



Quarterly D&O Pricing Index

Second Quarter 2021

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AON REPORTS SECOND QUARTER 2021 PUBLIC D&O PRICING

AVERAGE PRICE PER MILLION, ADJUSTED FOR CERTAIN ITEMS, INCREASED 7.7 PERCENT IN THE SECOND QUARTER

AVERAGE CHANGE FOR PRIMARY POLICIES WITH SAME LIMIT AND SAME DEDUCTIBLE INCREASED 14.2 PERCENT

Second Quarter Key Metrics and Highlights

- Average price per million increased 28.7 percent compared to the prior year quarter; price per million, adjusted for certain items, increased 7.7 percent
- Price per million for clients that renewed in both Q2 2021 and Q2 2020 increased 9.0 percent
- 3 percent of primary policies renewing with the same limit and deductible experienced a price decrease – 93 percent had a price increase
- Overall price change for primary policies renewing with same limit and deductible was up 14.2 percent
- 92.5 percent of primary policies renewed with the same limit
- 65.3 percent of primary policies renewed with the same deductible
- 61.2 percent of primary policies renewed with the same limit and deductible
- 92.5 percent of primary policies renewed with the same carrier

New York – August 2, 2021 – Aon Commercial Risk Solutions (U.S.) today reported public Directors' & Officers' ("D&O") liability pricing for the three months ended June 30, 2021.

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 1.84 from 1.43 in the prior year quarter. The average cost of \$1 million in limits increased 28.7 percent compared to the prior year quarter.

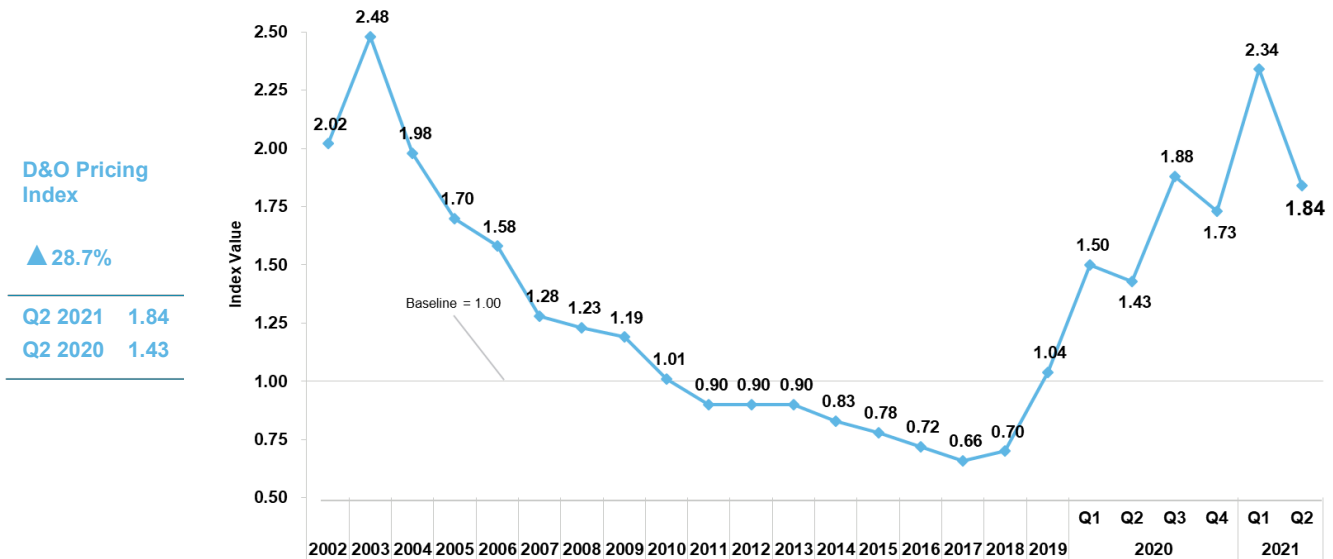
However, the Q2 2021 results were significantly impacted by two very large renewals that were not in the prior year quarter.

