



Quarterly D&O Pricing Index

Fourth Quarter 2020

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AON REPORTS FOURTH QUARTER 2020 PUBLIC D&O PRICING

AVERAGE PRICE PER MILLION, ADJUSTED FOR CERTAIN ITEMS, INCREASED 46.6 PERCENT IN THE FOURTH QUARTER

AVERAGE CHANGE FOR PRIMARY POLICIES WITH SAME LIMIT AND SAME DEDUCTIBLE INCREASED 22.5 PERCENT

Fourth Quarter Key Metrics and Highlights

- Average price per million increased 36.2 percent compared to the prior year quarter; price per million, adjusted for certain items, increased 46.6 percent
- Price per million for clients that renewed in both Q4 2020 and Q4 2019 increased 37.4 percent
- 3 percent of primary policies renewing with the same limit and deductible experienced a price decrease – 96 percent had a price increase
- Overall price change for primary policies renewing with same limit and deductible was up 22.5 percent
- 93.8 percent of primary policies renewed with the same limit
- 52.8 percent of primary policies renewed with the same deductible
- 49.1 percent of primary policies renewed with the same limit and deductible
- 91.3 percent of primary policies renewed with the same carrier

New York – February 8, 2020 – Aon Commercial Risk Solutions (U.S.) today reported public Directors' & Officers' ("D&O") liability pricing for the three months ended December 31, 2020.

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}

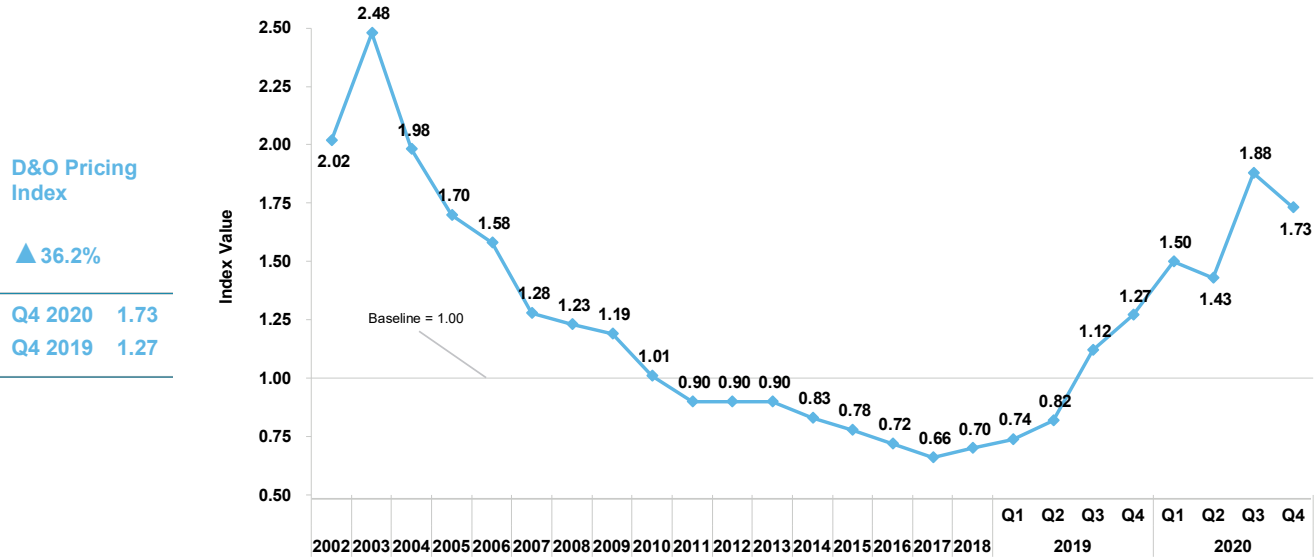
The Pricing Index increased to 1.73 from 1.27 in the prior year quarter. The average cost of \$1 million in limits increased 36.2 percent compared to the prior year quarter.

