Aon plc
Form 10-Q
October 26, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-7933

Aon plc
(Exact Name of Registrant as Specified in Its Charter)

ENGLAND AND WALES	98-1030901
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

122 LEADENHALL STREET, LONDON, ENGLAND	EC3V 4AN
(Address of Principal Executive Offices)	(Zip Code)

+44 20 7623 5500
(Registrant's Telephone Number,
Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ý NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO ý

Number of Class A Ordinary Shares of Aon plc, $0.01 nominal value, outstanding as of October 25, 2018:
240,844,114

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Part I Financial Information
Item 1. Financial Statements

Aon plc
Condensed Consolidated Statements of Income
(Unaudited)

(millions, except per share data)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenue				
Total revenue	$2,349	$ 2,340	$8,000	$ 7,089
Expenses				
Compensation and benefits	1,392	1,428	4,502	4,363
Information technology	125	109	363	295
Premises	94	89	283	259
Depreciation of fixed assets	40	40	126	148
Amortization and impairment of intangible assets	100	101	492	604
Other general expenses	336	317	1,189	956
Total operating expenses	2,087	2,084	6,955	6,625
Operating income	262	256	1,045	464
Interest income	—	10	5	20
Interest expense	(69)	(70)	(208)	(211)
Other income (expense)	1	4	(17)	6
Income from continuing operations before income taxes	194	200	825	279
Income tax expense (benefit)	39	4	9	(139)
Net income from continuing operations	155	196	816	418
Net income (loss) from discontinued operations	(2)	(4)	5	857
Net income	153	192	821	1,275
Less: Net income attributable to noncontrolling interests	6	7	32	30
Net income attributable to Aon shareholders	$147	$ 185	$789	$ 1,245
Basic net income (loss) per share attributable to Aon shareholders				
Continuing operations	$0.61	$ 0.74	$3.18	$ 1.49
Discontinued operations	(0.01)	(0.02)	0.02	3.28
Net income	$0.60	$ 0.72	$3.20	$ 4.77
Diluted net income (loss) per share attributable to Aon shareholders				
Continuing operations	$0.61	$ 0.73	$3.17	$ 1.48
Discontinued operations	(0.01)	(0.01)	0.02	3.26
Net income	$0.60	$ 0.72	$3.19	$ 4.74
Cash dividends per share paid on ordinary shares	$0.40	$ 0.36	$1.16	$ 1.05
Weighted average ordinary shares outstanding - basic	244.0	255.6	246.2	260.9
Weighted average ordinary shares outstanding - diluted	245.6	257.3	247.7	262.9

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income	$ 153	$ 192	$ 821	$ 1,275
Less: Net income attributable to noncontrolling interests	6	7	32	30
Net income attributable to Aon shareholders	147	185	789	1,245
Other comprehensive income (loss), net of tax:				
Change in fair value of financial instruments	1	11	14	13
Foreign currency translation adjustments	(50)	243	(263)	434
Postretirement benefit obligation	(62)	18	108	56
Total other comprehensive income (loss)	(111)	272	(141)	503
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(3)	7	(6)	3
Total other comprehensive income (loss) attributable to Aon shareholders	(108)	265	(135)	500
Comprehensive income attributable to Aon shareholders	$ 39	$ 450	$ 654	$ 1,745

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Financial Position

(millions, except nominal value)	(Unaudited) September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 484	$ 756
Short-term investments	167	529
Receivables, net	2,656	2,478
Fiduciary assets	9,314	9,625
Other current assets	727	289
Total current assets	13,348	13,677
Goodwill	8,282	8,358
Intangible assets, net	1,260	1,733
Fixed assets, net	594	564
Deferred tax assets	476	389
Prepaid pension	1,208	1,060
Other non-current assets	434	307
Total assets	$ 25,602	$ 26,088
Liabilities and equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,600	$ 1,961
Short-term debt and current portion of long-term debt	741	299
Fiduciary liabilities	9,314	9,625
Other current liabilities	988	870
Total current liabilities	12,643	12,755
Long-term debt	5,665	5,667
Deferred tax liabilities	273	127
Pension, other postretirement, and postemployment liabilities	1,603	1,789
Other non-current liabilities	1,090	1,102
Total liabilities	21,274	21,440
Equity		
Ordinary shares - $0.01 nominal value Authorized: 750 shares (issued: 2018 - 241.2; 2017 - 247.6)	2	2
Additional paid-in capital	5,850	5,775
Retained earnings	2,042	2,302
Accumulated other comprehensive loss	(3,632)	(3,496)
Total Aon shareholders' equity	4,262	4,583
Noncontrolling interests	66	65
Total equity	4,328	4,648
Total liabilities and equity	$ 25,602	$ 26,088

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

(millions)	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Non-controlling Interests	Total
Balance at December 31, 2017	247.6	$ 5,777	$ 2,302	$ (3,496)	$ 65	$ 4,648
Adoption of new accounting guidance	—	—	493	(1)	—	492
Balance at January 1, 2018	247.6	5,777	2,795	(3,497)	65	5,140
Net income	—	—	789	—	32	821
Shares issued - employee stock compensation plans	2.4	(139)	(1)	—	—	(140)
Shares purchased	(8.8)	—	(1,256)	—	—	(1,256)
Share-based compensation expense	—	214	—	—	—	214
Dividends to shareholders	—	—	(285)	—	—	(285)
Net change in fair value of financial instruments	—	—	—	14	—	14
Net foreign currency translation adjustments	—	—	—	(257)	(6)	(263)
Net postretirement benefit obligation	—	—	—	108	—	108
Purchases of shares from noncontrolling interests	—	—	—	—	(1)	(1)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(24)	(24)
Balance at September 30, 2018	241.2	$ 5,852	$ 2,042	$ (3,632)	$ 66	$ 4,328

(millions)	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Non-controlling Interests	Total
Balance at January 1, 2017	262.0	$ 5,580	$ 3,856	$ (3,912)	$ 57	$ 5,581
Net income	—	—	1,245	—	30	1,275
Shares issued - employee stock compensation plans	3.3	(117)	—	—	—	(117)
Shares purchased	(14.5)	—	(1,913)	—	—	(1,913)
Share-based compensation expense	—	214	—	—	—	214
Dividends to shareholders	—	—	(274)	—	—	(274)
Net change in fair value of financial instruments	—	—	—	13	—	13
Net foreign currency translation adjustments	—	—	—	431	3	434
Net postretirement benefit obligation	—	—	—	56	—	56
Purchases of shares from noncontrolling interests	—	(4)	—	—	(1)	(5)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(17)	(17)
Balance at September 30, 2017	250.8	$ 5,673	$ 2,914	$ (3,412)	$ 72	$ 5,247

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Aon plc
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(millions)	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities		
Net income	$821	$ 1,275
Less: Net income from discontinued operations	5	857
Adjustments to reconcile net income to cash provided by operating activities:		
Loss from sales of businesses, net	4	2
Depreciation of fixed assets	126	148
Amortization and impairment of intangible assets	492	604
Share-based compensation expense	214	214
Deferred income taxes	(128)	(208)
Change in assets and liabilities:		
Fiduciary receivables	766	986
Short-term investments — funds held on behalf of clients	(731)	(701)
Fiduciary liabilities	(35)	(285)
Receivables, net	(11)	144
Accounts payable and accrued liabilities	(331)	(237)
Restructuring reserves	14	170
Current income taxes	(137)	(785)
Pension, other postretirement and postemployment liabilities	(223)	(142)
Other assets and liabilities	139	(39)
Cash provided by operating activities - continuing operations	975	289
Cash provided by operating activities - discontinued operations	—	64
Cash provided by operating activities	975	353
Cash flows from investing activities		
Proceeds from investments	30	43
Payments for investments	(65)	(55)
Net sales (purchases) of short-term investments — non-fiduciary	356	(1,344)
Acquisition of businesses, net of cash acquired	(50)	(172)
Sale of businesses, net of cash sold	(8)	4,194
Capital expenditures	(179)	(125)
Cash provided by investing activities - continuing operations	84	2,541
Cash used for investing activities - discontinued operations	—	(19)
Cash provided by investing activities	84	2,522
Cash flows from financing activities		
Share repurchase	(1,272)	(1,888)
Issuance of shares for employee benefit plans	(139)	(118)
Issuance of debt	3,960	1,651
Repayment of debt	(3,498)	(1,998)
Cash dividends to shareholders	(285)	(274)
Noncontrolling interests and other financing activities	(21)	(21)
Cash used for financing activities - continuing operations	(1,255)	(2,648)
Cash used for financing activities - discontinued operations	—	—
Cash used for financing activities	(1,255)	(2,648)
Effect of exchange rates on cash and cash equivalents	(76)	91

Net increase (decrease) in cash and cash equivalents	(272)	318
Cash and cash equivalents at beginning of period	756	431
Cash and cash equivalents at end of period	$484	$ 749
Supplemental disclosures:		
Interest paid	$172	$ 195
Income taxes paid, net of refunds	$274	$ 854

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements and Notes thereto (the "Financial Statements") have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The Financial Statements include the accounts of Aon plc and all of its controlled subsidiaries ("Aon" or the "Company"). All intercompany accounts and transactions have been eliminated. The Financial Statements include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the Company's consolidated financial position, results of operations and cash flows for all periods presented.

Certain information and disclosures normally included in the Financial Statements prepared in accordance with U.S. GAAP have been condensed or omitted. These Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The results for the three and nine months ended September 30, 2018 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2018.

Use of Estimates

The preparation of the accompanying Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of reserves and expenses. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management believes its estimates to be reasonable given the current facts available. Aon adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid credit markets, volatile equity markets, and foreign currency exchange rate movements increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment would, if applicable, be reflected in the Financial Statements in future periods.

2. Accounting Principles and Practices

Adoption of New Accounting Standards

Presentation of Net Periodic Pension and Postretirement Benefit Costs

In March 2017, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. The Company has applied the new guidance retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the Condensed Consolidated Statement of Income, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension costs and net periodic postretirement benefit cost in assets. The new guidance allows a practical expedient that permits an employer to use the amounts disclosed in its pension and other postretirement benefit plan note for the prior comparative periods as the estimation basis for applying the retrospective presentation requirements. The Company did not apply the practical expedient upon adoption of this guidance. The new guidance was effective for Aon in the first quarter of 2018. The adoption of this guidance had no impact on the net income of the Company.

Upon adoption of the guidance, the presentation of the results reflect a change in Operating income (loss) offset by an equal and offsetting change in Other income (expense) for the period ended September 30, 2017 as follows:

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
Operating income (loss) [(1)]	$265	$ (9)	$ 256	$490	$ (26)	$ 464
Other income (expense)	$(5)	$ 9	$ 4	$(20)	$ 26	$ 6

(1) Reclassification from Operating income is recorded in Compensation and benefits.

Income Tax Consequences of Intercompany Transactions

In October 2016, the FASB issued new accounting guidance on the income tax consequences of intra-entity asset transfers other than inventory. The guidance requires that the seller and buyer recognize the consolidated current and deferred income tax consequences of a transaction in the period the transaction occurs rather than deferring to a future period and recognizing those consequences when the asset has been sold to an outside party or otherwise recovered through use (i.e. depreciated, amortized, or impaired). The Company has applied the new guidance on a modified retrospective basis with a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The new guidance was effective for Aon in the first quarter of 2018. Upon the adoption of this guidance on January 1, 2018, the Company recognized an increase to Deferred tax assets of $23 million, an increase to Deferred tax liabilities of $12 million, and a decrease to Other non-current assets of $26 million on the Condensed Consolidated Statement of Financial Position through a cumulative adjustment of $15 million decrease to Retained earnings. For the three and nine months ended September 30, 2018, the impact of adopting this guidance on the Condensed Consolidated Statement of Income was insignificant.

Statement of Cash Flows

In August 2016, the FASB issued new accounting guidance on the classification of certain cash receipts and cash payments. Under the new guidance, an entity no longer has discretion to choose the classification for a number of transactions, including contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, and distributions received from equity method investees. The new standard was effective for the Company in the first quarter of 2018. The adoption of this guidance had no impact on the Company's Condensed Consolidated Statements of Cash Flows.

