Aon plc
Form 10-K
February 23, 2017

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

FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2016
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 (State or Other Jurisdiction of Incorporation or Organization)	98-1030901 (I.R.S. Employer Identification No.)
122 LEADENHALL STREET, LONDON, ENGLAND (Address of principal executive offices)	EC3V 4AN (Zip Code)

+44 20 7623 5500
(Registrant's Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Ordinary Shares, $0.01 nominal value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ý NO o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES o NO ý
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý   Accelerated filer o   Non-accelerated filer o   Smaller reporting company o
(Do not check if a smaller reporting company.)
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
As of June 30, 2016, the aggregate market value of the registrant’s Class A Ordinary Shares held by non-affiliates of the registrant was $29,031,404,998 based on the closing sales price as reported on the New York Stock Exchange — Composite Transaction Listing.
Number of Class A Ordinary Shares of Aon plc, $0.01 nominal value, outstanding as of February 22, 2017: 262,600,762.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of Aon plc’s Proxy Statement for the 2017 Annual General Meeting of Shareholders to be held on June 23, 2017 are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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PART I

Item 1. Business

OVERVIEW

Aon plc (which may be referred to as “Aon,” “the Company,” “we,” “us,” or “our”) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing, delivering distinctive client value via innovative and effective risk management and workforce productivity solutions. Our strategy is to be the preeminent professional service firm in the world, focused on the topics of risk and people. We have approximately 69,000 employees and conduct our operations through various subsidiaries in more than 120 countries and sovereignties.

We serve clients through the following reportable segments:

- Risk Solutions acts as an advisor and insurance and reinsurance broker, helping clients manage their risks via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.

- HR Solutions partners with organizations to solve their most complex human capital and related financial challenges in the areas of health, retirement and talent. We are dedicated to improving business performance and our clients’ employees’ experience by designing, implementing, communicating and administering a wide range of human capital, retirement, investment consulting, health care, compensation, and talent management strategies.

Our clients are globally diversified and include all market segments (individuals through personal lines, mid-market companies and large global companies) and almost every industry in the economy in over 120 countries and sovereignties. This diversification of our customer base helps provide us stability in different economic scenarios that could affect specific industries, customer segments or geographies.

We have continued to focus our portfolio on higher margin, capital-light professional services businesses that have high recurring revenue streams and strong cash flow generation. Aon endeavors to make capital allocation decisions based upon return on invested capital (“ROIC”).

In 2016, 64% of our consolidated total revenues were in Risk Solutions and 36% of our consolidated total revenues were in HR Solutions, before intersegment eliminations.

On February 9, 2017, we entered into an agreement to sell our Benefits Administration and Business Process Outsourcing (BPO) Portfolio (the “Business”) for cash consideration of $4.3 billion payable at closing plus additional cash consideration of up to $500 million based on future performance of the Business (the “Transaction”). The Business is within the HR Solutions segment described further below. The completion of the Transaction is subject to customary closing conditions, and the Transaction is expected to close by the end of the second quarter of 2017. In connection with the Transaction, we expect to implement a cost reduction program.

BUSINESS SEGMENTS

Risk Solutions

The Risk Solutions segment generated approximately 64% of our consolidated total revenues in 2016, and has approximately 33,000 employees worldwide. We provide risk mitigation solutions, including insurance and reinsurance brokerage, risk consulting, and related services in this segment.

Principal Products and Services

We operate in this segment through two similar transactional product lines: retail brokerage and reinsurance brokerage. In addition, a key component of this business is our risk consulting services.

Retail brokerage encompasses our retail brokerage services, affinity products, managing general underwriting, placement, captive management services, and our Inpoint data and analytics solutions, including Risk/View. Our Americas operations provide products and services to clients in North, Central and South America, the Caribbean, and Bermuda. Our International operations in the U.K.; Europe, Middle East and Africa; and Asia Pacific offer these products and services to clients throughout the rest of the world.

Our employees draw upon our global network of resources, sophisticated data and analytics, and specialized expertise to deliver value to clients ranging from small and mid-sized businesses to multi-national corporations. We work with clients to identify their business needs and help them assess and understand their total cost of risk. Once we have gained an understanding of our clients' risk management needs, we seek to leverage our global network and implement a customized risk approach with local Aon resources. The outcome is intended to be a comprehensive risk solution provided locally and personally. The Aon Client Promise® enables our colleagues around the globe to describe, benchmark, and price the value we deliver to clients in a unified approach, based on the most important criteria that are critical to our clients' ability to manage their total cost of risk.

Our expertise and foresight, benchmarking, and carrier knowledge are keys to providing professional services excellence. We intend to deliver superior value to clients and differentiation from competitors through our key Aon Broking initiatives, which position us to provide our clients and insurers with additional market insight as well as new product offerings and facilities.

As a retail broker, we serve as an advisor to clients and facilitate a wide spectrum of risk management solutions for property liability, general liability, professional and directors' and officers' liability, transaction liability, cyber liability, workers' compensation, and various healthcare products, as well as other exposures. Our business is comprised of several specialty areas structured around specific product and industry needs.

We offer specialized advice and services in such industries as technology, financial services, agribusiness, aviation, construction, health care, and energy, among others. Through our global affinity business, we provide products for professional liability, life, disability income, and personal lines for individuals, associations, and businesses around the world.

In addition, we are a major provider of risk consulting services, including captive management, that provide our clients with alternative vehicles for managing risks that would be cost-prohibitive or unavailable in traditional insurance markets.

Our health and benefits consulting practice advises clients about structuring, funding, and administering employee benefit programs, which attract, retain, and motivate employees. Benefits consulting and brokerage includes health and welfare, executive benefits, workforce strategies and productivity, absence management, data-driven health, compliance, employee commitment, and elective benefits services.

Our Cyber Solutions Group identifies and protects clients' critical assets by aligning their cybersecurity strategy with their corporate culture and risk tolerance. Our goal is to empower clients with enterprise wide cyber resilience in the face of rapidly evolving threats before, during, and after a cybersecurity incident.

Reinsurance brokerage offers sophisticated advisory services in program design and claim recoveries intended to enhance the risk/return characteristics of insurance policy portfolios, improve capital utilization, and evaluate and mitigate catastrophic loss exposures worldwide. An insurance or reinsurance company may seek reinsurance or other risk-transfer solutions on all or a portion of the risks it insures. To accomplish this, our reinsurance brokerage services use dynamic financial analysis and capital market alternatives, such as transferring catastrophe risk through securitization. Reinsurance brokerage also offers capital management transaction and advisory services.

We act as a broker or intermediary for all classes of reinsurance. We place two main types of property and casualty reinsurance: treaty reinsurance, which involves the transfer of a portfolio of risks, and facultative reinsurance, which entails the transfer of part or all of the coverage provided by a single insurance policy. We also place specialty lines such as professional liability, workers' compensation, accident, life and health.

We also provide actuarial, enterprise risk management, catastrophe management and rating agency advisory services. We have developed tools and models that help our clients understand the financial implications of natural and man-made catastrophes around the world. Aon Securities Inc. provides global capital management transaction and advisory services for insurance and reinsurance clients. In this capacity, Aon Securities Inc. is recognized as a leader in the structuring, underwriting and trading of insurance-linked securities, the arrangement of financing for insurance and reinsurance companies, including Lloyd's syndicates, and providing advice on strategic and capital alternatives, including mergers and acquisitions.

In addition, our Inpoint business is a leading provider of consulting services to the insurance and reinsurance industry, helping carriers improve their performance to achieve growth and profitability.

Revenue and Compensation

Our Risk Solutions segment generates revenues primarily through commissions, fees from clients, and compensation from insurance and reinsurance companies for services we provide to them. Commission rates and fees vary depending upon several factors, which may include the amount of premium, the type of insurance or reinsurance coverage provided, the particular services provided to a client, insurer or reinsurer, and the capacity in which we act. Payment terms are consistent with current industry practice.

Fiduciary Funds
We typically hold funds on behalf of clients such as premiums received from clients and claims due to clients that are in transit to and from insurers. These funds held on behalf of clients are generally invested in interest-bearing premium trust accounts and can fluctuate significantly depending on when we collect cash from our clients and when premiums are remitted to the insurance carriers. We earn interest on these accounts; however, the principal is segregated and not available for general operating purposes.
Competition
Our Risk Solutions business operates in an environment that is highly competitive and very fragmented. We compete with other global insurance brokers, including Marsh & McLennan Companies, Inc., Willis Towers Watson Public Limited Company, Arthur J Gallagher & Company, and Jardine Lloyd Thompson Group plc, as well as numerous specialist, regional and local firms in almost every area of our business. We also compete with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents; and with other businesses that do not fall into the categories above, including commercial and investment banks, accounting firms, and consultants that provide risk-related services and products.
HR Solutions
Our HR Solutions segment generated approximately 36% of our consolidated total revenues in 2016, and has approximately 30,000 employees worldwide with operations in the U.S., Canada, the U.K., Europe, and the Asia Pacific regions.
Principal Products and Services
We provide products and services in this segment primarily under the Aon Hewitt brand, and operate through two similar transactional product lines: outsourcing and consulting.
Our HR Solutions segment works to maximize the value of clients' human resources spending, increase employee productivity, and improve employee performance. Our approach addresses a trend towards more diverse workforces (demographics, nationalities, cultures and work/lifestyle preferences) that require more choices and flexibility among employers so that they can provide benefit options suited to individual needs.
We work with our clients to identify options in human resource outsourcing and process improvements. The primary areas where companies choose to use outsourcing services include benefits administration, core human resource processes, and workforce and talent management.
HR Solutions offers a broad range of human capital services in the following practice areas:
Retirement specializes in providing global actuarial services, defined contribution consulting, pension de-risking, tax and Employee Retirement Income Security Act (ERISA) consulting, and pension administration.
Compensation focuses on compensation advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness assessments, with special expertise in the financial services, technology, and life science industries.
Strategic Human Capital delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training and change management.
Investment consulting provides public and private companies and other institutions, such as trustees, with advice on developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments and foundations. In certain instances, we also perform delegated management services in relation to these plans.
Benefits Administration applies our HR expertise primarily through defined benefit, defined contribution, and health and welfare administrative services. We also provide other complementary services such as flexible spending, dependent audit, and participant advocacy. Our model replaces the resource-intensive processes once required to administer benefit plans with more efficient, effective and less costly solutions.
Exchanges is building and operating health care exchanges that provide employers with a cost effective alternative to traditional employee and retiree healthcare, while helping individuals select the insurance that best meets their needs.
Human Resource Business Process Outsourcing ("HR BPO") provides market-leading traditional and cloud-based solutions to deploy systems, manage employee data, administer benefits, payroll and other human resources processes,

and record and manage talent, workforce, and other core HR process transactions.

Revenue and Compensation
HR Solutions revenues are principally derived from fees paid by clients for advice and services. In addition, insurance companies pay us commissions for placing individual and group insurance contracts, primarily life, health, and accident coverage, and pay us fees for consulting and other services that we provide to them. Payment terms are consistent with current industry practice.
Competition
Our HR Solutions business faces strong competition from other worldwide and national consulting companies, including Marsh & McLennan Companies, Inc. and Willis Towers Watson Public Limited Company, as well as regional and local firms. Competitors include independent consulting firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms, large financial institutions, and pure play outsourcers. Some of our competitors provide administrative or consulting services as an adjunct to other primary services.
Seasonality
Due to buying patterns and delivery of certain products in the markets we serve, revenues recognized tend to be highest in the fourth quarter of each fiscal year.
Licensing and Regulation
Our business activities are subject to licensing requirements and extensive regulation under the laws of countries in which we operate, as well as U.S. federal and state laws. See the "Risk Factors" section in Part I, Item 1A of this report for information regarding how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our business.
Risk Solutions
Regulatory authorities in the countries or states in the U.S. in which the operating subsidiaries of our Risk Solutions segment conduct business may require individual or company licensing to act as producers, brokers, agents, third-party administrators, managing general agents, reinsurance intermediaries, or adjusters.
Under the laws of most countries and states, regulatory authorities have relatively broad discretion with respect to granting, renewing, and revoking producers', brokers', and agents' licenses to transact business in the country or state. The operating terms may vary according to the licensing requirements of the particular country or state, which may require, among other things that a firm operates in the country or state through a local corporation. In a few countries and states, licenses may be issued only to individual residents or locally owned business entities. In such cases, our subsidiaries either have such licenses or have arrangements with residents or business entities licensed to act in the country or state.
Our subsidiaries must comply with laws and regulations of the jurisdictions in which they do business. These laws and regulations are enforced by the Financial Conduct Authority ("FCA") in the U.K., by federal and state agencies in the U.S., and by various regulatory agencies and other supervisory authorities in other countries through the granting and revoking of licenses to do business, licensing of agents, monitoring of trade practices, policy form approval, limits on commission rates, and mandatory remuneration disclosure requirements.
Insurance authorities in the U.K., U.S. and certain other jurisdictions in which our subsidiaries operate also have enacted laws and regulations governing the investment of funds, such as premiums and claims proceeds, held in a fiduciary capacity for others. These laws and regulations generally require the segregation of these fiduciary funds and limit the types of investments that may be made with them.
Further, certain of our business activities within the Risk Solutions segment are governed by other regulatory bodies, including investment, securities, and futures licensing authorities. For example, in the U.S., we use Aon Securities, Inc., a U.S.-registered broker-dealer and investment advisor, member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation, and an indirect, wholly owned subsidiary of Aon, for capital management transaction and advisory services and other broker-dealer activities. Similar operations exist in other jurisdictions outside of the U.S.
HR Solutions
Certain of the retirement-related consulting services provided by Aon Hewitt and its subsidiaries and affiliates are subject to the pension and financial laws and regulations of applicable jurisdictions, including oversight and/or

supervision by the FCA in the U.K., the Securities and Exchange Commission ("SEC") in the U.S., and regulators in other countries. Aon Hewitt subsidiaries that provide investment advisory services are regulated by various U.S. federal authorities including the SEC and FINRA, as well as authorities on the state level. In addition, other services provided by Aon Hewitt and its subsidiaries and affiliates, such as trustee services and retirement and employee benefit program administrative services, are subject in various jurisdictions to pension, investment and securities and/or insurance laws and regulations and/or supervision by national regulators.

Clientele

Our clients operate in many businesses and industries throughout the world. No one client accounted for more than 1% of our consolidated total revenues in 2016. Additionally, we place insurance with many insurance carriers, none of which individually accounted for more than 10% of the total premiums we placed on behalf of our clients in 2016.

Segmentation of Activity by Type of Service and Geographic Area of Operation

Financial information relating to the types of services provided by us and the geographic areas of our operations is incorporated herein by reference to Note 15 “Segment Information” of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

Employees

At December 31, 2016, we employed approximately 69,000 employees.

Information Concerning Forward-Looking Statements

This annual report on Form 10-K contains certain statements related to future results, or states our intentions, beliefs and expectations or predictions for the future which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent management’s expectations or forecasts of future events. Forward-looking statements are typically identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “project,” “intend,” “plan,” “probably,” “potential,” “looking forward,” “continue,” and other terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. For example, we may use forward-looking statements when addressing topics such as: market and industry conditions, including competitive and pricing trends; changes in our business strategies and methods of generating revenue; the development and performance of our services and products; changes in the composition or level of our revenues; our cost structure and the outcome of cost-saving or restructuring initiatives; the outcome of contingencies; dividend policy; the expected impact of acquisitions and dispositions; pension obligations; cash flow and liquidity; expected effective tax rate; future actions by regulators; and the impact of changes in accounting rules. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors. Potential factors, which may be revised or supplemented in subsequent reports filed or furnished with the SEC, that could impact results include:

- general economic and political conditions in different countries in which we do business around the world;
- changes in the competitive environment;
- fluctuations in exchange and interest rates that could influence revenues and expenses;
- changes in global equity and fixed income markets that could affect the return on invested assets;
- changes in the funding status of our various defined benefit pension plans and the impact of any increased pension funding resulting from those changes;
- the level of our debt limiting financial flexibility or increasing borrowing costs;
- rating agency actions that could affect our ability to borrow funds;
- the effect of the change in global headquarters and jurisdiction of incorporation, including differences in the anticipated benefits;

- changes in estimates or assumptions on our financial statements;
- limits on our subsidiaries to make dividend and other payments to us;
- the impact of lawsuits and other contingent liabilities and loss contingencies arising from errors and omissions and other claims against us;

- the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our businesses and the possibility of conflicting regulatory requirements across jurisdictions in which we do business;
- the impact of any investigations brought by regulatory authorities in the U.S., U.K. and other countries;
- the impact of any inquiries relating to compliance with the U.S. Foreign Corrupt Practices Act and non-U.S. anti-corruption laws and with U.S. and non-U.S. trade sanctions regimes;
- failure to protect intellectual property rights or allegations that we infringe on the intellectual property rights of others;
- the effects of English law on our operating flexibility and the enforcement of judgments against us;
- the failure to retain and attract qualified personnel;
- international risks associated with our global operations;
- the effect of natural or man-made disasters;
- the potential of a system or network breach or disruption resulting in operational interruption or improper disclosure of personal data;
- our ability to develop and implement new technology;
- damage to our reputation among clients, markets or third parties;
- the actions taken by third parties that perform aspects of our business operations and client services;
- the extent to which we manage certain risks created in connection with the various services, including fiduciary and investments and other advisory services and business process outsourcing services, among others, that we currently provide, or will provide in the future, to clients;
- our ability to continue, and the costs associated with, growing, developing and integrating companies that we acquire or new lines of business;
- changes in commercial property and casualty markets, commercial premium rates or methods of compensation;
- impact of the pending sale of our Benefits Administration and HR Business Process Outsourcing Platform;
- changes in the health care system or our relationships with insurance carriers; and
- our ability to implement initiatives intended to yield cost savings and the ability to achieve those cost savings.

Any or all of our forward-looking statements may turn out to be inaccurate, and there are no guarantees about our performance. The factors identified above are not exhaustive. Aon and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, readers should not place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement that we may make from time to time, whether as a result of new information, future events or otherwise. Further information about factors that could materially affect Aon, including our results of operations and financial condition, is contained in the “Risk

Factors” section in Part I, Item 1A of this report.

Website Access to Reports and Other Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are made available free of charge through our website (http://www.aon.com) as soon as practicable after such material is electronically filed with or furnished to the SEC. Additionally, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information. Also posted on our website are the charters for our Audit, Compliance, Organization and Compensation, Governance/Nominating and Finance Committees, our Governance Guidelines and our Code of Business Conduct. Within the time period required by the SEC and the New York Stock Exchange ("NYSE"), we will post on our website any amendment to or waiver of the Code of Business Conduct applicable to any executive officer or director. The information provided on our website is not part of this report and is therefore not incorporated herein by reference.

Item 1A. Risk Factors

The risk factors set forth below reflect material risks associated with existing and potential lines of business and contain "forward-looking statements" as discussed in the "Business" Section of Part I, Item 1 of this report. Readers should consider them in addition to the other information contained in this report as our business, financial condition or results of operations could be adversely affected if any of these risks were to actually occur.

The following are material risks related to our businesses specifically and the industries in which we operate generally that could adversely affect our business, financial condition and results of operations and cause our actual results to differ materially from those stated in the forward-looking statements in this document and elsewhere.

Risks Relating to the Company Generally

Competitive Risks

An overall decline in economic activity could have a material adverse effect on the financial condition and results of operations of our businesses.

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our Risk Solutions business. The economic activity that impacts property and casualty insurance is most closely correlated with employment levels, corporate revenue and asset values. Downward fluctuations in the year-over-year insurance premium charged by insurers to protect against the same risk, referred to in the industry as softening of the insurance market, could adversely affect our Risk Solutions business as a significant portion of the earnings are determined as a percentage of premium charged to our clients. Insolvencies and consolidations associated with an economic downturn, especially insolvencies in the insurance industry, could adversely affect our brokerage business through the loss of clients by hampering our ability to place insurance and reinsurance business. Also, error and omission claims against us, which we refer to as E&O claims, may increase in economic downturns, also adversely affecting our brokerage business.

The results of our HR Solutions business are generally affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets these clients serve. Economic downturns in some markets may cause reductions in technology and discretionary spending by our clients, which may result in reductions in the growth of new business or reductions in existing business. If our clients become financially less stable, enter bankruptcy, liquidate their operations or consolidate, our revenues and collectability of receivables could be adversely affected. In addition, our revenues from many of our outsourcing contracts depend upon the number of our clients' employees or the number of participants in our clients' employee benefit plans and could be adversely affected by layoffs. We may also experience decreased demand for our services as a result of postponed or terminated outsourcing of human resources functions. Reduced demand for our services could increase price competition.

We face significant competitive pressures in each of our businesses.

We believe that competition in our Risk Solutions segment is based on service, product features, price, commission structure, financial strength, ability to access certain insurance markets and name recognition. In this regard, we compete with a large number of global, national, regional and local insurance companies and other financial services providers and brokers.