However, the Q4 2020 results were impacted by two large clients that purchase their D&O insurance in 18-month programs. Their programs, which renewed in Q4 2019, were absent from the corresponding Q4 2020 sample, contributing to an "understated" increase in the overall Index value in Q4 2020.

Excluding these two clients, the Pricing Index increased 46.6 percent in Q4 2020.

QUARTERLY INDEX OF D&O PRICING

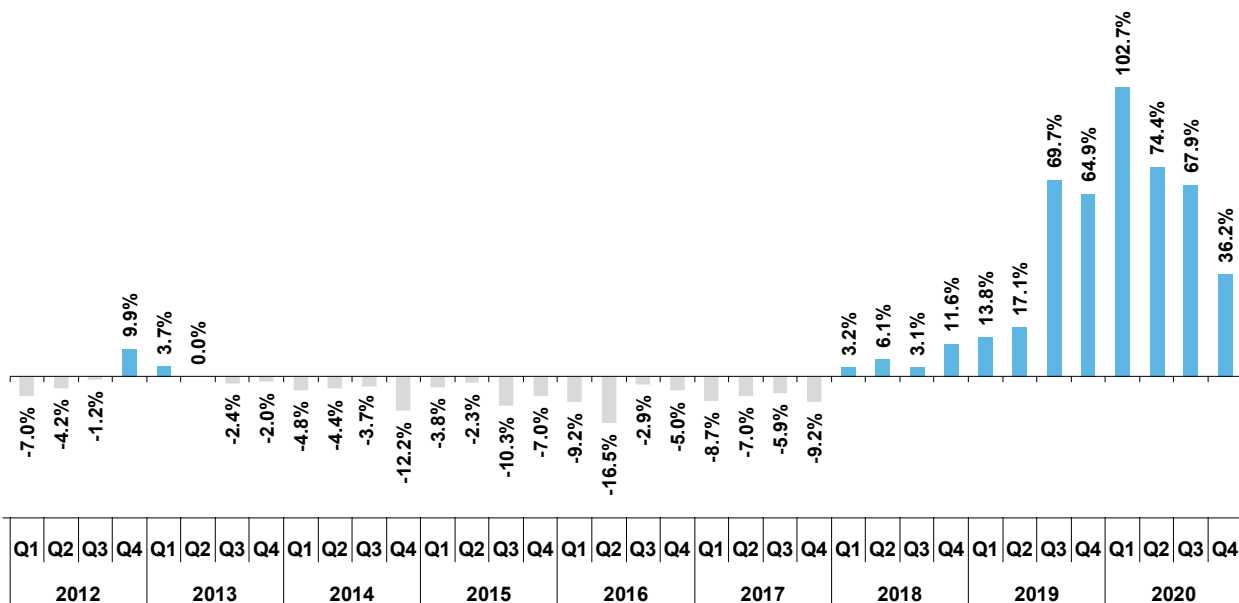
2002 through Q4-2020 | Base Year: 2001 = 1.00



The increase in Q4 2020 represents the twelfth 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 Q4-2020



A better comparison, however, is to look at only those programs that renewed in both Q4 2020 and Q4 2019. On that basis, pricing increased 37.4 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.

