Aon plc
Form 10-Q
August 04, 2017

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 June 30, 2017

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 and posted on its corporate Web site, if any, 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 and post 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
(Do not check if a smaller reporting company)	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 August 3, 2017: 254,337,319

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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 June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenue				
Total revenue	$2,368	$2,282	$4,749	$4,558
Expenses				
Compensation and benefits	1,457	1,396	2,918	2,741
Information technology	98	99	186	182
Premises	86	89	170	171
Depreciation of fixed assets	54	41	108	79
Amortization and impairment of intangible assets	460	38	503	75
Other general expenses	331	232	639	503
Total operating expenses	2,486	1,895	4,524	3,751
Operating income	(118)	387	225	807
Interest income	8	3	10	5
Interest expense	(71)	(73)	(141)	(142)
Other income (expense)	(5)	(1)	(15)	17
Income (loss) from continuing operations before income taxes	(186)	316	79	687
Income tax expense (benefit)	(143)	43	(143)	102
Net income (loss) from continuing operations	(43)	273	222	585
Income from discontinued operations, net of tax	821	35	861	60
Net income	778	308	1,083	645
Less: Net income attributable to noncontrolling interests	9	8	23	20
Net income attributable to Aon shareholders	$769	$300	$1,060	$625
Basic net income (loss) per share attributable to Aon shareholders				
Continuing operations	$(0.20)	$0.99	$0.75	$2.10
Discontinued operations	3.13	0.13	3.27	0.22
Net income	$2.93	$1.12	$4.02	$2.32
Diluted net income (loss) per share attributable to Aon shareholders				
Continuing operations	$(0.20)	$0.98	$0.75	$2.08
Discontinued operations	3.13	0.13	3.24	0.22
Net income	$2.93	$1.11	$3.99	$2.30
Cash dividends per share paid on ordinary shares	$0.36	$0.33	$0.69	$0.63
Weighted average ordinary shares outstanding - basic	262.4	268.0	263.6	269.9
Weighted average ordinary shares outstanding - diluted	262.4	269.8	265.7	271.7

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

Aon plc
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(millions)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income	$778	$ 308	$1,083	$ 645
Less: Net income attributable to noncontrolling interests	9	8	23	20
Net income attributable to Aon shareholders	$769	$ 300	$1,060	$ 625
Other comprehensive income (loss), net of tax:				
Change in fair value of financial instruments	4	(4)	2	(11)
Foreign currency translation adjustments	44	(59)	191	(138)
Postretirement benefit obligation	20	51	38	(150)
Total other comprehensive income (loss)	68	(12)	231	(299)
Less: Other comprehensive income attributable to noncontrolling interests	(5)	—	(4)	—
Total other comprehensive income (loss) attributable to Aon shareholders	73	(12)	235	(299)
Comprehensive income attributable to Aon shareholders	$842	$ 288	$1,295	$ 326

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

Aon plc
Condensed Consolidated Statements of Financial Position
(Unaudited)

(millions, except nominal value)	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$684	$ 426
Short-term investments	2,746	290
Receivables, net	2,191	2,106
Fiduciary assets	9,582	8,959
Other current assets	399	247
Current assets of discontinued operations	—	1,118
Total Current Assets	15,602	13,146
Goodwill	7,745	7,410
Intangible assets, net	1,402	1,890
Fixed assets, net	556	550
Deferred tax assets	575	325
Prepaid pension	941	858
Other non-current assets	368	360
Non-current assets of discontinued operations	—	2,076
TOTAL ASSETS	$27,189	$ 26,615
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$1,423	$ 1,604
Short-term debt and current portion of long-term debt	292	336
Fiduciary liabilities	9,582	8,959
Other current liabilities	2,078	656
Current liabilities of discontinued operations	—	940
Total Current Liabilities	13,375	12,495
Long-term debt	5,631	5,869
Deferred tax liabilities	84	101
Pension, other postretirement and postemployment liabilities	1,688	1,760
Other non-current liabilities	858	719
Non-current liabilities of discontinued operations	—	139
TOTAL LIABILITIES	21,636	21,083
EQUITY		
Ordinary shares - $0.01 nominal value Authorized: 750 shares (issued: 2017 - 255.7; 2016 - 262.0)	3	3
Additional paid-in capital	5,587	5,577
Retained earnings	3,574	3,807
Accumulated other comprehensive loss	(3,677)	(3,912)
TOTAL AON SHAREHOLDERS' EQUITY	5,487	5,475
Noncontrolling interests	66	57
TOTAL EQUITY	5,553	5,532
TOTAL LIABILITIES AND EQUITY	$27,189	$ 26,615

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

Aon plc
Condensed Consolidated Statement 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, 2016	262.0	$ 5,580	$ 3,807	$ (3,912)	$ 57	$ 5,532
Adoption of new accounting guidance	—	—	49	—	—	49
Balance at January 1, 2017	262.0	5,580	3,856	(3,912)	57	5,581
Net income	—	—	1,060	—	23	1,083
Shares issued - employee stock compensation plans	2.9	(138)	—	—	—	(138)
Shares purchased	(9.2)	—	(1,160)	—	—	(1,160)
Share-based compensation expense	—	148	—	—	—	148
Dividends to shareholders	—	—	(182)	—	—	(182)
Net change in fair value of financial instruments	—	—	—	2	—	2
Net foreign currency translation adjustments	—	—	—	195	(4)	191
Net postretirement benefit obligation	—	—	—	38	—	38
Purchases of shares from noncontrolling interests	—	—	—	—	(1)	(1)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(9)	(9)
Balance at June 30, 2017	255.7	$ 5,590	$ 3,574	$ (3,677)	$ 66	$ 5,553

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

Aon plc
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(millions)	Six Months Ended June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$1,083	$ 645
Less: Income from discontinued operations, net of income taxes	861	60
Adjustments to reconcile net income to cash provided by operating activities:		
Loss (gain) from sales of businesses and investments, net	3	(41)
Depreciation of fixed assets	108	79
Amortization and impairment of intangible assets	503	75
Share-based compensation expense	148	144
Deferred income taxes	(227)	15
Change in assets and liabilities:		
Fiduciary receivables	10	96
Short-term investments — funds held on behalf of clients	(286)	(409)
Fiduciary liabilities	275	313
Receivables, net	(25)	46
Accounts payable and accrued liabilities	(377)	(335)
Restructuring reserves	178	—
Current income taxes	(25)	(62)
Pension, other postretirement and other postemployment liabilities	(101)	(28)
Other assets and liabilities	30	79
Cash provided by operating activities - continuing operations	436	557
Cash provided by operating activities - discontinued operations	64	207
CASH PROVIDED BY OPERATING ACTIVITIES	500	764
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	29	23
Payments for investments	(32)	(29)
Net sale (purchases) of short-term investments — non-fiduciary	(2,451)	106
Acquisition of businesses, net of cash acquired	(149)	(183)
Sale of businesses, net of cash sold	4,193	103
Capital expenditures	(82)	(68)
Cash provided by (used for) investing activities - continuing operations	1,508	(48)
Cash used for investing activities - discontinued operations	(19)	(36)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	1,489	(84)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share repurchase	(1,100)	(750)
Issuance of shares for employee benefit plans	(139)	(87)
Issuance of debt	1,651	2,056
Repayment of debt	(1,990)	(1,632)
Cash dividends to shareholders	(182)	(169)
Noncontrolling interests and other financing activities	(10)	(62)
Cash used for financing activities - continuing operations	(1,770)	(644)
Cash used for financing activities - discontinued operations	—	—
CASH USED FOR FINANCING ACTIVITIES	(1,770)	(644)