Additionally, fully 10 percent of the programs in the Q2 2021 sample were new Initial Public Offering (IPO) programs.

Excluding the two large renewals, and the IPOs, the Pricing Index increased 7.7 percent in Q2 2021.

QUARTERLY INDEX OF D&O PRICING

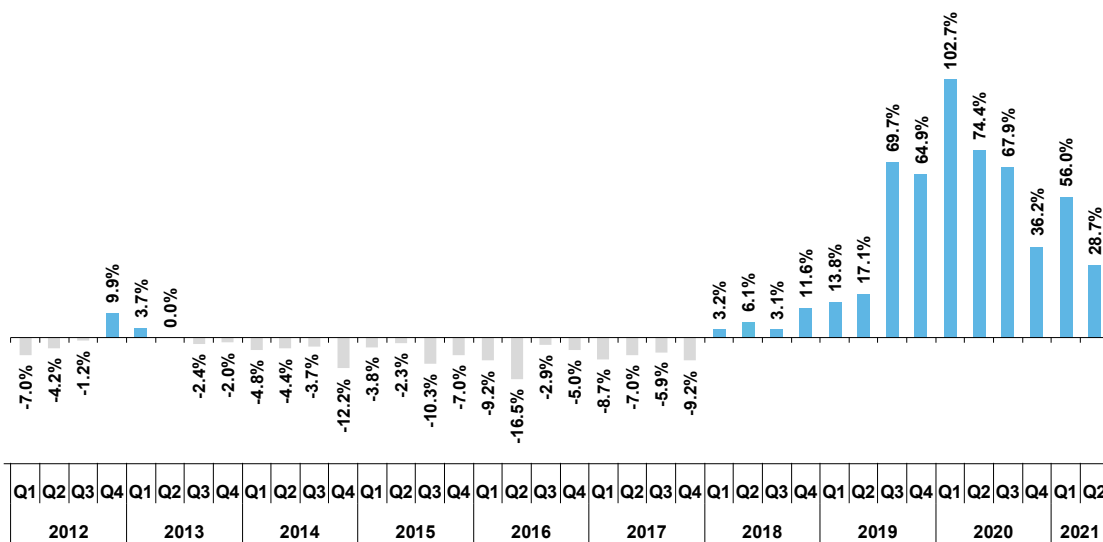
2002 through Q2-2021 | Base Year: 2001 = 1.00



The increase in Q2 2021 represents the fourteenth 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 Q2-2021



A better comparison, however, is to look at only those programs that renewed in both Q2 2021 and Q2 2020. On that basis, pricing increased 9.0 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.

