



Quarterly D&O Pricing Index

Third Quarter 2019

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AON REPORTS THIRD QUARTER 2019 PUBLIC D&O PRICING

AVERAGE CHANGE FOR PRIMARY POLICIES WITH SAME LIMIT AND SAME DEDUCTIBLE INCREASED 12.1 PERCENT IN THE THIRD QUARTER.

Third Quarter Key Metrics and Highlights

- D&O price per million increased 69.7 percent compared to the prior year quarter; price per million, adjusted for certain items, increased 29.0 percent
- Price per million for clients that renewed in both Q3 2019 and Q3 2018 increased 64.2 percent; price per million, adjusted certain items, increased 22.6 percent
- 1 percent of primary policies renewing with the same limit and deductible experienced a price decrease – 90 percent had a price increase
- Overall price change for primary policies renewing with same limit and deductible was up 12.1 percent
- 85.2 percent of primary policies renewed with the same limit
- 64.8 percent of primary policies renewed with the same deductible
- 59.8 percent of primary policies renewed with the same limit and deductible
- 95.1 percent of primary policies renewed with the same carrier

New York – January 16, 2020 – Aon Commercial Risk Solutions (U.S.) today reported public Directors' & Officers' ("D&O") liability pricing for the three months ended September 30, 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 1.12 from 0.66 in the prior year quarter. The average cost of \$1 million in limits increased 69.7 percent compared to the prior year quarter.

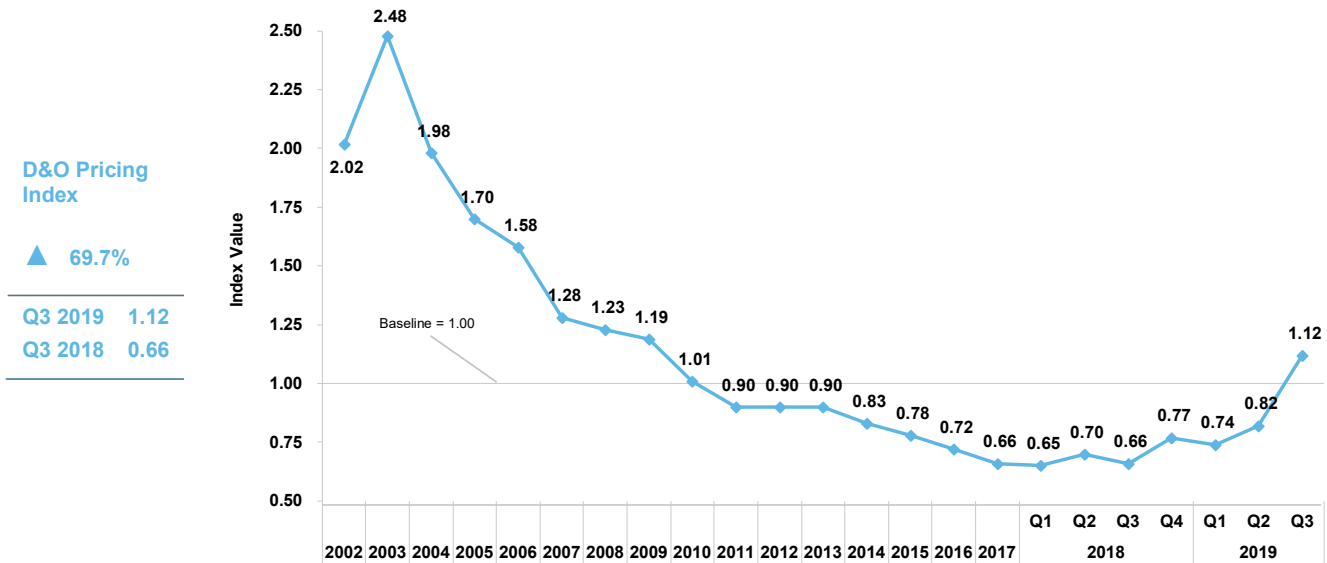
1.12 is the highest Quarterly Index value since Q4 2009.