Financial Assets and Liabilities

In January 2016, the FASB issued new accounting guidance on recognition and measurement of financial assets and financial liabilities. The amendments in the new guidance make targeted improvements, which include the requirement to measure equity investments with readily determinable fair values at fair value through net income, simplification of the impairment assessment for equity investments without readily determinable fair values, adjustments to existing and additional disclosure requirements, and additional tax considerations. The Company applied the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with the exception of the amendments related to equity securities without readily determinable fair values, including disclosure requirements, which were applied prospectively. Upon the adoption of this guidance on January 1, 2018, the Company recognized an increase to Accumulated other comprehensive loss of $1 million on the Condensed Consolidated Statement of Financial Position through a cumulative adjustment of $1 million increase to Retained earnings. For the three and nine months ended September 30, 2018, the impact of adopting this guidance on the Condensed Consolidated Statement of Income was insignificant.

Revenue Recognition

In May 2014, the FASB issued a new accounting standard on revenue from contracts with customers (the "Standard" or "ASC 606"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP ("ASC 605"). The core principal of the Standard is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments, changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. Two methods of transition were permitted upon adoption: full retrospective and modified retrospective. The Company elected to apply the modified retrospective adoption approach to all contracts. Under this approach, prior periods were not restated. Rather, revenues and other disclosures for prior periods were provided in the notes to the financial statements as

previously reported under ASC 605, and the cumulative effect of initially applying the guidance was recognized as an adjustment to Retained earnings.
The following summarizes the significant changes to the Company as a result of the adoption of ASC 606 on January 1, 2018.

- The Company previously recognized revenue either at a point in time or over a period of time based on the transfer of value to customers or as the remuneration became determinable. Under ASC 606, the revenue related to certain brokerage services recognized over a period of time is recognized on the effective date of the associated policies when control of the policy transfers to the customer. As a result, revenue from these arrangements are typically recognized in earlier periods under ASC 606 in comparison to ASC 605, changing the timing and amount of revenue recognized for annual and interim periods. This change resulted in a significant shift in timing of interim revenue for the Reinsurance Solutions revenue line and, to a lesser extent, certain other brokerage services.

- The Standard provides guidance on accounting for certain revenue-related costs including when to capitalize costs associated with obtaining and fulfilling a contract. The majority of these costs were previously expensed as incurred under ASC 605. Assets recognized for the costs to obtain a contract, which includes certain sales commissions, are amortized on a systematic basis that is consistent with the transfer of the services to which the asset relates, considering anticipated renewals when applicable. For situations where the renewal period is one year or less and renewal costs are commensurate with the initial contract, the Company applied a practical expedient and recognizes the costs of obtaining a contract as an expense when incurred. Assets recognized as costs to fulfill a contract, which includes internal costs related to pre-placement broking activities, as well as other costs, are amortized on a systematic basis that is consistent with the transfer of the services to which the asset relates, which is generally less than one year.

As a result of applying the modified retrospective method to adopt ASC 606, the following adjustments were made to the Condensed Consolidated Statement of Financial Position as of January 1, 2018:

(millions)	December 31, 2017 As Reported	Adjustments	January 1, 2018 As Adjusted
Assets			
Receivables, net	$ 2,478	$ 252	$ 2,730
Other current assets	$ 289	$ 298	$ 587
Deferred tax assets	$ 389	$ (128)	$ 261
Other non-current assets	$ 307	$ 145	$ 452
Liabilities			
Accounts payable and accrued liabilities	$ 1,961	$ 8	$ 1,969
Other current liabilities	$ 870	$ 13	$ 883
Deferred tax liabilities	$ 127	$ 42	$ 169
Other non-current liabilities	$ 1,102	$ (3)	$ 1,099
Equity			
Total equity	$ 4,648	$ 507	$ 5,155

The following tables summarize the impacts of adopting ASC 606 on the Company's Condensed Consolidated Statement of Income, Financial Position, and Cash Flows as of and for the three and nine months ended September 30, 2018.

Condensed Consolidated Statement of Income

(millions)	Three months ended September 30, 2018			Nine Months Ended September 30, 2018		
	As Reported	Adjustments	Balances Without Adoption of ASC 606	As Reported	Adjustments	Balances Without Adoption of ASC 606
Revenue						
Total revenue	$2,349	$ 142	$ 2,491	$8,000	$ (268)	$ 7,732
Expenses						
Compensation and benefits	$1,392	$ 36	$ 1,428	$4,502	$ (42)	$ 4,460
Other general expenses	$336	$ 1	$ 337	$1,189	$ 3	$ 1,192
Income taxes	$39	$ 21	$ 60	$9	$ (54)	$ (45)

Adoption of ASC 606 had an unfavorable impact of $84 million on net income from continuing operations, or $0.34 per share, for the three months ended September 30, 2018, and a favorable impact of $175 million on net income from continuing operations, or $0.71 per share, for the nine months ended September 30, 2018.

Condensed Consolidated Statement of Financial Position

(millions)	As of September 30, 2018		
	As Reported	Adjustments	Balances Without Adoption of ASC 606
Assets			
Receivables, net	$2,656	$ (494)	$ 2,162
Other current assets	$727	$ (227)	$ 500
Deferred tax assets	$476	$ 128	$ 604
Other non-current assets	$434	$ (150)	$ 284
Liabilities			
Other current liabilities	$988	$ (13)	$ 975
Deferred tax liabilities	$273	$ (59)	$ 214
Other non-current liabilities	$1,090	$ 2	$ 1,092
Equity			
Total equity	$4,328	$ (673)	$ 3,655

Condensed Consolidated Statement of Cash Flows

(millions)	Nine months ended September 30, 2018		
	As Reported	Adjustments	Balances Without Adoption of ASC 606
Cash flows from operating activities			

Net income	$821	$ (175)	$ 646
Deferred income taxes	$(128)	$ (16)	$ (144)
Receivables, net	$(11)	$ 244	$ 233
Accounts payable and accrued liabilities	$(331)	$ 8	$ (323)
Current income taxes	$(137)	$ (37)	$ (174)
Other assets and liabilities	$139	$ (24)	$ 115

The adoption of ASC 606 had no impact on total Cash Provided by Operating Activities.

Refer to Note 3 “Revenue from Contracts with Customers” to the Financial Statements for further information.

Accounting Standards Issued But Not Yet Adopted

Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued new accounting guidance related to the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. The guidance requires sponsors of these plans to provide additional disclosures, including weighted-average interest rates used in the entity’s cash balance pension plans and a narrative description of reasons for any significant gains or losses impacting the benefit obligation for the period, and eliminates certain previous disclosure requirements. The guidance is effective for Aon in the first quarter of 2021 with early adoption permitted and will be applied retrospectively. The Company is currently evaluating the impact that the guidance will have on the Financial Statements and the period of adoption.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued new accounting guidance related to reclassification of certain tax effects from accumulated other comprehensive income. The guidance allows a reclassification from accumulated comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Reform Act”). In addition, the entity is required to provide certain disclosures regarding stranded tax effects. The guidance is effective for Aon in the first quarter of 2019 and early adoption is permitted, including adoption in any interim period. The guidance should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Reform Act is recognized. The Company does not anticipate electing to reclassify stranded tax effects in accumulated other comprehensive income to retained earnings and expects to adopt the disclosure guidance in the first quarter of 2019. Refer to Note 11 “Income Taxes” for further discussion of the Tax Reform Act.

Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued new accounting guidance on targeted improvements to accounting for hedging activities. The new guidance amends its hedge accounting model to enable entities to better portray their risk management activities in the Financial Statements. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and requires the effect of a hedging instrument to be presented in the same income statement line as the hedged item. An entity will apply the new guidance on a modified retrospective basis with a cumulative effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the period of adoption. Changes to income statement presentation and financial statement disclosures will be applied prospectively. The new guidance is effective for Aon in the first quarter of 2019 and early adoption is permitted. The Company is currently evaluating the impact that the guidance will have on the Financial Statements and the period of adoption.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued new accounting guidance on simplifying the test for goodwill impairment. Currently the standard requires an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. The new guidance removes Step 2. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. An entity will apply the new guidance on a prospective basis. The new guidance is effective for Aon in the first quarter of 2020 and early adoption is permitted. The Company is currently evaluating the impact that the guidance will have on the Financial Statements and the period of adoption.

Credit Losses

In June 2016, the FASB issued new accounting guidance on the measurement of credit losses on financial instruments. The new guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. An entity will apply the new guidance through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The guidance is effective for Aon in the first quarter of 2020 and early adoption is permitted beginning in the first quarter of 2019. Aon is currently evaluating the impact that the guidance will have on its Financial Statements, as well as the period of adoption.

Leases
In February 2016, the FASB issued a new accounting standard on leases, which requires lessees to recognize assets and liabilities for most leases. Under the new standard, a lessee should recognize in the Condensed Consolidated Statement of Financial Position a liability to make future lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP standards. The new standard will be effective for the Company in the first quarter of 2019, with early adoption permitted and must be applied using a modified retrospective transition approach. In July 2018, the FASB amended the updated guidance on leases that was issued in February 2016 and provided an additional transition method with which to adopt the updated guidance. Under the additional transition method, entities may elect to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. Under this transition method, an entity's reporting for the comparative periods prior to adoption presented in the financial statements would continue to be in accordance with current lease guidance. The Company expects to adopt the new standard as of January 1, 2019 using the cumulative-effect adjustment transition method approved by the FASB. Additionally, the Company will provide expanded lease disclosures required under the new standard in the first quarter of 2019.
The modified retrospective approach includes several optional practical expedients that entities may elect to apply upon transition. These practical expedients relate to the identification and classification of leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Company has determined it will not elect the practical expedient related to hindsight and is currently evaluating all other practical expedients and accounting policy elections that will be applied.
The Company is on schedule to implement the standard as of January 1, 2019 and has executed a comprehensive approach to identify arrangements that may contain a lease, has performed completeness assessments over the identified lease population and has implemented system solutions and processes to appropriately account for the lease right-of-use assets and lease liabilities upon transition and on an ongoing basis. Further, control activities related to the adoption of this standard have been designed and begun to be implemented.
Aon expects to recognize significant lease liabilities and corresponding right of use assets on its Condensed Consolidated Statements of Financial Position related to its portfolio of operating leases, but is unable to provide quantitative information at this time. The Company does not anticipate that the new standard will have a significant impact on the Condensed Consolidated Statements of Income or the Condensed Consolidated Statements of Cash Flows.
3. Revenue from Contracts with Customers
The Company generates revenues primarily through commissions, compensation from insurance and reinsurance companies for services provided to them, and fees from customers. Commissions and fees for brokerage services vary depending upon several factors, which may include the amount of premium, the type of insurance or reinsurance coverage provided, the particular services provided to a client, insurer, or reinsurer, and the capacity in which the Company acts. Compensation from insurance and reinsurance companies includes: (1) fees for consulting and analytics services and (2) fees and commissions for administrative and other services provided to or on behalf of insurers. In Aon’s capacity as an insurance and reinsurance broker, the service promised to the customer is placement of an effective insurance or reinsurance policy, respectively. At the completion of the insurance or reinsurance policy placement process once coverage is effective, the customer has obtained control over the services promised by the Company. Judgment is not typically required when assessing whether the coverage is effective. Fees from clients for advice and consulting services are dependent on the extent and value of the services provided. Payment terms for the Company’s principal service lines are discussed below; the Company believes these terms are consistent with current industry practices. Significant financing components are typically not present in Aon’s arrangements.
The Company recognizes revenue when control of the promised services is transferred to the customer in the amount that best reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements where control is transferred over time, an input or output method is applied that represents a faithful depiction of the progress towards completion of the performance obligation. For arrangements that include variable

consideration, the Company assesses whether any amounts should be constrained. For arrangements that include multiple performance obligations, the Company allocates consideration based on their relative fair values.