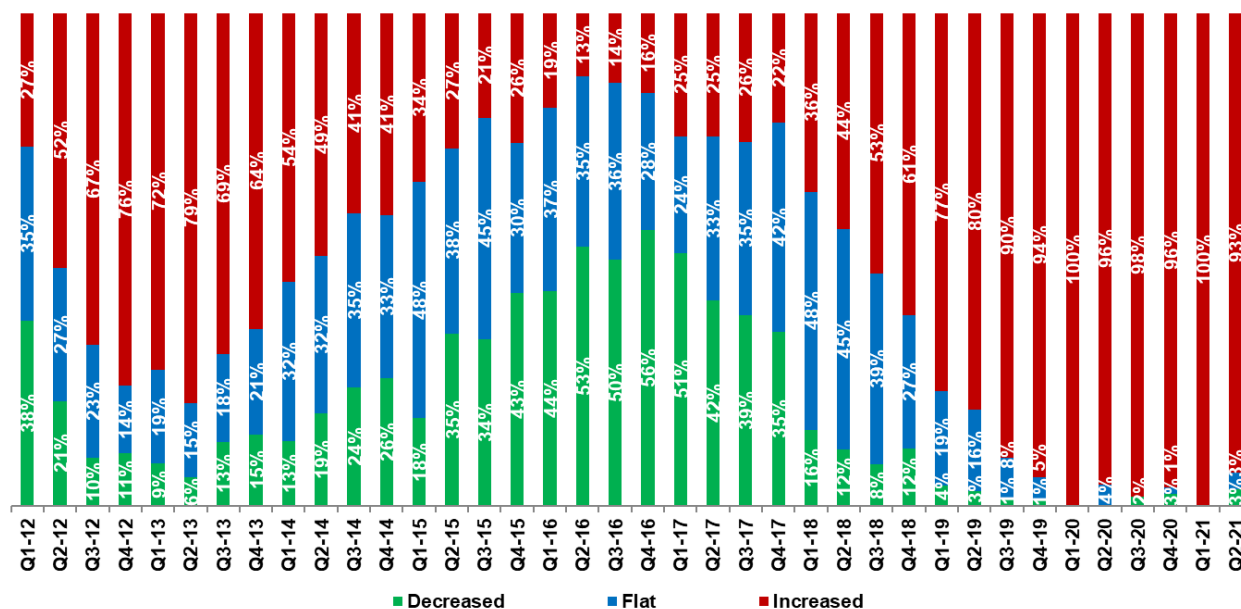
SECOND QUARTER PRIMARY POLICIES

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 second quarter, 3 percent of primary policies received a price decrease, 3 percent of policies renewed “flat”, while 93 percent of companies received a price increase. (Note: percentages may not sum to 100 percent due to rounding.)

PRIMARY PRICE CHANGE DISTRIBUTION (SAME LIMIT AND DEDUCTIBLE)

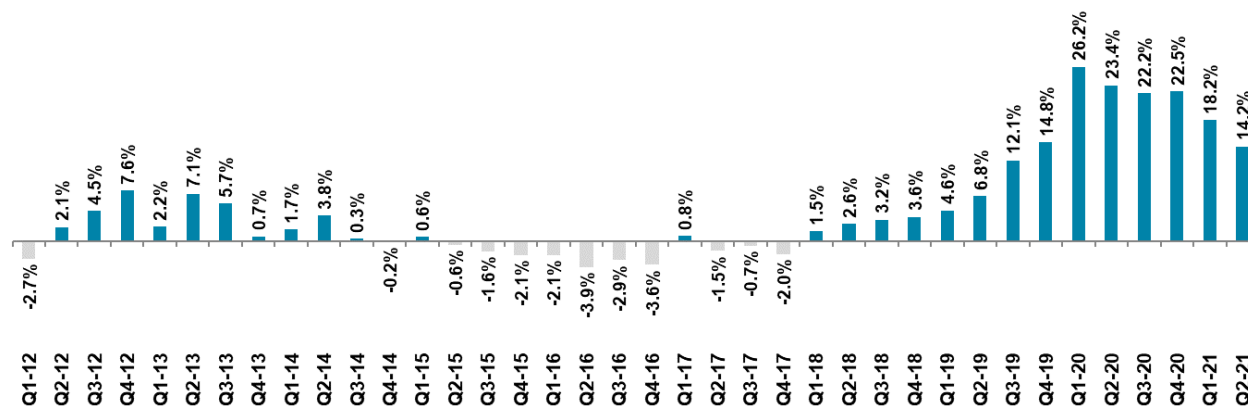
Q1-2012 through Q2-2021



For primary policies renewing with the same limit and deductible, the average price decrease was 13.1 percent, while the average price increase was 16.7 percent. The overall price change for primary policies in the second quarter was up 14.2 percent.

PRIMARY PRICE CHANGES (SAME LIMIT AND DEDUCTIBLE)