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	34	18
NET INCREASE IN CASH AND CASH EQUIVALENTS	253	54
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	431	384
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$684	$ 438
Supplemental disclosures:		
Interest paid	$144	$ 144
Income taxes paid, net of refunds	$108	$ 89

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 have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The Condensed Consolidated 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 Condensed Consolidated 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 Condensed Consolidated 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, 2016. The results for the three and six months ended June 30, 2017 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2017.

Discontinued Operations

On February 9, 2017, the Company entered into a Purchase Agreement (the "Purchase Agreement") with Tempo Acquisition, LLC (the "Buyer"), an entity formed and controlled by affiliates of The Blackstone Group L.P. Pursuant to the Purchase Agreement, the Company sold its benefits administration and business process outsourcing business (the "Divested Business") to the Buyer and certain designated purchasers that are direct or indirect subsidiaries of the Buyer (the "Transaction"). As a result, the Divested Business's financial results are reflected in the Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Financial Position, and Condensed Consolidated Statements of Cash Flows, retrospectively, as discontinued operations beginning in the first quarter of 2017. Additionally, all Notes to the Condensed Consolidated Financial Statements have been retrospectively restated to only include the impacts of continuing operations, unless noted otherwise. The Transaction closed on May 1, 2017. Refer to Note 3 "Discontinued Operations" for additional information.

Reportable Segments

Beginning in the first quarter of 2017, the Company began operating 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 that make up our principal products and services. Refer to Note 17 "Segment Information" for additional information.

As a result of these initiatives, Aon made the following changes to its presentation of the Condensed Consolidated Statement of Income beginning in the first quarter of 2017:

- Commissions, fees and other and Fiduciary investment income are now reported as one Total revenue line item; and
- Other general expenses has been further broken out to provide greater clarity into charges related to Information technology, Premises, Depreciation of fixed assets, and Amortization and impairment of intangible assets.

Prior period comparable financial information has been reclassified to conform to this presentation.

The Company believes this presentation provides greater clarity into the risks and opportunities that management believes are important and allows users of the financial statements to assess the performance in the same way as the Chief Operating Decision Maker (the "CODM").

Use of Estimates

The preparation of the accompanying Condensed Consolidated 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.

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2. Accounting Principles and Practices

Adoption of New Accounting Standards

Share-based Compensation

In March 2016, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance requires all excess tax benefits and tax deficiencies to be recognized as income tax expense or benefit in the income statement and treated as discrete items in the reporting period. Further, excess tax benefits are required to be classified along with other income tax cash flows as an operating activity. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method.

The Company adopted this guidance on January 1, 2017, with the following impacts:

- An increase to Deferred tax assets on the Condensed Consolidated Statement of Financial Position of approximately $49 million through a cumulative-effect adjustment to Retained earnings for excess tax benefits not previously recognized, and
- The recognition of $19 million, or $0.07 per share, income tax benefit from continuing operations related to excess tax benefits in the Condensed Consolidated Statement of Income for the three months ended June 30, 2017, and $48 million, or $0.18 per share, for the six months ended June 30, 2017.

Adoption of the guidance was applied prospectively on the Condensed Consolidated Statement of Cash Flows and prior period comparable information was not restated. Other elements of the guidance did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Accounting Standards Issued But Not Yet Adopted

Presentation of Net Periodic Pension and Postretirement Benefit Costs

In March 2017, the 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. An entity will apply 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 income statement 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 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 new guidance is effective for Aon in the first quarter of 2018. The adoption of this guidance will have no impact on the total results of the Company. The presentation of results will reflect a change in Operating income offset by an equal change in Other income (expense) for the period.

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 the second step of the test. 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 for annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact and period of adoption that the standard will have on the Condensed Consolidated Financial Statements.

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 will require 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, impaired). An entity will apply 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 is effective for Aon in the first quarter of 2018, and the Company is currently evaluating the impact that the standard will have on the Condensed Consolidated Financial Statements.

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 will no longer have 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 will be effective for the Company in the first quarter of 2018, with early adoption permitted. An entity will apply the new guidance through retrospective adjustment to all periods presented. The retrospective approach includes a practical expedient that entities may apply should retrospective adoption be impracticable; in this case, the amendments for these issues may be applied prospectively as of the earliest date practicable. The guidance will not have a material impact on the Company's Condensed Consolidated Statements of Cash Flows.

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 standard will have on the Condensed Consolidated Financial Statements, as well as the method of transition and period of adoption.

Leases

In February 2016, the FASB issued new accounting guidance on leases, which requires lessees to recognize assets and liabilities for most leases. Under the new guidance, a lessee should recognize in the statement of financial position a liability to make 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 currently effective U.S. GAAP. The new standard will be effective for the Company in the first quarter of 2019, with early adoption permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. 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. Aon is currently evaluating the impact the standard will have on the Condensed Consolidated Financial Statements and period of adoption.

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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. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values, including disclosure requirements, should be applied prospectively to equity investments that exist as of the date of adoption of the guidance. The guidance is effective for the Company in the first quarter of 2018 and early adoption is permitted. Aon is currently evaluating the impact that the standard will have on the Condensed Consolidated Financial Statements and period of adoption.

Revenue Recognition

In May 2014, the FASB issued a new accounting standard on revenue from contracts with customers, which, when effective, will supersede nearly all existing revenue recognition guidance under U.S. GAAP. 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 and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The standard is effective for Aon in the first quarter of 2018 and early adoption is permitted beginning in the first quarter of 2017. Two methods of transition are permitted upon adoption: full retrospective and modified retrospective. Under the full retrospective method, prior periods would be restated under the new revenue standard, providing a comparable view across all periods presented. Under the modified retrospective method, prior periods would not be restated. Rather, revenue and other disclosures for pre-2018 periods would be provided in the notes to the financial statements as previously reported under the current revenue standard. The Company will adopt this standard in the first quarter of 2018 and is evaluating both methods of transition; however, it is currently anticipated that a modified retrospective adoption approach will be used.