Our HR Solutions segment competes with a large number of independent firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms around the world. Many of our competitors in this area are expanding the services they offer or reducing prices in an attempt to gain additional business. Additionally, some competitors have established, and are likely to continue to establish, cooperative relationships among themselves or with third parties to increase their ability to address client needs.

Our competitors may have greater financial, technical and marketing resources, larger customer bases, greater name recognition, stronger presence in certain geographies and more established relationships with their customers and suppliers than we have. In addition, new competitors, alliances among competitors or mergers of competitors could emerge and gain significant market share, and some of our competitors may have or may develop a lower cost structure, adopt more aggressive pricing policies or provide services that gain greater market acceptance than the services that we offer or develop. Competitors may be able to respond to the need for technological changes and innovate faster, or price their services more aggressively. They may also compete for skilled professionals, finance acquisitions, fund internal growth and compete for market share more effectively than we do. To respond to increased competition and pricing pressure, we may have to lower the cost of our services or decrease the level of service provided to clients, which could have an adverse effect on our financial condition or results of operations.

Financial Risks

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

We face exposure to adverse movements in exchange rates of currencies other than our reporting currency, the U.S. dollar, as a significant portion of our business is located outside of the United States. These exposures may change over time, and they could have a material adverse impact on our financial results and cash flows. Our five largest non-U.S. dollar exposures are the British pound, Euro, Australian dollar, Canadian dollar and Indian rupee; however, we also have exposures to other currencies that can have significant currency volatility. These currency exchange fluctuations create risk in both the translation of the financial results of our global subsidiaries into U.S. Dollars for our consolidated financial statements, as well as in those of our operations that receive revenue and incur expenses other than in their respective local currencies, which can reduce the profitability of our operations based on the direction the respective currencies' exchange rates move. A decrease in the value of certain currencies relative to other currencies could place us at a competitive disadvantage compared to our competitors that benefit to a greater degree from a specific exchange rate move and can, as a result, deliver services at a lower cost or receive greater revenues from such a transaction. Although we use various derivative financial instruments to help protect against adverse foreign exchange rate fluctuations, we cannot eliminate such risks, and, as a result, changes in exchange rates may adversely affect our results. For example, the strengthening of the value of the U.S. dollar versus other currencies might adversely affect the value of our products and services when translated to U.S. dollar, even if the value of such products and services has not changed in their original currency.

Changes in interest rates and deterioration of credit quality could reduce the value of our cash balances and investment portfolios and adversely affect our financial condition or results.

Operating funds available for corporate use were $721 million at December 31, 2016 and are reported in Cash and cash equivalents and Short-term investments. Funds held on behalf of clients and insurers were $3.8 billion at December 31, 2016 and are reported in Fiduciary assets. We also carry an investment portfolio of other long-term investments. As of December 31, 2016, these long-term investments had a carrying value of $119 million. Adverse changes in interest rates, performance, and counterparty credit quality, including default, could reduce the value of these funds and investments, thereby adversely affecting our financial condition or results. We may continue to experience reduced investment earnings on our cash and short-term investments of fiduciary and operating funds if the yields on investments deemed to be low risk remain at or near their current low levels, or if negative yields on deposits or investments, as we have experienced in Japan and certain jurisdictions in the European Union, continue or arise in the jurisdictions in which we operate. On the other hand, higher interest rates could result in a higher discount rate used by investors to value our future cash flows thereby resulting in a lower valuation of the Company. In addition, during times of stress in the banking industry, counterparty risk can quickly escalate, potentially resulting in substantial losses for us as a result of our cash or other investments with such counterparties, as well as substantial losses for our clients and the insurance companies with which we work.

Our pension obligations could adversely affect our shareholders' equity, net income, cash flow and liquidity.

To the extent that the pension obligations associated with our pension plans continue to exceed the fair value of the assets supporting those obligations, our financial position and results of operations may be adversely affected. In particular, lower interest rates and investment returns could result in the present value of plan liabilities increasing at a greater rate than the value of plan assets, resulting in higher unfunded positions in our pension plans. In addition, the periodic revision of pension assumptions or variances of actual results from our assumptions can materially change the present value of expected future benefits, and therefore the funded status of the plans and resulting net periodic pension expense. As a result, we may experience future changes in the funded status of our plans that could require us to make additional cash contributions beyond those that have been estimated and which could adversely affect shareholders' equity, net income, cash flow and liquidity.

Our worldwide pension plans are significant, therefore our pension contributions and expense are sensitive to various market and demographic factors. These factors include equity and bond market returns, the assumed interest rates we use to discount our pension liabilities, foreign exchange rates, rates of inflation, mortality assumptions, potential regulatory and legal changes and counterparty exposure from various investments and derivative contracts, including annuities. Variations in any of these factors could cause significant changes to our financial position and results of operations from year to year.

We have debt outstanding that could adversely affect our financial flexibility.
As of December 31, 2016, we had total consolidated debt outstanding of approximately $6.2 billion. The level of debt outstanding could adversely affect our financial flexibility by reducing our ability to use cash from operations for other purposes, including working capital, dividends to shareholders, share repurchases, acquisitions, capital expenditures and general corporate purposes. We also are subject to risks that, at the time any of our outstanding debt matures, we will not be able to retire or refinance the debt on terms that are acceptable to us, or at all.
As of December 31, 2016, we had two committed credit facilities outstanding. Each of these facilities is intended to support our commercial paper obligations and our general working capital needs. In addition, each of these facilities included customary representations, warranties and covenants, including financial covenants that require us to maintain specified ratios of adjusted consolidated EBITDA to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, tested quarterly.
A substantial portion of our outstanding debt, including certain intercompany debt obligations, contains financial and other covenants. The terms of these covenants may limit our ability to obtain, or increase the costs of obtaining, additional financing to fund working capital, capital expenditures, acquisitions or general corporate requirements. This in turn may have the impact of reducing our flexibility to respond to changing business and economic conditions, thereby placing us at a relative disadvantage compared to competitors that have less indebtedness, or fewer or less onerous covenants associated with such indebtedness, and making us more vulnerable to general adverse economic and industry conditions.
If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. Additionally, we may not be able to effect such actions or refinance any of our debt, if necessary, on commercially reasonable terms, or at all.
A decline in the credit ratings of our senior debt and commercial paper may adversely affect our borrowing costs, access to capital, and financial flexibility.
A downgrade in the credit ratings of our senior debt and commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, and limit our ability to implement on corporate strategy. Our senior debt ratings at December 31, 2016 were A- with a stable outlook (Standard & Poor’s), BBB+ with a stable outlook (Fitch, Inc), and Baa2 with a stable outlook (Moody’s Investor Services). Our commercial paper ratings were A-2 (S&P), F-2 (Fitch) and P-2 (Moody’s).
Real or anticipated changes in our credit ratings will generally affect any trading market for, or trading value of, our securities. Such changes could result from any number of factors, including the modification by a credit rating agency of the criteria or methodology it applies to particular issuers, a change in the agency’s view of us or our industry, or as a consequence of actions we take to implement our corporate strategies. A change in our credit rating could adversely limit our access to capital and our competitive position.
The economic and political conditions of the countries and regions in which we operate could have an adverse impact on our business, financial condition, operating results, liquidity and prospects for growth.
Our operations in countries undergoing political change or experiencing economic instability are subject to uncertainty and risks that could materially adversely affect our business. These risks include, particularly in emerging markets, the possibility we would be subject to undeveloped or evolving legal systems, unstable governments and economies, and potential governmental actions affecting the flow of goods, services and currency.
Furthermore, seemingly nationally or regionally localized political and economic changes could have a wider, negative impact on our businesses that expands beyond our operations in the immediately affected jurisdiction. The United Kingdom’s anticipated formal initiation of a withdrawal process from the European Union has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for the governments of other European Union member states to consider withdrawal. These developments have created uncertainty and may have a material adverse effect on global economic conditions and the stability of global financial markets. Lack of clarity about future United Kingdom laws and regulations, including financial laws and regulations, tax and free trade agreements, immigration laws and employment laws, could also depress economic activity and have a material adverse effect on our business, financial condition and results of

operations. Additionally, the continued concerns regarding the ability of certain European countries to service their outstanding debt has led to questions regarding the future viability of the Euro as the common currency for the area as various scenarios could result in some countries choosing to return to their former local currencies in an effort to regain control over their domestic economies and monetary policies. This uncertainty has had a dampening effect on growth potential in Europe, and if it deteriorates, may have a material negative impact on our European business as well as that of our clients. Further, any development that has the effect of devaluing or replacing the Euro could meaningfully reduce the value of our assets or profitability denominated in that currency, potentially result in charges to our statement of operations and reduce the usefulness of liquidity alternatives denominated in that currency such as our multicurrency U.S. credit facility. We also deposit some of our cash, including cash held in a fiduciary capacity, with certain European financial institutions. While we continuously monitor and manage exposures associated with those deposits, to the extent the uncertainty surrounding economic stability in Europe and the future viability of the Euro suddenly and adversely impacts those financial institutions, some or all of those cash deposits could be at risk.

The benefits of our Redomestication may not be realized or may be offset in whole or in part by factors that we do not control.

In 2012, we reincorporated in the U.K. and moved our corporate headquarters to London. As a result of this reorganization of our corporate structure, Aon plc became the publicly-held parent company of the Aon group. There can be no assurance that all of the goals of our Redomestication will be achievable, particularly as the achievement of the benefits are, in many important respects, subject to factors that we do not control. These factors would include such things as the reactions of third parties with whom we enter into contracts and do business and the reactions of investors, analysts, and U.K. and U.S. taxing and other authorities.

Our effective tax rates and the benefits from our Redomestication are also subject to a variety of other factors, many of which are beyond our ability to control, such as changes in the rate of economic growth in the U.K., the U.S. and other countries, the financial performance of our business in various jurisdictions, currency exchange rate fluctuations (especially as between the British pound and the U.S. dollar), and significant changes in trade, monetary or fiscal policies of the U.K. or the U.S., including changes in interest rates. The impact of these factors, individually and in the aggregate, is difficult to predict, in part because the occurrence of the events or circumstances may be interrelated and the impact to us of the occurrence of any one of these events or circumstances could be compounded or, alternatively, reduced, offset, or more than offset, by the occurrence of one or more of the other events or circumstances described in such factors.

On September 4, 2013, we received from the Internal Revenue Service (the "IRS") an executed Closing Agreement pursuant to which the Company and the IRS agreed that the merger (pursuant to which the Redomestication occurred) did not cause Aon plc to be treated as a U.S. domestic corporation for federal tax purposes. This agreement substantially reduced the risk that actions taken to date might cause Aon plc to be treated as a U.S. domestic corporation for federal tax purposes under the current tax statute and regulations. However, the United States Congress, the IRS, the United Kingdom Parliament or U.K. tax authorities may enact new statutory or regulatory provisions that could adversely affect our status as a non-U.S. corporation, or otherwise adversely affect our anticipated global tax position. Retroactive statutory or regulatory actions have occurred in the past, and there can be no assurance that any such provisions, if enacted or promulgated, would not have retroactive application to us, the Redomestication or any subsequent actions. Our net income and cash flow would be reduced if we were to be subject to U.S. corporate income tax as a domestic corporation. In addition, any future amendments to the current income tax treaties between the U.K and other jurisdictions (including the U.S.), or any new statutory or regulatory provisions that might limit our ability to take advantage of any such treaties, could subject us to increased taxation.

Our global effective tax rate is subject to a variety of different factors, which could create volatility in that tax rate, expose us to greater than anticipated tax liabilities or cause us to adjust previously recognized tax assets and liabilities.

We are subject to income taxes in the U.K., U.S. and many other jurisdictions. As a result, our global effective tax rate from period to period can be affected by many factors, including changes in tax legislation, our global mix of earnings, including the use of global funding structures, the tax characteristics of our income, the transfer pricing of revenues and costs, acquisitions and dispositions, and the portion of the income of non-U.S. subsidiaries that we expect to remit to the U.S. Significant judgment is required in determining our worldwide provision for income taxes, and our determination of our tax liability is always subject to review by applicable tax authorities.

We believe that our Redomestication and related transactions should support our ability to maintain a competitive global tax rate because the U.K. has implemented a dividend exemption system that generally does not subject non-U.K. earnings to U.K. tax when such earnings are repatriated to the U.K. in the form of dividends from non-U.K. subsidiaries. This should allow us to optimize our capital allocation through global funding structures. However, we cannot provide any assurances as to what our tax rate will be in any period because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as changes in U.S. and other tax laws, treaties and regulations. Our actual global tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the U.K., the U.S. and other jurisdictions could change in the future, and such changes could cause a material change in our tax rate. We also could be subject to future audits conducted by foreign and domestic tax authorities, and the resolution of such audits could impact our tax rate in future periods, as would any reclassification or other changes (such as those in applicable accounting rules) that increases the amounts we have provided for income taxes in our consolidated financial statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits and other matters. Our inability to mitigate the negative consequences of any changes in the law, audits and other matters could cause our global tax rate to increase, our use of cash to increase and our financial condition and results of operations to suffer.

Changes in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles ("U.S GAAP"). These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including, but not limited to, those relating to restructuring, pensions, recoverability of assets including customer receivables, contingencies, share-based payments, income taxes and estimates and assumptions used for our long term outsourcing contracts. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. These assumptions and estimates involve the exercise of judgment and discretion, which may evolve over time in light of operational experience, regulatory direction, developments in accounting principles and other factors. Actual results could differ from these estimates, or changes in assumptions, estimates or policies or the developments in the business or the application of accounting principles related to long-term contracts may change our initial estimates of future contract results, which could materially affect the Consolidated Statements of Income, Comprehensive Income, Financial Position, Shareholders' Equity and Cash Flows.

We may be required to record goodwill or other long-lived asset impairment charges, which could result in a significant charge to earnings.

Under U.S. GAAP, we review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is assessed for impairment at least annually. Factors that may be considered in assessing whether goodwill or intangible assets may not be recoverable include a decline in our share price or market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. We may experience unforeseen circumstances that adversely affect the value of our goodwill or intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets. Future goodwill or other long-lived asset impairment charges could materially impact our consolidated financial statements.

We are a holding company and, therefore, may not be able to receive dividends or other payments in needed amounts from our subsidiaries.

Our principal assets are the shares of capital stock and indebtedness of our subsidiaries. We rely on dividends, interest and other payments from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligation, paying dividends to shareholders, repurchasing ordinary shares and corporate expenses. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that these subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions or other circumstances that could restrict the ability of our subsidiaries to pay dividends or otherwise make payment to us. In addition, due to differences in tax rates, repatriation of funds from certain countries into the U.K. through the U.S. could have unfavorable tax ramifications for us. Furthermore, no assurance can be given that our subsidiaries may be able to make timely payments to us in order for us to meet our obligations.

Legal and Regulatory Risks

We are subject to E&O claims against us as well as other contingencies and legal proceedings, some of which, if determined unfavorably to us, could have a material adverse effect on the financial condition or results of operations of a business line or the Company as a whole.

We assist our clients with various matters, including placing insurance and reinsurance coverage and handling related claims, consulting on various human resources matters, providing actuarial services, investment consulting and asset management services, and outsourcing various human resources functions. E&O claims against us may allege our potential liability for damages arising from these services. E&O claims could include, for example, the failure of our employees or sub-agents, whether negligently or intentionally, to place coverage correctly or notify carriers of claims on behalf of clients or to provide insurance carriers with complete and accurate information relating to the risks being insured, the failure to give error-free advice in our consulting business or the failure to correctly execute transactions in the human resources outsourcing and benefits administration businesses. It is not always possible to prevent and detect errors and omissions, and the precautions we take may not be effective in all cases. In addition, we are subject to other types of claims, litigation and proceedings in the ordinary course of business, which along with E&O claims, may seek damages, including punitive damages, in amounts that could, if awarded, have a material adverse impact on the Company's financial position, earnings, and cash flows. In addition to potential liability for monetary damages, such claims or outcomes could harm our reputation or divert management resources away from operating our business.

We have historically purchased, and intend to continue to purchase, insurance to cover E&O claims and other insurance to provide protection against certain losses that arise in such matters. However, we have exhausted or materially depleted our coverage under some of the policies that protect us for certain years and, consequently, are self-insured or materially self-insured for some historical claims. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These accruals and receivables are adjusted from time to time as developments warrant, and may also be adversely affected by disputes we may have with our insurers over coverage. Amounts related to settlement provisions are recorded in Other general expenses in the Consolidated Statements of Income. Discussion of some of these claims, lawsuits, and proceedings are contained in the notes to the consolidated financial statements.

In addition, we provide a variety of guarantees and indemnifications to our 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. Any anticipated payment amounts under guarantees and indemnifications that are deemed to be probable and reasonably estimable are included in our consolidated financial statements. These amounts may not represent actual future payments, if any, for these guarantees and indemnifications.

The ultimate outcome of these claims, lawsuits, proceedings, guarantees and indemnifications cannot be ascertained, and liabilities in indeterminate amounts may be imposed on us. It is possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by an unfavorable resolution of these matters.

Our businesses are subject to extensive governmental regulation, which could reduce our profitability, limit our growth, or increase competition.

Our businesses are subject to extensive legal and regulatory oversight throughout the world, including the U.K. Companies Act and the rules and regulations promulgated by the Financial Conduct Authority (the “FCA”), the U.S. securities laws, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the rules and regulations promulgated by the SEC, and a variety of other laws, rules and regulations addressing, among other things, licensing, data privacy and protection, wage-and-hour standards, employment and labor relations, anti-competition, anti-corruption, currency, reserves, government contracting and the amount of local investment with respect to our operations in certain countries. This legal and regulatory oversight could reduce our profitability or limit our growth by increasing the costs of legal and regulatory compliance; by limiting or restricting the products or services we sell, the markets we enter, the methods by which we sell our products and services, or the prices we can charge for our services, and the form of compensation we can accept from our clients, carriers and third parties; or by subjecting our businesses to the possibility of legal and regulatory actions or proceedings.

The global nature of our operations increases the complexity and cost of compliance with laws and regulations, including training and employee expenses, adding to our cost of doing business. In addition, many of these laws and regulations may have differing or conflicting legal standards across jurisdictions, increasing further the complexity and cost of compliance. In emerging markets and other jurisdictions with less developed legal systems, local laws and regulations may not be established with sufficiently clear and reliable guidance to provide us adequate assurance that we are operating our business in a compliant manner with all required licenses or that our rights are otherwise protected. In addition, certain laws and regulations, such as the Foreign Corrupt Practices Act (“FCPA”) and the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (“FATCA”) in the U.S. and the Bribery Act of 2010 (“U.K. Bribery Act”) in the U.K., impact our operations outside of the legislating country by imposing requirements for the conduct of overseas operations, and in a number of cases, requiring compliance by foreign subsidiaries.

For example, FATCA has resulted in, and will likely continue to result in, increased compliance costs. FATCA requires certain of our subsidiaries, affiliates and other entities to obtain valid FATCA documentation from payees prior to remitting certain payments to such payees. In the event we do not obtain valid FATCA documents, we may be obliged to withhold a portion of such payments. This obligation is shared with our customers and clients who may fail to comply, in whole or in part. In such circumstances, we may incur FATCA compliance costs including withholding taxes, interest and penalties. In addition, regulatory initiatives and changes in the regulations and guidance promulgated under FATCA may increase our costs of operations, and could adversely affect the market for our services as intermediaries, which could adversely affect our operations, results of operations and financial condition. In addition to the complexity of the laws and regulations themselves, the development of new laws and regulations, changes in application or interpretation of laws and regulations and our continued operational changes and development into new jurisdictions and new service offerings also increases our legal and regulatory compliance complexity as well as the type of governmental oversight to which we may be subject. These changes in laws and regulations could mandate significant and costly changes to the way we implement our services and solutions or could impose additional licensure requirements or costs to our operations and services. Furthermore, as we enter new jurisdictions or lines of businesses and other developments in our services, we may become subject to additional types of laws and policies and governmental oversight and supervision such as those applicable to the financial lending or other service institutions.

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, we may have a license revoked or be unable to obtain new licenses and therefore be precluded or temporarily suspended from carrying on or developing some or all of our activities or otherwise fined or penalized in a given jurisdiction. No assurances can be given that our business can further develop or continue to be conducted in any given jurisdiction as it has been conducted in the past.

In addition, new regulatory or industry developments could create an increase in competition that could adversely affect us. These developments include:

- the selling of insurance by insurance companies directly to insureds;
- changes in our business compensation model as a result of regulatory actions or changes;
- the establishment of programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other alternative types of coverage;
- changes in regulations relating to health and welfare plans, defined contribution and defined benefit plans, and investment consulting and asset management;
- additional regulations promulgated by the FCA in the U.K., or other regulatory bodies in jurisdictions in which we operate; or
- additional requirements respecting data privacy and data usage in jurisdictions in which we operate that may increase our costs of compliance and potentially reduce the manner in which data can be used by us to develop or further our product offerings.