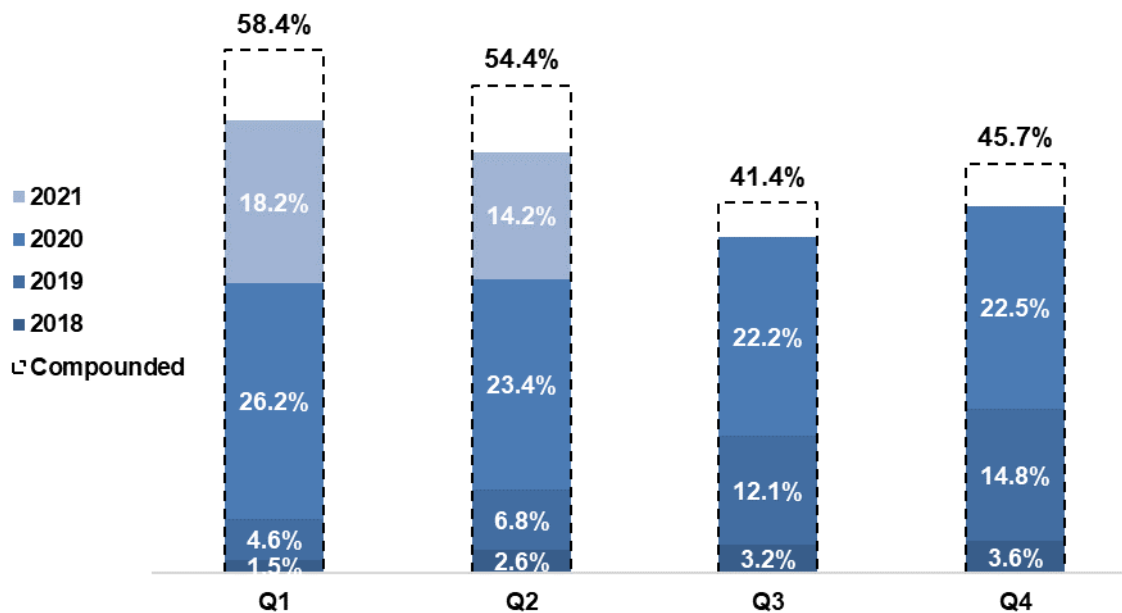
Q1-2012 through Q2-2021



The second quarter was the fourteenth consecutive quarter of year-over-year increases, dating back to Q1 2018, for primary policies that renewed with the same limit and deductible.

PRIMARY RATE-ON-RATE CHANGE (SAME LIMIT AND DEDUCTIBLE)

Q1-2018 through Q2-2021



THE QUARTER DECONSTRUCTED (SAME LIMIT AND DEDUCTIBLE)

April 2021

In April, no primary policies received a price decrease, 8 percent renewed “flat”, while 92 percent of companies received a price increase.

The average primary price increase in April was 15.7 percent. The overall price change for primary policies in April was up 12.5 percent.

May 2021

In May, no primary policies received a price decrease or renewed “flat”, while 100 percent of companies received a price increase.

The average primary price increase in May was 17.8 percent. The overall price change for primary policies in May was up 17.8 percent.

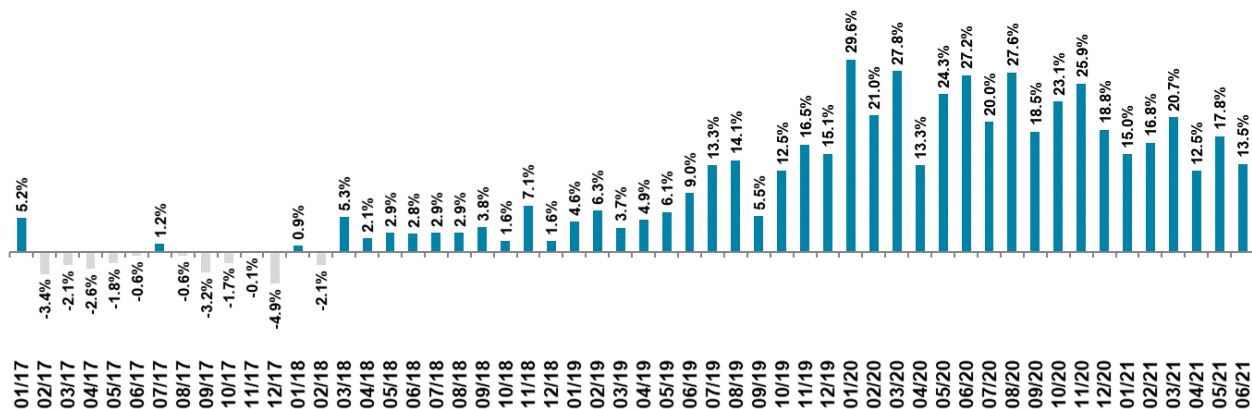
June 2021

In June, 8 percent of primary policies received a price decrease, 3 percent renewed “flat”, while 90 percent of companies received a price increase.