A preliminary assessment to determine the impacts of the new accounting standard has been performed. The Company is currently implementing accounting and operational processes and controls that will be impacted by the new standard, but is still evaluating the quantitative impacts the standard will have on its financial statements. However, the more significant impacts of the new standard to the Company are anticipated to be as follows:

The Company currently recognizes revenue for certain brokerage activities over a period of time either due to the transfer of value to customers or as the remuneration becomes determinable. Under the new standard, this revenue will be 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 will be recognized in earlier periods under the new standard in comparison to the current guidance and will change the timing and amount of revenue recognized for annual and interim periods. This change is anticipated to result in a significant shift in interim revenue for Reinsurance Solutions. The Company is currently assessing the timing and measurement of revenue recognition under the new standard for certain other services.

Additionally, the new standard provides guidance on accounting for certain revenue-related costs including when to capitalize costs associated with obtaining and fulfilling a contract. These costs are currently expensed as incurred under existing U.S. GAAP. Assets recognized for the costs to obtain a contract will be 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 plans to apply a practical expedient and recognize the costs of obtaining a contract as an expense when incurred. Assets recognized as costs to fulfill a contract will be amortized on a systematic basis that is consistent with the transfer of the services to which the asset relates, which is expected to commonly be a period of less than one year. The Company is quantifying the nature and amount of costs that would qualify for capitalization and the amount of amortization that will be recognized in each period.

3. Discontinued Operations

On February 9, 2017, the Company entered into the Purchase Agreement with Tempo Acquisition, LLC to sell its benefits administration and business process outsourcing business to the Buyer, an entity formed and controlled by affiliates of The Blackstone Group L.P., 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, for a purchase price of (i) $4.3 billion in cash paid at closing, subject to customary adjustments set forth in the Purchase Agreement, and (ii) deferred consideration of up to $500 million, plus the assumption of certain liabilities. 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.

In the second quarter of 2017, the Company recorded an estimated gain on sale, net of taxes, of $798 million and a non-cash impairment charge to its tradename associated with the Divested Business of $380 million as this asset was not sold to the Buyer. The impairment charge is included in Amortization and impairment of intangible assets on the Condensed Consolidated Statement of Income for the three and six months ended June 30, 2017.

The Company has classified the results of the Divested Business as discontinued operations in the Company's Condensed Consolidated Statements of Income for all periods presented. Additionally, the assets and liabilities of the Divested Business were retrospectively classified as discontinued operations in the Company's Condensed Consolidated Statements of Financial Position upon triggering held for sale criteria in February 2017. These assets and liabilities were sold on May 1, 2017.

The financial results of the Divested Business for the three and six months ended June 30, 2017 and 2016 are presented as Income from discontinued operations on the Company's Condensed Consolidated Statements of Income. The following table presents financial results of the Divested Business (in millions):

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Revenue				
Total revenue	$171	$518	$698	$1,047
Expenses				
Total operating expenses [(1)]	156	466	626	952
Operating Income from discontinued operations	15	52	72	95
Other income	11	1	11	1
Income from discontinued operations before income taxes	26	53	83	96
Income taxes	3	18	20	36
Income from discontinued operations excluding gain, net of tax	23	35	63	60
Gain on sale of discontinued operations, net of tax	798	—	798	—
Income from discontinued operations, net of tax	$821	$35	$861	$60

(1) Upon triggering held for sale criteria in February 2017, Aon ceased depreciating and amortizing all long-lived assets included in discontinued operations. No depreciation or amortization expense was recognized during the three months ended June 30, 2017. Included within total operating expenses for the three months ended June 30, 2016 was $17 million of depreciation of fixed assets and $30 million of intangible asset amortization. Total operating expenses for the six months ended June 30, 2017 and 2016 include, respectively, $8 million and $35 million of depreciation of fixed assets and $11 million and $60 million of intangible asset amortization.

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The following table presents the aggregate carrying amounts of the classes of assets and liabilities presented as discontinued operations within the Company's Condensed Consolidated Statements of Financial Position (in millions):

	June 30, 2017 (1)	December 31, 2016
ASSETS		
Cash and cash equivalents	$ —	$ 5
Receivables, net	—	483
Fiduciary assets	—	526
Goodwill	—	1,337
Intangible assets, net	—	333
Fixed assets, net	—	215
Other assets	—	295
TOTAL ASSETS	$ —	$ 3,194
LIABILITIES		
Accounts payable and accrued liabilities	$ —	$ 197
Fiduciary liabilities	—	526
Other liabilities	—	356
TOTAL LIABILITIES	$ —	$ 1,079

(1) All assets and liabilities associated with the Divested Business were sold on May 1, 2017.

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. Cash and cash equivalents of discontinued operations at June 30, 2016 was $4 million.

4. 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 June 30, 2017, Cash and cash equivalents and Short-term investments were $3,430 million compared to $716 million at December 31, 2016, an increase of $2,714 million that was primarily related to the receipt of proceeds from the sale of the Divested Business. Of the total balances, $91 million and $82 million was restricted as to its use at June 30, 2017 and December 31, 2016, respectively. Included within the June 30, 2017 and December 31, 2016 balances, respectively, were £42.7 million ($54.3 million at June 30, 2017 exchange rates) and £43.3 million ($53.2 million at December 31, 2016 exchange rates) of operating funds required to be held by the Company in the United Kingdom by the Financial Conduct Authority, a U.K.-based regulator, which were included in Short-term investments.

5. Other Financial Data

Condensed Consolidated Statements of Income Information

Other Income (Expense)

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

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Foreign currency remeasurement gain (loss)	$(2)	$—	$(12)	$(17)
Gain (loss) on disposal of business	—	6	(2)	41
Equity earnings	3	1	9	3
Loss on financial instruments	(6)	(8)	(10)	(10)
Total	$(5)	$(1)	$(15)	$17

Condensed Consolidated Statements of Financial Position Information

Allowance for Doubtful Accounts

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

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Balance at beginning of period	$61	$62	$56	$58
Provision charged to Other general expenses	5	6	11	11
Accounts written off, net of recoveries	(7)	(4)	(10)	(6)
Foreign currency translation	—	—	2	1
Balance at end of period	$59	$64	$59	$64

Other Current Assets

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

As of	June 30, 2017	December 31, 2016
Taxes receivable	$ 152	$ 100
Prepaid expenses	143	102
Receivables from the Divested Business (1)	78	—
Other	26	45
Total	$ 399	$ 247

(1) Refer to Note 3 “Discontinued Operations” for additional information.

Other Non-Current Assets

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

As of	June 30, 2017	December 31, 2016
Investments	$ 122	$ 119
Taxes receivable	88	82
Other	158	159
Total	$ 368	$ 360

Other Current Liabilities

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

As of	June 30, 2017	December 31, 2016
Deferred revenue	$ 377	$ 199
Taxes payable (1)	1,254	77
Other	447	380
Total	$ 2,078	$ 656

(1) Includes accrued taxes payable related to the gain on sale of the Divested Business.