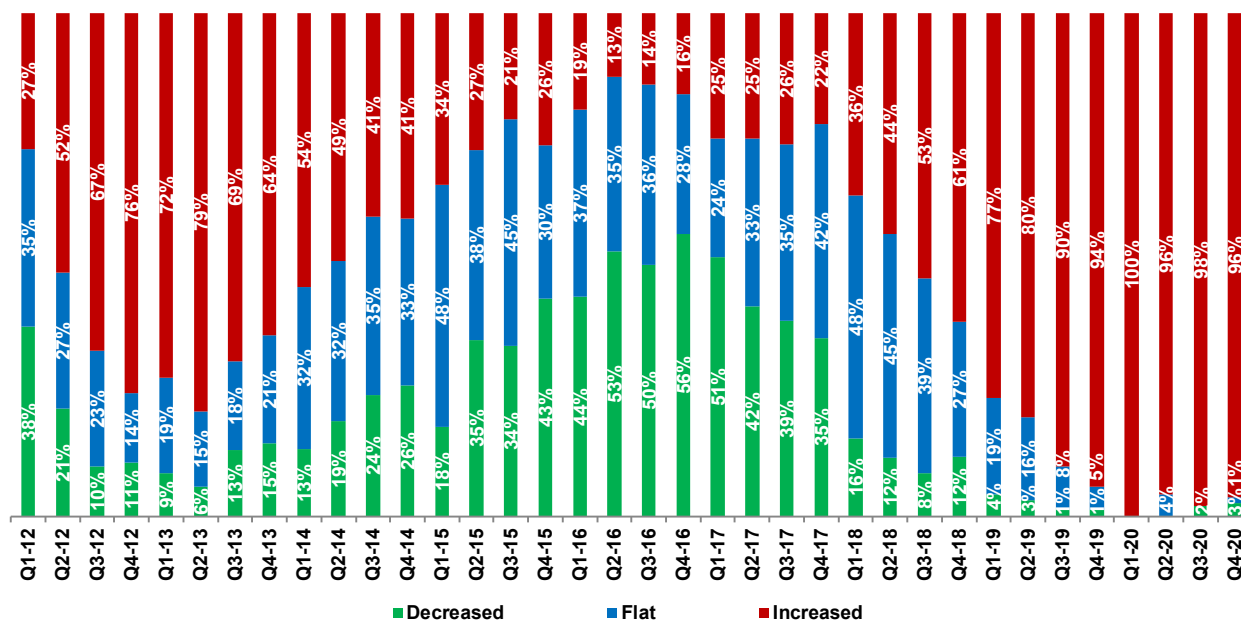
FOURTH QUARTER PRIMARY POLICIES

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, 3 percent of policies received a price decrease, 1 percent of policies renewed “flat”, while 96 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)

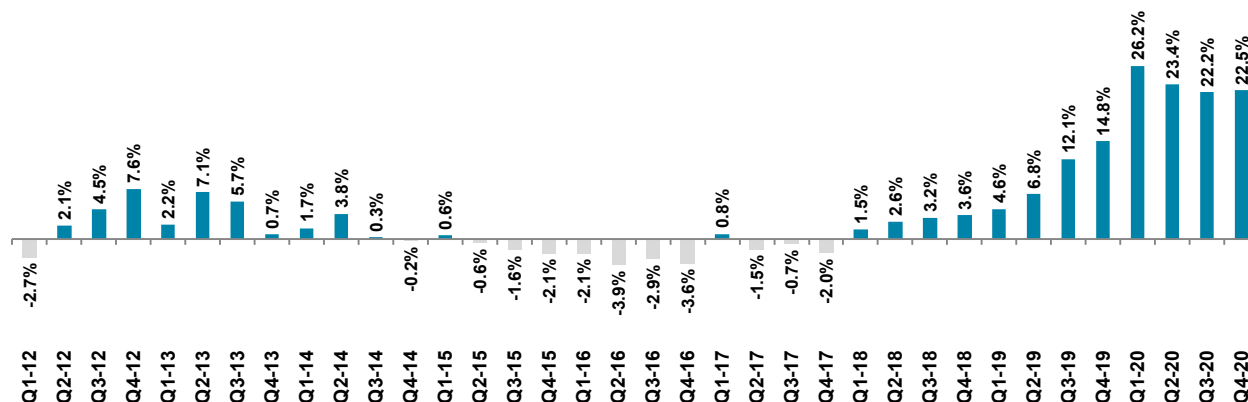
Q1-2012 through Q4-2020



For primary policies renewing with the same limit and deductible, the average primary price decrease was 24.7 percent, while the average price increase was 24.6 percent. The overall price change for primary policies in the fourth quarter was up 22.5 percent.