However, the Q3 2019 results were significantly impacted by two very large Communication Services clients, whose premiums increased dramatically during the quarter due to significant claims activity, regulatory issues, and headline risks, and by a large Consumer Discretionary client, also with material claims activity, as well as ongoing investor concerns over financial performance.

Excluding these three clients, the Q3 2019 Pricing Index increased 29.0 percent.

QUARTERLY INDEX OF D&O PRICING

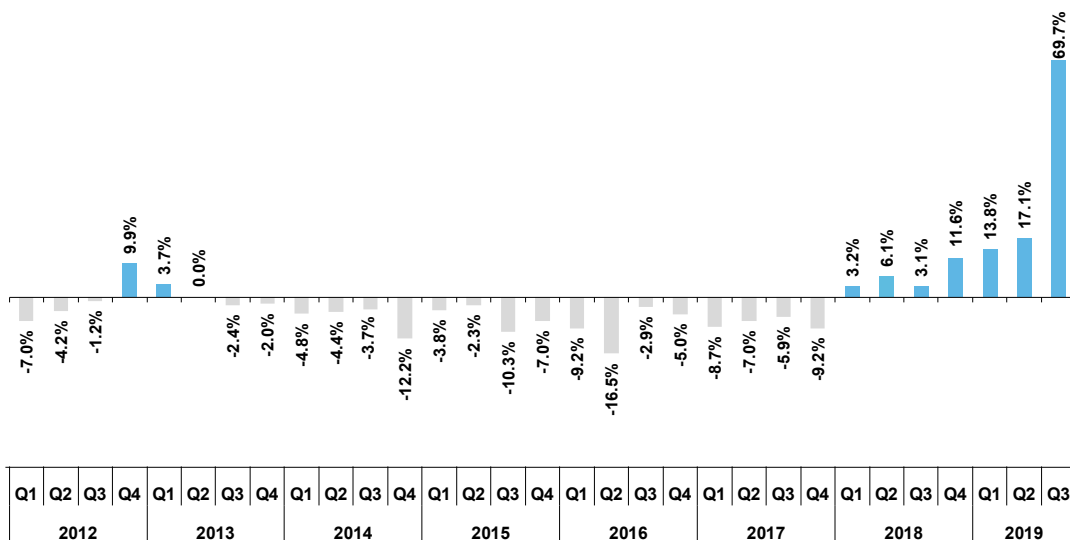
Q1-2002 through Q3-2019 | Base Year: 2001 = 1.00



The increase in Q3 2019 represents the seventh 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 Q3-2019



A better comparison, however, is to look at only those programs that renewed in both Q3 2019 and Q3 2018. On that basis, pricing increased 64.2 percent.

Excluding the three clients mentioned above, year-over-year pricing increased 22.6 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.