Other Non-Current Liabilities

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

As of	June 30, 2017	December 31, 2016
Taxes payable	$ 326	$ 288
Deferred revenue	46	49
Leases	140	136
Compensation and benefits	59	56
Other	287	190
Total	$ 858	$ 719

6. Acquisitions and Dispositions of Businesses
Acquisitions
The Company completed four acquisitions during the six months ended June 30, 2017 and eight acquisitions during the twelve months ended December 31, 2016. The following table includes the preliminary fair values of consideration transferred, assets acquired, and liabilities assumed as a result of the Company’s acquisitions (in millions):

	June 30, 2017
Cash	$ 148
Deferred and contingent consideration	28
Aggregate consideration transferred	176
Assets acquired:	
Cash and cash equivalents	5
Receivables, net	11
Goodwill	119
Intangible assets, net	69
Fixed assets, net	1
Other assets	8
Total assets acquired	213
Liabilities assumed:	
Current liabilities	15
Other liabilities	22
Total liabilities assumed	37
Net assets acquired	$ 176

The results of operations of these acquisitions are included in the Condensed Consolidated 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.
2017 Acquisitions
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.
2016 Acquisitions
On December 26, 2016, the Company completed the transaction to acquire Admix, a leading health and benefits brokerage and solutions firm based in Brazil.
On November 11, 2016 the Company completed the transaction to acquire CoCubes, a leading hiring assessment company based in India.
On October 31, 2016, the Company completed the transaction to acquire Stroz, Friedberg, Inc., a leading global cyber risk management firm based in New York City, with offices across the U.S. and in London, Zurich, Dubai and Hong Kong.
On August 19, 2016, the Company completed the transaction to acquire Cammack Health LLC, a leading health and benefits consulting firm that serves large health care organizations in the Eastern region of the U.S., including health plans, health systems and employers.

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On June 1, 2016, the Company completed the transaction to acquire Univers Workplace Solutions, a leading elective benefit enrollment and communication services firm based in New Jersey.
On April 11, 2016, the Company completed the transaction to acquire Nexus Insurance Brokers Limited and Bayfair Insurance Centre Limited, insurance brokerage firms located in New Zealand.
On February 1, 2016, the Company completed the transaction to acquire Modern Survey, an employee survey and talent analytics solutions provider based in Minneapolis.
On January 1, 2016, the Company completed the transaction to acquire Globe Events Management, an insurance, retirement, and investment consulting business company based in Australia.
Dispositions
The Company completed one disposition during the three months ended June 30, 2017 and four dispositions during the six months ended June 30, 2017, excluding the sale of the Divested Business. Refer to Note 3 “Discontinued Operations” for further information. The Company completed two dispositions during the three months ended June 30, 2016 and four dispositions during the six months ended June 30, 2016.
There were no gains recognized on the disposition of businesses for the three months ended June 30, 2017, excluding the sale of the Divested Business. Total pretax gains recognized, net of losses, were $6 million for the three months ended June 30, 2016. Total pretax losses recognized, net of gains, were $2 million for the six months ended June 30, 2017, and total pretax gains recognized, net of losses, were $41 million for the six months ended June 30, 2016. Gains and losses recognized as a result of a disposition are included in Other income (expense) in the Condensed Consolidated Statements of Income.
7. 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. Based on assumptions built into the Restructuring Plan at inception, the Company expected these restructuring activities and related expenses to affect continuing operations through 2019, including an estimated 2,400 to 2,850 role eliminations. The Restructuring Plan is expected to result in cumulative costs of approximately $750 million through the end of the plan, consisting of approximately $303 million in employee termination costs, $146 million in technology rationalization costs, $80 million in lease consolidation costs, $40 million in asset impairments, and $181 million in other costs, including certain separation costs associated with the sale of the Divested Business. Included in the estimated $750 million are $50 million of estimated non-cash charges related to asset impairments and lease consolidations.
From the inception of the Restructuring Plan through June 30, 2017, 1,785 positions have been eliminated and total expenses of $299 million have been incurred 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 summarizes restructuring and separation costs by type that have been incurred through June 30, 2017 and are estimated to be incurred through the end of the Restructuring Plan (in millions). Estimated cost may be revised in future periods as these assumptions are updated:

	Three months ended June 30, 2017	Six months ended June 30, 2017	Estimated Remaining Costs	Estimated Total Cost (1)
Workforce reduction	$ 102	$ 205	$ 98	$ 303
Technology rationalization (2)	7	10	136	146
Lease consolidation (2)	1	4	76	80
Asset impairments	11	24	16	40
Other costs associated with restructuring and separation (2) (3)	34	56	125	181
Total restructuring and related expenses	$ 155	$ 299	$ 451	$ 750

(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) Contract termination costs included within Lease consolidations for the three and six months ended June 30, 2017 were $1 million and $5 million, respectively. No other contract termination costs were incurred through June 30, 2017. Total estimated contract termination costs to be incurred under the Restructuring Plan associated with Technology rationalizations and Lease consolidations, respectively, are $9 million and $80 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 June 30, 2017 are as follows (in millions):

	Restructuring Plan
Balance at January 1, 2017	$ —
Expensed	272
Cash payments	(94)
Foreign currency translation and other	—
Balance at June 30, 2017	$ 178

8. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill for the six months ended June 30, 2017 are as follows (in millions):

Balance as of January 1, 2017	$ 7,410
Goodwill related to current year acquisitions	119
Goodwill related to disposals	(1)
Goodwill related to prior year acquisitions	24
Foreign currency translation	193
Balance as of June 30, 2017	$ 7,745

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. Refer to Note 3 "Discontinued Operations" for further information.

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

	June 30, 2017			December 31, 2016		
	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	2,050	1,307	743	2,023	1,198	825
Tradenames(1)	$1,037	$ 423	$ 614	$1,027	$ 7	$ 1,020
Technology and other(1)	366	321	45	347	302	45
Total	$3,453	$ 2,051	$ 1,402	$3,397	$ 1,507	$ 1,890

(1) Prior to May 1, 2017, finite lived tradenames were classified within Technology and other. For the period ended December 31, 2016, $29 million of gross carrying amount and $7 million of accumulated amortization related to

finite-lived tradenames was reclassified from Technology and other to Tradenames.

Additionally, effective May 1, 2017 and consistent with operating as one segment, the Company implemented a three-year strategy to transition to a unified Aon brand. As a result, Aon commenced amortization of all indefinite lived tradenames and prospectively accelerated amortization of its finite lived tradenames over the three-year period. The change in estimated useful life resulted in $22 million, or $0.09 per share, additional amortization expense, net of tax, to continuing operations in the three months ended June 30, 2017.