Costs incurred by the Company in obtaining a contract are capitalized and amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates, considering anticipated renewals when applicable. Certain contract related costs, including pre-placement brokerage costs, are capitalized as a cost to fulfill and are amortized on a systematic basis consistent with the transfer of control of the services to which the asset relates, which is generally less than one year.

The Company has elected to apply practical expedients to not disclose the revenue related to unsatisfied performance obligations if (1) the contract has an original duration of 1 year or less, (2) the Company has recognized revenue for the amount in which it has the right to bill, and (3) the variable consideration is allocated entirely to an unsatisfied performance obligation which is recognized as a series of distinct goods or services that form a single performance obligation.

Disaggregation of Revenue

The following is a description of principal service lines from which the Company generates its revenue:

Commercial Risk Solutions includes retail brokerage, cyber solutions, global risk consulting, and captives. Revenue primarily includes insurance commissions and fees for services rendered. Revenue is predominantly recognized at a point in time upon the effective date of the underlying policy, or for a limited number of arrangements, over the term of the arrangement using output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements recognized over time, various output measures, including units transferred and time elapsed, are utilized to provide a faithful depiction of the progress towards completion of the performance obligation. Revenue is recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions and fees for brokerage services may be invoiced at the effective date of the underlying policy or over the term of the arrangement in installments during the policy period.

Reinsurance Solutions includes treaty and facultative reinsurance brokerage and capital markets. Revenue primarily includes reinsurance commissions and fees for services rendered. Revenue is predominantly recognized at a point in time upon the effective date of the underlying policy (or policies), or for a limited number of arrangements, over the term of the arrangement using output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. For arrangements recognized over time, various output measures, including units delivered and time elapsed, are utilized to provide a faithful depiction of the progress towards completion of the performance obligation. Commissions and fees for brokerage services may be invoiced at the inception of the reinsurance period for certain reinsurance brokerage, or more commonly, over the term of the arrangement in installments based on deposit or minimum premiums for most treaty reinsurance arrangements.

Retirement Solutions includes core retirement, investment consulting, and talent, rewards & performance. Revenue consists primarily of fees paid by customers for consulting services, such as risk management strategies, health and benefits, and human capital consulting services. Revenue is predominantly recognized over the term of the arrangement using input or output measures to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, or for certain arrangements, at a point in time upon completion of the services. For consulting arrangements recognized over time, revenue will be recognized based on a measure of progress that depicts the transfer of control of the services to the customer, utilizing an appropriate input or output measure to provide a reasonable assessment of the progress towards completion of the performance obligation including units delivered or time elapsed. Fees paid by customers for consulting services are typically charged on an hourly, project or fixed-fee basis, and revenue for these arrangements is typically recognized based on time incurred, days elapsed, or reports delivered. Revenue from time-and-materials or cost-plus arrangements are recognized as services are performed using input or output measures to provide a reasonable assessment of the progress towards completion of the performance obligation including hours worked, and revenue for these arrangements is typically recognized based on time and materials incurred. Reimbursements received for out-of-pocket expenses are recorded as a component of revenue. Payment terms vary but are typically over the contract term in installments.

Health Solutions includes health and benefits brokerage and healthcare exchanges. Revenue primarily includes insurance commissions and fees for services rendered. For brokerage commissions, revenue is predominantly recognized at the effective date of the underlying policy (or policies), or for a limited number of arrangements, over the term of the arrangement to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services using input or output measures, including units delivered or time elapsed, to provide a faithful depiction of the progress towards completion of the performance obligation. Revenue from health care exchange arrangements are typically recognized upon successful enrollment of participants, net of a reserve for estimated cancellations. Commissions and fees for brokerage services may be invoiced at the effective date of the underlying policy or over the term of the arrangement in installments during the policy period. Payment terms for other services vary but are typically over the contract term in installments.

Data & Analytic Services includes Affinity, Aon InPoint, and ReView. Revenue consists primarily of fees for services rendered and is predominantly recognized over the term of the arrangement to depict the transfer of control of the services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Payment terms vary but are typically over the contract term in installments. For Data & Analytic Services arrangements recognized over time, revenue will be recognized based on a measure of progress that depicts the transfer of control of the services to the customer, utilizing an appropriate input or output measure to provide a faithful depiction of the progress towards completion of the performance

obligation, including units delivered or time elapsed. Input and output measures utilized vary based on the arrangement but typically include reports provided or days elapsed.
The following table summarizes revenue from contracts with customers by principal service line (in millions):

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Commercial Risk Solutions	$ 1,029	$ 3,379
Reinsurance Solutions	279	1,401
Retirement Solutions	501	1,356
Health Solutions	278	1,038
Data & Analytic Services	263	834
Elimination	(1)	(8)
Total revenue	$ 2,349	$ 8,000

Consolidated revenue from contracts with customers by geographic area, which is attributed on the basis of where the services are performed, is as follows (in millions):

	Three months ended September 30, 2018	Nine months ended September 30, 2018
United States	$ 1,215	$ 3,456
Americas other than United States	203	683
United Kingdom	264	1,161
Europe, Middle East, & Africa other than United Kingdom	399	1,871
Asia Pacific	268	829
Total revenue	$ 2,349	$ 8,000

Contract Costs

The Company recognizes an asset for costs incurred to fulfill a contract for costs that are specifically identified and relate to a contract or anticipated contract, generate or enhance resources used in satisfying the Company’s performance obligations, and are expected to be recovered. Assets recognized as costs to fulfill a contract, which includes internal costs related to pre-placement broking activities, as well as other costs, are amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates. The amortization is primarily included in Compensation and benefits on the Condensed Consolidated Statements of Income.

The changes in the net carrying amount of costs to fulfill contracts with customers are as follows (in millions):

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Balance at beginning of period (1)	$ 216	$ 298
Additions	332	1,043
Amortization	(305)	(1,090)
Impairment	—	—
Foreign currency translation and other	5	(3)

Balance at end of period	$ 248	$ 248

(1) Upon adoption of the new revenue recognition standard on January 1, 2018, Aon capitalized $298 million of costs to fulfill contracts with customers.

The Company capitalizes incremental costs to obtain a contract with a customer that are expected to be recovered. Assets recognized for the costs to obtain a contract, which includes certain sales commissions, will be amortized on a systematic basis that is consistent with the transfer of control of the services to which the asset relates, considering anticipated renewals when applicable. For situations where the renewal period is one year or less and renewal costs are commensurate with the initial contract, the Company has applied a practical expedient and recognized the costs of obtaining a contract as an expense when incurred. The amortization is primarily included in Compensation and benefits on the Condensed Consolidated Statements of Income.

The changes in the net carrying amount of costs to obtain contracts with customers are as follows (in millions):

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Balance at beginning of period [1]	$ 144	$ 145
Additions	16	37
Amortization	(9)	(30)
Impairment	—	—
Foreign currency translation and other	(1)	(2)
Balance at end of period	$ 150	$ 150

(1) Upon adoption of the new revenue recognition standard on January 1, 2018, Aon capitalized $145 million of costs to obtain contracts with customers.

4. Discontinued Operations

On February 9, 2017, the Company entered into a Purchase Agreement with Tempo Acquisition, LLC (the "Purchase Agreement") to sell its benefits administration and business process outsourcing business (the "Divested Business") to an entity formed and controlled by affiliates of The Blackstone Group L.P. (the "Buyer") and certain designated purchasers that are direct or indirect subsidiaries of the Buyer.

On May 1, 2017, the Buyer purchased all of the outstanding equity interests of the Divested Business, plus certain related assets and liabilities, for a purchase price of $4.3 billion in cash paid at closing, subject to customary adjustments set forth in the Purchase Agreement, and deferred consideration of up to $500 million (the "Transaction"). Cash proceeds after customary adjustments and before taxes due were $4.2 billion.

Aon and the Buyer entered into certain transaction-related agreements at the closing, including two commercial agreements, a transition services agreement, certain intellectual property license agreements, sub-leases, and other customary agreements. Aon expects to continue to be a significant client of the Divested Business and the Divested Business has agreed to use Aon for its broking and other services for a specified period of time.

The financial results of the Divested Business for the three and nine months ended September 30, 2018 and 2017 are presented as Net income from discontinued operations on the Company's Condensed Consolidated Statements of Income. The following table presents the financial results of the Divested Business (in millions):

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Revenue				
Total revenue	$ —	$ —	$ —	$ 698
Expenses				
Total operating expenses	4	14	7	640
Operating income (loss) from discontinued operations	(4)	(14)	(7)	58
Other income (expense)	—	(1)	—	10
Income (loss) from discontinued operations before income taxes	(4)	(15)	(7)	68
Income tax expense (benefit)	(2)	(6)	(3)	14
Net income (loss) from discontinued operations, excluding gain	(2)	(9)	(4)	54

Gain on sale of discontinued operations, net of tax	—	5	9	803
Net income (loss) from discontinued operations	$ (2)	$ (4)	$ 5	$ 857

Upon triggering held for sale criteria in February 2017, Aon ceased depreciating and amortizing all long-lived assets included in discontinued operations. Total operating expenses for 2017 include $8 million of depreciation of fixed assets and $11 million of intangible asset amortization for the time prior to the Company triggering held for sale criteria.

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The Company's Condensed Consolidated Statements of Cash Flows present the operating, investing, and financing cash flows of the Divested Business as discontinued operations. Aon uses a centralized approach to cash management and financing of its operations. Prior to the closing of the Transaction, portions of the Divested Business's cash were transferred to Aon daily, and Aon would fund the Divested Business as needed. There were no Cash and cash equivalents of discontinued operations at September 30, 2017. Total proceeds received for the sale of the divested business and taxes paid as a result of the sale are recognized on the Condensed Consolidated Statements of Cash Flows in Cash provided by investing activities - continuing operations and Cash provided by operating activities - continuing operations, respectively.

5. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash balances and all highly liquid instruments with initial maturities of three months or less. Short-term investments consist of money market funds. The estimated fair value of Cash and cash equivalents and Short-term investments approximates their carrying values.

At September 30, 2018, Cash and cash equivalents and Short-term investments were $651 million compared to $1,285 million at December 31, 2017, a decrease of $634 million. Of the total balances, $97 million and $96 million were restricted as to their use at September 30, 2018 and December 31, 2017, respectively. Included within the September 30, 2018 and December 31, 2017 balances, respectively, was £42.8 million ($56.4 million at September 30, 2018 exchange rates) and £42.7 million ($57.1 million at December 31, 2017 exchange rates) of operating funds required to be held by the Company in the United Kingdom (the "U.K.") by the Financial Conduct Authority (the "FCA"), a U.K.-based regulator, which were included in Short-term investments.

6. Other Financial Data

Condensed Consolidated Statements of Income Information

Other Income (Expense)

Other income (expense) consists of the following (in millions):

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Foreign currency remeasurement gain (loss)	$3	$(20)	$16	$(32)
Gain (loss) on disposal of business	(3)	—	(4)	(2)
Pension and other postretirement income (expense)	—	9	(5)	26
Equity earnings	1	2	3	11
Gain (loss) on financial instruments	—	16	(27)	6
Other	—	(3)	—	(3)
Total	$1	$4	$(17)	$6

Condensed Consolidated Statements of Financial Position Information

Allowance for Doubtful Accounts

An analysis of the allowance for doubtful accounts are as follows (in millions):

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	$62	$59	$59	$56
Provision charged to Other general expenses	9	5	21	16
Accounts written off, net of recoveries	(8)	—	(17)	(10)
Foreign currency translation and other	3	(5)	3	(3)

Balance at end of period	$66	$59	$66	$59

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Other Current Assets

The components of Other current assets are as follows (in millions):

As of	September 30, 2018	December 31, 2017
Costs to fulfill contracts with customers (1)	$ 248	$ —
Taxes receivable	196	114
Prepaid expenses	109	126
Receivables from the Divested Business (2)	11	28
Other	163	21
Total	$ 727	$ 289

(1) Refer to Note 3 “Revenue from Contracts with Customers” for further information.

(2) Refer to Note 4 “Discontinued Operations” for further information.