PRIMARY PRICE CHANGES (SAME LIMIT AND DEDUCTIBLE)

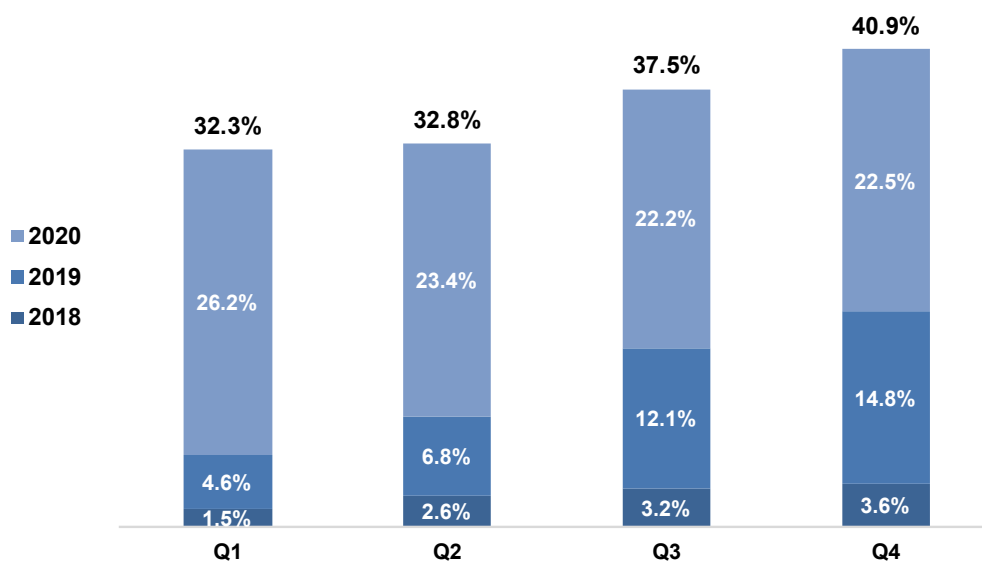
Q1-2012 through Q4-2020



The fourth quarter was the twelfth consecutive quarter of year-over-year increases, dating back to Q1 2018, for primary policies that renewed with the same limit and deductible, completing two full years of “rate-on-rate” increases.

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

Q1-2018 through Q4-2020



THE QUARTER DECONSTRUCTED (SAME LIMIT AND DEDUCTIBLE)

October 2020

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

The average primary price increase in October was 24.7 percent. The overall price change for primary policies in October was up 23.1 percent.

November 2020

In November, 5 percent of primary policies received a price decrease, no policies renewed “flat”, while 95 percent of companies received a price increase.

The average primary price decrease in November was 17.6 percent, while the average price increase was 27.8 percent. The overall price change for primary policies in November was up 25.9 percent.