Amortization expense and impairment charges from finite lived intangible assets was $460 million and $503 million for the three and six months ended June 30, 2017, respectively. Amortization expense from finite lived intangible assets was $38 million and $75 million for the three and six months ended June 30, 2016, respectively.

The estimated future amortization for finite lived intangible assets as of June 30, 2017 is as follows (in millions):

	As of June 30, 2017
Remainder of 2017	$206
2018	370
2019	351
2020	192
2021	83
Thereafter	200
Total	$1,402

9. Debt

Notes

During the six months ended June 30, 2017, CAD 375 million ($283 million at June 30, 2017 rates) 4.76% Senior Notes due March 2018 were classified as Short-term debt and current portion of long-term debt in the Consolidated Statements of Financial Position as the date of maturity is less than one year.

Revolving Credit Facilities

As of June 30, 2017, Aon plc had one primary committed credit facility outstanding: its $900 million multi-currency U.S. credit facility expiring in February 2021 (the "2021 Facility"). The Company's $400 million U.S. credit facility expired in March 2017.

The 2021 Facility includes customary representations, warranties and covenants, including financial covenants that require Aon plc 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 June 30, 2017, Aon plc did not have borrowings under the 2021 Facility, and was in compliance with all covenants contained therein during the six months ended June 30, 2017.

Commercial Paper

Aon Corporation, a wholly-owned subsidiary of Aon plc, has established a U.S. commercial paper program and a European multi-currency commercial paper program (the "CP Programs"). Commercial paper may be issued in an aggregate principal amount of up to $1.3 billion under the CP Programs, allocated between the two programs as determined by management, not to exceed the amount of committed credit, currently $900 million. 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. In the aggregate, the Company had no commercial paper outstanding at June 30, 2017 and $329 million of commercial paper outstanding at December 31, 2016, which is included in Short-term debt and current portion of long-term debt in the Company's Condensed Consolidated Statements of Financial Position. The weighted average commercial paper outstanding for the three and six months ended June 30, 2017 was $318 million and $342 million, respectively. The weighted average commercial paper outstanding for the three and six months ended June 30, 2016 was $304 million and $240 million, respectively. The weighted average interest rate of the commercial paper outstanding for the three and six months ended June 30, 2017 was 0.26% and 0.18%, respectively. The weighted average interest rate of the commercial paper outstanding for the three and six months ended June 30, 2016 was 0.59% and 0.41% , respectively.

10. Income Taxes

The effective tax rate on net income (loss) from continuing operations was 76.9% and (181.0)% for the three and six months ended June 30, 2017, respectively. The effective tax rate on net income (loss) from continuing operations was 13.6% and 14.8% for the three and six months ended June 30, 2016, respectively. In the second quarter of 2017, the Company reported a tax benefit of $143 million on a pretax loss of $186 million, which resulted in an effective tax rate of 76.9%. For the six months ended June 30, 2017, the Company reported a tax benefit of $143 million on pretax income of $79 million, which resulted in an effective tax rate of (181.0)%. The primary components of the quarter to date and year to date tax amounts were the non-cash tax benefit from the tradename impairment associated with the

Divested Business and the impact of share-based payments from adoption of the new share-based compensation guidance. Refer to Note 2 “Accounting Principles and Practices” for additional details.

11. 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 increased in November 2014 and February 2017 by incremental increases of $5.0 billion in authorized repurchases at each of those times.
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.
In the three months ended June 30, 2017, the Company repurchased 8.0 million shares at an average price per share of $128.54, for a total cost of approximately $1.0 billion. The Company recorded an additional $5.1 million of costs associated with the repurchases to retained earnings during the quarter. During the six months ended June 30, 2017, the Company repurchased 9.1 million shares at an average price per share of $126.85, for a total cost of approximately $1.2 billion. The Company recorded an additional $5.8 million of costs associated with the repurchases to retained earnings during the six months ended June 30, 2017. Included in the 8.0 million shares and 9.1 million shares repurchased during the three and six months ended June 30, 2017 were 450 thousand shares that did not settle until July 2017. These shares were settled at an average price per share of $133.24 and total cost of $60.0 million. In the three months ended June 30, 2016, the Company did not repurchase shares under the Repurchase Program. During the six months ended June 30, 2016, the Company repurchased 7.7 million shares at an average price per share of $97.92, for a total cost of approximately $750 million. At June 30, 2017, the remaining authorized amount for share repurchase under the Repurchase Program was $6.7 billion. Under the Repurchase Program, the Company has repurchased a total of 99.3 million shares for an aggregate cost of approximately $8.3 billion.
Net Income (Loss) Per Share
Weighted average shares outstanding are as follows (in millions):

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Basic weighted-average ordinary shares outstanding	262.4	268.0	263.6	269.9
Dilutive effect of potentially issuable shares	—	1.8	2.1	1.8
Diluted weighted-average ordinary shares outstanding	262.4	269.8	265.7	271.7

Potentially issuable shares are not included in the computation of diluted net income (loss) per share if their inclusion would be antidilutive. Due to the net loss for the three months ended June 30, 2017, 1.9 million shares were excluded from the calculation. There were 0.2 million shares excluded from the calculation for the six months ended June 30, 2017. There were no shares and 0.3 million shares excluded from the calculation for the three and six months ended June 30, 2016, respectively.

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	Post-Retirement Benefit Obligation (2)	Total
Balance at December 31, 2016	$ (37)	$ (1,264)	$ (2,611)	$ (3,912)
Other comprehensive income (loss) before reclassifications, net	5	206	—	211
Amounts reclassified from accumulated other comprehensive loss:				
Amounts reclassified from accumulated other comprehensive income (loss)	(6)	(11)	54	37
Tax benefit (expense)	3	—	(16)	(13)
Amounts reclassified from accumulated other comprehensive income (loss), net	(3)	(11)	38	24
Net current period other comprehensive income (loss)	2	195	38	235
Balance at June 30, 2017	$ (35)	$ (1,069)	$ (2,573)	$ (3,677)

(1) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Other income (expense), Other general expenses, and Compensation and benefits. See Note 14 “Derivatives and Hedging” for additional information regarding the Company’s derivative and hedging activity.

(2) Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Compensation and benefits.