Other Non-Current Assets

The components of Other non-current assets are as follows (in millions):

As of	September 30, 2018	December 31, 2017
Costs to obtain contracts with customers (1)	$ 150	$ —
Investments	52	57
Taxes receivable	75	84
Other	157	166
Total	$ 434	$ 307

(1) Refer to Note 3 “Revenue from Contracts with Customers” for further information.

Other Current Liabilities

The components of Other current liabilities are as follows (in millions):

As of	September 30, 2018	December 31, 2017
Deferred revenue (1)	$ 266	$ 311
Taxes payable (2)	16	139
Other	706	420
Total	$ 988	$ 870

(1) During the three and nine months ended September 30, 2018, $133 million and $348 million, respectively, were recognized in the Condensed Consolidated Statements of Income.

(2) Includes a provisional estimate of $42 million for the current portion of the Transition Tax as of December 31, 2017. Refer to Note 11 “Income Taxes” for further information.

Other Non-Current Liabilities

The components of Other non-current liabilities are as follows (in millions):

As of	September 30, 2018	December 31, 2017
Taxes payable [(1)]	$ 563	$ 529
Deferred revenue	52	49
Leases	157	153
Compensation and benefits	60	67
Other	258	304
Total	$ 1,090	$ 1,102

(1) Includes provisional estimates of $235 million and $222 million for the non-current portion of the Transition Tax as of September 30, 2018 and December 31, 2017, respectively. Refer to Note 11 “Income Taxes” for further information.

7. Acquisitions and Dispositions of Businesses

Completed Acquisitions

The Company completed five acquisitions during the nine months ended September 30, 2018 and seventeen acquisitions during the twelve months ended December 31, 2017. The following table includes the fair values of consideration transferred, assets acquired, and liabilities assumed as a result of the Company’s acquisitions (in millions):

	Nine months ended September 30, 2018
Consideration transferred	
Cash	$ 45
Deferred and contingent consideration	14
Aggregate consideration transferred	$ 59
Assets acquired	
Receivables, net	$ 2
Goodwill	31
Intangible assets, net	28
Other assets	3
Total assets acquired	64
Liabilities assumed	
Current liabilities	4
Other non-current liabilities	1
Total liabilities assumed	5
Net assets acquired	$ 59

The results of operations of these acquisitions are included in the Financial Statements as of the respective acquisition dates. The Company’s results of operations would not have been materially different if these acquisitions had been reported from the beginning of the period in which they were acquired.

2018 Acquisitions

On May 9, 2018, the Company completed the transaction to acquire certain assets of 601West, a division of Lee & Hayes, P.L.L.C. based in the United States.

On April 24, 2018, the Company completed the transaction to acquire Inspiring Benefits, S.L., a Spain-based firm specialized in employee loyalty, wellbeing, and rewards programs.

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On March 1, 2018, the Company completed the transaction to acquire the business and assets of the trade credit business of Niche International Business Proprietary Limited, a trade credit brokerage based in Johannesburg, South Africa.
On March 1, 2018, the Company completed the transaction to acquire Affinity Risk Partners (Brokers) Pty. Ltd., an insurance broker in Victoria, Australia.
On January 19, 2018, the Company completed the transaction to acquire substantially all of the assets of The Burchfield Group, a provider in pharmacy benefit consulting, auditing, and health plan compliance services based in the United States.
2017 Acquisitions
On December 29, 2017, the Company completed the transaction to acquire the Townsend Group, a U.S.-based provider of global investment management and advisory services primarily focused on real estate.

On December 29, 2017, the Company completed the transaction to acquire Baltolink UADBB, a regional broker based in Lithuania.

On December 19, 2017, the Company completed the transaction to acquire a client register of Grant Liddell Financial Advisor Services Pty Ltd in Australia.

On December 1, 2017, the Company completed the transaction to acquire Henderson Insurance Brokers Limited, an independent insurance broking firm based in the United Kingdom.

On November 30, 2017, the Company completed the transaction to acquire Unidelta AG, an insurance broker located in Switzerland.

On October 31, 2017, the Company completed the transaction to acquire Unirobe Meeùs Groep, an insurance broker based in the Netherlands.

On October 31, 2017, the Company completed the transaction to acquire Lenzi Paolo Broker di Assicurazioni S.r.l., an insurance broker based in Italy.

On October 26, 2017, the Company completed the transaction to acquire Nauman Insurance Brokers Limited, an insurance broker based in New Zealand.

On October 2, 2017, the Company completed the transaction to acquire Portus Consulting, an independent employee benefits firm based in the United Kingdom.
On August 31, 2017, the Company completed the transaction to acquire Mark Kelly Insurance and Financial Services PTY LTD, an Australia-based broker servicing the insurance needs of commercial clients in and around the Townsville regional center.
On August 28, 2017, the Company completed the transaction to acquire a certain portfolio in the Charlotte office of The Hays Group, Inc. d/b/a Hays Companies.
On July 27, 2017, the Company completed the transaction to acquire Grupo Innovac Sociedad de Correduría de Seguros, S.A, an insurance broker based in Valencia, Spain.
On July 3, 2017, the Company completed the transaction to acquire PWZ AG, an independent insurance broker based in Zurich, Switzerland.
On May 31, 2017, the Company completed the transaction to acquire SchneiderGolling IFFOXX Assekuranzmakler AG and SchneiderGolling Industrie Assekuranzmaklergesellschaft mbH from SchneiderGolling Gruppe, a property and casualty broker based in Southern Germany.
On May 2, 2017, the Company completed the transaction to acquire cut-e Assessment Global Holdings Limited, a high-volume online psychometric assessments provider based in Ireland.

On March 3, 2017, the Company completed the transaction to acquire Finaccord Limited, a market research, publishing and consulting company based in the United Kingdom.
On January 19, 2017, the Company completed the transaction to acquire VERO Management AG, an insurance broker and risk advisor based in Austria.

Completed Dispositions

The Company completed two dispositions during the three months ended September 30, 2018 and three dispositions during the nine months ended September 30, 2018. The Company completed no dispositions during the three months ended September 30, 2017 and four dispositions during the nine months ended September 30, 2017, excluding the sale of the Divested Business.

Pretax losses, net of gains, were $3 million for the three months ended September 30, 2018. There were no pretax gains or losses recognized for the three months ended September 30, 2017. Pretax losses, net of gains, were $4 million for the nine months ended September 30, 2018. Total pretax losses, net of gains, recognized were $2 million for the nine months ended September 30, 2017. Gains and losses recognized as a result of a disposition are included in Other income (expense) in the Condensed Consolidated Statements of Income.

During the third quarter of 2018, Aon disposed of certain assets and liabilities that were previously classified as held for sale due to management's decision to exit certain operations. In the second quarter of 2018, a non-cash impairment charge of $176 million was recognized to write down the assets and liabilities to a fair value less cost-to-sell of $47 million and $41 million, respectively. The impairment charge was recognized in Amortization and impairment of intangible assets on the Condensed Consolidated Statement of Income. Adjustments to the non-cash impairment charge in the third quarter were insignificant.

8. Restructuring

In 2017, Aon initiated a global restructuring plan (the "Restructuring Plan") in connection with the sale of the Divested Business. The Restructuring Plan is intended to streamline operations across the organization and deliver greater efficiency, insight, and connectivity. The Company expects these restructuring activities and related expenses to affect continuing operations through 2019, including an estimated 4,200 to 4,800 role eliminations. The Restructuring Plan is expected to result in cumulative costs of approximately $1,025 million through the end of the plan, consisting of approximately $420 million in employee termination costs, $130 million in technology rationalization costs, $60 million in lease consolidation costs, $40 million in non-cash asset impairments, and $375 million in other costs, including certain separation costs associated with the sale of the Divested Business.

From the inception of the Restructuring Plan through September 30, 2018, the Company has eliminated 3,798 positions and incurred total expenses of $863 million for restructuring and related separation costs. These charges are included in Compensation and benefits, Information technology, Premises, Depreciation of fixed assets, and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The following table summarizes restructuring and separation costs by type that have been incurred through September 30, 2018 and are estimated to be incurred through the end of the Restructuring Plan (in millions). Estimated costs may be revised in future periods as these assumptions are updated:

	Three months ended September 30, 2018	Nine months ended September 30, 2018	Inception to Date	Estimated Remaining Costs	Estimated Total Cost [1]
Workforce reduction	$ 18	$ 84	$ 383	$ 37	$ 420
Technology rationalization [2]	12	30	63	67	130
Lease consolidation [2]	11	24	32	28	60
Asset impairments	2	11	37	3	40
Other costs associated with restructuring and separation [2] [3]	54	217	348	27	375
Total restructuring and related expenses	$ 97	$ 366	$ 863	$ 162	$ 1,025

(1) Actual costs, when incurred, may vary due to changes in the assumptions built into the Restructuring Plan. Significant assumptions that may change when plans are finalized and implemented include, but are not limited to, changes in severance calculations, changes in the assumptions underlying sublease loss calculations due to changing market conditions, and changes in the overall analysis that might cause the Company to add or cancel component initiatives.

(2)

Total contract termination costs incurred under the Restructuring Plan associated with Technology rationalizations, Lease consolidations, and Other costs associated with restructuring and separation, respectively, for the three months ended September 30, 2018 were $1 million, $11 million, and $3 million; for the nine months ended September 30, 2018 were, respectively, $2 million, $23 million, and $82 million; and since inception of the Restructuring Plan were, respectively, $3 million, $31 million, and $85 million. Total estimated contract termination costs expected to be incurred under the Restructuring Plan associated with Technology rationalizations, Lease consolidations, and Other costs associated with restructuring and separation, respectively, are $15 million, $80 million, and $85 million.

(3) Other costs associated with the Restructuring Plan include those to separate the Divested Business, as well as moving costs, and consulting and legal fees. These costs are generally recognized when incurred.

The changes in the Company's liabilities for the Restructuring Plan as of September 30, 2018 are as follows (in millions):

Balance as of December 31, 2017	$186
Expensed	336
Cash payments	(322)
Foreign currency translation and other	(5)
Balance as of September 30, 2018	$195

9. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the nine months ended September 30, 2018 are as follows (in millions):

Balance as of December 31, 2017	$ 8,358
Goodwill related to current year acquisitions	31
Goodwill related to disposals	(3)
Goodwill related to prior year acquisitions	13
Foreign currency translation and other	(117)
Balance as of September 30, 2018	$ 8,282

Other intangible assets by asset class are as follows (in millions):

	September 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
Customer related and contract based	$2,305	$ 1,457	$ 848	$2,550	$ 1,415	$ 1,135
Tradenames	1,030	687	343	1,047	533	514
Technology and other	396	327	69	416	332	84
Total	$3,731	$ 2,471	$ 1,260	$4,013	$ 2,280	$ 1,733

In the second quarter of 2017 and in connection with the completion of the sale of the Divested Business, the Company recognized a non-cash impairment charge to the associated tradenames of $380 million. The fair value of the tradenames was determined using the Relief from Royalty Method. This impairment was included in Amortization and impairment of intangible assets on the Condensed Consolidated Statement of Income.

The estimated future amortization for finite lived intangible assets as of September 30, 2018 is as follows (in millions):

Remainder of 2018	$100
2019	386
2020	222
2021	128
2022	85
Thereafter	339
Total	$1,260

10. Debt

Notes

On March 8, 2018, the Company’s CAD 375 million ($291 million at March 8, 2018 Exchange Rates) 4.76% Senior Note due March 2018 issued by a Canadian subsidiary of Aon Corporation matured and was repaid in full.

Revolving Credit Facilities

As of September 30, 2018, Aon plc had two primary committed credit facilities outstanding: its $900 million multi-currency U.S. credit facility expiring in February 2021 (the “2021 Facility”) and its $400 million multi-currency U.S. credit facility expiring in October 2022 (the “2022 Facility”).