Changes in the regulatory scheme, or even changes in how existing regulations are interpreted, could have an adverse impact on our results of operations by limiting revenue streams or increasing costs of compliance. Likewise, increased government involvement in the insurance or reinsurance markets could curtail or replace our opportunities and negatively affect our results of operations and financial condition.

With respect to our Risk Solutions segment, our business' regulatory oversight generally also includes licensing of insurance brokers and agents, managing general agency or general underwriting operations and third-party administrators, and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance broking and third-party administration in the jurisdictions in which we operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Also, we can be affected indirectly by the governmental regulation and supervision of insurance companies. For instance, if we are providing or managing general underwriting services for an insurer, we may have to contend with regulations affecting our client.

Services provided in our HR Solutions segment are also the subject of ever-evolving government regulation, either because the services provided to our clients are regulated directly or because third parties upon whom we rely to provide services to clients are regulated, thereby indirectly impacting the manner in which we provide services to those clients. In particular, our health care exchange business depends upon the private sector of the U.S. insurance system and its role in financing health care delivery, and insurance carriers' use of, and payment of, commissions to, agents, brokers and other organizations to market and sell individual and family health insurance products and plans. Uncertainty regarding, or any changes to, state or federal law, or the interpretation of such law by applicable regulatory agencies, including the effects of health care reform by the U.S. government, could delay client adoption of our healthcare exchanges, impair our ability to retain clients who have adopted our healthcare exchanges, or cause insurance carriers to alter or eliminate the products and plans that they offer or attempt to move members into new products or plans for which we receive lower commissions. In addition, more generally within our HR Solutions segment, changes in laws, government regulations or the way those regulations are interpreted in the jurisdictions in which we operate could affect the viability, value, use or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare plans (such as medical), defined contribution plans (such as 401(k)), defined benefit plans (such as pension) or payroll delivery, may adversely affect the demand for, or profitability of, our services.

If we violate the laws and regulation to which we are subject, we could be subject to fines, penalties or criminal sanctions and could be prohibited from conducting business in one or more countries. There can be no assurance that our employees, contractors or agents will not violate these laws and regulations, causing an adverse effect on our operations and financial condition.

In addition, our businesses and operations are subject to heightened regulatory oversight and scrutiny, which may lead to additional regulatory investigations or enforcement actions. As regulators and other government agencies continue to examine our operations, there is no assurance that consent orders or other enforcement actions will not be issued by them in the future. These and other initiatives from national, state and local officials may subject us to judgments, settlements, fines or penalties, or cause us to be required to restructure its operations and activities, all of which could lead to reputational issues, or higher operational costs, thereby adversely affecting our business, financial condition or operating results.

Failure to protect our intellectual property rights, or allegations that we have infringed on the intellectual property rights of others, could harm our reputation, ability to compete effectively and financial condition.

To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with our affiliates, employees, clients, strategic partners and others. However, the protective steps that we take may be inadequate to deter misappropriation of our proprietary information. In addition, we may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. Further, effective trademark, copyright, patent and trade secret protection may not be available in every country in which we offer our services or competitors may develop products similar to our products that do not conflict with our related intellectual property rights. Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively.

In addition, to protect or enforce our intellectual property rights, we may initiate litigation against third parties, such as infringement suits or interference proceedings. Third parties may assert intellectual property rights claims against us, which may be costly to defend, could require the payment of damages and could limit our ability to use or offer certain technologies, products or other intellectual property. Any intellectual property claims, with or without merit, could be expensive, take significant time and divert management's attention from other business concerns. Successful challenges against us could require us to modify or discontinue our use of technology or business processes where such use is found to infringe or violate the rights of others, or require us to purchase licenses from third parties, any of which could adversely affect our business, financial condition and operating results.

We have less flexibility as a public limited company incorporated under the laws of England and Wales with respect to certain aspects of capital management.

English law imposes some restrictions on certain corporate actions by which previously, as a Delaware corporation, we were not constrained. For example, English law provides that a board of directors may only allot, or issue, securities with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. The current authorization is effective until the earlier of our next annual general meeting or August 31, 2017. This authorization will need to be renewed by our shareholders periodically and we intend to renew this authorization at each annual general meeting.

English law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for the articles of association, or shareholders in general meeting, to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years as specified in the articles of association or relevant shareholder resolution. The current exclusion is effective until the earlier of our next annual general meeting or August 31, 2017. This exclusion would need to be renewed by our shareholders periodically and we intend to renew this exclusion at each annual general meeting.

English law also requires us to have available "distributable reserves" to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company. As of December 31, 2016, we had distributable reserves in excess of $1.6 billion. While it is our intention to maintain a sufficient level of distributable reserves in order to pay dividends on our ordinary shares and make share repurchases in accordance with our share repurchase program, there is no assurance that the parent company level will continue to generate sufficient earnings in order to maintain the necessary level of distributable reserves to do so.

English law also generally prohibits a company from repurchasing its own shares by way of "off market purchases" without the prior approval of our shareholders. Such approval lasts for a maximum period of up to five years. Our shares are traded on the NYSE, which is not a recognized investment exchange in the U.K. Consequently, any repurchase of our shares is currently considered an "off market purchase." The current authorization expires on June 17, 2020. Renewal of this authorization will be sought periodically.

The enforcement of civil liabilities against us may be more difficult.

Because we are a public limited company incorporated under the laws of England and Wales, investors could experience more difficulty enforcing judgments obtained against us in U.S. courts than would have been the case for U.S. judgments obtained against Aon Corporation. In addition, it may be more difficult (or impossible) to bring some types of claims against us in courts in England than it would be to bring similar claims against a U.S. company in a U.S. court.

We are a public limited company incorporated under the laws of England and Wales. Therefore, it may not be possible to effect service of process upon us within the United States in order to enforce judgments of U.S. courts against us based on the civil liability provisions of the U.S. federal securities laws.

There is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities solely based on the U.S. federal securities laws. The English courts will, however, treat any amount payable by us under U.S. judgment as a debt and new proceedings can be commenced in the English courts to enforce this debt against us. The following criteria must be satisfied in order for the English court to enforce the debt created by the U.S. judgment:

- the U.S. judgment must be for a debt or definite sum of money;
- the U.S. judgment must be final and conclusive;
- the U.S. court must, in the circumstances of the case, have had jurisdiction according to the English rules of private international law;
- the U.S. judgment must not have been obtained by fraud;
- the enforcement of the U.S. judgment must not be contrary to U.K. public policy; and
- the proceedings in which the U.S. judgment was obtained must not have been conducted contrary to the rules of natural justice.

Operational and Commercial Risks

Our success depends on our ability to retain and attract experienced and qualified personnel, including our senior management team and other professional personnel.

We depend, in material part, upon the members of our senior management team who possess extensive knowledge and a deep understanding of our business and our strategy. The unexpected loss of services of any of our senior management team could have a disruptive effect adversely impacting our ability to manage our business effectively and execute our business strategy. Competition for experienced professional personnel is intense, and we are constantly working to retain and attract these professionals. If we cannot successfully do so, our business, operating results and financial condition could be adversely affected. While we have plans for key management succession and long-term compensation plans designed to retain our senior employees, if our succession plans do not operate effectively, our business could be adversely affected.

Our global operations expose us to various international risks that could adversely affect our business.

Our operations are conducted globally. Accordingly, we are subject to legal, economic and market risks associated with operating in, and sourcing from, foreign countries, including:

- difficulties in staffing and managing our foreign offices, including due to unexpected wage inflation or job turnover, and the increased travel, infrastructure and legal and compliance costs associated with multiple international locations;
- hyperinflation in certain foreign countries;
- imposition or increase of investment and other restrictions by foreign governments;
- longer payment cycles;
- greater difficulties in accounts receivable collection;
- insufficient demand for our services in foreign jurisdictions;
- our ability to execute effective and efficient cross-border sourcing of services on behalf of our clients;
- restrictions on the import and export of technologies; and
- trade barriers.

The occurrence of natural or man-made disasters could result in declines in business and increases in claims that could adversely affect our financial condition and results of operations.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods, tornadoes, climate events or weather patterns, and pandemic health events, as well as man-made disasters, including acts of terrorism, military actions and cyber-terrorism. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas. They could also result in reduced underwriting capacity, making it more difficult for our Risk Solutions professionals to place business. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations.

A natural or man-made disaster also could disrupt the operations of our counterparties or result in increased prices for the products and services they provide to us. In addition, a disaster could adversely affect the value of the assets in our investment portfolio. Finally, a natural or man-made disaster could increase the incidence or severity of E&O claims against us.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Our operations are dependent upon our ability to protect our personnel, offices and technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breaches, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of existing, new or upgraded computer systems, telecommunications and other related systems and operations. In events like these, while our operational size, the multiple locations from which we operate, and our existing back-up systems provide us with some degree of flexibility, we still can experience near-term operational challenges with regard to particular areas of our operations. We could potentially lose access to key executives, personnel, or client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario. A disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

We rely on complex information technology systems and networks to operate our business. Any significant system or network disruption due to a breach in the security of our information technology systems could have a negative impact on our reputation, operations, sales and operating results.

We rely on the efficient, uninterrupted and secure operation of complex information technology systems and networks, some of which are within the company and some of which are outsourced to third parties. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to cyber-attacks, computer viruses and security breaches. We regularly experience attacks to our systems and networks and have from time to time experienced cybersecurity breaches, such as computer viruses, unauthorized parties gaining access to our information technology systems and similar incidents, which to date have not had a material impact on our business. If we are unable to efficiently and effectively maintain and upgrade our system safeguards we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access. In the future, these types of incidents could result in intellectual property or other confidential information being lost or stolen, including client, employee or company data. In addition, we may not be able to detect breaches in our information technology systems or assess the severity or impact of a breach in a timely manner.

We have implemented various measures to manage our risks related to system and network security and disruptions, but a security breach or a significant and extended disruption in the functioning of our information technology systems could damage our reputation and cause us to lose clients, adversely impact our operations, sales and operating results and require us to incur significant expense to address and remediate or otherwise resolve such issues. Additionally, in order to maintain the level of security, service and reliability that our clients require, we may be required to make significant additional investments in our information technology system.

Improper disclosure of confidential, personal or proprietary data could result in regulatory scrutiny, legal liability or harm our reputation.

One of our significant responsibilities is to maintain the security and privacy of our employees' and clients' confidential and proprietary information and, in the case of our HR Solutions clients, confidential information about our clients' employees' compensation, medical information and other personally identifiable information. We maintain policies, procedures and technological safeguards designed to protect the security and privacy of this information. Nonetheless, we cannot eliminate the risk of human error or inadequate safeguards against employee or vendor malfeasance or cyber-attacks that could result in improper access to or disclosure of confidential, personal or proprietary information. Such access or disclosure could harm our reputation and subject us to liability under our contracts and laws and regulations that protect personal data, resulting in increased costs, loss of revenue and loss of clients. The release of confidential information as a result of a security breach could also lead to litigation or other proceedings against us by affected individuals or business partners, or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a significant negative impact on our business.

In many jurisdictions, including in the European Union and the U.S., we are subject to laws and regulations relating to the collection, use, retention, security and transfer of this information. These laws and regulations are frequently changing and are becoming increasingly complex and sometimes conflict among the various jurisdictions and countries in which we provide services both in terms of substance and in terms of enforceability. This makes compliance challenging and expensive. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace. Further, regulatory initiatives in the area of data protection are more frequently including provisions allowing authorities to impose substantial fines and penalties, and therefore, failure to comply could also have a significant financial impact.

Our business performance and growth plans could be negatively affected if we are not able to effectively apply technology in driving value for our clients through technology-based solutions or gain internal efficiencies through the effective application of technology and related tools. Conversely, investments in innovative product offerings may fail to yield sufficient return to cover their investments.

Our success depends, in part, on our ability to develop and implement technology solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis, and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors or if our competitors develop more cost-effective technologies, it could have a material adverse effect on our ability to obtain and complete client engagements. For example, we have invested significantly in the development of Inpoint, repositories of global insurance and reinsurance placement information, which we use to drive results for our clients in the insurance and reinsurance placement process. Our competitors are developing competing databases, and their success in this space may impact our ability to differentiate our services to our clients through the use of unique technological solutions. Likewise, we have invested significantly in our HR BPO business and platform. Innovations in software, cloud computing or other technologies that alter how these services are delivered could significantly undermine our investment in this business if we are slow or unable to take advantage of these developments.

We are continually developing and investing in innovative and novel service offerings that we believe will address needs that we identify in the markets. Nevertheless, for those efforts to produce meaningful value, we are reliant on a number of other factors, some of which our outside of our control. For example, our HR Solutions segment has invested substantial time and resources in launching health care exchanges under the belief that these exchanges will serve a useful role in helping corporations and individuals in the U.S. manage their growing health care expenses. In order for these exchanges to be successful, health care insurers and corporate and individual participants have to deem them suitable, and whether those parties will find them suitable will be subject to their own particular circumstances.

If our clients or third parties are not satisfied with our services, we may face additional cost, loss of profit opportunities, damage to our reputation or legal liability.

We depend, to a large extent, on our relationships with our clients and our reputation for high-quality broking, risk management and HR solutions, so that we can understand our clients' needs and deliver solutions and services that are tailored to satisfy these needs. If a client is not satisfied with our services, it could cause us to incur additional costs and impair profitability. Many of our clients are businesses that band together in industry groups and/or trade associations and actively share information among themselves about the quality of service they receive from their vendors. Accordingly, poor service to one client may negatively impact our relationships with multiple other clients. Moreover, if we fail to meet our contractual obligations, we could be subject to legal liability or loss of client relationships.

The nature of much of our work, especially our actuarial services in our HR Solutions business, involves assumptions and estimates concerning future events, the actual outcome of which we cannot know with certainty in advance. Similarly, in our investment consulting business, we may be measured based on our track record regarding judgments and advice on investments that are susceptible to influences unknown at the time the advice was given. In addition, we could make computational, software programming or data entry or management errors. A client may claim it suffered losses due to reliance on our consulting advice, which poses risks of liability exposure and costs of defense and increased insurance premiums. In addition, claims arising from our professional services may produce publicity that could hurt our reputation and business and adversely affect our ability to secure new business.

Damage to our reputation could have a material adverse effect on our business.

Our reputation is a key asset of the Company. We advise our clients on and provide services related to a wide range of subjects and our ability to attract and retain clients is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters or others could erode trust and confidence and damage our reputation among existing and potential clients, which could make it difficult for us to attract new clients and maintain existing ones. Negative public opinion could also result from actual or alleged conduct by us or those currently or formerly associated with us in any number of activities or circumstances, the use and protection of data and systems, satisfaction of client expectations, and regulatory compliance. This damage to our reputation could affect the confidence of our clients, rating agencies, regulators, stockholders and third parties in transactions that are important to our business adversely effecting on our business, financial condition and operating results.

We rely on third parties to perform key functions of our business operations and to provide services to our clients. These third parties may act in ways that could harm our business.

We rely on third parties, and in some cases subcontractors, to provide services, data and information such as technology, information security, funds transfers, data processing, and administration and support functions that are critical to the operations of our business. These third parties include correspondents, agents and other brokerage and intermediaries, insurance markets, data providers, plan trustees, payroll service providers, software and system vendors, health plan providers, investment managers and providers of human resource functions such as recruiters and trainers, among others. As we do not fully control the actions of these third parties, we are subject to the risk that their decisions may adversely impact us and replacing these service providers could create significant delay and expense. A failure by the third parties to comply with service level agreements or regulatory or legal requirements, in a high quality and timely manner, particularly during periods of our peak demand for their services, could result in economic and reputational harm to us. In addition, these third parties face their own technology, operating, business and economic risks, and any significant failures by them, including the improper use or disclosure of our confidential client, employee, or company information, could cause harm to our reputation. An interruption in or the cessation of service by any service provider as a result of systems failures, capacity constraints, financial difficulties or for any other reason could disrupt our operations, impact our ability to offer certain products and services, and result in contractual or regulatory penalties, liability claims from clients and/or employees, damage to our reputation and harm to our business.

Our business is exposed to risks associated with the handling of client funds.

Our Risk Solutions business collects premiums from insureds and remits the premiums to the respective insurers. We also collect claims or refunds from insurers on behalf of insureds, which are then remitted to the insureds. Similarly, part of our HR Solutions' outsourcing business handles payroll processing and retirement and pension administration for several of our clients. Consequently, at any given time, we may be holding and managing funds of our clients and, in the case of HR Solutions, their employees, while payroll, retirement plan funds or pension payments are being processed. This function creates a risk of loss arising from, among other things, fraud by employees or third parties, execution of unauthorized transactions or errors relating to transaction processing, or other cybersecurity events or security breaches. We are also potentially at risk in the event the financial institution in which we hold these funds suffers any kind of insolvency or liquidity event. The occurrence of any of these types of events in connection with this function could cause us financial loss and reputational harm.

In connection with the implementation of our corporate strategies, we face risks associated with the acquisition or disposition of businesses, the entry into new lines of business, the integration of acquired businesses and the growth and development of these businesses.

In pursuing our corporate strategy, we may acquire other businesses or dispose of or exit businesses we currently own. The success of this strategy is dependent upon our ability to identify appropriate acquisition and disposition targets, negotiate transactions on favorable terms, complete transactions and, in the case of acquisitions, successfully integrate them into our existing businesses. If a proposed transaction is not consummated, the time and resources spent in researching it could adversely result in missed opportunities to locate and acquire other businesses. If acquisitions are made, there can be no assurance that we will realize the anticipated benefits of such acquisitions, including, but not limited to, revenue growth, operational efficiencies or expected synergies. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

From time to time, either through acquisitions or internal development, we enter lines of business or offer new products and services within existing lines of business. These new lines of business or new products and services present the Company with additional risks, particularly in instances where the markets are not fully developed. Such risks include the investment of significant time and resources; the possibility that these efforts will be not be successful; the possibility that marketplace does not accept our products or services, or that we are unable to retain clients that adopt our new products or services; and the risk of additional liabilities associated with these efforts. In addition, many of the businesses that we acquire and develop will likely have significantly smaller scales of operations prior to the implementation of our growth strategy. If we are not able to manage the growing complexity of these businesses, including improving, refining or revising our systems and operational practices, and enlarging the scale and scope of the businesses, our business may be adversely affected. Other risks include developing knowledge of and experience in the new business, integrating the acquired business into our systems and culture, recruiting professionals and developing and capitalizing on new relationships with experienced market participants. External factors, such as compliance with new or revised regulations, competitive alternatives and shifting market preferences may also impact the successful implementation of a new line of business. Failure to manage these risks in the acquisition or development of new businesses could materially and adversely affect our business, results of operations and financial condition.

Risks Relating Primarily to Our Risk Solutions Segment

Results in our Risk Solutions segment may fluctuate due to many factors, including cyclical or permanent changes in the insurance and reinsurance markets outside of our control.

Results in our Risk Solutions segment have historically been affected by significant fluctuations arising from uncertainties and changes in the industries in which we operate. A significant portion of our revenue consists of commissions paid to us out of the premiums that insurers and reinsurers charge our clients for coverage. We have no control over premium rates, and our revenues and profitability are subject to change to the extent that premium rates fluctuate or trend in a particular direction. The potential for changes in premium rates is significant, due to pricing cyclicality in the commercial insurance and reinsurance markets.

In addition to movements in premium rates, our ability to generate premium-based commission revenue may be challenged by:

- the growing availability of alternative methods for clients to meet their risk-protection needs, including a greater willingness on the part of corporations to “self-insure,” the use of so-called “captive” insurers, and the development of capital markets-based solutions and other alternative capital sources for traditional insurance and reinsurance needs that increase market capacity, increase competition and put pressure on pricing;
- fluctuation in the need for insurance as the economic downturn continues, as clients either go out of business or scale back their operations, and thus reduce the amount of insurance, they procure;
- the level of compensation, as a percentage of premium, that insurance carriers are willing to compensate brokers for placement activity;
- the growing desire of clients to move away from variable commission rates and instead compensate brokers based upon flat fees, which can negatively impact us as fees are not generally indexed for inflation and do not automatically increase with premium as does commission-based compensation; and
- competition from insurers seeking to sell their products directly to consumers, including online sales, without the involvement of an insurance broker.

In addition, our increasing focus on new product offerings within the Risk Solutions space exposes us to additional risks. As our business, like the economy as a whole, becomes more technology focused, the speed at which our products are subject to challenge or becoming outdated is consistently increasing.

Our results may be adversely affected by changes in the mode of compensation in the insurance industry.

In the past, the Attorney General of the State of New York brought charges against members of the insurance brokerage community. These actions have created uncertainty concerning longstanding methods of compensating insurance brokers. Given that the insurance brokerage industry has faced scrutiny from regulators in the past over its compensation practices, it is possible that regulators may choose to revisit the same or other practices in the future. If they do so, compliance with new regulations along with any sanctions that might be imposed for past practices deemed improper could have an adverse impact on our future results of operations and inflict significant reputational harm on our business.

Risks Relating Primarily to Our HR Solutions Segment

We are subject to various risks and uncertainties in connection with the pending sale of our Benefits Administration and HR Business Process Outsourcing (BPO) Platform.