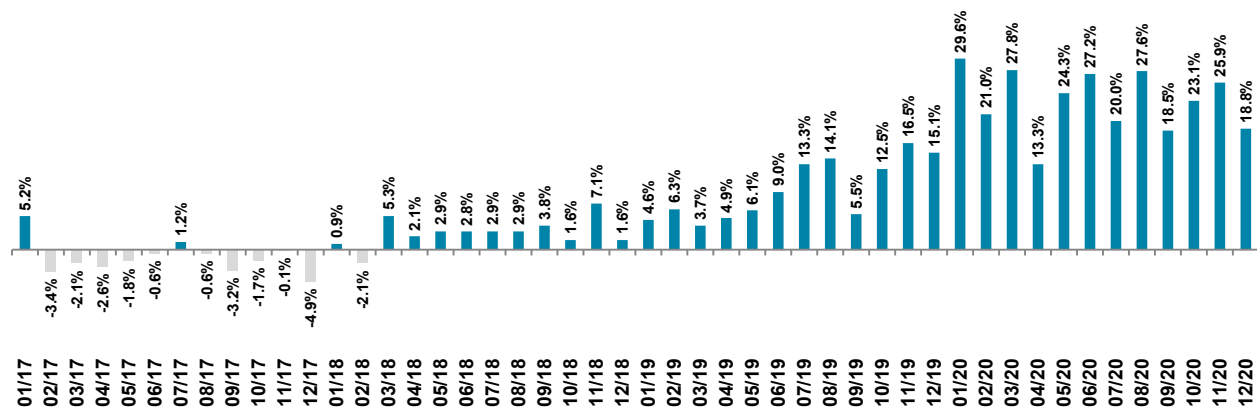
December 2020

In December, 5 percent of primary policies received a price decrease, no policies renewed “flat”, while 95 percent of companies received a price increase.

The average primary price decrease in December was 29.1 percent, while the average price increase was 21.7 percent. The overall price change for primary policies in December was up 18.8 percent.

MONTHLY PRIMARY PRICE CHANGE (SAME LIMIT AND DEDUCTIBLE)

January 2017 – December 2020

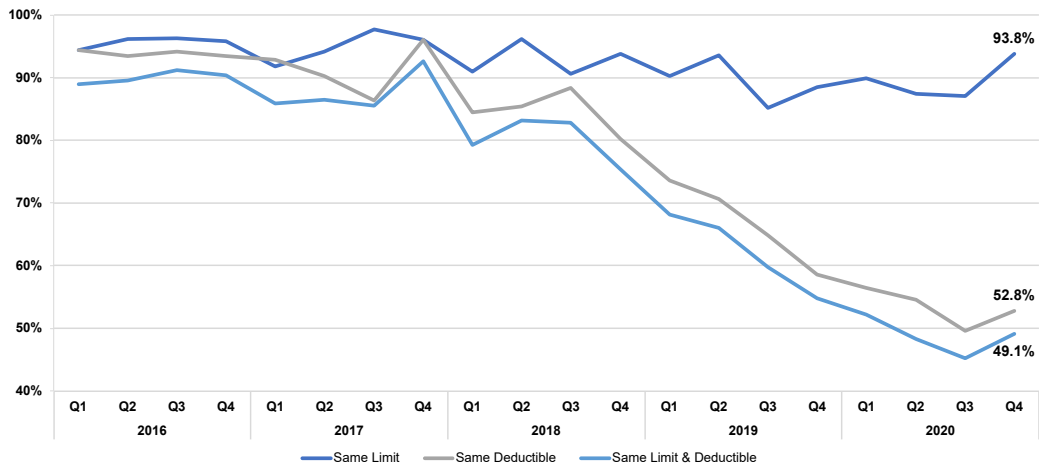


LIMIT, DEDUCTIBLE, AND CARRIER CHANGES

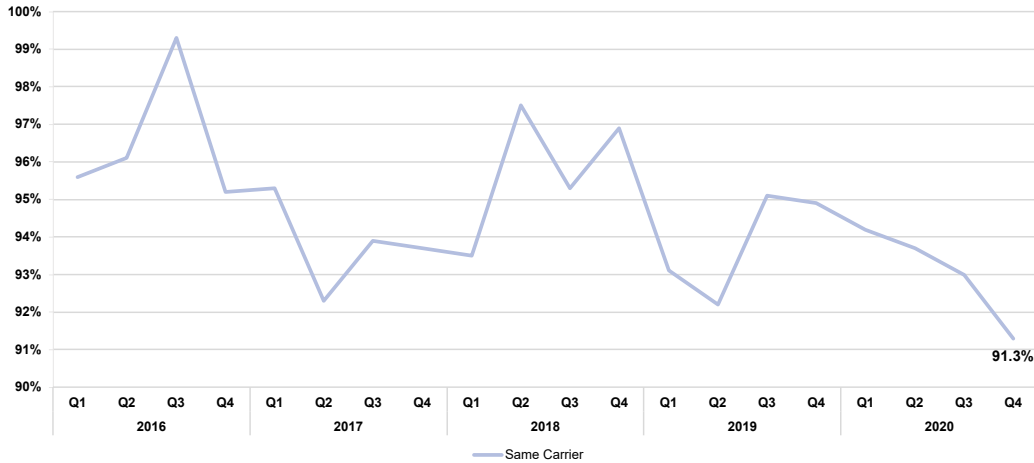
Fourth Quarter – In Q4 2020, 93.8 percent of primary policies renewed with the same limit, 52.8 percent of policies renewed with the same deductible.