12. Employee Benefits

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

	Three months ended June 30					
	U.K.		U.S.		Other	
	2017	2016	2017	2016	2017	2016
Service cost	$—	$—	$—	$ —	$—	$—
Interest cost	30	43	24	28	6	7
Expected return on plan assets, net of administration expenses	(49)	(65)	(35)	(39)	(11)	(12)
Amortization of prior-service cost	—	1	1	1	—	—
Amortization of net actuarial loss	8	9	12	12	3	3
Net periodic cost (benefit)	$(11)	$(12)	$2	$ 2	$(2)	$(2)
Loss on pension settlement	—	61	—	—	—	—
Total net periodic cost (benefit)	$(11)	$49	$2	$ 2	$(2)	$(2)

	Six months ended June 30					
	U.K.		U.S.		Other	
	2017	2016	2017	2016	2017	2016
Service cost	$—	$—	$—	$ —	$—	$—
Interest cost	60	86	48	55	12	14
Expected return on plan assets, net of administration expenses	(97)	(129)	(70)	(78)	(22)	(24)
Amortization of prior-service cost	—	1	1	1	—	—
Amortization of net actuarial loss	15	17	25	25	6	5
Net periodic cost (benefit)	$(22)	$(25)	$4	$ 3	$(4)	$(5)
Loss on pension settlement	—	61	—	—	—	—
Total net periodic cost (benefit)	$(22)	$36	$4	$ 3	$(4)	$(5)

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 obligation to them. A non-cash settlement charge is expected in the fourth quarter of 2017.

Contributions

The Company expects to make cash contributions of approximately $80 million, $51 million, and $18 million, based on exchange rates as of December 31, 2016, to its significant U.K., U.S., and other significant international pension plans, respectively, during 2017. On July 1, 2017, the Company made a non-cash contribution of approximately $80 million to its U.S. pension plan. During the three months ended June 30, 2017, cash contributions of $26 million, $13 million, and $9 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the six months ended June 30, 2017, cash contributions of $42 million, $26 million, and $11 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively.

During the three months ended June 30, 2016, cash contributions of $17 million, $6 million, and $3 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively. During the six months ended June 30, 2016, cash contributions of $34 million, $19 million, and $10 million were made to the Company's significant U.K., U.S., and other significant international pension plans, respectively.

13. 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 June 30		Six months ended June 30	
	2017	2016	2017	2016
Restricted share units ("RSUs")	$46	$ 40	$101	$97
Performance share awards ("PSAs")	21	24	40	43
Employee share purchase plans	2	1	6	5
Total share-based compensation expense	$69	$ 65	$147	$145

Restricted Share Units

RSUs generally vest between three and five years. The fair value of RSUs is based upon the market value of Aon 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):

	Six months ended June 30			
	2017		2016	
	Shares	Fair Value (1)	Shares	Fair Value (1)
Non-vested at beginning of period	6,195	$ 89	7,167	$ 77
Granted	1,497	121	2,025	101
Vested	(2,172)	82	(2,581)	70
Forfeited	(522)	92	(213)	79
Non-vested at end of period	4,998	$ 101	6,398	$ 87

(1) Represents per share weighted-average fair value of award at date of grant.

Unamortized deferred compensation expense amounted to $409 million as of June 30, 2017, 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 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 an Aon ordinary share 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 expense, if necessary. Dividend equivalents are not paid on PSAs.

Information as of June 30, 2017 regarding the Company's target PSAs granted and shares that would be issued at current performance levels for PSAs granted during the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015, respectively, is as follows (shares in thousands and dollars in millions, except fair value):

	June 30, 2017	December 31, 2016	December 31, 2015
Target PSAs granted during period	548	752	967

Weighted average fair value per share at date of grant	$ 114	$ 100	$ 96
Number of shares that would be issued based on current performance levels	547	667	1,364
Unamortized expense, based on current performance levels	$ 57	$ 33	$ 21

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14. 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 denominated in a currency that differs from its functional currency, or enters into other transactions that are denominated in a currency other than 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		Derivative Assets [1]		Derivative Liabilities [2]	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Foreign exchange contracts:						
Accounted for as hedges	$ 531	$ 758	$ 12	$ 14	$ 6	$ 13
Not accounted for as hedges [3]	237	189	—	1	1	1
Total	$ 768	$ 947	$ 12	$ 15	$ 7	$ 14

(1) Included within Other current assets ($2 million at June 30, 2017 and $6 million at December 31, 2016) or Other non-current assets ($10 million at June 30, 2017 and $9 million at December 31, 2016).

(2) Included within Other current liabilities ($4 million at June 30, 2017 and $7 million at December 31, 2016) or Other non-current liabilities ($3 million at June 30, 2017 and $7 million at December 31, 2016).

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

Offsetting of financial assets and derivatives assets are as follows (in millions):

	Gross Amounts of Recognized Assets		Gross Amounts Offset in the Statement of Financial Position		Net Amounts of Assets Presented in the Statement of Financial Position [1]	
Derivatives accounted for as hedges:	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Foreign exchange contracts	$ 12	$ 14	$ —	$ (1)	$ 12	$ 13

(1) Included within Other current assets ($2 million at June 30, 2017 and $4 million at December 31, 2016) or Other non-current assets ($10 million at June 30, 2017 and $9 million at December 31, 2016).

Offsetting of financial liabilities and derivative liabilities are as follows (in millions):

	Gross Amounts of Recognized Liabilities		Gross Amounts Offset in the Statement of Financial Position		Net Amounts of Liabilities Presented in the Statement of Financial Position (1)	
Derivatives accounted for as hedges:	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Foreign exchange contracts	$ 6	$ 13	$ —	$ (1)	$ 6	$ 12

(1) Included within Other current liabilities ($4 million at June 30, 2017 and $5 million at December 31, 2016) or Other non-current liabilities ($2 million at June 30, 2017 and $7 million at December 31, 2016).

The amounts of derivative gains (losses) recognized in the Condensed Consolidated Financial Statements for the three and six months ended June 30, 2017 and 2016 are as follows (in millions):

Cash Flow Hedge - Foreign Exchange Contracts	Location of reclassification from Accumulated Other Comprehensive Loss				Gain (Loss) Recognized in Accumulated Other Comprehensive Loss:
Three months ended June 30	Compensation and Benefits	Other General Expenses	Interest Expense	Other Income (Expense)	Total
2017	$ 1	$ 1	$ —	$ (1)	$ 1
2016	—	(2)	—	(6)	(8)

Cash Flow Hedge - Foreign Exchange Contracts	Location of reclassification from Accumulated Other Comprehensive Loss				Gain (Loss) Recognized in Accumulated Other Comprehensive Loss:
Six months ended June 30	Compensation and Benefits	Other General Expenses	Interest Expense	Other Income (Expense)	Total
2017	$ 9	$ 2	$ —	$ (4)	$ 7
2016	(2)	(5)	—	(11)	(18)

Cash Flow Hedge - Foreign Exchange Contracts	Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion):				
Three months ended June 30	Compensation and Benefits	Other General Expenses	Interest Expense	Other Income	Total
2017	$ —	$ (1)	$ (1)	$ (2)	$ (4)
2016	—	(1)	(1)	(2)	(4)

Cash Flow Hedge - Foreign Exchange Contracts	Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion):				
Six months ended June 30	Compensation and General	Other General	Interest Expense	Other Income	Total

	Benefits	Expenses			
2017	$13	$ (2)	$ (1)	$ (4)	$ 6
2016	1	(1)	(1)	(3)	(4)

The Company estimates that approximately $14 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 six months ended June 30, 2017 and 2016 was immaterial.

