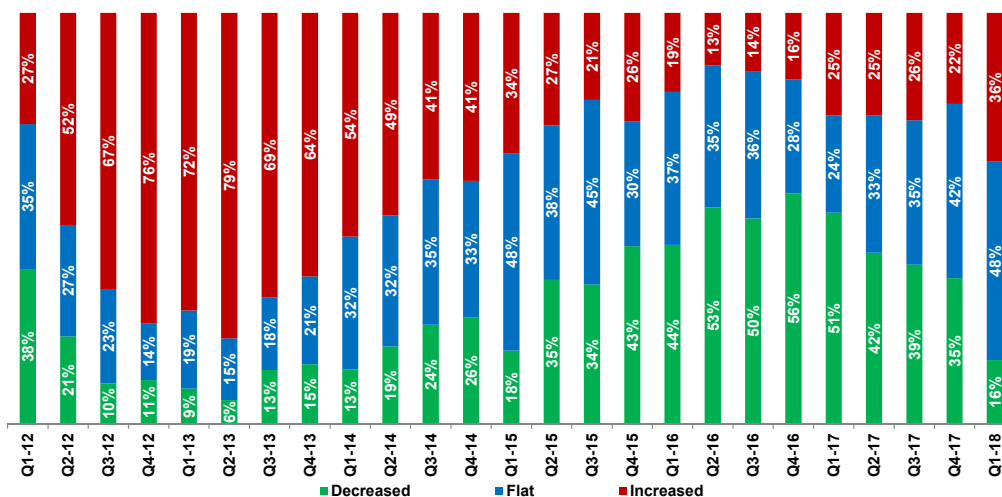
FIRST QUARTER PRIMARY POLICIES

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 first quarter, 16 percent of primary policies received a price decrease, 48 percent renewed “flat”, while 36 percent of companies received a price increase.

PRIMARY PRICE CHANGE DISTRIBUTION

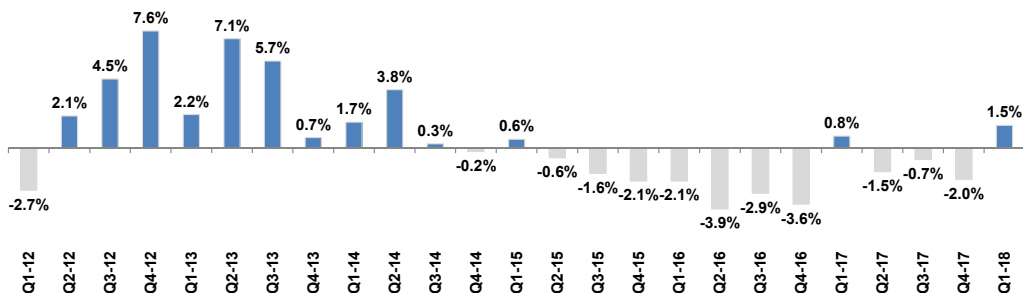
Q1-2012 through Q1-2018



The average primary price decrease was 8.2 percent, while the average price increase was 10.0 percent. The overall price change for primary policies in the first quarter was up 1.5 percent.

PRIMARY PRICE CHANGES

Q1-2012 through Q1-2018



THE QUARTER DECONSTRUCTED

January 2018

For January, 11 percent of primary policies received a price decrease, 58 percent renewed “flat”, while 32 percent of companies received a price increase.

The average primary price decrease in January was 4.3 percent, while the average price increase was 7.0 percent. The overall price change for primary policies in January was up 0.9 percent.

February 2018

In February, 25 percent of primary policies received a price decrease, 44 percent renewed “flat”, while 31 percent of companies received a price increase.

The average primary price decrease in February was 17.4 percent, while the average price increase was 7.2 percent. The overall price change for primary policies in February was down 2.1 percent.