Each of these facilities includes customary representations, warranties, and covenants, including financial covenants that require Aon to maintain specified ratios of adjusted consolidated earnings before interest, taxes, depreciation, and amortization (“EBITDA”) to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, in each case, tested quarterly. At September 30, 2018, Aon did not have borrowings under the 2021 Facility or the 2022 Facility, and was in compliance with the financial covenants and all other covenants contained therein during the rolling twelve months ended September 30, 2018.

Commercial Paper

Aon Corporation, a wholly owned subsidiary of Aon plc, has established a U.S. commercial paper program and Aon plc has established a European multi-currency commercial paper program (collectively, the “CP Programs”). Commercial paper may be issued in aggregate principal amounts of up to $600 million under the U.S. program and €525 million under the European program, not to exceed the amount of the Company’s committed credit, which was $1.3 billion at September 30, 2018. The U.S. commercial paper program is fully and unconditionally guaranteed by Aon plc and the European commercial paper program is fully and unconditionally guaranteed by Aon Corporation. Commercial paper outstanding, which is included in Short-term debt and current portion of long-term debt in the Company’s Condensed Consolidated Statements of Financial Position, is as follows (in millions):

As of	September 30, 2018	December 31, 2017
Commercial paper outstanding	$ 740	$ —

The weighted average commercial paper outstanding and its related interest rates are as follows (in millions, except percentages):

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Weighted average commercial paper outstanding	$820	$ —	$566	$227
Weighted average interest rate of commercial paper outstanding	0.79 %	—%	0.83 %	0.18 %

11. Income Taxes

The effective tax rates on net income from continuing operations were 20.1% and 1.1% for the three and nine months ended September 30, 2018, respectively. The effective tax rates on net income from continuing operations were 2.0% and (49.8)% for the three and nine months ended September 30, 2017, respectively.

The primary drivers of the tax rate for the three months ended September 30, 2018 include the geographical distribution of income and certain discrete items including return to accrual adjustments and changes in the assertion for unremitted earnings. The return to accrual adjustments also impacted the Company’s provisional estimates as described below.

The primary drivers of the tax rate for the nine months ended September 30, 2018 include the geographical distribution of income including restructuring charges, legacy litigation and the impairment of certain assets and liabilities previously classified as held for sale as well as changes from the Tax Reform Act. The tax rate was also impacted by certain discrete items including the net tax benefit associated with the sale of certain assets and liabilities previously classified as held for sale, the impact of share-based payments, and changes in the assertion for unremitted earnings.

On December 22, 2017, the Tax Reform Act was enacted into law and the new legislation contains several key tax provisions that impact the Company, including a reduction of the corporate income tax rate to 21% effective for tax years beginning after December 31, 2017 and a one-time mandatory transition tax on accumulated foreign earnings (the “Transition Tax”), among others. Also on December 22, 2017, the Securities and Exchange Commission (the “SEC”) staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant did not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of Tax Reform Act in the period of enactment. SAB 118 allowed registrants to record provisional amounts during a one year measurement period.

In the fourth quarter of 2017, a net provisional charge of $345 million was recorded which included the Transition Tax, the re-measurement of existing deferred tax balances, as well as local country income taxes, state income taxes and withholding taxes expected to be due upon repatriation of the earnings subject to the Transition Tax. In addition, the Company was unable to estimate the allocation between continuing and discontinued operations of the tax benefit from foreign tax credits generated in 2017 and related valuation allowance release.
In the second quarter of 2018, the Company reduced its provisional charge for the remeasurement of deferred taxes by $11 million to reflect the anticipated acceleration of contributions to the qualified U.S. pension plan which occurred in the third quarter of 2018.
In the third quarter of 2018, the Company revised its provisional estimates to reflect guidance issued by the U.S. Treasury and state regulatory bodies as well as refined calculations. The adjustments, primarily related to the Transition Tax, increased the provisional charge by $24 million, which increased the effective tax rate by 12.4% and 2.9% for the three and nine months ended September 30, 2018, respectively.
The Company will finalize its accounting in the fourth quarter after analyzing guidance issued during the measurement period, completing its reviews, filing its tax returns, and evaluating the local tax rules where the Company has pools of undistributed earnings within its complex legal entity structure.

12. Shareholders' Equity

Ordinary Shares

Aon has a share repurchase program authorized by the Company's Board of Directors (the "Repurchase Program"). The Repurchase Program was established in April 2012 with up to $5.0 billion in authorized repurchases, and was increased by $5.0 billion in authorized repurchases in each of November 2014 and February 2017 for a total of $15.0 billion in repurchase authorizations.
Under the Repurchase Program, Class A Ordinary Shares may be repurchased through the open market or in privately negotiated transactions, from time to time, based on prevailing market conditions, and will be funded from available capital.
The following table summarizes the Company's Share Repurchase activity (in millions, except per share data):

	Three months ended September 30		Nine months ended September 30	
	2018	2017 (1)	2018	2017 (1)
Shares repurchased	2.1	5.4	8.8	14.5
Average price per share	$145.71	$139.61	$142.15	$131.58
Costs recorded to retained earnings				
Total repurchase cost	$300	$749	$1,250	$1,903
Additional associated costs	1	4	6	10
Total costs recorded to retained earnings	$301	$753	$1,256	$1,913

(1) Included in the 5.4 million shares and 14.5 million shares repurchased during the three and nine months ended September 30, 2017, respectively, were 0.2 million shares that did not settle until October 2017. These shares were settled at an average price per share of $146.52 and total cost of $24.2 million.

At September 30, 2018, the remaining authorized amount for share repurchase under the Repurchase Program was $4.2 billion. Under the Repurchase Program, the Company has repurchased a total of 117.0 million shares for an aggregate cost of approximately $10.8 billion.

Net Income Per Share

Weighted average ordinary shares outstanding are as follows (in millions):

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Basic weighted average ordinary shares outstanding	244.0	255.6	246.2	260.9
Dilutive effect of potentially issuable shares	1.6	1.7	1.5	2.0
Diluted weighted average ordinary shares outstanding	245.6	257.3	247.7	262.9

Potentially issuable shares are not included in the computation of diluted net income per share if its inclusion would be antidilutive. There were no shares excluded from the calculation for the three and nine months ended September 30, 2018 and 2017.

Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive loss by component, net of related tax, are as follows (in millions):

	Change in Fair Value of Financial Instruments [1]	Foreign Currency Translation Adjustments	Postretirement Benefit Obligation [2]	Total
Balance at December 31, 2017	$ (25)	$ (879)	$ (2,592)	$ (3,496)
Adoption of new accounting guidance [3]	(1)	—	—	(1)
Balance at January 1, 2018	(26)	(879)	(2,592)	(3,497)
Other comprehensive income (loss) before reclassifications, net	7	(257)	19	(231)
Amounts reclassified from accumulated other comprehensive loss				
Amounts reclassified from accumulated other comprehensive income	9	—	114	123
Tax expense	(2)	—	(25)	(27)
Amounts reclassified from accumulated other comprehensive income, net	7	—	89	96
Net current period other comprehensive income (loss)	14	(257)	108	(135)
Balance at September 30, 2018	$ (12)	$ (1,136)	$ (2,484)	$ (3,632)

(1) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other income (expense), Other general expenses, and Compensation and benefits. Refer to Note 15 “Derivatives and Hedging” for further information regarding the Company’s derivative and hedging activity.

(2) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other income (expense).

(3) Refer to Note 2 “Accounting Principles and Practices” for further information.

13. Employee Benefits

The following table provides the components of the net periodic benefit (cost) recognized in the Condensed Consolidated Statements of Income for Aon's material U.K., U.S., and other significant international pension plans located in the Netherlands and Canada. Service cost is reported in Compensation and benefits and all other components are reported in Other income (expense) as follows (in millions):

	Three months ended September 30					
	U.K.		U.S.		Other	
	2018	2017	2018	2017	2018	2017
Service cost	$—	$—	$—	$ —	$—	$—
Interest cost	26	31	24	24	6	7
Expected return on plan assets, net of administration expenses	(46)	(50)	(36)	(34)	(11)	(13)
Amortization of prior-service cost	1	—	—	—	—	—
Amortization of net actuarial loss	6	8	15	13	3	3
Net periodic (benefit) cost	(13)	(11)	3	3	(2)	(3)
Loss on pension settlement	9	—	—	—	—	—
Total net periodic (benefit) cost	$(4)	$(11)	$3	$ 3	$(2)	$(3)

	Nine months ended September 30					
	U.K.		U.S.		Other	
	2018	2017	2018	2017	2018	2017
Service cost	$—	$—	$—	$ —	$—	$—
Interest cost	84	91	74	72	20	19
Expected return on plan assets, net of administration expenses	(147)	(147)	(108)	(104)	(34)	(35)
Amortization of prior-service cost	1	—	1	1	—	—
Amortization of net actuarial loss	21	23	45	38	9	9
Net periodic (benefit) cost	(41)	(33)	12	7	(5)	(7)
Loss on pension settlement	32	—	—	—	—	—
Total net periodic (benefit) cost	$(9)	$(33)	$12	$ 7	$(5)	$(7)

In March 2017, the Company approved a plan to offer a voluntary one-time lump sum payment option to certain eligible employees of the Company's U.K. pension plans that, if accepted, would settle the Company's pension obligations to them. The lump sum cash payment offer will close during 2018. As of September 30, 2018, lump sum payments from plan assets of £125 million ($164 million using September 30, 2018 exchange rates) were paid. As a result of this settlement, the Company remeasured the assets and liabilities of the U.K. pension plan during the third quarter of 2018, which in aggregate resulted in a reduction to the projected benefit obligation of £108 million ($143 million using September 30, 2018 exchange rates), as well as a non-cash settlement charge of £7 million ($9 million using average September 30, 2018 exchange rates) in the third quarter of 2018 and £24 million ($32 million using average exchange rates) for the nine months ended September 30, 2018. Additional non-cash settlement charges are expected in the fourth quarter of 2018.

Contributions

The Company expects to make cash contributions of approximately $92 million, $143 million, and $22 million, based on exchange rates as of December 31, 2017, to its significant U.K., U.S., and other significant international pension plans, respectively, during 2018. This includes the Company's contribution to the qualified U.S. pension plan of $100 million in the third quarter of 2018, which allowed the pension contribution tax deduction to be taken at the 2017 federal tax rate of 35%.

During the three months ended September 30, 2018, cash contributions of $27 million, $108 million, and $3 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the nine months ended September 30, 2018, cash contributions of $75 million, $133 million, and $14 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the three months ended September 30, 2017, cash contributions of $22 million, $5 million, and $3 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the nine months ended September 30, 2017, cash contributions of $64 million, $31 million, and $14 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively.

14. Share-Based Compensation Plans

The following table summarizes share-based compensation expense recognized in the Condensed Consolidated Statements of Income in Compensation and benefits (in millions):

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Restricted share units ("RSUs")	$ 41	$ 42	$ 145	$ 143
Performance share awards ("PSAs")	24	22	63	63
Employee share purchase plans	2	3	6	8
Total share-based compensation expense	$ 67	$ 67	$ 214	$ 214

Restricted Share Units

RSUs generally vest between three and five years. The fair value of RSUs is based upon the market value of Aon plc ordinary shares at the date of grant. With certain limited exceptions, any break in continuous employment will cause the forfeiture of all non-vested awards. Compensation expense associated with RSUs is recognized on a straight-line basis over the requisite service period. Dividend equivalents are paid on certain RSUs, based on the initial grant amount.

The following table summarizes the status of the Company's RSUs, including shares related to the Divested Business (shares in thousands, except fair value):

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Shares	Fair Value at Date of Grant	Shares	Fair Value at Date of Grant
Non-vested at beginning of period	4,849	$ 104	6,195	$ 89
Granted	1,409	$ 140	1,549	$ 122
Vested	(1,772)	$ 97	(2,294)	$ 82

Forfeited	(158)	$ 111	(590)	$ 92
Non-vested at end of period	4,328	$ 118	4,860	$ 102

Unamortized deferred compensation expense was $379 million as of September 30, 2018, with a remaining weighted-average amortization period of approximately 2.1 years.