On February 9, 2017, Aon entered into a Purchase Agreement (the “Purchase Agreement”) with Tempo Acquisition, LLC, an affiliate of The Blackstone Group, L.P. (the “Buyer”), to sell our Benefits Administration and HR Business Process Outsourcing (BPO) Platform (the “Divested Business”) in a transaction valued at approximately $4.3 billion plus additional consideration of up to $500 million based on future performance of the Divested Business (the “Transaction”). The completion of the Transaction is subject to customary closing conditions, including, among others: (i) the expiration or termination of the waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, and (ii) the receipt of all approvals and the filing of all applicable filings under any relevant foreign jurisdictions that are required to be made or obtained as set forth in the Purchase Agreement. Although the Transaction is expected to close by the end of the second quarter of 2017, we can make no assurances that the transaction will close in the anticipated timeframe or at all. Any delay or failure to close the Transaction as planned could have a negative impact on Aon’s financial condition and results of operations. To the extent that our current stock price reflects the assumption that the Transaction will be consummated in the timeframe and manner currently

anticipated, any delay in the closing of the Transaction or failure to close at all could result in a decline in the market price of our ordinary shares.
Aon intends to allocate part of the proceeds from this Transaction to increase its share repurchases, and our Board of Directors has authorized an additional $5 billion under our stock repurchase program in support of this intent. Any delay or failure to close the Transaction as planned could result in the failure of Aon to increase its share repurchases as anticipated.

Our directors, executive officers, and other employees have expended extensive time and effort and experienced significant distractions from their day-to-day work during the pendency of the Transaction, including not pursuing other opportunities that might have otherwise been beneficial to us. Additionally, we will have incurred significant third-party transaction costs in connection with the Transaction. If the Transaction is not consummated, we will have experienced such distractions and incurred such costs without realizing the expected benefit of the Transaction, which may have a material and adverse effect on our results of operations.

Even if the Transaction is consummated as expected, it carries inherent risks, including the risk that Aon will not earn the $500 million of additional consideration or otherwise realize the intended value of the Transaction, as well as risks connected with separating the Divested Business from Aon. Because the Divested Business represent 19% of our gross revenues for the fiscal year 2016, our results of operations and financial condition may be materially adversely affected, or may not be accretive to adjusted earnings per share as anticipated, if we fail to effectively reduce our overhead costs to reflect the reduced scale of operations or fail to grow our other business as expected. Additionally, the separation of the Divested Businesses from the rest of Aon's business will require significant resources, which may disrupt operations or divert management's attention from Aon's day-to-day operations and efforts to grow our other businesses. Furthermore, if we do not realize the benefits of the Transaction as anticipated or if the Divested Business does not deliver the level of service to which our clients and partners are accustomed, it could adversely affect our relationship with clients, partners, colleagues and other third parties.

The profitability of our outsourcing and consulting engagements with clients may not meet our expectations due to unexpected costs, cost overruns, early contract terminations, unrealized assumptions used in our contract bidding process or the inability to maintain our prices.

In our HR Solutions segment, our profitability is highly dependent upon our ability to control our costs and improve our efficiency. As we adapt to change in our business, adapt to the regulatory environment, enter into new engagements, acquire additional businesses and take on new employees in new locations, we may not be able to manage our large, diverse and changing workforce, control our costs or improve our efficiency.

Most new outsourcing arrangements undergo an implementation process whereby our systems and processes are customized to match a client's plans and programs. The cost of this process is estimated by us and often partially funded by our clients. If our actual implementation expense exceeds our estimate or if the ongoing service cost is greater than anticipated, the client contract may be less profitable than expected.

Even though outsourcing clients typically sign long-term contracts, some of these contracts may be terminated at any time, with or without cause, by our client upon 90 to 360 days' written notice. Our outsourcing clients are generally required to pay a termination fee; however, this amount may not be sufficient to offset the costs we incurred in connection with the implementation and system set-up or fully compensate us for the profit we would have received if the contract had not been cancelled. A client may choose to delay or terminate a current or anticipated project as a result of factors unrelated to our work product or progress, such as the business or financial condition of the client or general economic conditions. When any of our engagements are terminated, we may not be able to eliminate associated ongoing costs or redeploy the affected employees in a timely manner to minimize the impact on profitability. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could have an adverse effect on our profit margin.

Our profit margin, and therefore our profitability, is largely a function of the rates we are able to charge for our services and the staffing costs for our personnel. Accordingly, if we are not able to maintain the rates we charge for our services or appropriately manage the staffing costs of our personnel, we may not be able to sustain our profit margin and our profitability will suffer. The prices we are able to charge for our services are affected by a number of factors, including competitive factors, cost of living adjustment provisions, the extent of ongoing clients' perception of our ability to add value through our services and general economic conditions. Our profitability in providing HR BPO services is largely based on our ability to drive cost efficiencies during the term of our contracts for such services. If we cannot drive suitable cost efficiencies, our profit margins will suffer. Our cost efficiencies may be impacted by factors such as our ability to transition consultants from completed projects to new assignments, our ability to secure new consulting engagements, our ability to forecast demand for consulting services (and, consequently, appropriately manage the size and location of our workforce), employee attrition, and the need to devote time and resources to training and professional and business development.

We might not be able to achieve the cost savings required to sustain and increase our profit margins in our HR Solutions business.

We provide our outsourcing services over long terms for variable or fixed fees that generally are less than our clients' historical costs to provide for themselves the services we contract to deliver. Also, clients' demand for cost reductions may increase over the term of the agreement. As a result, we bear the risk of increases in the cost of delivering HR outsourcing services to our clients, and our margins associated with particular contracts will depend on our ability to control our costs of performance under those contracts and meet our service commitments cost-effectively. Over time, some of our operating expenses will increase as we invest in additional infrastructure and implement new technologies to maintain our competitive position and meet our client service commitments. We must anticipate and respond to the dynamics of our industry and business by using quality systems, process management, improved asset utilization and effective supplier management tools. We must do this while continuing to grow our business so that our fixed costs are spread over an increasing revenue base. If we are not able to achieve this, our ability to sustain and increase profitability may be reduced.

In our investment consulting business, we advise or act on behalf of clients regarding their investments. The results of these investments are uncertain and subject to numerous factors, some of which are within our control and some which are not. Clients that experience losses or lower than expected investment returns may leave us for competitors and/or assert claims against us.

Our investment consulting business provides advice to clients on: investment strategy, which can include advice on setting investment objectives, asset allocation, and hedging strategies; selection (or removal) of investment managers; the investment in different investment instruments and products; and the selection of other investment service providers such as custodians and transition managers. For some clients, we are responsible for making decisions on these matters and we may implement such decisions in a fiduciary/agency capacity albeit without assuming title or custody over the underlying funds or assets invested. Asset classes may experience poor absolute performance; third parties we recommend or select, such as investment managers, may underperform their benchmarks due to poor market performance, negligence or other reasons, resulting in poor investment returns or losses. These losses may be attributable in whole or in part to failures on our part or to events entirely outside of our control. Regardless of the cause, clients experiencing losses may assert claims against us, and these claims may be for significant amounts. Defending against these claims can involve potentially significant costs, including legal defense costs, as well as cause substantial distraction and diversion of other resources. Furthermore, our ability to limit our potential liability is restricted in certain jurisdictions and in connection with claims involving breaches of fiduciary/agency duties or other alleged errors or omissions. Additionally, clients experiencing losses or lower than expected investment returns may also leave us for our competitors.

Risks Related to Our Ordinary Shares

Transfers of the Class A Ordinary Shares may be subject to stamp duty or SDRT in the U.K., which would increase the cost of dealing in the Class A Ordinary Shares.

Stamp duty reserve taxes ("SDRT") are imposed in the U.K. on certain transfers of chargeable securities (which include shares in companies incorporated in the U.K.) at a rate of 0.5 percent of the consideration paid for the transfer. Certain transfers of shares to depositaries or into clearance systems are charged at a higher rate of 1.5 percent.

Our Class A Ordinary Shares are eligible to be held in book entry form through the facilities of Depository Trust Company ("DTC"). Transfers of shares held in book entry form through DTC will not attract a charge to stamp duty or SDRT in the U.K. A transfer of the shares from within the DTC system out of DTC and any subsequent transfers that occur entirely outside the DTC system will attract a charge to stamp duty at a rate of 0.5 percent of any consideration, which is payable by the transferee of the shares. Any such duty must be paid (and the relevant transfer document stamped by Her Majesty's Revenues and Customs ("HMRC")) before the transfer can be registered in the books of Aon. If those shares are redeposited into DTC, the redeposit will attract stamp duty or SDRT at a rate of 1.5 percent of the value of the shares.

We have put in place arrangements to require that shares held in certificated form cannot be transferred into the DTC system until the transferor of the shares has first delivered the shares to a depository specified by us so that SDRT may be collected in connection with the initial delivery to the depository. Any such shares will be evidenced by a receipt issued by the depository. Before the transfer can be registered in our books, the transferor will also be required to put in the depository funds to settle the resultant liability to SDRT, which will be charged at a rate of 1.5 percent of the value of the shares.

Following the decision of the First Tier Tribunal (Tax Chamber) in HSBC Holdings plc, The Bank of New York Mellon Corporation v HMRC 2012 UKFTT 163 (TC) and the announcement by HMRC that it will not seek to appeal the decision, HMRC is no longer enforcing the charge to SDRT on the issue of shares into either EU or non-EU depository receipt or clearance systems.

If the Class A Ordinary Shares are not eligible for continued deposit and clearing within the facilities of DTC, then transactions in our securities may be disrupted.

The facilities of DTC are a widely-used mechanism that allow for rapid electronic transfers of securities between the participants in the DTC system, which include many large banks and brokerage firms. We believe that prior to the redomestication approximately 99% of the outstanding shares of common stock of Aon Corporation were held within the DTC system. The Class A Ordinary Shares of Aon plc are, at present, eligible for deposit and clearing within the DTC system. In connection with the closing of the Redomestication, we entered into arrangements with DTC whereby we agreed to indemnify DTC for any stamp duty and/or SDRT that may be assessed upon it as a result of its service as a depository and clearing agency for our Class A Ordinary Shares. In addition, we have obtained a ruling from HMRC in respect of the stamp duty and SDRT consequences of the reorganization, and SDRT has been paid in accordance with the terms of this ruling in respect of the deposit of Class A Ordinary Shares with the initial depository. DTC will generally have discretion to cease to act as a depository and clearing agency for the Class A Ordinary Shares. If DTC determines at any time that the Class A Ordinary Shares are not eligible for continued deposit and clearance within its facilities, then we believe the Class A Ordinary Shares would not be eligible for continued listing on a U.S. securities exchange or inclusion in the S&P 500 and trading in the Class A Ordinary Shares would be disrupted. While we would pursue alternative arrangements to preserve our listing and maintain trading, any such disruption could have a material adverse effect on the trading price of the Class A Ordinary Shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We have offices in various locations throughout the world. Substantially all of our offices are located in leased premises. We maintain our corporate headquarters at 122 Leadenhall Street, London, England, where we occupy approximately 190,000 square feet of space under an operating lease agreement that expires in 2034. We own one significant building at Pallbergweg 2-4, Amsterdam, the Netherlands (150,000 square feet). The following are additional significant leased properties, along with the occupied square footage and expiration.

Property:	Occupied Square Footage	Lease Expiration Dates
4 Overlook Point and other locations, Lincolnshire, Illinois	1,059,000	2019 – 2024
Tikri Campus and Unitech Cyber Park, Gurgaon, India	440,000	2015 – 2019
200 E. Randolph Street, Chicago, Illinois	428,000	2028
2601 Research Forest Drive, The Woodlands, Texas	414,000	2020
2300 Discovery Drive, Orlando, Florida	364,000	2020
199 Water Street, New York, New York	319,000	2018
7201 Hewitt Associates Drive, Charlotte, North Carolina	218,000	2025

The locations in Lincolnshire, Illinois; Gurgaon, India; The Woodlands, Texas; Orlando, Florida; and Charlotte, North Carolina, are primarily dedicated to our HR Solutions segment. The other locations listed above house personnel from both of our reportable segments.

In general, no difficulty is anticipated in negotiating renewals as leases expire or in finding other satisfactory space if the premises become unavailable. We believe that the facilities we currently occupy are adequate for the purposes for which they are being used and are well maintained. In certain circumstances, we may have unused space and may seek to sublet such space to third parties, depending upon the demands for office space in the locations involved. See Note 7 “Lease Commitments” of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for information with respect to our lease commitments as of December 31, 2016.

Item 3. Legal Proceedings

We hereby incorporate by reference Note 14 “Commitments and Contingencies” of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

Item 4. Mine Safety Disclosure

Not applicable.

Executive Officers of the Registrant

The executive officers of Aon, as of February 23, 2017 unless otherwise noted, their business experience during the last five years, and their ages and positions held are set forth below.

Name	Age	Position
Eric Andersen	52	Chief Executive Officer, Aon Benfield. Mr. Andersen joined Aon in 1997 upon the completion of the acquisition of Minet. Mr. Andersen has served in a variety of roles at Aon during his 19 years at the Company, including as Chief Executive Officers of Aon Risk Solutions Americas from 2011 to 2013. Mr. Andersen was named Chief Executive Officer of Aon Benfield in September 2013 and an Executive Officer on February 1, 2017.
John Bruno	51	Executive Vice President, Enterprise Innovation & Chief Information Officer. Mr. Bruno joined Aon in September 2014 as Executive Vice President, Enterprise Innovation & Chief Information Officer and was named an Executive Officer on February 1, 2017. Prior to joining Aon, Mr. Bruno held various positions at NCR Corporation, a technology company focused on assisted and self service solutions, from 2008 to 2014, where he most recently served as Executive Vice President, Industry & Field Operations and Corporate Development. Prior to working at NCR, Mr. Bruno served in various technology positions at Goldman Sachs Group, Merrill Lynch & Co. Inc. and Symbol Technologies, Inc.
Gregory C. Case	54	President and Chief Executive Officer. Mr. Case became President and Chief Executive Officer of Aon in April 2005. Prior to joining Aon, Mr. Case was a partner with McKinsey & Company, the international management consulting firm, for 17 years, most recently serving as head of the Financial Services Practice. He previously was responsible for McKinsey’s Global Insurance Practice, and was a member of McKinsey’s governing Shareholders’ Committee. Prior to joining McKinsey, Mr. Case was with the investment banking firm of Piper, Jaffray and Hopwood and the Federal Reserve Bank of Kansas City.
Christa Davies	45	Executive Vice President and Chief Financial Officer. Ms. Davies became Executive Vice President — Global Finance in November 2007. In March 2008, Ms. Davies assumed the additional role of Chief Financial Officer. Prior to joining Aon, Ms. Davies served for 5 years in various capacities at Microsoft Corporation, an international software company, most recently serving as Chief Financial Officer of the Platform and Services Division. Before joining Microsoft in 2002, Ms. Davies served at ninemsn, an Australian joint venture with Microsoft.
Anthony Goland	57	Executive Vice President and Chief Human Resources Officer. Mr. Goland joined Aon in September 2015 as Executive Vice President and Chief Human Resources Officer. Prior to joining Aon, Mr. Goland spent 30 years at McKinsey & Company, Inc., a global management consulting firm where he was a leader of the Firm’s financial services, financial inclusion, and organization practices. Prior to McKinsey, he had experience with J.P. Morgan and IBM, and before that he volunteered and served as a Sergeant in the U.S. Army Europe.
Peter Lieb	61	Executive Vice President, General Counsel and Company Secretary. Mr. Lieb was named Aon’s Executive Vice President and General Counsel in July 2009 and Company Secretary in November 2013. Prior to joining Aon, Mr. Lieb served as Senior Vice President, General Counsel and Secretary of NCR Corporation, a technology company focused on assisted and self-service solutions, from May 2006 to July 2009, and as Senior Vice President, General Counsel and Secretary of Symbol Technologies, Inc. from 2003 to 2006. From 1997 to 2003, Mr. Lieb served in various senior legal positions at International Paper Company, including Vice President and Deputy General Counsel. Earlier in his career, Mr. Lieb served as a law clerk to the Honorable Warren E. Burger, Chief Justice of the United States.
Stephen P. McGill (1)	59	Mr. McGill joined Aon in May 2005 as Chief Executive Officer of the Global Large Corporate business unit, which is now part of Aon Global. Mr. McGill was named Chief Executive Officer or Aon Risk Services Americas in January 2006 prior to being named Chairman and Chief Executive Officer, Risk Solutions in February 2008 and Group President in May 2012. Previously, Mr. McGill

		served as Chief Executive Officer of Jardine Lloyd Thompson Group plc.
Laurel Meissner	59	Senior Vice President and Global Controller. Ms. Meissner joined Aon in February 2009, and was appointed Senior Vice President and Global Controller and designated as Aon's principal accounting officer in March 2009. Prior to joining Aon, Ms. Meissner served from July 2008 through January 2009 as Senior Vice President, Finance, Chief Accounting Officer of Motorola, Inc., an international communications company. Ms. Meissner joined Motorola in 2000 and served in various senior financial positions, including Corporate Vice President, Finance, Chief Accounting Officer.
Michael O'Connor	48	Chief Executive Officer, Aon Risk Solutions. Mr. O'Connor joined Aon in 2008 as Chief Operating Officer of Aon Risk Solutions and was later named Chief Risk Operating Officer, Aon Risk Solutions and Aon Benfield. In 2013, he was named Chief Executive Officer, Aon Risk Solutions and was named an Executive Officer on February 1,2017. Prior to joining Aon, Mr. O'Connor was a partner at McKinsey & Company, where he served as a leader for the North America Financial Services and North American Insurance practices.
Kristi A. Savacool	57	Chief Executive Officer, Aon Hewitt. Ms. Savacool joined Aon upon the completion of the merger between Aon and Hewitt Associates, Inc. and was named Chief Executive Officer of Aon Hewitt in February 2012. Prior to assuming this role, Ms. Savacool served as Co-Chief Executive Officer of Aon Hewitt from May 2011 and, prior to that, Chief Executive Officer of Benefits Administration for Aon Hewitt. Prior to the merger, Ms. Savacool served in several senior executive positions at Hewitt Associates, Inc., including Senior Vice President, Total Benefit Administration Outsourcing. Ms. Savacool joined Hewitt in 2005. Prior to joining Hewitt, Ms. Savacool held a number of executive management positions at The Boeing Company since 1985.

(1) Mr. McGill resigned from the Company on January 31, 2017.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A Ordinary Shares, $0.01 nominal value per share, are traded on the New York Stock Exchange ("NYSE"). The following table sets forth the ranges of high and low sales prices per share of our ordinary shares as reported on the NYSE and the cash dividends per share of common stock paid for the two most recent fiscal years:

	Years Ended December 31					
	2016			2015		
	High	Low	Dividends paid per share	High	Low	Dividends paid per share
Fourth quarter	$116.59	$107.19	$ 0.33	$97.79	$86.38	$ 0.30
Third quarter	$113.78	$105.35	$ 0.33	$103.38	$87.58	$ 0.30
Second quarter	$110.04	$100.55	$ 0.33	$104.70	$95.32	$ 0.30
First quarter	$104.76	$83.83	$ 0.30	$107.08	$89.35	$ 0.25

On February 22, 2017, the last reported sale price of our ordinary shares as reported by the NYSE was $115.60 per share. We have approximately 225 holders of record of our Class A Ordinary Shares as of February 22, 2017.

The following information relates to the repurchases of equity securities by Aon or any affiliated purchaser during any month within the fourth quarter of the fiscal year covered by this report:

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)(2)
10/1/16 – 10/31/16	758,923	$110.68	758,923	$2,939,315,852
11/1/16 – 11/30/16	754,296	$111.36	754,296	$2,855,317,922
12/1/16 – 12/31/16	283,323	$112.96	283,323	$2,823,314,745
	1,796,542		1,796,542	

(1) Does not include commissions or other costs paid to repurchase shares.

(2) In April 2012, our Board of Directors authorized a share repurchase program under which up to $5 billion of Class A Ordinary Shares may be repurchased. In November 2014, our Board of Directors authorized an additional $5 billion of Class A Ordinary Shares for repurchase. In February 2017, the Board of Directors authorized a $5.0 billion increase to the then existing remaining authorization under its share repurchase program. Under each program, shares may be repurchased through open market or privately negotiated transactions, based on prevailing market conditions, funded from available capital. During 2016, we repurchased 12.2 million shares at an average price per share of $102.66 for a total cost of $1.3 billion. The remaining authorized amount for share repurchase under our Share Repurchase Programs is $2.8 billion at December 31, 2016.

Information relating to the compensation plans under which equity securities of Aon are authorized for issuance is set forth under Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this report and is incorporated herein by reference.

We did not make any sales of unregistered equity in 2016.

Item 6. Selected Financial Data

As described in Note 1 "Basis of Presentation - Revision of Previously Issued Financial Statements" of the Notes to Consolidated Financial Statements, during the fourth quarter of 2016, we identified errors that impacted the years ended December 31, 2015, 2014, 2013, and 2012. The corrections for the errors, which we have concluded are immaterial, individually and in the aggregate, to all prior-period consolidated financial statements, are reflected in the consolidated financial statements and selected financial data included in this Form 10-K.