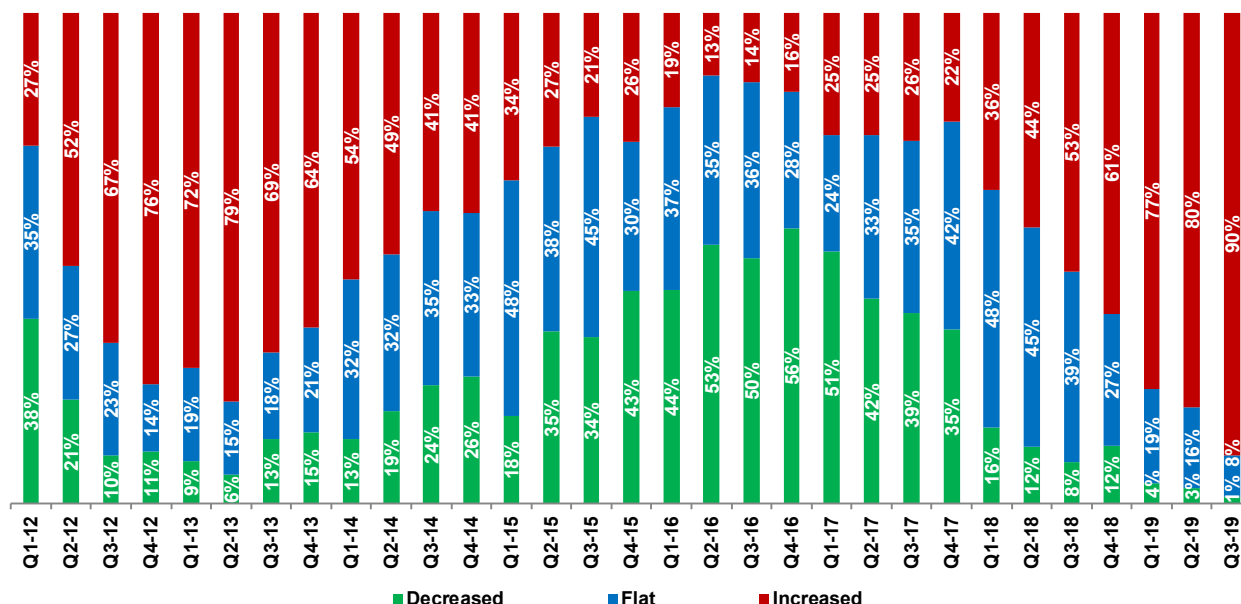
THIRD QUARTER PRIMARY POLICIES

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 third quarter, 1 percent of primary policies received a price decrease, 8 percent renewed “flat”, while 90 percent of companies received a price increase. Percentages may not sum to 100 percent due to rounding.

PRIMARY PRICE CHANGE DISTRIBUTION

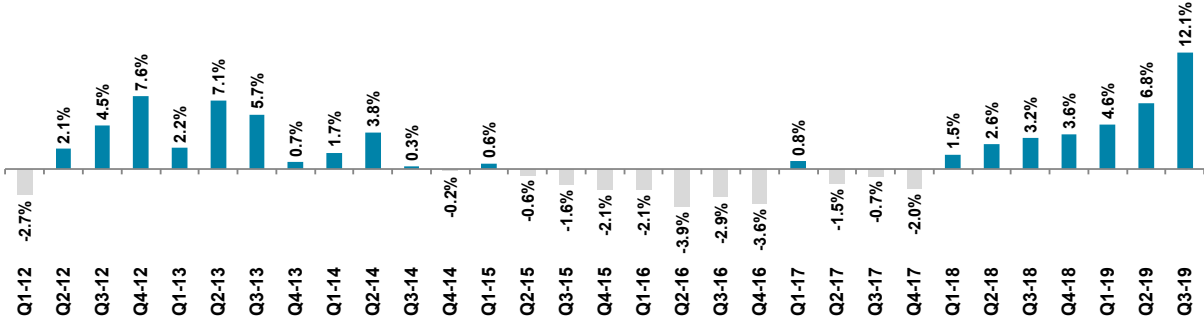
Q1-2012 through Q3-2019



The average primary price decrease was 1.1 percent, while the average price increase was 14.4 percent. The overall price change for primary policies in the third quarter was up 12.1 percent.

PRIMARY PRICE CHANGES

Q1-2012 through Q3-2019



THE QUARTER DECONSTRUCTED

July 2019

In July, 3 percent of primary policies received a price decrease, 7 percent renewed “flat”, while 90 percent of companies received a price increase.

The average primary price decrease in July was 1.1 percent, while the average price increase was 14.6 percent. The overall price change for primary policies in July was up 13.3 percent.

August 2019

In August, no primary policies received a price decrease, 7 percent renewed “flat”, while 93 percent of companies received a price increase.

The average primary price increase in August was 14.6 percent. The overall price change for primary policies in August was up 14.1 percent.