Performance Share Awards

The vesting of PSAs is contingent upon meeting a cumulative level of earnings per share related performance over a three-year period. The actual issue of shares may range from 0-200% of the target number of PSAs granted, based on the terms of the plan and level of achievement of the related performance target. The grant date fair value of PSAs is based upon the market price of Aon plc ordinary shares at the date of grant. The performance conditions are not considered in the determination of the grant date fair value for these awards. Compensation expense is recognized over the performance period based on management’s estimate of the number of units expected to vest. Management evaluates its estimate of the actual number of shares expected to be issued at the end of the programs on a quarterly basis. The cumulative effect of the change in estimate is recognized in the period of change as an adjustment to Compensation and benefits in the Condensed Consolidated Statements of Income, if necessary. Dividend equivalents are not paid on PSAs.

Information as of September 30, 2018 regarding the Company's target PSAs granted and shares that would be issued at current performance levels for PSAs granted during the nine months ended September 30, 2018 and the years ended December 31, 2017 and 2016, respectively, is as follows (shares in thousands and dollars in millions, except fair value):

	September 30, 2018	December 31, 2017	December 31, 2016
Target PSAs granted during period	564	548	750
Weighted average fair value per share at date of grant	$ 134	$ 114	$ 100
Number of shares that would be issued based on current performance levels	563	940	742
Unamortized expense, based on current performance levels	$ 61	$ 48	$ 6

15. Derivatives and Hedging

The Company is exposed to market risks, including changes in foreign currency exchange rates and interest rates. To manage the risk related to these exposures, the Company enters into various derivative instruments that reduce these risks by creating offsetting exposures. The Company does not enter into derivative transactions for trading or speculative purposes.

Foreign Exchange Risk Management

The Company is exposed to foreign exchange risk when it earns revenues, pays expenses, enters into monetary intercompany transfers or other transactions denominated in a currency that differs from its functional currency. The Company uses foreign exchange derivatives, typically forward contracts, options, and cross currency swaps, to reduce its overall exposure to the effects of currency fluctuations on cash flows. These exposures are hedged, on average, for less than two years. These derivatives are accounted for as hedges, and changes in fair value are recorded each period in Other comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to economically hedge the currency exposure of the Company's global liquidity profile, including monetary assets or liabilities that are denominated in a non-functional currency of an entity, typically on a rolling 30-day basis, but may be for up to one year in the future. These derivatives are not accounted for as hedges, and changes in fair value are recorded each period in Other income (expense) in the Condensed Consolidated Statements of Income.

The notional and fair values of derivative instruments are as follows (in millions):

	Notional Amount		Net Amount of Derivative Assets Presented in the Statements of Financial Position (1)		Net Amount of Derivative Liabilities Presented in the Statements of Financial Position (2)	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Foreign exchange contracts						
Accounted for as hedges	$ 703	$ 701	$ 26	$ 31	$ 5	$ 3
Not accounted for as hedges (3)	270	254	2	1	2	3
Total	$ 973	$ 955	$ 28	$ 32	$ 7	$ 6

(1) Included within Other current assets ($7 million at September 30, 2018 and $9 million at December 31, 2017) or Other non-current assets ($21 million at September 30, 2018 and $23 million at December 31, 2017).

(2) Included within Other current liabilities ($3 million at September 30, 2018 and $3 million at December 31, 2017) or Other non-current liabilities ($4 million at September 30, 2018 and $3 million at December 31, 2017).

(3) These contracts typically are for 30 day durations and executed close to the last day of the most recent reporting month, thereby resulting in nominal fair values at the balance sheet date.

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The amounts of derivative gains (losses) recognized in the Financial Statements are as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Gain (Loss) recognized in Accumulated other comprehensive loss	$ (3)	$ 11	$ (14)	$ 18
Location of future reclassification from Accumulated other comprehensive loss				
Compensation and benefits	$ (4)	$ —	$ (8)	$ 9
Other general expenses	$ —	$ 3	$ 3	$ 5
Other income (expense)	$ 1	$ 8	$ (9)	$ 4

The amounts of derivative gains (losses) reclassified from Accumulated other comprehensive loss into the Condensed Consolidated Statements of Income (effective portion) are as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Compensation and benefits	$ —	$ 1	$ 1	$ 14
Other general expenses	—	(1)	(2)	(3)
Interest expense	—	—	(1)	(1)
Other income (expense)	(3)	(3)	(7)	(7)
Total	$ (3)	$ (3)	$ (9)	$ 3

The Company estimates that approximately $12 million of pretax losses currently included within Accumulated other comprehensive loss will be reclassified in to earnings in the next twelve months.

The amount of gain (loss) recognized in income on the ineffective portion of derivatives for the three and nine months ended September 30, 2018 and 2017 was insignificant.

During the three and nine months ended September 30, 2018, the Company recorded losses of $4 million and $15 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges. During the three and nine months ended September 30, 2017, the Company recorded gains of $8 million and $9 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges.

Net Investments in Foreign Operations Risk Management

The Company uses non-derivative financial instruments to protect the value of its investments in a number of foreign subsidiaries. In 2016, the Company designated a portion of its euro-denominated commercial paper issuances as a non-derivative hedge of the foreign currency exposure of a net investment in its European operations. The change in fair value of the designated portion of the euro-denominated commercial paper due to changes in foreign currency exchange rates is recorded in Foreign currency translation adjustment, a component of Accumulated other comprehensive loss, to the extent it is effective as a hedge. The foreign currency translation adjustment of the hedged net investments that is also recorded in Accumulated other comprehensive loss. Ineffective portions of net investment hedges, if any, are reclassified from Accumulated other comprehensive loss into earnings during the period of change.

As of September 30, 2018, the Company has €220 million ($258 million at September 30, 2018 exchange rates) of outstanding euro-denominated commercial paper designated as a hedge of the foreign currency exposure of its net investment in its European operations. As of September 30, 2018, the unrealized gain recognized in Accumulated other comprehensive loss related to the net investment non derivative hedging instrument was $13 million.

The Company did not reclassify any deferred gains or losses related to net investment hedges from Accumulated other comprehensive loss to earnings during the three and nine months ended September 30, 2018 and 2017. In addition, the Company did not incur any ineffectiveness related to net investment hedges during the three and nine months ended September 30, 2018 and 2017.

16. Fair Value Measurements and Financial Instruments

Accounting standards establish a three tier fair value hierarchy that prioritizes the inputs used in measuring fair values as follows:

- Level 1 — observable inputs such as quoted prices for identical assets in active markets;
- Level 2 — inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly; and
- Level 3 — unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

The following methods and assumptions are used to estimate the fair values of the Company's financial instruments:

Money market funds consist of institutional prime, treasury, and government money market funds. The Company reviews treasury and government money market funds to obtain reasonable assurance that the fund net asset value is $1 per share, and reviews the floating net asset value of institutional prime money market funds for reasonableness.

Equity investments consist of domestic and international equity securities and equity derivatives valued using the closing stock price on a national securities exchange. Over the counter equity derivatives are valued using observable inputs such as underlying prices of the underlying security and volatility. On a sample basis the Company reviews the listing of Level 1 equity securities in the portfolio and agrees the closing stock prices to a national securities exchange, and independently verifies the observable inputs for Level 2 equity derivatives and securities.

Fixed income investments consist of certain categories of bonds and derivatives. Corporate, government, and agency bonds are valued by pricing vendors who estimate fair value using recently executed transactions and proprietary models based on observable inputs, such as interest rate spreads, yield curves, and credit risk. Asset-backed securities are valued by pricing vendors who estimate fair value using discounted cash flow models utilizing observable inputs based on trade and quote activity of securities with similar features. Fixed income derivatives are valued by pricing vendors using observable inputs such as interest rates and yield curves. The Company obtains an understanding of the models, inputs, and assumptions used in developing prices provided by its vendors through discussions with the fund managers. The Company independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company's guidelines, it is then reviewed by management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and historically are not material to the fair value estimates used in the Financial Statements.

Derivatives are carried at fair value, based upon industry standard valuation techniques that use, where possible, current market-based or independently sourced pricing inputs, such as interest rates, currency exchange rates, or implied volatilities.

Debt is carried at outstanding principal balance, less any unamortized issuance costs, discount or premium. Fair value is based on quoted market prices or estimates using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements.

The following tables present the categorization of the Company's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2018 and December 31, 2017 (in millions):

	Balance at September 30, 2018	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds [1]	$ 2,063	$ 2,063	$ —	$ —
Other investments				
Government bonds	$ 1	$ —	$ 1	$ —
Equity investments	$ 3	$ —	$ 3	$ —
Derivatives [2]				
Gross foreign exchange contracts	$ 34	$ —	$ 34	$ —
Liabilities				
Derivatives [2]				
Gross foreign exchange contracts	$ 13	$ —	$ 13	$ —

(1) Included within Fiduciary assets or Short-term investments in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity.

(2) Refer to Note 15 "Derivatives and Hedging" for additional information regarding the Company's derivatives and hedging activity.

	Balance at December 31, 2017	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds [1]	$ 1,847	$ 1,847	$ —	$ —
Other investments				
Government bonds	$ 1	$ —	$ 1	$ —
Equity investments	$ 4	$ —	$ 4	$ —
Derivatives [2]				
Gross foreign exchange contracts	$ 33	$ —	$ 33	$ —
Liabilities				
Derivatives [2]				
Gross foreign exchange contracts	$ 6	$ —	$ 6	$ —

(1) Included within Fiduciary assets or Short-term investments in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity.

(2) Refer to Note 15 "Derivatives and Hedging" for additional information regarding the Company's derivatives and hedging activity.

There were no transfers of assets or liabilities between fair value hierarchy levels in either the three and nine months ended September 30, 2018 or 2017. The Company recognized no realized or unrealized gains or losses in the Condensed Consolidated Statements of Income during either the three and nine months ended September 30, 2018 or 2017, related to assets and liabilities measured at fair value using unobservable inputs.

The fair value of debt is classified as Level 2 of the fair value hierarchy. The following table provides the carrying value and fair value for the Company's term debt (in millions):

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current portion of long-term debt	$—	$—	$299	$301
Long-term debt	$5,665	$5,861	$5,667	$6,267

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17. Commitments and Contingencies

Legal

Aon and its subsidiaries are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business, which frequently include errors and omissions ("E&O") claims. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or extraordinary damages. While Aon maintains meaningful E&O insurance and other insurance programs to provide protection against certain losses that arise in such matters, Aon has exhausted or materially depleted its coverage under some of the policies that protect the Company and, consequently, is self-insured or materially self-insured for some claims. Accruals for these exposures, and related insurance receivables, when applicable, are included in the Condensed Consolidated Statements of Financial Position and have been recognized in Other general expenses in the Condensed Consolidated Statements of Income to the extent that losses are deemed probable and are reasonably estimable. These amounts are adjusted from time to time as developments warrant. Matters that are not probable and reasonably estimable are not accrued for in the financial statements.

The Company has included in the current matters described below certain matters in which (1) loss is probable, (2) loss is reasonably possible, that is, more than remote but not probable, or (3) there exists the reasonable possibility of loss greater than the accrued amount. In addition, the Company may from time to time disclose matters for which the probability of loss could be remote but the claim amounts associated with such matters are potentially significant. The reasonably possible range of loss for the matters described below for which loss is estimable, in excess of amounts that are deemed probable and estimable and therefore already accrued, is estimated to be between $0 and $0.2 billion, exclusive of any insurance coverage. These estimates are based on currently available information. As available information changes, the matters for which Aon is able to estimate may change, and the estimates themselves may change. In addition, many estimates involve significant judgment and uncertainty. For example, at the time of making an estimate, Aon may only have limited information about the facts underlying the claim, and predictions and assumptions about future court rulings and outcomes may prove to be inaccurate. Although management at present believes that the ultimate outcome of all matters described below, individually or in the aggregate, will not have a material adverse effect on the consolidated financial position of Aon, legal proceedings are subject to inherent uncertainties and unfavorable rulings or other events. Unfavorable resolutions could include substantial monetary or punitive damages imposed on Aon or its subsidiaries. If unfavorable outcomes of these matters were to occur, future results of operations or cash flows for any particular quarterly or annual period could be materially adversely affected.