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 fourth quarter, only 49.1 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 fourth quarter, 91.3 percent of primary policies renewed with the same carrier. Just 8.7 percent of policies renewed with a different primary carrier.



On average, primary policies that renewed with the same limit, deductible, and carrier experienced a 22.4 percent premium increase in the fourth quarter.

On average, primary policies that renewed with the same limit, deductible, but a different carrier experienced a 25.0 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 2020, plaintiffs filed 50 new federal securities class action cases (filings) – forty-three fewer than in the fourth quarter of 2019 (93), a decrease of 46 percent.

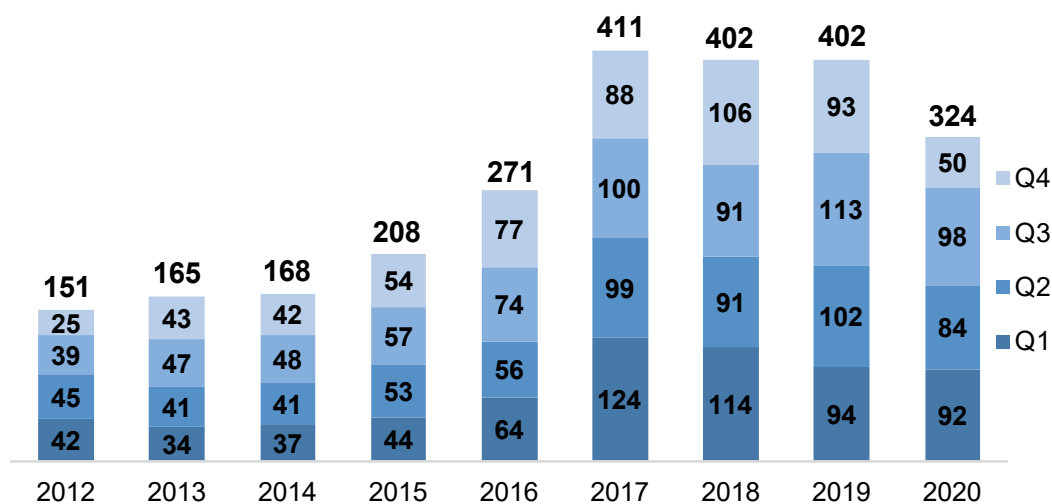
Full Year – The number of filings for the full year (324) represents a 19 percent decrease compared to 2019 (402) and 2018 (402), respectively.

According to a recent report by Cornerstone Research, “Filing activity in 2020 declined dramatically from the record high filing counts observed in 2019. M&A filings have continued to decline since reaching their peak in 2017, but were also lower in 2020 than in the two previous years due to fewer large mergers. Core filings in state courts have also fallen sharply, likely in response to the Delaware Supreme Court ruling in *Sciabacucchi*.”

“Core federal filings against companies in the S&P 500 index occurred with much lower frequency than in 2019, falling below the 2001-2019 average.”³

FEDERAL SECURITIES CLASS ACTIONS

Q1-2012 through Q4-2020



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 13,600 D&O programs for publicly traded companies between January 1, 2001 and December 31, 2020. 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 – 2020 Year in Review

CONTACT INFORMATION

Christine A. Williams

Chief Executive Officer
Financial Services Group
+1.212.441.2322
christine.williams@aon.com

Peter M. Trunfio

Chief Data & Analytics Officer
Financial Services Group
+1.212.441.1647
peter.trunfio@aon.com

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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.

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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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