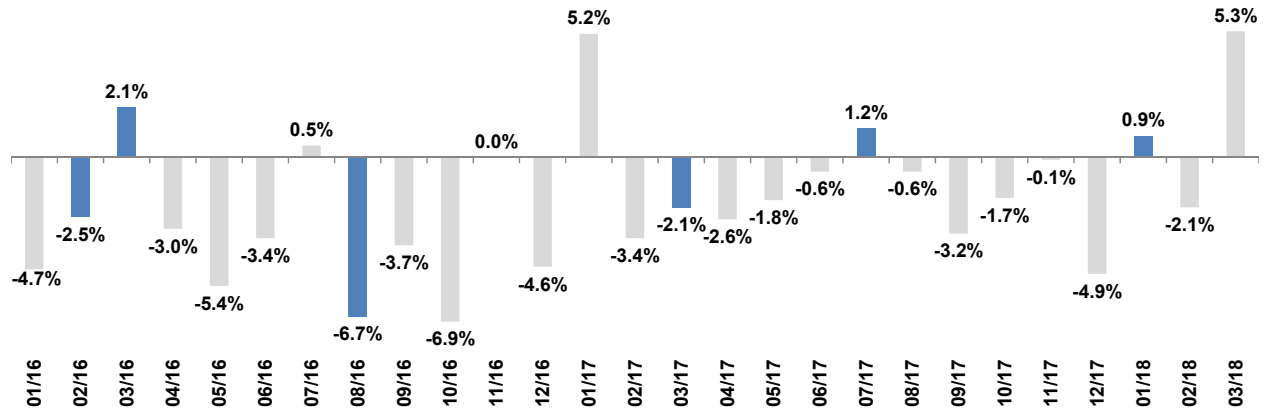
March 2018

In March, 13 percent of primary policies received a price decrease, 43 percent renewed “flat”, while 43 percent of companies received a price increase.

The average primary price decrease in March was 1.1 percent, while the average price increase was 14.3 percent. The overall price change for primary policies in March was up 5.3 percent.

MONTHLY PRIMARY PRICE CHANGE

January 2016 – March 2018



LIMIT, DEDUCTIBLE, AND CARRIER CHANGES

First Quarter – In Q1 2018, 90.9 percent of primary policies renewed with the same limit, 84.4 percent of policies renewed with the same deductible, and 79.2 percent of policies renewed with the same limit AND deductible.

In the first quarter, 93.5 percent of primary policies renewed with the same carrier. Only 6.5 percent of policies renewed with a different carrier.

On average, policies that renewed with the same limit, deductible, and carrier experienced a 1.2 percent premium increase.

SECURITIES CLASS ACTION LITIGATION

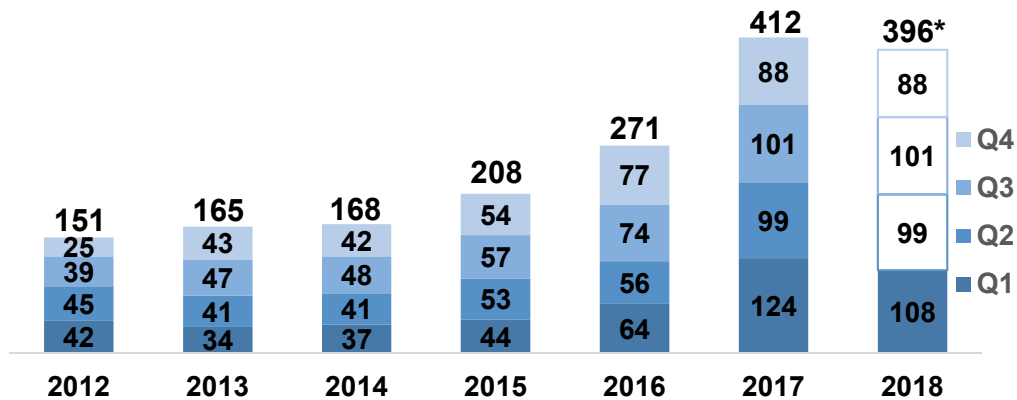
First Quarter – According to Stanford Law School’s Securities Class Action Clearinghouse, in Q1 2018, plaintiffs filed 108 new federal securities class action cases (filings) – 16 fewer than in the first quarter of 2017, a decrease of 13 percent.

Federal filings of class actions involving merger and acquisition (M&A) transactions in Q1 2018 increased to 52, 16 percent more than in Q1 2017 (45). M&A litigation represented 48 percent of filings in Q1 2018, compared to 36 percent of filings in Q1 2017.

Full Year – Using a trailing twelve-month basis, the projected number of filings for the full year (396) would be a 4 percent decrease compared to 2017.

FEDERAL SECURITIES CLASS ACTIONS

Q1-2012 through Q1-2018



*Projected filings based on trailing twelve months actual filings
 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 over 11,750 D&O programs for publicly traded companies between January 1, 2001 and March 31, 2018. 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, the majority 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.

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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 \$36.2B in annual premium flow
- 149,531 distinct opportunities to quote annually
- 159 client countries
- 1,931 global carriers
- 77,409 distinct global clients
- 92 lines of coverage

*as of December 31, 2017

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 Financial Services Group manages more than \$2.2 billion in annual premium, assists with claim settlements in excess of \$3.5 billion, and uses its unmatched data to support the diverse business goals of its clients.



Aon Global Risk Insight Platform

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