The average primary price decrease in June was 13.1 percent, while the average price increase was 16.5 percent. The overall price change for primary policies in June was up 13.5 percent.

MONTHLY PRIMARY PRICE CHANGE (SAME LIMIT AND DEDUCTIBLE)

January 2017 – June 2021

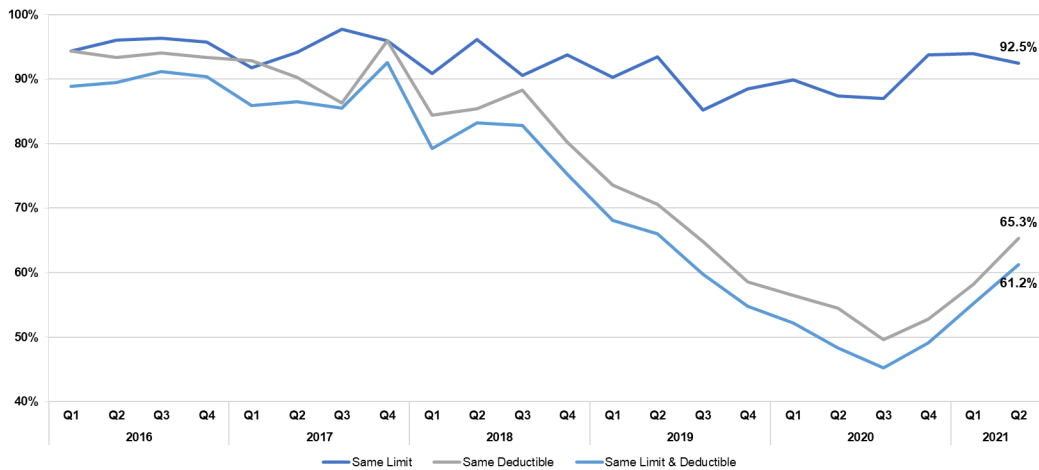


LIMIT, DEDUCTIBLE, AND CARRIER CHANGES

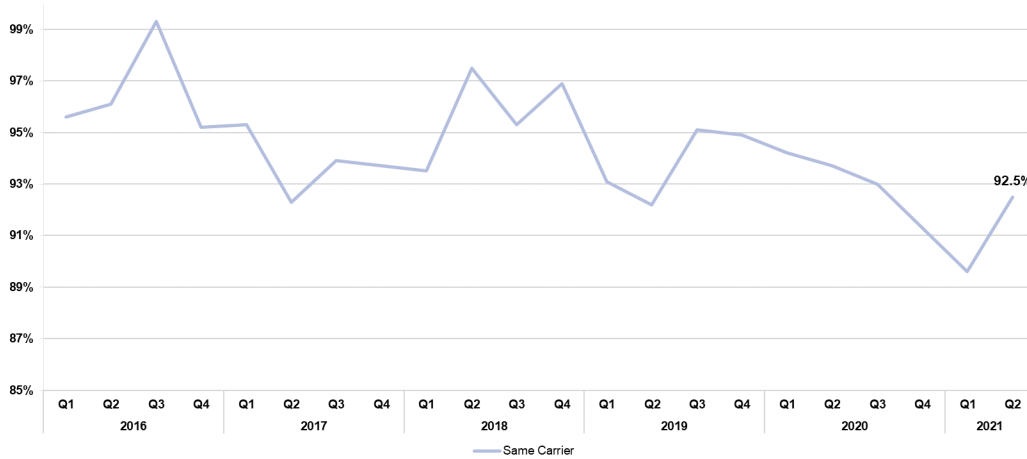
Second Quarter – In Q2 2021, 92.5 percent of primary policies renewed with the same limit, 65.3 percent of policies renewed with the same deductible.