Current Matters

A retail insurance brokerage subsidiary of Aon was sued on September 14, 2010 in the Chancery Court for Davidson County, Tennessee Twentieth Judicial District, at Nashville by a client, Opry Mills Mall Limited Partnership ("Opry Mills"), that sustained flood damage to its property in May 2010. The lawsuit seeks $200 million in coverage from numerous insurers with whom this Aon subsidiary placed the client's property insurance coverage. The insurers contend that only $50 million in coverage (which has already been paid) is available for the loss because the flood event occurred on property in a high hazard flood zone. Opry Mills is seeking full coverage from the insurers for the loss and has sued this Aon subsidiary in the alternative for the same $150 million difference on various theories of professional liability if the court determines there is not full coverage. In addition, Opry Mills seeks prejudgment interest, attorneys' fees and enhanced damages which could substantially increase Aon's exposure. In March 2015, the trial court granted partial summary judgment in favor of plaintiffs and against the insurers, holding generally that the plaintiffs are entitled to $200 million in coverage under the language of the policies. In August 2015, a jury returned a verdict in favor of Opry Mills and against the insurers in the amount of $204 million. On January 26, 2018, the Tennessee Court of Appeals reversed and remanded, reversing summary judgment in favor of plaintiffs and concluding that coverage is limited to $50 million. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims.

A pensions consulting and administration subsidiary of Aon provided advisory services to the Trustees of the Gleeds pension fund in the United Kingdom and, on occasion, to the relevant employer of the fund. In April 2014, the High Court, Chancery Division, London found that certain governing documents of the fund that sought to alter the fund's benefit structure and that had been drafted by Aon were procedurally defective and therefore invalid. No lawsuit naming Aon as a party was filed, although a tolling agreement was entered. The High Court decision says that the additional liabilities in the pension fund resulting from the alleged defect in governing documents amount to approximately £45 million ($59 million at September 30, 2018 exchange rates). In December 2014, the Court of Appeal granted the employer leave to appeal the High Court decision. At a hearing in October 2016, the Court of Appeal approved a settlement of the pending litigation. On October 31, 2016, the fund’s trustees and employer sued Aon in the High Court, Chancery Division, London, alleging negligence and breach of duty in relation to the governing documents. The proceedings were served on Aon on December 20, 2016. The claimants seek damages of approximately £70 million ($92 million at September 30, 2018 exchange rates). In February 2018, the claimants instructed new lawyers and in May 2018 added their previous lawyers as defendants to the Aon lawsuit. The claimants allege that the previous lawyers were responsible for some of the losses sought from Aon because the lawyers gave negligent legal advice during the High Court and Court of Appeal proceedings. The trial of this matter has been set for November 2019. Aon believes that it has meritorious defenses and intends to vigorously defend itself against this claim.

On June 29, 2015, Lyttelton Port Company Limited ("LPC") sued Aon New Zealand in the Christchurch Registry of the High Court of New Zealand. LPC alleges, among other things, that Aon was negligent and in breach of contract in arranging LPC's property insurance program for the period covering June 30, 2010, to June 30, 2011. LPC contends that acts and omissions by Aon caused LPC to recover less than it otherwise would have from insurers for losses suffered in the 2010 and 2011 Canterbury earthquakes. LPC claims damages of approximately NZD 184 million ($123 million at September 30, 2018 exchange rates) plus interest and costs. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

On October 3, 2017, Christchurch City Council ("CCC") invoked arbitration to pursue a claim that it asserts against Aon New Zealand. Aon provided insurance broking services to CCC in relation to CCC's 2010-2011 material damage and business interruption program. In December 2015, CCC settled its property and business interruption claim for its losses arising from the 2010-2011 Canterbury earthquakes against the underwriter of its material damage and business interruption program and the reinsurers of that underwriter. CCC contends that acts and omissions by Aon caused CCC to recover less in that settlement than it otherwise would have. CCC claims damages of approximately NZD 528 million ($352 million at September 30, 2018 exchange rates) plus interest and costs. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

A retail insurance brokerage subsidiary of Aon was sued on September 6, 2018 in the United States District Court for the Southern District of New York by a client, Pilkington North America, Inc., that sustained damage from a tornado to its Ottawa, Illinois property. The lawsuit seeks between $45 million and $85 million in property and business interruption damages from either its insurer or Aon. The insurer contends that insurance proceeds were limited to $15 million in coverage by a windstorm sub-limit purportedly contained in the policy procured by Aon for Pilkington. The insurer therefore has tendered $15 million to Pilkington and denied coverage for the remainder of the loss. Pilkington sued the insurer and Aon seeking full coverage for the loss from the insurer or, in the alternative, seeking the same damages against Aon on various theories of professional liability if the court finds that the $15 million sub-limit applies to the claim. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims.

In April 2017, the FCA announced an investigation relating to suspected competition law breaches in the aviation and aerospace broking industry, which, for Aon in 2016, represented less than $100 million in global revenue. The European Commission has now assumed jurisdiction over the investigation in place of the FCA. Other antitrust agencies outside the European Union are also conducting formal or informal investigations regarding these matters. Aon intends to work diligently with all antitrust agencies concerned to ensure they can carry out their work as efficiently as possible. At this time, in light of the uncertainties and many variables involved, Aon cannot estimate the ultimate impact on our company from these investigations or any related private litigation, nor any damages, penalties, or fines related to them. There can be no assurance that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Guarantees and Indemnifications

The Company provides a variety of guarantees and indemnifications to its customers and others. The maximum potential amount of future payments represents the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications. Any anticipated amounts payable are included in the Company's Financial Statements, and are recorded at fair value.

The Company expects that, as prudent business interests dictate, additional guarantees and indemnifications may be issued from time to time.

Redomestication

In connection with the redomicile of Aon's headquarters (the "Redomestication"), the Company on April 2, 2012 entered into various agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under issued and outstanding debt securities. Those agreements included the (1) Amended and Restated Indenture, dated as of

April 2, 2012, among Aon Corporation, Aon plc, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (amending and restating the Indenture, dated as of September 10, 2010, between Aon Corporation and the Trustee), (2) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of December 16, 2002, between Aon Corporation and the Trustee), (3) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of January 13, 1997, as supplemented by the First Supplemental Indenture, dated as of January 13, 1997), and (4) First Supplemental Indenture, dated as of April 2, 2012, among Aon Finance N.S. 1, ULC, as issuer, Aon Corporation, as guarantor, Aon plc, as guarantor, and Computershare Trust Company of Canada, as trustee.

Sale of the Divested Business
In connection with the sale of the Divested Business, the Company guaranteed future operating lease commitments related to certain facilities assumed by the Buyer. The Company is obligated to perform under the guarantees if the Divested Business defaults on such leases at any time during the remainder of the lease agreements, which expire on various dates through 2024. As of September 30, 2018, the undiscounted maximum potential future payments under the lease guarantee is $89 million, with an estimated fair value of $19 million. No cash payments were made in connection to the lease commitments during the three and nine months ended September 30, 2018.
Additionally, the Company is subject to performance guarantee requirements under certain client arrangements that were assumed by the Buyer. Should the Divested Business fail to perform as required by the terms of the arrangements, the Company would be required to fulfill the remaining contract terms, which expire on various dates through 2023. As of September 30, 2018, the undiscounted maximum potential future payments under the performance guarantees were $194 million, with an estimated fair value of $1 million. No cash payments were made in connection to the performance guarantees during the three and nine months ended September 30, 2018.
Letters of Credit
Aon has entered into a number of arrangements whereby the Company's performance on certain obligations is guaranteed by a third party through the issuance of letters of credit ("LOCs"). The Company had total LOCs outstanding of approximately $84 million at September 30, 2018, compared to $96 million at December 31, 2017. These LOCs cover the beneficiaries related to certain of Aon's U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions for Aon's own workers compensation program. The Company has also obtained LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries.
Premium Payments
The Company has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. The maximum exposure with respect to such contractual contingent guarantees was approximately $83 million at September 30, 2018 compared to $95 million at December 31, 2017.
18. Segment Information
The Company operates as one segment that includes all of Aon's continuing operations, which as a global professional services firm provides advice and solutions to clients focused on risk, retirement, and health through five revenue lines which make up its principal products and services. The Chief Operating Decision Maker (the "CODM") assesses the performance of the Company and allocates resources based on one segment: Aon United.
The Company's reportable operating segment has been determined using a management approach, which is consistent with the basis and manner in which Aon's CODM uses financial information for the purposes of allocating resources and evaluating performance. The CODM assesses performance and allocates resources based on total Aon results against its key four metrics, including organic revenue growth, expense discipline, and collaborative behaviors that maximize value for Aon and its shareholders, regardless of which revenue line it benefits.
As Aon operates as one segment, segment profit or loss is consistent with consolidated reporting as disclosed on the Condensed Consolidated Statements of Income.
19. Guarantee of Registered Securities
As described in Note 17 "Commitments and Contingencies," in connection with the Redomestication, Aon plc entered into various agreements pursuant to which it agreed to guarantee the obligations of Aon Corporation arising under issued and outstanding debt securities, including the 5.00% Notes due September 2020, the 8.205% Notes due January 2027, and the 6.25% Notes due September 2040 (collectively, the "Aon Corporation Notes"). Aon Corporation is a 100% indirectly owned subsidiary of Aon plc. All guarantees of Aon plc are full and unconditional. There are no other subsidiaries of Aon plc that are guarantors of the Aon Corporation Notes.
In addition, Aon Corporation entered into an agreement pursuant to which it agreed to guarantee the obligations of Aon plc arising under the 4.25% Notes due December 2042 exchanged for Aon Corporation's outstanding 8.205% Notes due January 2027, and also agreed to guarantee the obligations of Aon plc arising under the 4.45% Notes due May 2043, the 4.00% Notes due November 2023, the 2.875% Notes due May 2026, the 3.50% Notes due June 2024, the 4.60% Notes due June 2044, the 4.75% Notes due May 2045, the 2.80% Notes due March 2021, and the 3.875%

Notes due December 2025 (collectively, the “Aon plc Notes”). All guarantees of Aon Corporation are full and unconditional. There are no subsidiaries of Aon plc, other than Aon Corporation, that

are guarantors of the Aon plc Notes. As a result of the existence of these guarantees, the Company has elected to present the financial information set forth in this footnote in accordance with Rule 3-10 of Regulation S-X.
The following tables set forth Condensed Consolidating Statements of Income and Condensed Consolidating Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017, Condensed Consolidating Statements of Financial Position as of September 30, 2018 and December 31, 2017, and Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 in accordance with Rule 3-10 of Regulation S-X. The condensed consolidating financial information includes the accounts of Aon plc, the accounts of Aon Corporation, and the combined accounts of the non-guarantor subsidiaries. The condensed consolidating financial statements are presented in all periods as a merger under common control, with Aon plc presented as the parent company in all periods prior and subsequent to the Redomestication. The principal consolidating adjustments are to eliminate the investment in subsidiaries and intercompany balances and transactions.
Condensed Consolidating Statement of Income

	Three months ended September 30, 2018				
(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Total revenue	$—	$ —	$ 2,349	$ —	$ 2,349
Expenses					
Compensation and benefits	13	3	1,376	—	1,392
Information technology	—	—	125	—	125
Premises	—	—	94	—	94
Depreciation of fixed assets	—	—	40	—	40
Amortization and impairment of intangible assets	—	—	100	—	100
Other general expenses	—	(7)	343	—	336
Total operating expenses	13	(4)	2,078	—	2,087
Operating income (loss)	(13)	4	271	—	262
Interest income	—	15	—	(15)	—
Interest expense	(52)	(26)	(6)	15	(69)
Intercompany interest income (expense)	4	(128)	124	—	—
Intercompany other income (expense)	245	(251)	6	—	—
Other income (expense)	(5)	(3)	7	2	1
Income (loss) from continuing operations before income taxes	179	(389)	402	2	194
Income tax expense (benefit)	(8)	(67)	114	—	39
Net income (loss) from continuing operations	187	(322)	288	2	155
Net income (loss) from discontinued operations	—	—	(2)	—	(2)
Net income (loss) before equity in earnings of subsidiaries	187	(322)	286	2	153
Equity in earnings of subsidiaries, net of tax	(42)	(42)	(364)	448	—
Net income (loss)	145	(364)	(78)	450	153
Less: Net income attributable to noncontrolling interests	—	—	6	—	6
Net income (loss) attributable to Aon shareholders	$145	$ (364)	$ (84)	$ 450	$ 147