As described in Note 2 "Summary of Significant Accounting Principles and Practices" of the Notes to Consolidated Financial Statements, we adopted guidance related to the presentation of deferred tax assets and liabilities and debt issuance costs. Amounts below have been amended to reflect the adoption of the new guidance.

(millions except per share data)	2016	2015 (As Revised)	2014 (As Revised)	2013 (As Revised)	2012 (As Revised)
Income Statement Data					
Commissions, fees and other	$11,605	$11,661	$12,019	$11,787	$11,476
Fiduciary investment income	22	21	26	28	38
Total revenue	$11,627	$11,682	$12,045	$11,815	$11,514
Income from continuing operations	$1,430	$1,422	$1,431	$1,148	$1,020
Net income	1,430	1,422	1,431	1,148	1,020
Less: Net income attributable to noncontrolling interests	34	37	34	35	27
Net income attributable to Aon shareholders	$1,396	$1,385	$1,397	$1,113	$993
Basic Net Income Per Share Attributable to Aon Shareholders	$5.21	$4.93	$4.73	$3.57	$3.02
Diluted Net Income Per Share Attributable to Aon Shareholders	$5.16	$4.88	$4.66	$3.53	$2.99
Balance Sheet Data					
Fiduciary assets (1)	$9,485	$9,932	$11,638	$11,871	$12,214
Intangible assets including goodwill	$10,970	$10,628	$11,380	$11,575	$11,918
Total assets	$26,615	$26,883	$29,572	$30,060	$30,296
Long-term debt	$5,869	$5,138	$4,768	$3,666	$3,694
Total equity	$5,532	$6,059	$6,527	$8,091	$7,701
Class A Ordinary Shares and Other Data					
Dividends paid per share	$1.29	$1.15	$0.92	$0.68	$0.62
At year-end:					
Market price, per share	$111.53	$92.21	$94.83	$83.89	$55.61
Shares outstanding	262.0	269.8	280.0	300.7	310.9

(1) Represents insurance premium receivables from clients as well as cash and investments held in a fiduciary capacity.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY OF 2016 FINANCIAL RESULTS

During 2016, we continued to face headwinds that adversely impacted our business. In our Risk Solutions segment, these headwinds included adverse changes in foreign currency exchange rates, economic weakness in certain regions around the globe and a negative market impact in our Reinsurance business. In our HR Solutions segment, these headwinds included price compression in our benefits administration business and economic weakness in certain regions around the globe.

The following is a summary of our 2016 financial results:

- Revenue decreased $55 million to $11.6 billion in 2016 due primarily to a 2% unfavorable impact from changes in foreign currency exchange rates and a 2% decrease in commissions and fees related to acquisitions, net of divestitures, partially offset by organic revenue growth of 3% in the Risk Solutions segment and 3% in the HR Solutions segment. Organic revenue growth for the year was driven by strong new business generation and solid management of the renewal book portfolio across our Risk Solutions segment, as well as solid growth in both our Consulting and Outsourcing businesses within HR Solutions.

- Operating expenses decreased $113 million, or 1%, to $9.7 billion in 2016 due primarily to a $248 million favorable impact from changes in foreign currency exchange rates, a $176 million decrease in expenses related to legacy litigation incurred in the prior year, a $144 million decrease in the core expense base resulting from acquisitions, net of divestitures, and a $37 million decrease in intangible asset amortization, partially offset by $220 million of non-cash expenses related to certain pension settlements, an increase in expense associated with 3% organic revenue growth, and $15 million of transaction costs incurred related to future portfolio repositioning activities.

- Operating margin increased to 16.4% in 2016 from 15.8% in 2015. The increase in operating margin from the prior year is primarily driven by organic revenue growth of 3% and return on investments across the portfolio as well as a decrease in expense related to legacy litigation and the favorable impact from changes in foreign currency exchange rates, partially offset by non-cash expenses related to certain pension settlements. Risk Solutions operating margin increased to 21.2% in 2016 from 20.3% in 2015. HR Solutions operating margin increased to 13.3% in 2016 from 12.5% in 2015.

- Net income attributable to Aon shareholders was $1.4 billion, an increase of $11 million, or 1%, from 2015. Diluted earnings per share increased 6% to $5.16 in 2016 from $4.88 in 2015.

- Cash flow provided by operating activities was $2.3 billion in 2016, an increase of $317 million, or 16%, from $2.0 billion in 2015, due primarily to an increase in underlying net income after adjusting for certain non-cash pension expenses, lower cash pension contributions, and lower cash tax payments.

- On February 9, 2017, we entered into an agreement to sell our Benefits Administration and Business Process Outsourcing (BPO) Portfolio (the "Business") for cash consideration of $4.3 billion payable at closing plus additional cash consideration of up to $500 million based on future performance of the Business (the "Transaction"). The Business is within the HR Solutions segment described further below. The completion of the Transaction is subject to customary closing conditions, and the Transaction is expected to close by the end of the second quarter of 2017. In connection with the Transaction, we expect to implement a cost reduction program that will result in a future charge to the financial statements. We believe the cost reduction program will reduce stranded costs, create greater efficiency, and contribute towards the Company's objective of being accretive to analysts' consensus earnings of $7.97 per share in 2018, as published by FactSet. Refer to Note 18 "Subsequent Event - Disposition of Benefits Administration and Business Process Outsourcing" of the Notes to Consolidated Financial Statements for additional details regarding the Transaction.

We focus on four key non-GAAP metrics that we communicate to shareholders: organic revenue growth, adjusted operating margins, adjusted diluted earnings per share, and free cash flow. The following is our measure of performance against these four metrics for 2016:

- Organic revenue growth, a non-GAAP metric as defined under the caption "Review of Consolidated Results — Organic Revenue Growth," was 3% in 2016. Organic revenue growth was driven by growth across every major business in both Risk Solutions and HR Solutions. In Risk Solutions, organic revenue growth was driven by strong growth in Retail brokerage across both the Americas and International businesses, as well as modest growth in Reinsurance. In HR Solutions, organic revenue growth was primarily driven by growth in health care exchanges and in HR BPO for cloud-based solutions as well as growth in investment and communications consulting.

- Adjusted operating margin, a non-GAAP metric as defined under the caption "Review of Consolidated Results — Adjusted Operating Margin," was 20.8% for Aon overall, 24.5% for the Risk Solutions segment, and 18.4% for the HR Solutions segment in 2016. In 2015, adjusted operating margin was 20.0% for Aon overall, 23.6% for the Risk Solutions segment, and 18.1% for the HR Solutions segment. The increase in adjusted operating margin for the Risk Solutions segment primarily reflects solid organic revenue growth and return on investments in data and analytics. The increase in adjusted operating margin for the HR Solutions segment primarily reflects solid organic revenue growth and expense discipline, partially offset by lost operating income and stranded costs related to previous dispositions, as well as unfavorable impact from changes in foreign currency exchange rates.

- Adjusted diluted earnings per share from net income attributable to Aon's shareholders, a non-GAAP metric as defined under the caption "Review of Consolidated Results — Adjusted Diluted Earnings per Share," was $6.59 per share in 2016, an increase of $0.41 per share, or 7%, from $6.18 per share in 2015. The increase demonstrates solid operational performance and effective capital management, highlighted by $1.3 billion of share repurchase during 2016.

- Free cash flow, a non-GAAP metric as defined under the caption "Review of Consolidated Results — Free Cash Flow," was $2.1 billion in 2016, an increase of $385 million, or 22%, from $1.7 billion in 2015. The increase in free cash flow from the prior year was driven by record cash flow from operations of $2.3 billion and a 23%, or $68 million, decrease in capital expenditures.

REVIEW OF CONSOLIDATED RESULTS

As described in Note 1 "Basis of Presentation - Revision of Previously Issued Financial Statements" of the Notes to Consolidated Financial Statements, during the fourth quarter of 2016, we identified errors that impacted the years ended December 31, 2015 and 2014. The corrections for the errors, which we have concluded are immaterial, individually and in the aggregate, to all prior-period consolidated financial statements, are reflected herein.

Summary of Results

Our consolidated results of operations follow (in millions):

Years ended December 31	2016	2015	2014
Revenue:			
Commissions, fees and other	$11,605	$11,661	$12,019
Fiduciary investment income	22	21	26
Total revenue	11,627	11,682	12,045
Expenses:			
Compensation and benefits	6,914	6,837	7,014
Other general expenses	2,807	2,997	3,065
Total operating expenses	9,721	9,834	10,079
Operating income	1,906	1,848	1,966
Interest income	9	14	10
Interest expense	(282)	(273)	(255)
Other income	36	100	44
Income before income taxes	1,669	1,689	1,765
Income taxes	239	267	334
Net income	1,430	1,422	1,431
Less: Net income attributable to noncontrolling interests	34	37	34
Net income attributable to Aon shareholders	$1,396	$1,385	$1,397

Consolidated Results for 2016 Compared to 2015

Revenue

Revenue decreased by $55 million, to $11.6 billion in 2016, compared to $11.7 billion in 2015. The decrease was driven by a 2% impact from unfavorable foreign exchange rates and a 2% decrease in commissions and fees related to acquisitions, net of

divestitures, partially offset by organic revenue growth of 3% in the Risk Solutions segment and 3% in the HR Solutions segment. Organic revenue growth in the Risk Solutions segment was driven by solid growth across both the Americas and International businesses. Record new business generation in US Retail, as well as strength in Affinity and growth across Latin America drove organic revenue growth in the Americas. International organic revenue growth was driven by growth across every major region; including Asia, EMEA, and the Pacific, despite economic weakness in certain countries. Reinsurance organic revenue growth was driven by net new business growth in treaty placements globally and modest growth in facultative placements, partially offset by an unfavorable market impact in treaty and a decline in capital markets transactions and advisory business. Organic revenue growth in the HR Solutions segment was driven by solid growth in both Consulting and Outsourcing. Consulting organic revenue growth was driven by retirement solutions, including investment consulting and delegated investment solutions, and communications consulting. Strong growth in health care exchanges and new client wins in HR BPO for cloud-based solutions drove organic revenue growth in Outsourcing.

Compensation and Benefits

Compensation and benefits increased $77 million, or 1%, compared to 2015. The increase was primarily driven by a $220 million increase in non-cash expense related to certain pension settlements and an increase in expense associated with 3% organic revenue growth, partially offset by a $169 million favorable impact from changes in foreign currency exchange rates and a $97 million decrease in the core expense base resulting from acquisitions, net of divestitures.

Other General Expenses

Other general expenses decreased $190 million, or 6%, compared to 2015 due primarily to a $176 million decrease in expense related to legacy litigation incurred in the prior year, a $79 million favorable impact from changes in foreign currency exchange rates, a $47 million decrease in the core expense base resulting from acquisitions, net of divestitures, and a $37 million decrease in intangible amortization, partially offset by an increase in expense to support 3% organic revenue growth and $15 million of transaction costs incurred related to portfolio repositioning activities including the Transaction.

Interest Income

Interest income represents income earned on Cash and cash equivalents and Short-term investments. It does not include interest earned on funds held on behalf of clients. Interest income decreased $5 million, or 36%, from 2015, due to marginally lower average interest rates globally.

Interest Expense

Interest expense, which represents the cost of our worldwide debt obligations, increased $9 million, or 3%, from 2015. The increase in interest expense primarily reflects an increase in total debt outstanding.

Other Income

Other income decreased $64 million from $100 million in 2015 to $36 million in 2016. Other income in 2016 includes, among other things, $39 million in net gains on disposition of businesses and $13 million of equity earnings, partially offset by foreign exchange losses of $2 million and a $14 million net loss on certain financial instruments. Other income in 2015 includes $82 million in net gains on disposition of businesses, foreign exchange gains of $30 million, equity earnings of $13 million, partially offset by a $5 million net loss on certain long term investments and a $19 million loss from derivatives.

Income before Income Taxes

Income before income taxes was $1.7 billion in 2016, a decrease of $20 million, or 1%, from $1.7 billion in 2015 due to drivers identified above.

Income Taxes

The effective tax rate on net income was 14.3% in 2016 and 15.8% in 2015. The 2016 and 2015 rates reflect changes in the geographical distribution of income, the impact from certain pension settlements in the second and fourth quarters of 2016, a reduction in U.S. income resulting from the settlement of legacy litigation in the second quarter of 2015, and the impact of certain discrete items.

Net Income Attributable to Aon Shareholders

Net income increased to $1.40 billion ($5.16 diluted net income per share) in 2016, compared to $1.39 billion ($4.88 diluted net income per share) in 2015.

Consolidated Results for 2015 Compared to 2014

Revenue

Revenue decreased by $363 million, or 3%, to $11.7 billion in 2015, compared to $12.0 billion in 2014. The decrease was driven by a 6% impact from unfavorable foreign exchange rates, partially offset by organic revenue growth of 3% in the Risk Solutions segment and 4% in the HR Solutions segment. Organic revenue growth in the Risk Solutions segment was driven by solid growth across both the Americas and International businesses. Growth across all regions and product lines, including strong new business generation in US Retail, drove organic revenue growth in the Americas. International organic revenue growth in 2015 was driven by solid growth across Asia, the Pacific, and emerging markets, and strong management of the renewal book portfolio in continental Europe despite economic weakness. Reinsurance was down modestly due to an unfavorable market impact in treaty and a decline in capital markets transactions and advisory business, which more than offset the new business growth in treaty placements globally and modest growth in facultative placements. Organic revenue growth in the HR Solutions segment was driven by solid growth in both Consulting and Outsourcing. Consulting organic revenue growth was driven by retirement solutions, including investment consulting and delegated investment solutions, and compensation consulting. Strong growth in health care exchanges, new client wins in HR BPO for cloud-based solutions, and project-related revenue in benefits administration drove organic revenue growth in Outsourcing.

Compensation and Benefits

Compensation and benefits decreased $177 million in 2015, or 3%, compared to 2014. The decrease was driven by a $432 million favorable impact from changes in foreign currency exchange rates, partially offset by $14 million increase in expenses resulting from acquisitions, net of divestitures and an increase in expense associated with 3% organic revenue growth.

Other General Expenses

Other general expenses decreased $68 million in 2015, or 2%, compared to 2014 due largely to a $166 million favorable impact from changes in foreign currency exchange rates and a $38 million decrease in intangible amortization, partially offset by a $102 million increase in expense related to legacy litigation, and an increase in expense to support 3% organic revenue growth.

Interest Income

Interest income represents income earned on Cash and cash equivalents and Short-term investments. It does not include interest earned on funds held on behalf of clients. Interest income increased $4 million in 2015, or 40%, from 2014, due to marginally higher average interest rates globally.

Interest Expense

Interest expense, which represents the cost of our worldwide debt obligations, increased $18 million in 2015, or 7%, from 2014. The increase in interest expense primarily reflects an increase in total debt outstanding.

Other Income

Other income increased $56 million from $44 million in 2014 to $100 million in 2015. Other income in 2015 includes, among other things, $82 million in net gains on disposition of businesses, foreign exchange gains of $30 million, and equity earnings of $13 million, partially offset by a $5 million net loss on certain financial instruments and a $19 million loss from derivatives. Other income in 2014 includes $24 million in gains on disposition of businesses, foreign exchange gains of $18 million, equity earnings of $12 million, and $4 million in gains on investments, partially offset by a $19 million loss from derivatives.

Income before Income Taxes

Income before income taxes was $1.7 billion in 2015, a decrease of $76 million, or 4%, from $1.8 billion in 2014 due to drivers identified above.

Income Taxes

The effective tax rate on net income was 15.8% in 2015 and 18.9% in 2014. The 2015 and 2014 tax rates reflect changes in the geographical distribution of income, a reduction in U.S. income resulting from the settlement of a legacy litigation matter in the second quarter of 2015, and the impact of certain discrete items.

Net Income Attributable to Aon Shareholders

Net income decreased to $1.39 billion ($4.88 diluted net income per share) in 2015, compared to $1.4 billion ($4.66 diluted net income per share) in 2014.

Non-GAAP Metrics

In our discussion of operating results, we sometimes refer to certain non-GAAP supplemental information derived from consolidated financial information specifically related to organic revenue growth, adjusted operating margin, adjusted diluted earnings per share, free cash flow, and the impact of foreign exchange rate fluctuations on operating results. This non-GAAP supplemental information should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

Organic Revenue Growth

We use supplemental information related to organic revenue growth to help us and our investors evaluate business growth from existing operations. Organic revenue growth is a non-GAAP measure that includes the impact of intersegment and intrasegment activity and excludes the impact of foreign exchange rate changes, acquisitions, divestitures, transfers between business units, fiduciary investment income, reimbursable expenses, and certain unusual items. Supplemental information related to organic revenue growth represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto. Industry peers provide similar supplemental information about their revenue performance, although they may not make identical adjustments. Reconciliations of this non-GAAP measure, organic revenue growth percentages, to the reported Commissions, fees and other revenue growth percentages, have been provided under the "Review by Segment" caption below.

Adjusted Operating Margin

We use adjusted operating margin as a non-GAAP measure of core operating performance of our Risk Solutions and HR Solutions segments. Adjusted operating margin excludes the impact of certain items, including intangible asset amortization and certain pension settlements, transaction costs, and litigation settlements, because we do not believe these expenses reflect our core operating performance. This supplemental information related to adjusted operating margin represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

A reconciliation of this non-GAAP measure to reported operating margins is as follows (in millions, except percentage data):

Year Ended December 31, 2016	Total Aon (1)	Risk Solutions	HR Solutions
Revenue — U.S. GAAP	$11,627	$7,485	$4,183
Operating income — U.S. GAAP	$1,906	$1,587	$557
Intangible asset amortization	277	105	172
Pension settlements	220	144	26
Transaction costs	$15	$—	$15
Operating income — as adjusted	$2,418	$1,836	$770
Operating margins — U.S. GAAP	16.4 %	21.2 %	13.3 %
Operating margins — as adjusted	20.8 %	24.5 %	18.4 %

Year Ended December 31, 2015	Total Aon (1)	Risk Solutions	HR Solutions
Revenue — U.S. GAAP	$11,682	$7,426	$4,303
Operating income — U.S. GAAP	$1,848	$1,506	$536
Intangible asset amortization	314	109	205
Legacy litigation	176	137	39
Operating income — as adjusted	$2,338	$1,752	$780
Operating margins — U.S. GAAP	15.8 %	20.3 %	12.5 %
Operating margins — as adjusted	20.0 %	23.6 %	18.1 %

Year Ended December 31, 2014	Total Aon (1)	Risk Solutions	HR Solutions
Revenue — U.S. GAAP	$12,045	$7,834	$4,264
Operating income — U.S. GAAP	$1,966	$1,648	$485
Intangible asset amortization	352	109	243
Legacy litigation	35	35	—
Operating income — as adjusted	$2,353	$1,792	$728
Operating margins — U.S. GAAP	16.3 %	21.0 %	11.4 %
Operating margins — as adjusted	19.5 %	22.9 %	17.1 %

(1)Includes unallocated expenses and the elimination of intersegment revenue.

Adjusted Diluted Earnings per Share

We also use adjusted diluted earnings per share as a non-GAAP measure of our core operating performance. Adjusted diluted earnings per share excludes the impact of intangible asset amortization and certain pension settlements, transaction costs, and litigation settlements, along with related income taxes because we do not believe these expenses are representative of our core earnings. This supplemental information related to adjusted diluted earnings per share represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

The effective tax rates used in the U.S. GAAP financial statements were 14.3% and 15.8% for the twelve months ended December 31, 2016 and 2015, respectively. Excluded items are generally taxed at the effective tax rate. However, after adjusting the underlying annual tax rate to exclude the impact associated with certain non-cash pension settlements in the second and fourth quarters of 2016 and expenses for legacy litigation in the second quarter of 2015, the adjusted effective tax rates for the full years 2016 and 2015 were 16.8% and 17.9%, respectively.