During the three and six months ended June 30, 2017, the Company recorded a loss of $1 million and a gain of $0.4 million, respectively, in Other income (expense) for foreign exchange derivatives not designated or qualifying as hedges. During the three and six months ended June 30, 2016, the Company recorded a loss of $2 million and $1 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 income (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 income (loss). Ineffective portions of net investment hedges, if any, are reclassified from Accumulated other comprehensive income (loss) into earnings during the period of change.

As of June 30, 2017, the Company had no outstanding Euro-denominated commercial paper designated as a hedge of the foreign currency exposure of its net investment in its European operations. As of June 30, 2017, the unrealized gain recognized in Accumulated other comprehensive income (loss) related to the net investment non derivative hedging instrument was immaterial.

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

15. 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 Consolidated 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 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 June 30, 2017 and December 31, 2016 (in millions):

		Fair Value Measurements Using		
	Balance at June 30, 2017	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]	$ 4,117	$ 4,117	$ —	$ —
Other investments:				
Government bonds	1	—	1	—
Equity investments	10	6	4	—
Derivatives: [2]				
Foreign exchange contracts	12	—	12	—
Liabilities:				
Derivatives:				
Foreign exchange contracts	7	—	7	—

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

(2) Refer to Note 14 "Derivatives and Hedging" for additional information regarding the Company's derivatives and hedging activity.

		Fair Value Measurements Using		
	Balance at December 31, 2016	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]	$ 1,371	$ 1,371	$ —	$ —
Other investments:				
Government bonds	1	—	1	—
Equity investments	9	6	3	—
Derivatives: [2]				
Foreign exchange contracts	15	—	15	—
Liabilities:				
Derivatives:				
Foreign exchange contracts	14	—	14	—

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

(2) Refer to Note 14 "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 six months ended June 30, 2017 or 2016. The Company recognized no realized or unrealized gains or losses in the Condensed Consolidated Statements of Income during either the three and six months ended June 30, 2017 or 2016, 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 discloses the Company's financial instruments where the carrying amounts and fair values differ (in millions):

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current portion of long-term debt [(1)]	$292	$ 298	$ —	$ —
Long-term debt	5,631	6,163	5,869	6,264

(1) Excludes commercial paper program

16. 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 Consolidated Statements of Financial Position and have been recognized in Other general expenses in the 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 $0.3 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. The insurers have appealed both of these trial court decisions. Aon believes it has meritorious defenses and intends to vigorously defend itself against these claims.

On June 1, 2007, the International Road Transport Union ("IRU") sued Aon in the Geneva Tribunal of First Instance in Switzerland. IRU alleges, among other things, that, between 1995 and 2004, a business acquired by Aon and, later, an Aon subsidiary (1) accepted commissions for certain insurance placements that violated a fee agreement entered between the parties and (2) negligently failed to ask certain insurance carriers to contribute to the IRU's risk management costs. IRU sought damages of approximately

CHF 46 million ($47 million at June 30, 2017 exchange rates) and $3 million, plus legal fees and interest of approximately $30 million. On December 2, 2014, the Geneva Tribunal of First Instance entered a judgment that accepted some, and rejected other, of IRU's claims. The judgment awarded IRU CHF 16.8 million ($17 million at June 30, 2017 exchange rates) and $3.1 million, plus interest and adverse costs. The entire amount of the judgment, including interest through December 31, 2014, totaled CHF 27.9 million ($28 million at December 31, 2014 exchange rates) and $5 million. On January 26, 2015, in return for IRU agreeing not to appeal the bulk of its dismissed claims, the Aon subsidiary agreed not to appeal a part of the judgment and to pay IRU CHF 12.8 million ($14 million at January 31, 2015 exchange rates) and $4.7 million without Aon admitting liability. The Aon subsidiary appealed those aspects of the judgment it retained the right to appeal. IRU did not appeal. After the Geneva Appellate Court affirmed the judgment of the Geneva Tribunal of First Instance, the Aon subsidiary filed an appeal with the Swiss Federal Tribunal. By judgment issued June 16, 2017, the Swiss Federal Tribunal affirmed in part and reversed in part the appellate judgment and remanded the case to the appellate court. IRU and the Aon subsidiary agreed that the Aon subsidiary will pay IRU CHF 15.0 million ($15 million at June 30, 2017 exchange rates) and $344,000. As a result of this agreement, the legal proceedings between IRU and the Aon subsidiary will be discontinued.

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 ($57 million at June 30, 2017 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 ($89 million at June 30, 2017 exchange rates). 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 ($134 million at June 30, 2017 exchange rates) plus interest and costs. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims.

The Financial Conduct Authority (the "FCA") commenced 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. Other regulatory agencies may also be conducting formal or informal investigations regarding these matters. In such case, Aon intends to work diligently with the FCA and other regulatory agencies to ensure they can carry out their work as efficiently as possible. At this time, in light of the uncertainties and many variables involved, we 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 our consolidated financial position, results of operations, or liquidity.

Aon UK Limited, an indirect wholly-owned subsidiary of the Company, is presently engaged in several internal regulatory reviews and ongoing interactions with the FCA concerning Aon UK Limited's systems and controls. These interactions may result in additional charges above amounts accrued for in the second quarter in connection with these reviews.

Guarantees and Indemnifications

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.

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 Condensed Consolidated 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.

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 the leases at any time during the remainder of the lease agreements, which expire on various dates through 2024. As of June 30, 2017, the undiscounted maximum potential future payments under the lease guarantee is $108 million, with an estimated fair value of $39 million.

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 arrangement, the Company would be required to fulfill the remaining contract terms, which expire on various dates through 2023. As of June 30, 2017, the undiscounted maximum potential future payments under the performance guarantees were $401 million, with an estimated fair value of $4 million.

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 $89 million at June 30, 2017, compared to $90 million at December 31, 2016. These letters of credit 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 $88 million at June 30, 2017 compared to $95 million at December 31, 2016.

17. Segment Information

Beginning in the first quarter of 2017 and following the Transaction described in Note 3 "Discontinued Operations," the Company began leading a set of initiatives designed to strengthen Aon and unite the firm with one portfolio of capability enabled by proprietary data and analytics and one operating model to deliver additional insight, connectivity and efficiency. These initiatives reinforce Aon's return on invested capital (ROIC) decision-making process and emphasis on free cash flow. The Company is now operating 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 CODM assesses the performance of the Company and allocates resources based on one company: 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.

Prior period comparative segment information has been restated to conform with current year presentation. In prior periods, the Company did not include unallocated expenses in segment operating income, which represented corporate governance costs not allocated to the previous operating segments. These costs are now reflected within operating expenses for the current and prior period.