Condensed Consolidating Statement of Income

(millions)	Three months ended September 30, 2017 Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Total revenue	$—	$ —	$ 2,340	$ —	$ 2,340
Expenses					
Compensation and benefits	25	18	1,385	—	1,428
Information technology	—	—	109	—	109
Premises	—	—	89	—	89
Depreciation of fixed assets	—	—	40	—	40
Amortization and impairment of intangible assets	—	—	101	—	101
Other general expenses	1	1	315	—	317
Total operating expenses	26	19	2,039	—	2,084
Operating income (loss)	(26)	(19)	301	—	256
Interest income	—	18	—	(8)	10
Interest expense	(53)	(24)	(1)	8	(70)
Intercompany interest income (expense)	3	(135)	132	—	—
Intercompany other income (expense)	291	(271)	(20)	—	—
Other income (expense)	(2)	12	(6)	—	4
Income (loss) from continuing operations before income taxes	213	(419)	406	—	200
Income tax expense (benefit)	(8)	(81)	93	—	4
Net income (loss) from continuing operations	221	(338)	313	—	196
Net income (loss) from discontinued operations	—	—	(4)	—	(4)
Net income (loss) before equity in earnings of subsidiaries	221	(338)	309	—	192
Equity in earnings of subsidiaries, net of tax	(36)	122	(216)	130	—
Net income (loss)	185	(216)	93	130	192
Less: Net income attributable to noncontrolling interests	—	—	7	—	7
Net income (loss) attributable to Aon shareholders	$185	$ (216)	$ 86	$ 130	$ 185

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Condensed Consolidating Statement of Income

(millions)	Nine months ended September 30, 2018 Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Total revenue	$—	$ —	$ 8,000	$ —	$ 8,000
Expenses					
Compensation and benefits	47	5	4,450	—	4,502
Information technology	—	—	363	—	363
Premises	—	—	283	—	283
Depreciation of fixed assets	—	—	126	—	126
Amortization and impairment of intangible assets	—	—	492	—	492
Other general expenses	3	71	1,115	—	1,189
Total operating expenses	50	76	6,829	—	6,955
Operating income (loss)	(50)	(76)	1,171	—	1,045
Interest income	—	44	—	(39)	5
Interest expense	(149)	(75)	(23)	39	(208)
Intercompany interest income (expense)	11	(385)	374	—	—
Intercompany other income (expense)	113	(259)	146	—	—
Other income (expense)	4	(29)	21	(13)	(17)
Income (loss) from continuing operations before income taxes	(71)	(780)	1,689	(13)	825
Income tax expense (benefit)	(27)	(144)	180	—	9
Net income (loss) from continuing operations	(44)	(636)	1,509	(13)	816
Net income (loss) from discontinued operations	—	—	5	—	5
Net income (loss) before equity in earnings of subsidiaries	(44)	(636)	1,514	(13)	821
Equity in earnings of subsidiaries, net of tax	846	868	232	(1,946)	—
Net income (loss)	802	232	1,746	(1,959)	821
Less: Net income attributable to noncontrolling interests	—	—	32	—	32
Net income (loss) attributable to Aon shareholders	$802	$ 232	$ 1,714	$ (1,959)	$ 789

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Condensed Consolidating Statement of Income

(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	Nine months ended September 30, 2017				
Revenue					
Total revenue	$—	$ —	$ 7,089	$ —	$ 7,089
Expenses					
Compensation and benefits	85	24	4,254	—	4,363
Information technology	—	—	295	—	295
Premises	—	—	259	—	259
Depreciation of fixed assets	—	—	148	—	148
Amortization and impairment of intangible assets	—	—	604	—	604
Other general expenses	10	(3)	949	—	956
Total operating expenses	95	21	6,509	—	6,625
Operating income (loss)	(95)	(21)	580	—	464
Interest income	—	35	—	(15)	20
Interest expense	(144)	(71)	(11)	15	(211)
Intercompany interest income (expense)	10	(407)	397	—	—
Intercompany other income (expense)	189	(280)	91	—	—
Other income (expense)	(25)	15	(2)	18	6
Income (loss) from continuing operations before income taxes	(65)	(729)	1,055	18	279
Income tax expense (benefit)	(30)	(198)	89	—	(139)
Net income (loss) from continuing operations	(35)	(531)	966	18	418
Net income (loss) from discontinued operations	—	—	857	—	857
Net income (loss) before equity in earnings of subsidiaries	(35)	(531)	1,823	18	1,275
Equity in earnings of subsidiaries, net of tax	1,262	1,028	497	(2,787)	—
Net income (loss)	1,227	497	2,320	(2,769)	1,275
Less: Net income attributable to noncontrolling interests	—	—	30	—	30
Net income (loss) attributable to Aon shareholders	$1,227	$ 497	$ 2,290	$ (2,769)	$ 1,245

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Condensed Consolidating Statement of Comprehensive Income

(millions)	Three months ended September 30, 2018				
	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$145	$ (364)	$ (78)	$ 450	$ 153
Less: Net income attributable to noncontrolling interests	—	—	6	—	6
Net income (loss) attributable to Aon shareholders	145	(364)	(84)	450	147
Other comprehensive income (loss), net of tax:					
Change in fair value of financial instruments	—	(2)	3	—	1
Foreign currency translation adjustments	—	—	(48)	(2)	(50)
Postretirement benefit obligation	—	12	(74)	—	(62)
Total other comprehensive income (loss)	—	10	(119)	(2)	(111)
Equity in other comprehensive income (loss) of subsidiaries, net of tax	(106)	(134)	(124)	364	—
Less: Other comprehensive income (loss) attributable to noncontrolling interests	—	—	(3)	—	(3)
Total other comprehensive income (loss) attributable to Aon shareholders	(106)	(124)	(240)	362	(108)
Comprehensive income (loss) attributable to Aon shareholders	$39	$ (488)	$ (324)	$ 812	$ 39

Condensed Consolidating Statement of Comprehensive Income

(millions)	Three months ended September 30, 2017				
	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$185	$ (216)	$ 93	$ 130	$ 192
Less: Net income attributable to noncontrolling interests	—	—	7	—	7
Net income (loss) attributable to Aon shareholders	185	(216)	86	130	185
Other comprehensive income (loss), net of tax:					
Change in fair value of financial instruments	—	3	8	—	11
Foreign currency translation adjustments	—	—	243	—	243
Postretirement benefit obligation	—	7	11	—	18
Total other comprehensive income (loss)	—	10	262	—	272
Equity in other comprehensive income (loss) of subsidiaries, net of tax	265	245	255	(765)	—
Less: Other comprehensive income (loss) attributable to noncontrolling interests	—	—	7	—	7
Total other comprehensive income (loss) attributable to Aon shareholders	265	255	510	(765)	265
Comprehensive income (loss) attributable to Aon shareholders	$450	$ 39	$ 596	$ (635)	$ 450

Condensed Consolidating Statement of Comprehensive Income

(millions)	Nine months ended September 30, 2018				
	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$802	$ 232	$ 1,746	$ (1,959)	$ 821
Less: Net income attributable to noncontrolling interests	—	—	32	—	32
Net income (loss) attributable to Aon shareholders	802	232	1,714	(1,959)	789
Other comprehensive income (loss), net of tax:					
Change in fair value of financial instruments	—	(3)	17	—	14
Foreign currency translation adjustments	—	—	(276)	13	(263)
Postretirement benefit obligation	—	34	74	—	108
Total other comprehensive income (loss)	—	31	(185)	13	(141)
Equity in other comprehensive income (loss) of subsidiaries, net of tax	(148)	(194)	(163)	505	—
Less: Other comprehensive income (loss) attributable to noncontrolling interests	—	—	(6)	—	(6)
Total other comprehensive income (loss) attributable to Aon shareholders	(148)	(163)	(342)	518	(135)
Comprehensive income (loss) attributable to Aon shareholders	$654	$ 69	$ 1,372	$ (1,441)	$ 654

Condensed Consolidating Statement of Comprehensive Income

(millions)	Nine months ended September 30, 2017				
	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss)	$1,227	$ 497	$ 2,320	$ (2,769)	$ 1,275
Less: Net income attributable to noncontrolling interests	—	—	30	—	30
Net income (loss) attributable to Aon shareholders	1,227	497	2,290	(2,769)	1,245
Other comprehensive income (loss), net of tax:					
Change in fair value of financial instruments	—	3	10	—	13
Foreign currency translation adjustments	—	—	452	(18)	434
Postretirement benefit obligation	—	23	33	—	56
Total other comprehensive income (loss)	—	26	495	(18)	503
Equity in other comprehensive income (loss) of subsidiaries, net of tax	518	480	506	(1,504)	—
Less: Other comprehensive income (loss) attributable to noncontrolling interests	—	—	3	—	3
Total other comprehensive income (loss) attributable to Aon shareholders	518	506	998	(1,522)	500
Comprehensive income (loss) attributable to Aon shareholders	$1,745	$ 1,003	$ 3,288	$ (4,291)	$ 1,745

Condensed Consolidating Statement of Financial Position

	As of September 30, 2018				
(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$—	$ 1,927	$ 400	$ (1,843)	$ 484
Short-term investments	—	47	120	—	167
Receivables, net	—	—	2,656	—	2,656
Fiduciary assets	—	—	9,314	—	9,314
Current intercompany receivables	165	4,175	12,173	(16,513)	—
Other current assets	—	15	712	—	727
Total current assets	165	6,164	25,375	(18,356)	13,348
Goodwill	—	—	8,282	—	8,282
Intangible assets, net	—	—	1,260	—	1,260
Fixed assets, net	—	—	594	—	594
Deferred tax assets	99	419	153	(195)	476
Non-current intercompany receivables	412	260	8,256	(8,928)	—
Prepaid pension	—	6	1,202	—	1,208
Other non-current assets	1	37	396	—	434
Investment in subsidiary	10,086	18,858	(371)	(28,573)	—
Total assets	$10,763	$ 25,744	$ 45,147	$ (56,052)	$ 25,602
Liabilities and equity					
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$1,516	$ 66	$ 1,861	$ (1,843)	$ 1,600
Short-term debt and current portion of long-term debt	540	200	1	—	741
Fiduciary liabilities	—	—	9,314	—	9,314
Current intercompany payables	193	14,605	1,715	(16,513)	—
Other current liabilities	—	64	924	—	988
Total current liabilities	2,249	14,935	13,815	(18,356)	12,643
Long-term debt	4,249	1,416	—	—	5,665
Deferred tax liabilities	—	—	468	(195)	273
Pension, other postretirement and postemployment liabilities	—	1,238	365	—	1,603
Non-current intercompany payables	—	8,421	507	(8,928)	—
Other non-current liabilities	3	105	982	—	1,090
Total liabilities	6,501	26,115	16,137	(27,479)	21,274
Total Aon shareholders’ equity	4,262	(371)	28,944	(28,573)	4,262
Noncontrolling interests	—	—	66	—	66
Total equity	4,262	(371)	29,010	(28,573)	4,328
Total liabilities and equity	$10,763	$ 25,744	$ 45,147	$ (56,052)	$ 25,602

Condensed Consolidating Statement of Financial Position

(millions)	As of December 31, 2017 Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$ 1	$ 2,524	$ 793	$ (2,562)	$ 756
Short-term investments	—	355	174	—	529
Receivables, net	—	2	2,476	—	2,478
Fiduciary assets	—	—	9,625	—	9,625
Current intercompany receivables	165	1,046	10,824	(12,035)	—
Other current assets	1	29	259		