Reconciliations of this non-GAAP measure to the reported diluted earnings per share are as follows (in millions, except per share data):

Year Ended December 31, 2016	U.S. GAAP	Adjustments	As Adjusted
Operating income	$ 1,906	$ 512	$ 2,418
Interest income	9	—	9
Interest expense	(282)	—	(282)
Other income	36	—	36
Income before income taxes	1,669	512	2,181
Income taxes	239	128	367
Net income	1,430	384	1,814
Less: Net income attributable to noncontrolling interests	34	—	34
Net income attributable to Aon shareholders	$ 1,396	$ 384	$ 1,780
Diluted earnings per share	$ 5.16	$ 1.43	$ 6.59
Weighted average ordinary shares outstanding — diluted	270.3		270.3

Year Ended December 31, 2015	U.S. GAAP	Adjustments	As Adjusted
Operating income	$ 1,848	$ 490	$ 2,338
Interest income	14	—	14
Interest expense	(273)	—	(273)
Other income	100	—	100
Income before income taxes	1,689	490	2,179
Income taxes	267	122	389
Net income	1,422	368	1,790
Less: Net income attributable to noncontrolling interests	37	—	37
Net income attributable to Aon shareholders	$ 1,385	$ 368	$ 1,753
Diluted earnings per share	$ 4.88	$ 1.30	$ 6.18
Weighted average ordinary shares outstanding — diluted	283.8		283.8

Year Ended December 31, 2014	U.S. GAAP	Adjustments	As Adjusted
Operating income	$ 1,966	$ 387	$ 2,353
Interest income	10	—	10
Interest expense	(255)	—	(255)
Other income	44	—	44
Income before income taxes	1,765	387	2,152
Income taxes	334	73	407
Net income	1,431	314	1,745
Less: Net income attributable to noncontrolling interests	34	—	34
Net income attributable to Aon shareholders	$ 1,397	$ 314	$ 1,711
Diluted earnings per share	$ 4.66	$ 1.05	$ 5.71
Weighted average ordinary shares outstanding — diluted	299.6		299.6

Free Cash Flow

We use free cash flow, defined as cash flow provided by operations minus capital expenditures, as a non-GAAP measure of our core operating performance. This supplemental information related to free cash flow represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto. The use of this non-GAAP measure does not imply or represent the residual cash flow for discretionary expenditures.

A reconciliation of this non-GAAP measure to cash flow provided by operations is as follows (in millions):

Years Ended December 31	2016	2015	2014
Cash flow provided by operating activities - U.S. GAAP	$2,326	$2,009	$1,812
Less: Capital expenditures	(222)	(290)	(256)
Free cash flow	$2,104	$1,719	$1,556

Impact of Foreign Currency Exchange Rate Fluctuations

We conduct business in more than 120 countries, and, because of this, foreign currency exchange rate fluctuations have a significant impact on our business. Foreign currency exchange rate movements may be significant and may distort true period-to-period comparisons of changes in revenue or pretax income. Therefore, to give financial statement users meaningful information about our operations, we have provided an illustration of the impact of foreign currency exchange rate fluctuations on our financial results. The methodology used to calculate this impact isolates the impact of the change in currencies between periods by translating the last year's revenue, expenses, and net income using the current year's foreign currency exchange rates.

Translating prior year results at current year foreign currency exchange rates, currency fluctuations had a favorable impact of $0.01 on diluted earnings per share during the year ended December 31, 2016; currency fluctuations had unfavorable impacts of $0.38 and $0.11 on diluted earnings per share in the years ended 2015 and 2014, respectively, when prior year results were translated at rates prevalent in those years. Currency fluctuations had unfavorable impacts of $0.01, $0.41, and $0.11 on diluted earnings per share in the years ended December 31, 2016, 2015, and 2014, respectively, when prior year results were translated at rates prevalent in those years. These translations are performed for comparative purposes only and do not impact the accounting policies or practices for amounts included in the Consolidated Financial Statements and Notes thereto.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity

Executive Summary

We believe that our balance sheet and strong cash flow provide us with adequate liquidity. Our primary sources of liquidity are cash flow from operations, available cash reserves, committed credit facilities, and debt capacity available through public debt markets, both short and long-term. Our primary uses of liquidity are operating expenses, capital expenditures, acquisitions, share repurchases, pension contributions, and shareholder dividends. We believe that cash flows from operations and available debt financing will be sufficient to meet our liquidity needs, including principal and interest payments on debt obligations, capital expenditures, pension contributions, and anticipated working capital requirements, for the foreseeable future.

Cash on our balance sheet includes funds available for general corporate purposes, as well as amounts restricted as to their use. Funds held on behalf of clients in a fiduciary capacity are segregated and shown together with uncollected insurance premiums in Fiduciary assets in the Consolidated Statement of Financial Position, with a corresponding amount in Fiduciary liabilities. Fiduciary funds generally cannot be used for general corporate purposes and are not a source of liquidity.

Cash and cash equivalents and Short-term investments decreased $19 million to $721 million in 2016 as compared to 2015. During 2016, cash flow from operating activities increased $317 million to $2.3 billion. Additional sources of funds in 2016 included proceeds from the sale of businesses of $107 million and issuances of debt, net of repayments of $522 million. The primary uses of funds in 2016 included share repurchases of $1.3 billion, acquisitions of businesses of $879 million, dividends to shareholders of $345 million, and capital expenditures of $222 million.

To manage unforeseen situations, we have committed credit lines of approximately $1.3 billion and we endeavor to manage our obligations to ensure we maintain our current investment grade ratings. At December 31, 2016, we had no borrowings on these credit lines.

Operating Activities

Net cash provided by operating activities during 2016 increased $317 million in 2015, or 16%, to $2.3 billion. This amount represents net income reported by the Company, as adjusted for gains or losses on sales of businesses, financial instruments and foreign exchange, and our non-cash expenses, which include share-based compensation, depreciation, and amortization, as well as changes in working capital that relate primarily to the timing of payments of accounts payable and accrued liabilities and collection of receivables. The increase from the prior year was primarily driven by net income, as adjusted for non-cash charges, and reductions in pension contributions.

Pension contributions were $123 million during 2016 compared to $194 million during 2015. In 2017, we expect to contribute approximately $185 million to our pension plans, with the majority attributable to non-U.S. pension plans, which are subject to changes in foreign exchange rates.

We expect cash generated by operations for 2016 to be sufficient to service our debt and contractual obligations, finance capital expenditures, purchases shares under our share repurchase program, and pay dividends to our shareholders. Although cash from operations is expected to be sufficient to service these activities, we have the ability to access the commercial paper markets or borrow under our credit facilities to accommodate any timing differences in cash flows. We have committed credit facilities of approximately $1.3 billion, all of which was available at December 31, 2016, and can access these facilities on a same day or next day basis. Additionally, under current market conditions, we believe that we could access capital markets to obtain debt financing for longer-term funding, if needed.

Investing Activities

Cash used for investing activities in 2016 was $954 million. The primary drivers of the cash used for investing activities were $879 million for acquisitions of businesses, net of cash acquired, $222 million for capital expenditures, and $21 million of net purchases of long-term investments, partially offset by $107 million of sale of businesses and $61 million of net sales of short-term investments.

Cash used for investing activities in 2015 was $138 million. The primary drivers of the cash flow used for investing activities were $290 million for capital expenditures, $46 million of net purchases of long-term investments, and $16 million for acquisitions of businesses, net of cash acquired, partially offset by sales of businesses of $205 million and net sales of short-term investments of $9 million.

Cash used for investing activities in 2014 was $545 million. The primary drivers of the cash used for investing activities were $479 million for acquisitions of businesses, net of cash acquired, and $256 million for capital expenditures, partially offset by net sales of long-term investments, sale of businesses of $48 million, and net sales of short-term investments of $32 million.

Financing Activities

Cash used for financing activities during 2016 was $1.3 billion. The primary drivers of the cash used for financing activities were share repurchases of $1.3 billion, dividends paid to shareholders of $345 million, and net cash payments of $129 million related to issuance of shares, partially offset by issuances of debt, net of repayments, of $522 million.

Cash used for financing activities during 2015 was $1.7 billion. The primary drivers of the cash flow used for financing activities were share repurchases of $1.6 billion, dividends paid to shareholders of $323 million, and net cash payments of $30 million related to issuance of shares, partially offset by issuances of debt, net of repayments, of $253 million.

Cash used for financing activities during 2014 was $1.3 billion. The primary drivers of the cash flow used for financing activities were share repurchases of $2.3 billion, dividends paid to shareholders of $273 million, and issuance of shares for employee benefit plans of $105 million, partially offset by issuances of debt, net of repayments, of $1.3 billion.

Cash and Short-Term Investments

At December 31, 2016, our Cash and cash equivalents and Short-term investments were $721 million, a decrease of $19 million from December 31, 2015, primarily related to share repurchases of $1.3 billion, payments for the acquisition of businesses of $879 million, cash dividends of $345 million, capital expenditures of $222 million, and cash contributions to our major defined benefit plans of $123 million, partially offset by $2.3 billion in Cash flow from operating activities, the net issuances of debt of $522 million, and proceeds for the sale of businesses of $107 million. Of the total balance as of December 31, 2016, $82 million was restricted as to its use, which was comprised of $53 million of operating funds in the U.K., as required by the FCA, and $29 million held as collateral for various business purposes. At December 31, 2016, $1.9 billion of cash and cash equivalents and short-term investments were held in the U.S. and overdrawn cash and cash equivalents and short-term investments of $1.2 billion were held in other countries. Due to differences in tax rates, the repatriation of funds from certain countries into the U.S. could have an unfavorable tax impact. We maintain multi-currency cash pools with third-party banks in which various Aon entities participate. Individual Aon entities are permitted to overdraw on their individual accounts provided the overall balance does not fall below zero. At December 31, 2016 and 2015, non-U.S. cash balances of one or more entities were negative; however, the overall balance was positive.

At December 31, 2015, our Cash and cash equivalents and Short-term investments were $740 million, a decrease of $28 million from December 31, 2014, primarily related to share repurchases of $1.6 billion and dividends to shareholders of $323 million, partially offset by $2.0 billion in Cash flow from operating activities and the net issuances of debt of $253 million. Of the total balance as of December 31, 2015, $105 million was restricted as to its use, which was comprised of $65 million of operating funds in the U.K., as required by the FCA, and $40 million held as collateral for various business purposes. At

December 31, 2015, $2.6 billion of Cash and cash equivalents and Short-term investments were held in the U.S. and overdrawn Cash and cash equivalents and Short-term investments of $1.9 billion were held in other countries. Due to differences in tax rates, the repatriation of funds from certain countries into the U.S. could have an unfavorable tax impact.

In our capacity as an insurance broker or agent, we collect premiums from insureds and, after deducting our commission, remit the premiums to the respective insurance underwriter. We also collect claims or refunds from underwriters on behalf of insureds, which are then returned to the insureds. Unremitted insurance premiums and claims are held by us in a fiduciary capacity. In addition, some of our outsourcing agreements require us to hold funds on behalf of clients to pay obligations on their behalf. The levels of fiduciary assets and liabilities can fluctuate significantly depending on when we collect the premiums, claims and refunds, make payments to underwriters and insureds, collect funds from clients and make payments on their behalf, and from the impact of foreign currency movements. Fiduciary assets, because of their nature, are generally invested in very liquid securities with highly-rated, credit-worthy financial institutions. In our Consolidated Statements of Financial Position, the amount we report for Fiduciary assets and Fiduciary liabilities are equal. Our Fiduciary assets included cash and short-term investments of $3.8 billion and $3.4 billion at December 31, 2016 and December 31, 2015, respectively, and fiduciary receivables of $5.7 billion and $6.5 billion at December 31, 2016 and 2015, respectively. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments cannot be used for general corporate purposes.

As disclosed in Note 13 “Fair Value Measurements and Financial Instruments” of the Notes to Consolidated Financial Statements, the majority of our investments carried at fair value are money market funds. These money market funds are held throughout the world with various financial institutions. We are not aware of any market liquidity issues that would materially impact the fair value of these investments.

As of December 31, 2016, our investments in money market funds had a fair value of $1.4 billion and are reported as Short-term investments or Fiduciary assets in the Consolidated Statements of Financial Position depending on their nature and initial maturity.

The following table summarizes our Fiduciary assets and non-fiduciary Cash and cash equivalents and Short-term investments as of December 31, 2016 (in millions):

	Statement of Financial Position Classification			
Asset Type	Cash and Cash Equivalents	Short-term Investments	Fiduciary Assets	Total
Certificates of deposit, bank deposits or time deposits	$431	$ —	$ 2,735	$3,166
Money market funds	—	290	1,081	1,371
Other investments due within one year	—	—	—	—
Cash and investments	431	290	3,816	4,537
Fiduciary receivables	—	—	5,669	5,669
Total	$431	$ 290	$ 9,485	$10,206

Share Repurchase Program

In April 2012, our Board of Directors authorized a share repurchase program (the “2012 Share Repurchase Program”) under which up to $5.0 billion of Class A Ordinary Shares may be repurchased. In November 2014, our Board of Directors authorized a share repurchase program (“the 2014 Share Repurchase Program” and together with the 2012 Share Repurchase Program, the “Share Repurchase Programs”) pursuant to which an additional $5.0 billion may be repurchased, in addition to the $5.0 billion of Class A Ordinary Shares authorized under the 2012 Share Repurchase Program. In February 2017, the Board of Directors authorized a $5.0 billion increase to the then existing remaining authorization under its share repurchase program. Under each Share Repurchase Program, shares may be repurchased through the open market or in privately negotiated transactions, based on prevailing market conditions, funded from available capital.

During 2016, the Company repurchased 12.2 million shares at an average price per share of $102.66, for a total cost of $1.3 billion. The Company recorded an additional $6 million of costs associated with the repurchase to retained earnings during 2016. During 2015, the Company repurchased 16.0 million shares at an average price per share of $97.04 for a total cost of $1.6 billion. In August 2015, the $5.0 billion of Class A Ordinary Shares authorized under the 2012 Share Repurchase Program was exhausted.

At December 31, 2016, and without giving effect to the increase in February 2017, the remaining authorized amount for share repurchase under the 2014 Share Repurchase Program was $2.8 billion. Under the Repurchase Programs, the Company has repurchased a total of 90.2 million shares for an aggregate cost of $7.2 billion through December 31, 2016.

For information regarding share repurchases made during the fourth quarter of 2016, see Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," as previously described.

Dividends

During 2016, 2015, and 2014, we paid dividends on our Class A Ordinary Shares of $345 million, $323 million, and $273 million, respectively. Dividends paid per Class A Ordinary Share were $1.29, $1.15, and $0.92 for the years ended December 31, 2016, 2015, and 2014, respectively.

Distributable Reserves

As a U.K. incorporated company, we are required under U.K. law to have available "distributable reserves" to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company. Distributable reserves are not linked to a U.S. GAAP reported amount (e.g., retained earnings). As of December 31, 2016 and 2015, we had distributable reserves in excess of $1.6 billion and $2.1 billion, respectively. We believe that we will have sufficient distributable reserves to fund share repurchases and shareholder dividends for the foreseeable future.

Borrowings

Total debt at December 31, 2016 was $6.2 billion, which represents an increase of $505 million compared to December 31, 2015. This increase is primarily due to issuances of debt, net of repayments, of $522 million, including a net increase in commercial paper outstanding of $279 million compared to December 31, 2015.

On May 27, 2016, $500 million of 3.125% Senior Notes due May 2016 issued by Aon Corporation matured and were repaid in full.

On March 1, 2016, Aon plc issued $750 million of 3.875% Senior Notes due December 2025. The Company used the proceeds of the issuance for general corporate purposes.

Credit Facilities

As of December 31, 2016, we had two committed credit facilities outstanding: our $400 million U.S. credit facility expiring in March 2017 (the "2017 Facility") and our $900 million multi-currency U.S. credit facility originally expiring in February 2020. Effective February 2, 2016, the $900 million multi-currency U.S. credit facility terms were extended for one year and will now expire on February 2, 2021 (the "2021 Facility"). Each of these facilities is intended to support our commercial paper obligations and our general working capital needs. In addition, each of these facilities includes customary representations, warranties, and covenants, including financial covenants that require us to maintain specified ratios of adjusted consolidated EBITDA to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, tested quarterly. We intend to let the 2017 facility expire, but may obtain additional committed credit facilities in the future. At December 31, 2016, we did not have borrowings under either the 2017 Facility or the 2021 Facility, and we were in compliance with the financial covenants and all other covenants contained therein during the twelve months ended December 31, 2016.

Our total debt-to-EBITDA ratio at December 31, 2016 and 2015, is calculated as follows (in millions, except ratio):

Years Ended December 31	2016	2015
Net income	$1,430	$1,422
Interest expense	282	273
Income taxes	239	267
Depreciation of fixed assets	232	229
Amortization of intangible assets	277	314
Total EBITDA	$2,460	$2,505
Total Debt	$6,205	$5,700
Total debt-to-EBITDA ratio	2.5	2.3

We use EBITDA, as defined by our financial covenants, as a non-GAAP measure. This supplemental information related to EBITDA represents a measure not in accordance with U.S. GAAP and should be viewed in addition to, not instead of, our Consolidated Financial Statements and Notes thereto.

Shelf Registration Statement

On September 3, 2015, we filed a shelf registration statement with the SEC, registering the offer and sale from time to time of an indeterminate amount of debt securities, preference shares, Class A Ordinary Shares, and convertible securities, among other securities. Our ability to access the market as a source of liquidity is dependent on investor demand, market conditions and other factors.

Rating Agency Ratings

The major rating agencies' ratings of our debt at February 23, 2017 appear in the table below.

	Ratings		
	Senior Long-term Debt	Commercial Paper	Outlook
Standard & Poor's	A-	A-2	Stable
Moody's Investor Services	Baa2	P-2	Stable
Fitch, Inc.	BBB+	F-2	Stable

A downgrade in the credit ratings of our senior debt and commercial paper could increase our borrowing costs, reduce or eliminate our access to debt capital, reduce our financial flexibility, increase our commercial paper interest rates, or restrict our access to the commercial paper market altogether, and/or impact future pension contribution requirements.

Letters of Credit and Other Guarantees

We have entered into a number of arrangements whereby our performance on certain obligations is guaranteed by a third party through the issuance of a letter of credit ("LOCs"). We had total LOCs outstanding of approximately $90 million at December 31, 2016, compared to $58 million at December 31, 2015. These LOCs cover the beneficiaries related to certain of our U.S. and Canadian non-qualified pension plan schemes and secure deductible retentions for our own workers compensation program. We also have obtained LOCs to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at our international subsidiaries.

We have 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 $95 million at December 31, 2016, compared to $104 million at December 31, 2015.

Other Liquidity Matters

We do not have exposure related to off balance sheet arrangements. Our cash flows from operations, borrowing availability, and overall liquidity are subject to risks and uncertainties. See Item 1, "Information Concerning Forward-Looking Statements," and Item 1A, "Risk Factors."

Contractual Obligations

Summarized in the table below are our contractual obligations and commitments as of December 31, 2016 (in millions):

	Payments due in				
	2017	2018 – 2019	2020 – 2021	2022 and beyond	Total
Principal payments on debt	$336	$278	$1,000	$4,700	$6,314
Interest payments on debt	271	522	479	2,570	3,842
Operating leases	355	600	451	696	2,102
Pension and other postretirement benefit plans	189	485	396	1,023	2,093
Purchase obligations	410	405	133	12	960
Total	$1,561	$2,290	$2,459	$9,001	$15,311

Pension and other postretirement benefit plan obligations include estimates of our minimum funding requirements pursuant to ERISA and other regulations and minimum funding requirements agreed with the trustees of our U.K. pension plans. Additional amounts may be agreed to with, or required by, the U.K. pension plan trustees. Nonqualified pension and other postretirement benefit obligations are based on estimated future benefit payments. We may make additional discretionary contributions.

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In 2013, our principal U.K subsidiary agreed with the trustees of one of the U.K. plans to contribute an average of $11 million per year to that pension plan for the next three years. We are currently negotiating the 2016 valuation, which will determine the required cash contributions for the next three years. The trustees of the plan have certain rights to request that our U.K. subsidiary advance an amount equal to an actuarially determined winding-up deficit. As of December 31, 2016, the estimated winding-up deficit was £175 million ($215 million at December 31, 2016 exchange rates). The trustees of the plan have accepted in practice the agreed-upon schedule of contributions detailed above and have not requested the winding-up deficit be paid.

Purchase obligations are defined as agreements to purchase goods and services that are enforceable and legally binding on us, and that specifies all significant terms, including the goods to be purchased or services to be rendered, the price at which the goods or services are to be rendered, and the timing of the transactions. Most of our purchase obligations are related to purchases of information technology services or other service contracts. Purchase obligations exclude $278 million of liabilities for uncertain tax positions due to our inability to reasonably estimate the period(s) when potential cash settlements will be made.

Financial Condition

At December 31, 2016, our net assets were $5.5 billion, representing total assets minus total liabilities, a decrease from $6.1 billion as revised for December 31, 2015 (see Note 1 “Basis of Presentation - Revision of Previously Issued Financial Statements” of the Notes to Consolidated Financial Statements for details on the revision of previously issued financial statements). The decrease was due primarily to share repurchases of $1.3 billion, dividends to shareholders of $345 million, and an increase in Accumulated other comprehensive loss of $489 million related primarily to foreign currency translation, partially offset by Net income of $1.4 billion for the year ended December 31, 2016. Working capital increased by $171 million from $480 million at December 31, 2015 to $651 million at December 31, 2016.

Accumulated other comprehensive loss increased $489 million at December 31, 2016 as compared to December 31, 2015, which was primarily driven by negative net foreign currency translation adjustments of $493 million, which are attributable to the strengthening of the U.S. dollar against certain foreign currencies, a decrease of $16 million in net post-retirement benefit obligations, and net financial instrument losses of $12 million.