Revenue from continuing operations for each of the Company's principal product and service lines is as follows (in millions):

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Commercial Risk Solutions	$1,042	$990	$2,026	$1,951
Reinsurance Solutions	344	332	715	703
Retirement Solutions	389	405	775	800
Health Solutions	312	281	684	573
Data & Analytic Services	285	275	553	534
Elimination	(4)	(1)	(4)	(3)
Total revenue	2,368	2,282	4,749	4,558

As Aon is operating as one segment, segment profit or loss is consistent with consolidated reporting as disclosed on the Condensed Consolidated Statements of Income.

The geographic distribution of Aon's total revenue or long-lived assets did not change as a result of the change in reportable operating segments described above.

18. Guarantee of Registered Securities

As described in Note 16 "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 Corp 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 Corp 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 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 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"). In each case, the guarantee of Aon Corporation is 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 for the three and six months ended June 30, 2017 and 2016, Condensed Consolidating Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016, Condensed Consolidating Statements of Financial Position as of June 30, 2017 and December 31, 2016, and Condensed Consolidating Statements of Cash Flows for the six months ended June 30, 2017 and 2016 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.

As described in Note 1 "Basis of Presentation" and consistent with The Company's Condensed Consolidated Financial Statements, the following tables present the financial results of the Divested Business as discontinued operations for all periods presented within non-guarantor Subsidiaries. The impact of intercompany transactions have been reflected within continuing operations in the Condensed Consolidating Financial Statements.

Condensed Consolidating Statement of Income

	Three months ended June 30, 2017				
(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Total revenue	$—	$ —	$ 2,368	$ —	$ 2,368
Expenses					
Compensation and benefits	8	5	1,444	—	1,457
Information technology	—	—	98	—	98
Premises	—	—	86	—	86
Depreciation of fixed assets	—	—	54	—	54
Amortization and impairment of intangible assets	—	—	460	—	460
Other general expenses (income)	4	(6)	333	—	331
Total operating expenses (income)	12	(1)	2,475	—	2,486
Operating income (loss)	(12)	1	(107)	—	(118)
Interest income	—	11	2	(5)	8
Interest expense	(46)	(23)	(7)	5	(71)
Intercompany interest income (expense)	4	(136)	132	—	—
Intercompany other income (expense)	(53)	(16)	69	—	—
Other income (expense)	(12)	(4)	1	10	(5)
Income from continuing operations before income taxes	(119)	(167)	90	10	(186)
Income tax benefit	(8)	(63)	(72)	—	(143)
Net income (loss) from continuing operations	(111)	(104)	162	10	(43)
Income from discontinued operations, net of tax	—	—	821	—	821
net income (loss) before equity in earnings of subsidiaries	(111)	(104)	983	10	778
Equity in earnings of subsidiaries, net of tax	870	635	531	(2,036)	—
Net income	759	531	1,514	(2,026)	778
Less: Net income attributable to noncontrolling interests	—	—	9	—	9
Net income attributable to Aon shareholders	$759	$ 531	$ 1,505	$ (2,026)	$ 769

Condensed Consolidating Statement of Income

(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	Three months ended June 30, 2016				
Revenue					
Total revenue	$—	$ —	$ 2,282	$ —	$ 2,282
Expenses					
Compensation and benefits	8	3	1,385	—	1,396
Information technology	—	—	99	—	99
Premises	—	—	89	—	89
Depreciation of fixed assets	—	—	41	—	41
Amortization and impairment of intangible assets	—	—	38	—	38
Other general expenses (income)	(1)	2	231	—	232
Total operating expenses	7	5	1,883	—	1,895
Operating income (loss)	(7)	(5)	399	—	387
Interest income	—	4	5	(6)	3
Interest expense	(49)	(26)	(4)	6	(73)
Intercompany interest income (expense)	3	(137)	134	—	—
Intercompany other income (expense)	(57)	(16)	73	—	—
Other income (expense)	2	(4)	5	(4)	(1)
Income (loss) from continuing operations before income taxes	(108)	(184)	612	(4)	316
Income tax expense (benefit)	(20)	(64)	127	—	43
Net income (loss) from continuing operations	(88)	(120)	485	(4)	273
Income from discontinued operations, net of tax	—	—	35	—	35
Net income (loss) before equity in earnings of subsidiaries	(88)	(120)	520	(4)	308
Equity in earnings of subsidiaries, net of tax	392	255	135	(782)	—
Net income	304	135	655	(786)	308
Less: Net income attributable to noncontrolling interests	—	—	8	—	8
Net income attributable to Aon shareholders	$304	$ 135	$ 647	$ (786)	$ 300

Condensed Consolidating Statement of Income

	Six months ended June 30, 2017				
(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Total revenue	$—	$ —	$ 4,749	$ —	$ 4,749
Expenses					
Compensation and benefits	60	11	2,847	—	2,918
Information technology	—	—	186	—	186
Premises	—	—	170	—	170
Depreciation of fixed assets	—	—	108	—	108
Amortization and impairment of intangible assets	—	—	503	—	503
Other general expenses (income)	9	(4)	634	—	639
Total operating expenses	69	7	4,448	—	4,524
Operating income (loss)	(69)	(7)	301	—	225
Interest income	—	17	—	(7)	10
Interest expense	(91)	(47)	(10)	7	(141)
Intercompany interest income (expense)	7	(272)	265	—	—
Intercompany other income (expense)	(102)	(9)	111	—	—
Other income (expense)	(23)	8	(18)	18	(15)
Income (loss) from continuing operations before income taxes	(278)	(310)	649	18	79
Income tax benefit	(22)	(117)	(4)	—	(143)
Net income (loss) from continuing operations	(256)	(193)	653	18	222
Income from discontinued operations, net of tax	—	—	861	—	861
Net income (loss) before equity in earnings of subsidiaries	(256)	(193)	1,514	18	1,083
Equity in earnings of subsidiaries, net of tax	1,298	906	713	(2,917)	—
Net income	1,042	713	2,227	(2,899)	1,083
Less: Net income attributable to noncontrolling interests	—	—	23	—	23
Net income attributable to Aon shareholders	$1,042	$ 713	$ 2,204	$ (2,899)	$ 1,060

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Condensed Consolidating Statement of Income

(millions)	Aon plc	Aon Corporation	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	Six months ended June 30, 2016				
Revenue					
Total revenue	$ —	$ —	$ 4,558	$ —	$ 4,558
Expenses					
Compensation and benefits	51	6	2,684	—	2,741
Information technology	—	—	182	—	182
Premises	—	—	171	—	171
Depreciation of fixed assets	—	—	79	—	79
Amortization and impairment of intangible assets	—	—	75	—	75
Other general expenses	6	4	493	—	503
Total operating expenses	57	10	3,684	—	3,751
Operating income (loss)	(57)	(10)	874	—	807
Interest income	—	9			