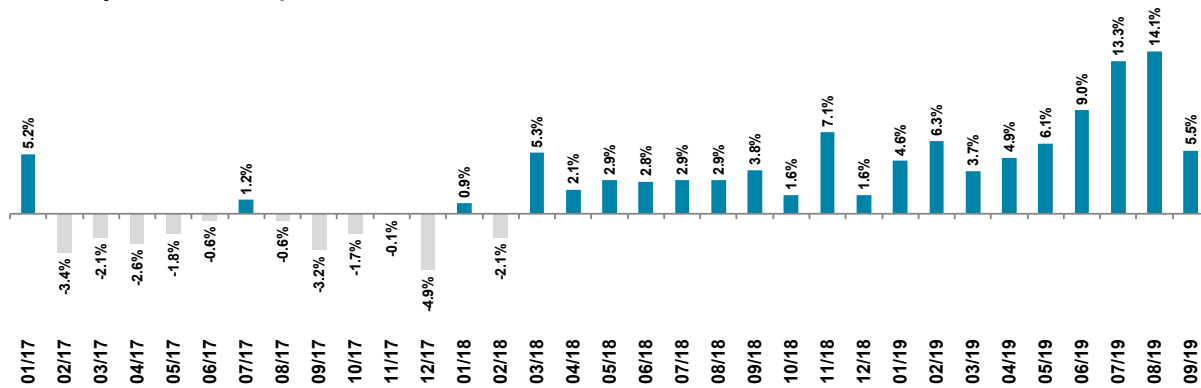
September 2019

In September, no primary policies received a price decrease, 15 percent renewed “flat”, while 85 percent of companies received a price increase.

The average primary price increase in September was 12.0 percent. The overall price change for primary policies in September was up 5.5 percent.