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 Q3 2018. For the second quarter, only 61.2 percent of clients renewed with the same limit AND deductible as the prior-year quarter.



Despite the movement in limit and deductible levels, in the second quarter, 92.5 percent of primary policies renewed with the same carrier. Just 7.5 percent of policies renewed with a different primary carrier.



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

SECURITIES CLASS ACTION LITIGATION

Second Quarter – According to Stanford Law School’s Securities Class Action Clearinghouse, in Q2 2021, plaintiffs filed 49 new federal securities class action cases (filings) – 35 fewer than in the second quarter of 2020 (84), a decrease of 42 percent.

First Half – According to a recent report by Cornerstone Research, “Overall filing activity dropped considerably in the first half of 2021, falling to 112 filings from 150 filings in the second half of 2020. This decline was largely driven by a substantial reduction in the number of M&A class actions and federal and state 1933 ACT filings, although core filings with Section 10(b) allegations were also down modestly.

Filings in the first half of 2021 were generally smaller, resulting in lower [Maximum Dollar Loss] and [Disclosure Dollar Loss] indices. DDL fell 50% from \$162 billion in 2020 H2 to \$80 billion in 2021 H1. Similarly, MDL fell 64% from \$991 billion in 2020 H2 to \$631 billion in 2021 H1.

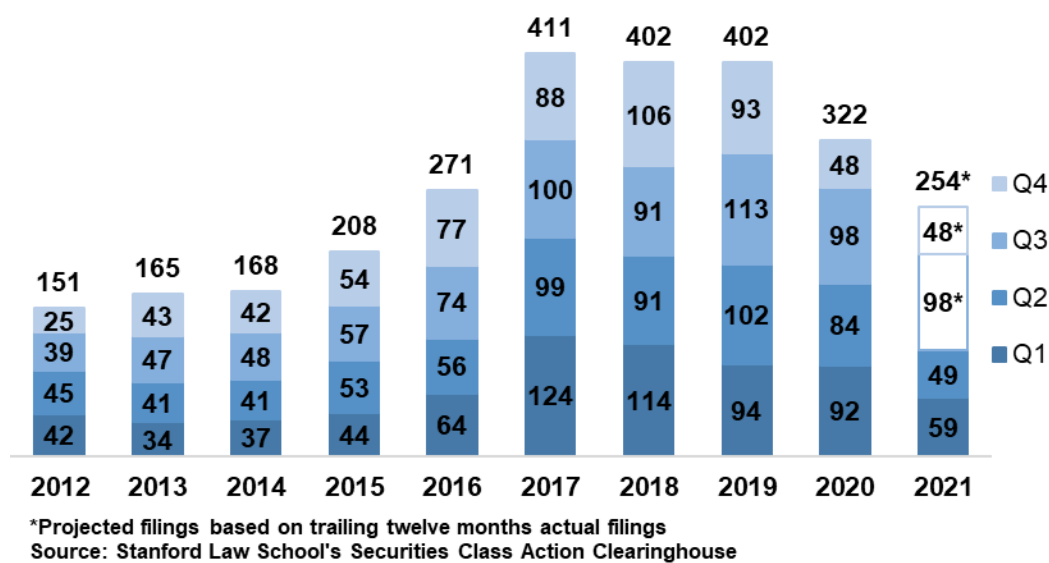
Special purpose acquisition company (SPAC) IPOs have continued to explode. Filings against SPAC-related entities increased sharply in the first half of 2021. There were also 10 filings related to COVID-19, largely concentrated in the first four months of the year.”³

Note: Cornerstone Research’s numbers include state 1933 Act filings, Stanford Law School’s Securities Class Action Clearinghouse numbers exclude state 1933 Act filings.

Full Year – On a trailing twelve-month basis, the projected number of filings for the full year (254) would be a 21 percent decrease compared to 2020 (322).

FEDERAL SECURITIES CLASS ACTIONS

Q1-2012 through Q2-2021



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 13,900 D&O programs for publicly traded companies between January 1, 2001 and June 30, 2021. 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 – 2021 Midyear Assessment

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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 \$3.8 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.

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