REVIEW BY SEGMENT

Overview

We serve clients through the following segments:

- Risk Solutions acts as an advisor and insurance and reinsurance broker, helping clients manage their risks, via consultation, as well as negotiation and placement of insurance risk with insurance carriers through our global distribution network.

- HR Solutions partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies.

Risk Solutions

Years ended December 31 (millions, except percentage data)	2016	2015	2014
Revenue	$7,485	$7,426	$7,834
Operating income	$1,587	$1,506	$1,648
Operating margin	21.2%	20.3%	21.0%

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our brokerage business. The economic activity that impacts property and casualty insurance is described as exposure units, and is most closely correlated with employment levels, corporate revenue, and asset values. During 2016, pricing was modestly negative on average globally, and we still consider this a “soft market.” In a soft market, premium rates flatten or decrease, along with commission revenues, due to increased competition for market share among insurance carriers or increased underwriting capacity. Changes in premiums have a direct and potentially material impact on the insurance brokerage industry, as commission revenues are generally based on a percentage of the premiums paid by insureds.

Continuing through 2016, we faced difficult conditions as a result of continued weakness in the global economy, and the repricing of credit risk. Weak economic conditions in many markets around the globe have reduced our customers' demand for our retail brokerage and reinsurance brokerage products, which have had a negative impact on our operational results.

Risk Solutions generated approximately 64% of our consolidated total revenues in 2016. Revenues are generated primarily through fees paid by clients, commissions and fees paid by insurance and reinsurance companies, and investment income on funds held on behalf of clients. Our revenues vary from quarter to quarter throughout the year as a result of the timing of our clients' policy renewals, the net effect of new and lost business, the timing of services provided to our clients, and the income we earn on investments, which is heavily influenced by short-term interest rates.

We operate in a highly competitive industry and compete with many retail insurance brokerage and agency firms, as well as with individual brokers, agents, and direct writers of insurance coverage. Specifically, we address the highly specialized product development and risk management needs of commercial enterprises, professional groups, insurance companies, governments, health care providers, and non-profit groups, among others; provide affinity products for professional liability, life, disability income, and personal lines for individuals, associations, and businesses; provide reinsurance services to insurance and reinsurance companies and other risk assumption entities by acting as brokers or intermediaries on all classes of reinsurance; provide capital management transaction and advisory products and services, including mergers and acquisitions and other financial advisory services, capital raising, contingent capital financing, insurance-linked securitizations and derivative applications; provide managing underwriting to independent agents and brokers as well as corporate clients; provide risk consulting, actuarial, loss prevention, and administrative services to businesses and consumers; and manage captive insurance companies.

Revenue

Commissions, fees and other revenue for Risk Solutions were as follows (in millions):

Years ended December 31	2016	2015	2014
Retail brokerage:			
Americas	$3,357	$3,294	$3,288
International (1)	2,739	2,750	3,046
Total retail brokerage	6,096	6,044	6,334
Reinsurance brokerage	1,367	1,361	1,474
Total	$7,463	$7,405	$7,808

(1) Includes the U.K., Europe, Middle East, Africa and Asia Pacific.

In 2016, Commissions, fees and other revenue increased $58 million, or 1%, compared to 2015 due to 3% organic revenue growth, partially offset by a 2% unfavorable impact from foreign currency exchange rates.

Reconciliation of organic revenue growth to reported Commissions, fees and other revenue growth for 2016 versus 2015 is as follows:

	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue Growth
Retail brokerage:				
Americas	2%	(2)%	—%	4%
International (1)	—	(3)	—	3
Total retail brokerage	1	(3)	—	4
Reinsurance brokerage	—	(1)	—	1
Total	1%	(2)%	—%	3%

(1) Includes the U.K., Europe, Middle East, Africa and Asia Pacific.

Retail brokerage Commissions, fees and other revenue increased 1% in 2016 as compared to 2015, driven by 4% organic revenue growth, reflecting revenue growth in both the Americas and International businesses, partially offset by a 3% unfavorable impact from foreign currency exchange rates.

Americas Commissions, fees and other revenue increased 2% in 2016 as compared to 2015, reflecting 4% organic revenue growth driven by record new business generation in U.S. Retail and strength in Affinity and Latin America, offset by a 2% impact from unfavorable foreign currency exchange rates.

International Commissions, fees and other revenue was flat in 2016, as 3% organic revenue growth, driven by solid growth across every major region; including Asia, EMEA, and the Pacific, despite economic weakness in certain countries, was offset by a 3% impact from unfavorable foreign currency exchange rates.

Reinsurance Commissions, fees and other revenue was flat in 2016 as compared to 2015, as 1% organic revenue growth was offset by a 1% impact from unfavorable foreign currency exchange rates. Organic revenue growth for 2016 was driven by net new business growth in treaty placements globally and modest growth in facultative placements, partially offset by an unfavorable market impact in treaty and a decline in capital markets transactions and advisory business.

Operating Income

Operating income increased $81 million, or 5%, from 2015 to $1.6 billion in 2016. In 2016, operating income margins in this segment were 21.2%, an increase of 90 basis points from 20.3% in 2015. The increase in operating margin was driven by solid organic revenue growth and returns on investments in data and analytics across the portfolio, as well as a decrease in expense related to certain legacy litigation in the prior year.

HR Solutions

Years ended December 31 (millions, except percentage data)	2016	2015	2014
Revenue	$4,183	$4,303	$4,264
Operating income	$557	$536	$485
Operating margin	13.3%	12.5%	11.4%

Our HR Solutions segment generated approximately 36% of our consolidated total revenues in 2016 and provides a broad range of human capital services, as follows:

- Retirement specializes in global actuarial services, defined contribution consulting, tax and ERISA consulting, and pension administration.
- Compensation focuses on compensatory advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies, and sales force effectiveness, with special expertise in the financial services and technology industries.
- Strategic Human Capital delivers advice to complex global organizations on talent, change, and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training, and change management.
- Investment consulting advises public and private companies, other institutions, and trustees on developing and maintaining investment programs across a broad range of plan types, including defined benefit plans, defined contribution plans, endowments, and foundations.
- Benefits Administration applies our human resource expertise primarily through defined benefit (pension), defined contribution (401(k)), and health and welfare administrative services. Our model replaces the resource-intensive processes once required to administer benefit plans with more efficient, effective, and less costly solutions.
- Exchanges builds and operates healthcare exchanges to provide employers with a cost effective alternative to traditional employee and retiree healthcare, while helping individuals select the insurance that best meets their needs.
- Human Resource Business Processing Outsourcing provides market-leading solutions to manage employee data; administers benefits, payroll and other human resources processes; and records and manages talent, workforce and other core human resource process transactions as well as other complementary services such as flexible spending, dependent audit, and participant advocacy.

Revenue

Commissions, fees and other revenue were as follows (in millions):

Years ended December 31	2016	2015	2014
Consulting services	$1,662	$1,686	$1,700
Outsourcing	2,557	2,658	2,607
Intersegment	(36)	(41)	(43)
Total	$4,183	$4,303	$4,264

Commissions, fees and other revenue for HR Solutions decreased $120 million, or 3%, in 2016 compared to 2015 due to a 4% decrease in commissions and fees resulting from net divestitures and a 2% impact from unfavorable foreign currency exchange rates, partially offset by 3% organic revenue growth in commissions and fees.

Reconciliation of organic revenue growth to reported Commissions, fees and other revenue growth for 2016 versus 2015 is as follows:

	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue Growth
Consulting services	(1)%	(3)%	—%	2%
Outsourcing	(4)%	(1)%	(7)%	4%
Total	(3)%	(2)%	(4)%	3%

Consulting services revenue decreased $24 million, or 1% in 2016 as compared to 2015, due primarily to a 3% impact from unfavorable foreign currency exchange rates, partially offset by organic revenue growth of 2% driven by strong growth in retirement solutions, including investment consulting and delegated investment solutions, as well as communications consulting.

Outsourcing revenue decreased $101 million, or 4% in 2016 as compared to 2015, due to a 7% decrease in commissions and fees resulting from net divestitures and a 1% impact from unfavorable foreign currency exchange rates, which more than offset 4% organic revenue growth driven by strong growth in health care exchanges and new client wins in HR BPO for cloud-based solutions, partially offset by a modest decline in benefits administration.

Operating Income

Operating income was $557 million in 2016, an increase of $21 million, or 4%, from 2015. Margins in this segment for 2016 were 13.3%, an increase of 80 basis points from 12.5% in 2015. Operating margin improvement was driven by solid organic revenue growth and expense discipline, partially offset by lost operating income and stranded costs related to previous dispositions, as well as unfavorable foreign currency translation.

Unallocated Income and Expense

A reconciliation of our operating income to income before income taxes is as follows (in millions):

Years ended December 31	2016	2015	2014
Operating income (loss):			
Risk Solutions	$1,587	$1,506	$1,648
HR Solutions	557	536	485
Unallocated expense	(238)	(194)	(167)
Operating income	1,906	1,848	1,966
Interest income	9	14	10
Interest expense	(282)	(273)	(255)
Other income	36	100	44
Income before income taxes	$1,669	$1,689	$1,765

Unallocated operating expense includes corporate governance costs not allocated to the operating segments. Net unallocated expenses increased $44 million to $238 million in 2016 compared to $194 million in 2015 due primarily to $50 million of non-cash expenses related to certain pension settlements.

Interest income, Interest expense, and Other income and its components are discussed in Management's Discussion of Financial Condition and Results of Operations - Review of Consolidated Results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements and Notes thereto have been prepared in accordance with U.S. GAAP. To prepare these financial statements, we make estimates, assumptions, and judgments that affect what we report as our assets and liabilities, what we disclose as contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented.

In accordance with our policies, we regularly evaluate our estimates, assumptions, and judgments, including, but not limited to, those concerning revenue recognition, pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, and base our estimates, assumptions, and judgments on our historical experience and on factors we believe reasonable under the circumstances. The results involve judgments about the carrying values of assets and liabilities not readily apparent from other sources. If our assumptions or conditions change, the actual results we report may differ from these estimates. We believe the following critical accounting policies affect the more significant estimates, assumptions, and judgments we use to prepare these Consolidated Financial Statements.

Revenue Recognition

Risk Solutions segment revenues primarily include insurance commissions and fees for services rendered and investment income on funds held on behalf of clients. Revenues are recognized when they are earned and realized or realizable. We consider revenues to be earned and realized or realizable when all of the following four conditions are met: (1) persuasive evidence of an arrangement exists, (2) the arrangement fee is fixed or determinable, (3) delivery or performance has occurred, and (4) collectability is reasonably assured. For brokerage commissions, revenue is typically recognized at the completion of the placement process, assuming all four criteria required to recognize revenue have been met. The placement process is typically considered complete on the effective date of the related policy. Commission revenues are recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data.

HR Solutions segment revenues consist primarily of fees paid by clients for consulting advice and outsourcing contracts. Fees paid by clients for consulting services are typically charged on an hourly, project, or fixed-fee basis. Revenues from time-and-materials or cost-plus arrangements are recognized as services are performed, assuming all four criteria to recognize revenue have been met. Revenues from fixed-fee contracts are recognized as services are provided using a proportional-performance model or at the completion of a project based on facts and circumstances of the client arrangement. Revenues from healthcare exchange arrangements are typically recognized upon successful enrollment of participants, net of a reserve for estimated cancellations, assuming all four criteria to recognize revenue have been met. Reimbursements received for out-of-pocket expenses are recorded as a component of revenues. Our outsourcing contracts typically have three-to-five year terms for benefits services and five-to-ten year terms for human resources business process outsourcing ("HR BPO") services. We recognize revenues as services are performed, assuming all four criteria to recognize revenue have been met. We may also receive implementation fees from clients either up-front or over the ongoing services period as a component of the fee per participant. Lump sum implementation fees received from a client are typically deferred and recognized ratably over the ongoing contract services period. If a client terminates an outsourcing services arrangement prior to the end of the contract, a loss on the contract may be recorded, if necessary, and any remaining deferred implementation revenues would typically be recognized over the remaining service period through the termination date.

In connection with our long-term outsourcing service agreements, highly customized implementation efforts are often necessary to set up clients and their human resource or benefit programs on our systems and operating processes. For outsourcing services sold separately or accounted for as a separate unit of accounting, specific, incremental, and direct costs of implementation incurred prior to the services commencing are generally deferred and amortized over the period that the related ongoing services revenue is recognized. Deferred costs are assessed for recoverability on a periodic basis to the extent the deferred cost exceeds related deferred revenue.

Pensions

We sponsor defined benefit pension plans throughout the world. Our most significant plans are located in the U.S., the U.K., the Netherlands and Canada and are closed to new entrants. We have ceased crediting future benefits relating to salary and service for our U.S., U.K., Netherlands and Canadian plans to the extent statutorily permitted.

Beginning for 2016 expense, we elected to utilize a full yield curve approach in the estimation of the service and interest cost components of net periodic pension and post-retirement benefit cost for our major pension and other post-retirement benefit plans by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. In 2015 and prior years, we estimated these components of net periodic pension and post-retirement benefit cost by applying a single weighted-average discount rate, derived from the yield curve used to measure the benefit obligation at the beginning of the period.

Recognition of gains and losses and prior service

Certain changes in the value of the obligation and in the value of plan assets, which may occur due to various factors such as changes in the discount rate and actuarial assumptions, actual demographic experience, and/or plan asset performance are not immediately recognized in net income. Such changes are recognized in Other comprehensive income and are amortized into net income as part of the net periodic benefit cost.

Unrecognized gains and losses that have been deferred in Other comprehensive income, as previously described, are amortized into Compensation and benefits expense as a component of periodic pension expense based on the average life expectancy of the U.S., the Netherlands, Canada, and U.K. plan members. We amortize any prior service expense or credits that arise as a result of plan changes over a period consistent with the amortization of gains and losses.

As of December 31, 2016, our pension plans have deferred losses that have not yet been recognized through income in the Consolidated Financial Statements. We amortize unrecognized actuarial losses outside of a corridor, which is defined as 10% of the greater of market-related value of plan assets or projected benefit obligation. To the extent not offset by future gains, incremental amortization as calculated above will continue to affect future pension expense similarly until fully amortized.

The following table discloses our unrecognized actuarial gains and losses, the number of years over which we are amortizing the experience loss, and the estimated 2017 amortization of loss by country (millions, except amortization period):

	U.K.	U.S.	Other
Unrecognized actuarial gains and losses	$1,256	$1,618	$394
Amortization period	9 - 31	7 - 26	14 - 40
Estimated 2017 amortization of loss	$30	$52	$11

The unrecognized prior service cost (credit) at December 31, 2016 was $6 million, $19 million, and $(6) million in the U.S., U.K. and other plans, respectively.

For the U.S. pension plans we use a market-related valuation of assets approach to determine the expected return on assets, which is a component of net periodic benefit cost recognized in the Consolidated Statements of Income. This approach recognizes 20% of any gains or losses in the current year’s value of market-related assets, with the remaining 80% spread over the next four years. As this approach recognizes gains or losses over a five-year period, the future value of assets and therefore, our net periodic benefit cost will be impacted as previously deferred gains or losses are recorded. As of December 31, 2016, the market-related value of assets was $1.8 billion. We do not use the market-related valuation approach to determine the funded status of the U.S. plans recorded in the Consolidated Statements of Financial Position. Instead, we record and present the funded status in the Consolidated Statements of Financial Position based on the fair value of the plan assets. As of December 31, 2016, the fair value of plan assets was $1.7 billion.

Our non-U.S. plans use fair value to determine expected return on assets.

Rate of return on plan assets and asset allocation

The following table summarizes the expected long-term rate of return on plan assets for future pension expense and the related target asset mix as of December 31, 2016:

	U.K.	U.S.	Other
Expected return	3.36%	7.88%	2.68 - 5.15%

In determining the expected rate of return for the plan assets, we analyze investment community forecasts and current market conditions to develop expected returns for each of the asset classes used by the plans. In particular, we survey multiple third-party financial institutions and consultants to obtain long-term expected returns on each asset class, considered historical performance data by asset class over long periods, and weighted the expected returns for each asset class by target asset allocations of the plans.

The U.S. pension plan asset allocation is based on approved allocations following adopted investment guidelines. The investment policy for U.K. and non-U.S. pension plans is generally determined by the plans’ trustees. Because there are several pension plans maintained in the U.K. and non-U.S. category, our target allocation presents a range of the target allocation of each plan. Further, target allocations are subject to change.

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Impact of changing economic assumptions

Changes in the discount rate and expected return on assets can have a material impact on pension obligations and pension expense.

Holding all other assumptions constant, the following table reflects what a 25 basis point increase and decrease in our estimated discount rate would have on our projected benefit obligation at December 31, 2016 (in millions):

Estimated liability discount rate	25 Basis Point Change in Discount Rate	
Increase (decrease) in projected benefit obligation of December 31, 2016 (1)	Increase	Decrease
U.K. plans	$(226)	$ 237
U.S. plans	(83)	87
Other plans	(53)	56

(1) Increases to the projected benefit obligation reflect increases to our pension obligations, while decreases in the projected benefit obligation are recoveries toward fully funded status. A change in the discount rate has an inverse relationship to the projected benefit obligation.

Holding all other assumptions constant, the following table reflects what a 25 basis point increase and decrease in our estimated discount rate would have on our estimated 2017 pension expense (in millions):

	25 Basis Point Change in Discount Rate	
Increase (decrease) in expense	Increase	Decrease
U.K. plans	$(4)	$ 4
U.S. plans	1	(1)
Other plans	—	—

Holding other assumptions constant, the following table reflects what a 25 basis point increase and decrease in our estimated long-term rate of return on plan assets would have on our estimated 2017 pension expense (in millions):

	25 Basis Point Change in Long-Term Rate of Return on Plan Assets	
Increase (decrease) in expense	Increase	Decrease
U.K. plans	$(14)	$ 14
U.S. plans	(4)	4
Other plans	(3)	3

Estimated future contributions

We estimate contributions of approximately $185 million to our pension plans in 2017 as compared with $123 million in 2016.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair market value of the net assets acquired. We classify our intangible assets acquired as either tradenames, customer related and contract based, or technology and other.

Goodwill is not amortized, but rather tested for impairment at least annually in the fourth quarter. In the fourth quarter, we also test the acquired tradenames (which also are not amortized) for impairment. We test more frequently if there are indicators of impairment or whenever business circumstances suggest that the carrying value of goodwill or trademarks may not be recoverable. These indicators may include a sustained significant decline in our share price and market capitalization, a decline in our expected future cash flows, or a significant adverse change in legal factors or in the business climate, among others. No events occurred during 2016 that indicate the existence of an impairment with respect to our reported goodwill or tradenames.

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We perform impairment reviews at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a “component”). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. An operating segment shall be deemed to be a reporting unit if all of its components are similar, if none of its components is a reporting unit, or if the segment comprises only a single component.

The goodwill impairment test is initially a qualitative analysis to determine if it is “more likely than not” that the fair value of each reporting unit exceeds the carrying value, including goodwill, of the corresponding reporting unit. If the “more likely than not” threshold is not met, then the goodwill impairment test becomes a two-step analysis. Step One requires the fair value of each reporting unit to be compared to its book value. Management must apply judgment in determining the estimated fair value of the reporting units. If the fair value of a reporting unit is determined to be greater than the carrying value of the reporting unit, goodwill and trademarks are deemed not to be impaired and no further testing is necessary. If the fair value of a reporting unit is less than the carrying value, we perform Step Two. Step Two uses the calculated fair value of the reporting unit to perform a hypothetical purchase price allocation to the fair value of the assets and liabilities of the reporting unit. The difference between the fair value of the reporting unit calculated in Step One and the fair value of the underlying assets and liabilities of the reporting unit is the implied fair value of the reporting unit’s goodwill. A charge is recorded in the financial statements if the carrying value of the reporting unit’s goodwill is greater than its implied fair value.

In determining the fair value of our reporting units, we use a discounted cash flow (“DCF”) model based on our most current forecasts. We discount the related cash flow forecasts using the weighted-average cost of capital method at the date of evaluation. Preparation of forecasts and selection of the discount rate for use in the DCF model involve significant judgments, and changes in these estimates could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We also use market multiples which are obtained from quoted prices of comparable companies to corroborate our DCF model results. The combined estimated fair value of our reporting units from our DCF model often results in a premium over our market capitalization, commonly referred to as a control premium. We believe the implied control premium determined by our impairment analysis is reasonable based upon historic data of premiums paid on actual transactions within our industry. Based on tests performed in both 2016 and 2015, there was no indication of goodwill impairment, and no further testing was required.

We review intangible assets that are being amortized for impairment whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. There were no indications that the carrying values of amortizable intangible assets were impaired as of December 31, 2016. If we are required to record impairment charges in the future, they could materially impact our results of operations.

Contingencies

We define a contingency as an existing condition that involves a degree of uncertainty as to a possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Under U.S. GAAP, we are required to establish reserves for loss contingencies when the loss is probable and we can reasonably estimate its financial impact. We are required to assess the likelihood of material adverse judgments or outcomes, as well as potential ranges or probability of losses. We determine the amount of reserves required, if any, for contingencies after carefully analyzing each individual item. The required reserves may change due to new developments in each issue. We do not recognize gain contingencies until the contingency is resolved and amounts due are probable of collection.