MONTHLY PRIMARY PRICE CHANGE

January 2017 – September 2019

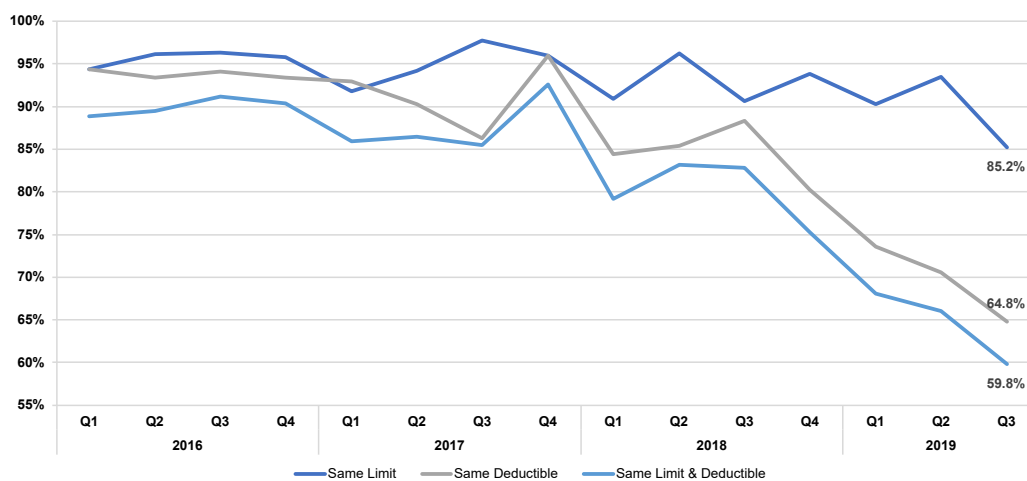


LIMIT, DEDUCTIBLE, AND CARRIER CHANGES

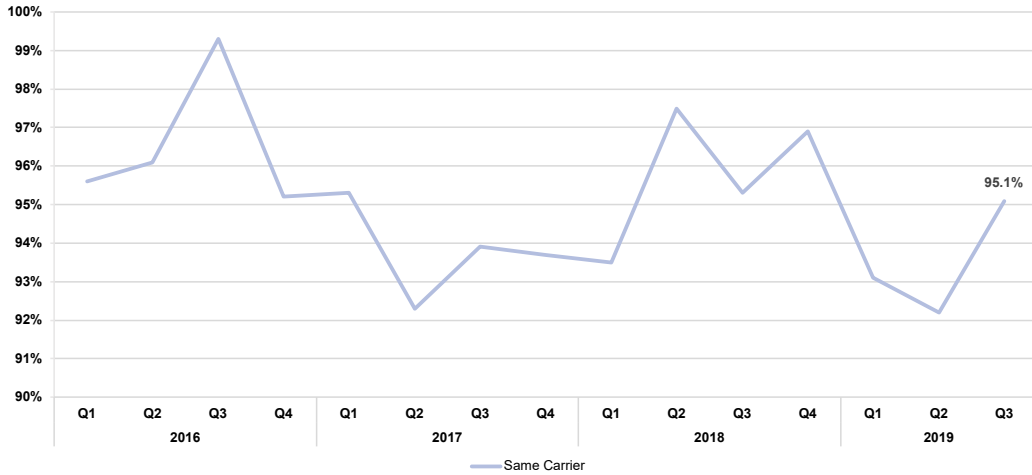
Third Quarter – In Q3 2019, 85.2 percent of primary policies renewed with the same limit, 64.8 percent of policies renewed with the same deductible, and 59.8 percent of policies renewed with the same limit AND deductible.

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 third quarter, only 59.8 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 third quarter, 95.1 percent of primary policies renewed with the same carrier. Fewer than 5.0 percent of policies renewed with a different primary carrier.



On average, policies that renewed with the same limit, deductible, and carrier experienced an 11.9 percent premium increase in the third quarter.

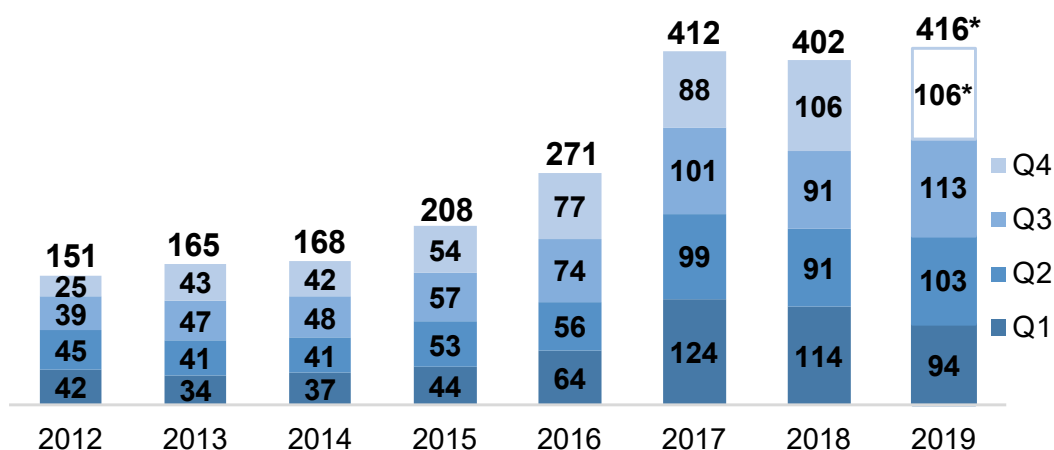
SECURITIES CLASS ACTION LITIGATION

Third Quarter – According to Stanford Law School’s Securities Class Action Clearinghouse, in Q3 2019, plaintiffs filed 113 new federal securities class action cases (filings) – 22 more than in the third quarter of 2018 (91), an increase of 24 percent.

Full Year – Using a trailing twelve-month basis, the projected number of filings for the full year (416) would be a 3.5 percent increase compared to 2018 (402).

FEDERAL SECURITIES CLASS ACTIONS

Q1-2012 through Q3-2019



*Projected filings based on trailing twelve months actual filings
 Source: Stanford Law School's Securities Class Action Clearinghouse

Post-script: Stanford has now posted full year 2019 filings of 404, an increase of less than 1% compared to 2018 (402).

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 12,750 D&O programs for publicly traded companies between January 1, 2001 and September 30, 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.

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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 \$2.4 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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