Share-Based Payments

Share-based compensation expense is measured based on the estimated grant date fair value and recognized over the requisite service period for awards that we ultimately expect to vest. We estimate forfeitures at the time of grant based on our actual experience to date and revise our estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Restricted Share Units

Restricted share units (“RSUs”) are service-based awards for which we recognize the associated compensation cost on a straight-line basis over the requisite service period. We estimate the fair value of the awards based on the market price of the underlying share on the date of grant, reduced by the present value of estimated dividends foregone during the vesting period where applicable.

Performance Share Awards

Performance share awards ("PSAs") are performance-based awards for which vesting is dependent on the achievement of certain objectives. Such objectives may be made on a personal, group or company level. We estimate the fair value of the awards based on the market price of the underlying stock on the date of grant, reduced by the present value of estimated dividends foregone during the vesting period.

Compensation cost is recognized over the performance period. The number of shares issued on the vesting date will vary depending on the actual performance objectives achieved. We make assessments of future performance using subjective estimates, such as long-term plans. As a result, changes in the underlying assumptions could have a material impact on the compensation expense recognized.

The largest performance-based share-based payment award plan is the Leadership Performance Plan ("LPP"), which has a three-year performance period. The 2014 to 2016 performance period ended on December 31, 2016, the 2013 to 2015 performance period ended on December 31, 2015 and the 2012 to 2014 performance period ended on December 31, 2014. The LPP currently has two open performance periods: 2015 to 2017 and 2016 to 2018. A 10% upward adjustment in our estimated performance achievement percentage for both open performance periods would have increased our 2016 expense by approximately $8.1 million, while a 10% downward adjustment would have decreased our expense by approximately $8.1 million. As the percent of expected performance increases or decreases, the potential change in expense can go from 0% to 200% of the targeted total expense.

Income Taxes

We earn income in numerous countries and this income is subject to the laws of taxing jurisdictions within those countries.

The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies, and are based on management's assumptions and estimates about future operating results and levels of taxable income, and judgments regarding the interpretation of the provisions of current accounting principles.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In this assessment, significant weight is given to evidence that can be objectively verified.

We assess carryforwards and tax credits for realization as a reduction of future taxable income by using a "more likely than not" determination. We have not recognized a deferred tax liability for permanently reinvested earnings of certain subsidiaries. Additional income taxes could be recorded (or incurred) if we change our investment strategy relating to these subsidiaries, which could materially affect our future effective tax rate.

We base the carrying values of liabilities and assets for income taxes currently payable and receivable on management's interpretation of applicable tax laws, and incorporate management's assumptions and judgments about using tax planning strategies in various taxing jurisdictions. Using different estimates, assumptions and judgments in accounting for income taxes, especially those that deploy tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and changes in our results of operations.

NEW ACCOUNTING PRONOUNCEMENTS

Note 2 "Summary of Significant Accounting Principles and Practices" of the Notes to Consolidated Financial Statements contains a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to potential fluctuations in earnings, cash flows, and the fair value of certain of our assets and liabilities due to changes in interest rates and foreign exchange rates. To manage the risk from these exposures, we enter into a variety of derivative instruments. We do not enter into derivatives or financial instruments for trading or speculative purposes.

The following discussion describes our specific exposures and the strategies we use to manage these risks. Refer to Note 2 "Summary of Significant Accounting Principles and Practices" of the Notes to Consolidated Financial Statements for a discussion of our accounting policies for financial instruments and derivatives.

Foreign Exchange Risk

We are subject to foreign exchange rate risk. Our primary exposures include exchange rates between the U.S. dollar and the euro, the British pound, the Canadian dollar, the Australian dollar, and the Indian rupee. We use over-the-counter options and forward contracts to reduce the impact of foreign currency risk to our financial statements.

Additionally, some of our non-U.S. brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. Our U.K. subsidiaries earn a portion of their revenue in U.S. dollars and euros, but most of their expenses are incurred in British pounds. At December 31, 2016, we have hedged approximately 45% of our U.K. subsidiaries' expected exposures to both U.S. dollar and Euro transactions for the years ending December 31, 2017 and 2018, respectively. We generally do not hedge exposures beyond three years.

We also use forward contracts to economically hedge foreign exchange risk associated with monetary balance sheet exposures, such as inter-company notes and short-term assets and liabilities that are denominated in a non-functional currency and are subject to remeasurement.

The potential loss in future earnings from foreign exchange derivative instruments resulting from a hypothetical 10% adverse change in year-end exchange rates would be $32 million and $18 million at December 31, 2017 and 2018 respectively.

Interest Rate Risk

Our fiduciary investment income is affected by changes in international and domestic short-term interest rates. We monitor our net exposure to short-term interest rates, and as appropriate, hedge our exposure with various derivative financial instruments. This activity primarily relates to brokerage funds held on behalf of clients in the North America, continental Europe, and the Asia Pacific region. A hypothetical, instantaneous parallel decrease in the year-end yield curve of 100 basis points would cause a decrease, net of derivative positions, of $41 million to both 2017 and 2018 pretax income, respectively. A corresponding increase in the year-end yield curve of 100 basis points would cause an increase, net of derivative positions, of $41 million to both 2017 and 2018 pretax income, respectively.

We have long-term debt outstanding with a fair market value of $6.3 billion and $5.4 billion at December 31, 2016 and 2015, respectively. This fair value was greater than the carrying value by $0.4 billion at December 31, 2016, and $0.2 billion greater than the carrying value at December 31, 2015. A hypothetical 1% increase or decrease in interest rates would change the fair value by a decrease of 8% or an increase of 9%, respectively, at December 31, 2016.

We have selected hypothetical changes in foreign currency exchange rates, interest rates, and equity market prices to illustrate the possible impact of these changes; we are not predicting market events.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Aon plc

We have audited the accompanying consolidated statements of financial position of Aon plc as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of Aon plc's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aon plc at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Aon plc's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 23, 2017 expressed an unqualified opinion thereon.

Chicago, Illinois
February 23, 2017

Aon plc

Consolidated Statements of Income

(millions, except per share data)	Years ended December 31 2016	2015	2014
Revenue			
Commissions, fees and other	$11,605	$11,661	$12,019
Fiduciary investment income	22	21	26
Total revenue	11,627	11,682	12,045
Expenses			
Compensation and benefits	6,914	6,837	7,014
Other general expenses	2,807	2,997	3,065
Total operating expenses	9,721	9,834	10,079
Operating income	1,906	1,848	1,966
Interest income	9	14	10
Interest expense	(282)	(273)	(255)
Other income	36	100	44
Income before income taxes	1,669	1,689	1,765
Income taxes	239	267	334
Net income	1,430	1,422	1,431
Less: Net income attributable to noncontrolling interests	34	37	34
Net income attributable to Aon shareholders	$1,396	$1,385	$1,397
Basic net income per share attributable to Aon shareholders	$5.21	$4.93	$4.73
Diluted net income per share attributable to Aon shareholders	$5.16	$4.88	$4.66
Cash dividends per share paid on ordinary shares	$1.29	$1.15	$0.92
Weighted average ordinary shares outstanding - basic	268.1	280.8	295.5
Weighted average ordinary shares outstanding - diluted	270.3	283.8	299.6

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Comprehensive Income

	Years Ended December 31		
(millions)	2016	2015	2014
Net income	$1,430	$1,422	$1,431
Less: Net income attributable to noncontrolling interests	34	37	34
Net income attributable to Aon shareholders	$1,396	$1,385	$1,397
Other comprehensive (loss) income, net of tax:			
Change in fair value of financial instruments	(12)	(8)	4
Foreign currency translation adjustments	(495)	(442)	(507)
Post-retirement benefit obligation	16	155	(260)
Total other comprehensive loss	(491)	(295)	(763)
Less: Other comprehensive loss attributable to noncontrolling interests	(2)	(6)	(3)
Total other comprehensive	(489)	(289)	(760)

loss attributable to Aon shareholders			
Comprehensive income attributable to Aon shareholders	$907	$1,096	$637

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Financial Position

(millions, except nominal value)	As of December 31 2016	2015 (As Revised)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$431	$384
Short-term investments	290	356
Receivables, net	2,589	2,564
Fiduciary assets	9,485	9,932
Other current assets	351	329
Total Current Assets	13,146	13,565
Goodwill	8,747	8,448
Intangible assets, net	2,223	2,180
Fixed assets, net	765	765
Deferred tax assets	322	300
Prepaid pension	858	1,033
Other non-current assets	554	592
TOTAL ASSETS	$26,615	$26,883
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$1,801	$1,772
Short-term debt and current portion of long-term debt	336	562
Fiduciary liabilities	9,485	9,932
Other current liabilities	873	819
Total Current Liabilities	12,495	13,085
Long-term debt	5,869	5,138
Deferred tax liabilities	101	37
Pension, other post retirement, and post employment liabilities	1,774	1,795
Other non-current liabilities	844	769
TOTAL LIABILITIES	21,083	20,824
EQUITY		
Ordinary shares - $0.01 nominal value Authorized: 750 shares (issued: 2016 - 262.0; 2015 - 269.8)	3	3
Additional paid-in capital	5,577	5,409
Retained earnings	3,807	4,013
Accumulated other comprehensive loss	(3,912)	(3,423)
TOTAL AON SHAREHOLDERS' EQUITY	5,475	6,002

Noncontrolling interests	57	57
TOTAL EQUITY	5,532	6,059
TOTAL LIABILITIES AND EQUITY	$26,615	$26,883

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Shareholders' Equity

(millions)	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Noncontrolling Interests	Total
			(As Revised)			
Balance at January 1, 2014	300.7	$ 4,788	$ 5,627	$ (2,374)	$ 50	8,091
Net income	—	—	1,397	—	34	1,431
Shares issued — employee benefit plans	0.4	26	—	—	—	26
Shares issued — employee compensation	4.7	(131)	—	—	—	(131)
Shares purchased	(25.8)	—	(2,250)	—	—	(2,250)
Tax benefit — employee benefit plans	—	89	—	—	—	89
Share-based compensation expense	—	328	—	—	—	328
Dividends to shareholders	—	—	(273)	—	—	(273)
Net change in fair value of financial instruments	—	—	—	4	—	4
Net foreign currency translation adjustments	—	—	—	(504)	(3)	(507)
Net post-retirement benefit obligation	—	—	—	(260)	—	(260)
Net sales of subsidiary shares to noncontrolling interests	—	—	—	—	3	3
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(24)	(24)
Balance at December 31, 2014	280.0	5,100	4,501	(3,134)	60	6,527
Net income	—	—	1,385	—	37	1,422
Shares issued — employee benefit plans	0.5	33	—	—	—	33
Shares issued — employee compensation	5.3	(188)	—	—	—	(188)
Shares purchased	(16.0)	—	(1,550)	—	—	(1,550)
Tax benefit — employee benefit plans	—	126	—	—	—	126
Share-based compensation expense	—	340	—	—	—	340
Dividends to shareholders	—	—	(323)	—	—	(323)
Net change in fair value of financial instruments	—	—	—	(8)	—	(8)
Net foreign currency translation adjustments	—	—	—	(436)	(6)	(442)
Net post-retirement benefit obligation	—	—	—	155	—	155
Net purchases of shares from noncontrolling interests	—	1	—	—	(7)	(6)
Dividends paid to noncontrolling interests on subsidiary common stock	—	—	—	—	(27)	(27)
Balance at December 31, 2015	269.8	5,412	4,013	(3,423)	57	6,059
Net income	—	—	1,396	—	34	1,430
Shares issued — employee benefit plans	0.7	49	—	—	—	49
Shares issued — employee compensation	3.6	(174)	—	—	—	(174)
Shares purchased	(12.1)	—	(1,257)	—	—	(1,257)
Tax benefit — employee benefit plans	—	(4)	—	—	—	(4)
Share-based compensation expense	—	331	—	—	—	331
Dividends to shareholders	—	—	(345)	—	—	(345)
Net change in fair value of financial instruments	—	—	—	(12)	—	(12)

Net foreign currency translation adjustments	—	—	—	(493)	(2)	(495)
Net post-retirement benefit obligation	—	—	—	16	—	16
Net purchases of shares from noncontrolling interests	—	(34)	—	—	(4)	(38)
Dividends paid to noncontrolling interests on subsidiary common stock	—		—	—	(28)	(28)
Balance at December 31, 2016	262.0	$ 5,580	$ 3,807	$ (3,912)	$ 57	$ 5,532

See accompanying Notes to Consolidated Financial Statements.

Aon plc
Consolidated Statements of Cash Flows

	Years ended December 31		
(millions)	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$1,430	$1,422	$1,431
Adjustments to reconcile net income to cash provided by operating activities:			
Gain from sales of businesses and investments, net	(39)	(81)	(44)
Depreciation of fixed assets	232	229	242
Amortization of intangible assets	277	314	352
Share-based compensation expense	331	340	328
Deferred income taxes	(24)	(223)	(135)
Change in assets and liabilities:			
Fiduciary receivables	594	599	(19)
Short-term investments — funds held on behalf	(598)	350	(403)

of clients			
Fiduciary liabilities	4	(949)	422
Receivables, net	(86)	(83)	(25)
Accounts payable and accrued liabilities	64	87	4
Current income taxes	49	116	42
Pension, other post-retirement and other post-employment liabilities	42	(230)	(340)
Other assets and liabilities	50	118	(43)
CASH PROVIDED BY OPERATING ACTIVITIES	2,326	2,009	1,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	43	220	52
Payments for investments	(64)	(266)	(20)
Net sales (purchases) of short-term investments — non-fiduciary	61	9	110
Acquisition of businesses, net of cash acquired	(879)	(16)	(479)
Proceeds from sale	107	205	48

of businesses			
Capital expenditures	(222)	(290)	(256)
CASH USED FOR INVESTING ACTIVITIES	(954)	(138)	(545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share repurchase	(1,257)	(1,550)	(2,250)
Issuance of shares for employee benefit plans	(129)	(30)	(105)
Issuance of debt	3,467	5,351	5,239
Repayment of debt	(2,945)	(5,098)	(3,918)
Cash dividends to shareholders	(345)	(323)	(273)
Noncontrolling interests and other financing activities	(77)	(39)	4
CASH USED FOR FINANCING ACTIVITIES	(1,286)	(1,689)	(1,303)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(39)	(172)	(67)
NET INCREASE	47	10	(103)

(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	384	374	477
CASH AND CASH EQUIVALENTS AT END OF YEAR	$431	$384	$374
Supplemental disclosures:			
Interest paid	$272	$254	$245
Income taxes paid, net of refunds	218	249	337

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying Consolidated Financial Statements and Notes thereto have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The 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 Consolidated Financial Statements include, in the opinion of management, all adjustments necessary to present fairly the Company’s consolidated financial position, results of operations and cash flows for all periods presented.

Revision of Previously Issued Financial Statements

During the fourth quarter of 2016, the Company identified errors related to the recognition of revenue for certain brokerage fee arrangements, specifically the consideration for certain arrangements covering multiple insurance placements was not appropriately allocated to each individual placement.

Based on an analysis of quantitative and qualitative factors in accordance with SEC Staff Accounting Bulletins 99 and 108, the Company concluded that these errors were immaterial, individually and in the aggregate, to the Consolidated Statements of Financial Position, Consolidated Statements of Income, or Consolidated Statements of Cash Flows as presented in the Company’s quarterly and annual financial statements previously filed in the Company’s Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. While Aon concluded that the errors were immaterial to each of the prior reporting periods affected, the Company further concluded that correcting the errors cumulatively in fiscal year 2016 would materially misstate the Consolidated Statement of Income for the year ended December 31, 2016. As a result, amendment of such reports is not required.

In preparing the Company’s Consolidated Financial Statements for the year ended December 31, 2016, the Company made appropriate revisions to its financial statements for historical periods. Such changes are reflected for the years ended December 31, 2015 and 2014, included in these financial statements, and will also be reflected in the historical periods included in the Company’s subsequent quarterly and annual consolidated financial statements.

The impact to the Consolidated Statements of Financial Position was a decrease of $170 million to Receivables, net, an increase of $66 million to Deferred tax assets, and a decrease of $104 million to Retained earnings in all periods presented. The impact to the full year Consolidated Statements of Income and Consolidated Statements of Comprehensive Income was de minimis in all periods presented. and therefore remains unchanged. There was no impact to the full year cash provided by operating activities in the Consolidated Statements of Cash Flows.

The impact to the Consolidated Statements of Cash Flows previously filed in unaudited Quarterly Reports on Form 10-Q is as follows (in millions):

	Q1 2016			Q2 2016			Q3 2016		
(Unaudited)	As Reported	Effect of Change[(1)]	As Revised	As Reported	Effect of Change[(1)]	As Revised	As Reported	Effect of Change[(1)]	As Revised
Net Income	$327	$ 10	$ 337	$607	$ 38	$ 645	$921	$ 50	$ 971
Change in assets and liabilities:									
Receivables, net	110	(13)	97	175	(47)	128	289	(61)	228
Other assets and liabilities	$69	$ 3	$ 72	$56	$ 9	$ 65	$83	$ 11	$ 94

(1) No net impact to Cash Provided by Operating Activities.

Refer to Note 17 “Quarterly Financial Data” for the impact to the Company’s Condensed Consolidated Statements of Income previously filed in Quarterly Reports on Form 10-Q.

Reclassification

Certain amounts in prior years’ Consolidated Financial Statements and related notes have been reclassified to conform to the 2016 presentation.

In prior periods, cash outflows from Restructuring activities were shown as a separate line item within Cash Flows From Operating Activities in the Consolidated Statements of Cash Flows. Beginning in 2016, these amounts are disclosed as a component of the change in Other assets and liabilities within Cash Flows From Operating Activities in the Consolidated Statements of Cash Flows. Cash outflows for Restructuring reserves were $31 million at December 31, 2015 and $83 million at December 31, 2014.

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Use of Estimates
The preparation of the accompanying 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, among other factors, with precision, actual results could differ significantly from these estimates. Changes in estimates resulting from continuing changes in the economic environment would, if applicable, be reflected in the financial statements in future periods.

2. Summary of Significant Accounting Principles and Practices

Revenue Recognition
Risk Solutions segment revenues primarily include insurance commissions and fees for services rendered and investment income on funds held on behalf of clients. Revenues are recognized when they are earned and realized or realizable. The Company considers revenues to be earned and realized or realizable when all of the following four conditions are met: (1) persuasive evidence of an arrangement exists, (2) the arrangement fee is fixed or determinable, (3) delivery or performance has occurred, and (4) collectability is reasonably assured. For brokerage commissions, revenue is typically recognized at the completion of the placement process, assuming all four criteria required to recognize revenue have been met. The placement process is typically considered complete on the effective date of the related policy. Commission revenues are recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data.

HR Solutions segment revenues consist primarily of fees paid by clients for consulting advice and outsourcing contracts. Fees paid by clients for consulting services are typically charged on an hourly, project or fixed-fee basis. Revenues from time-and-materials or cost-plus arrangements are recognized as services are performed, assuming all four criteria to recognize revenue have been met. Revenues from fixed-fee contracts are recognized as services are provided using a proportional-performance model or at the completion of a project based on facts and circumstances of the client arrangement. Revenues from health care exchange arrangements are typically recognized upon successful enrollment of participants, net of a reserve for estimated cancellations, assuming all four criteria to recognize revenue have been met. Reimbursements received for out-of-pocket expenses are recorded as a component of revenues. The Company's outsourcing contracts typically have three-to-five year terms for both benefits services and human resources business process outsourcing ("HR BPO") services. The Company recognizes revenues as services are performed, assuming all criteria to recognize revenue have been met. The Company may also receive implementation fees from clients either up-front or over the ongoing services period as a component of the fee per participant. Lump sum implementation fees received from a client are typically deferred and recognized ratably over the ongoing contract service period. If a client terminates an outsourcing service arrangement prior to the end of the contract, a loss on the contract may be recorded, if necessary, and any remaining deferred implementation revenues would typically be recognized over the remaining service period through the termination date.

In connection with the Company's long-term outsourcing service agreements, highly customized implementation efforts are often necessary to set up clients and their human resource or benefit programs on the Company's systems and operating processes. Qualifying costs of implementation incurred prior to the services commencing are generally deferred and amortized over the period that the related ongoing services revenue is recognized. Deferred costs are assessed for recoverability on a periodic basis to the extent the deferred cost exceeds related deferred revenue.

Share-Based Compensation Costs
Share-based payments to employees, including grants of restricted share units and performance share awards, are measured based on estimated grant date fair value. The Company recognizes compensation expense over the requisite service period for awards expected to ultimately vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Pension and Other Post-Retirement Benefits

The Company records net period cost relating to its pension and other post-retirement benefit plans based on calculations that include various actuarial assumptions, including discount rates, assumed rates of return on plan assets, inflation rates, mortality rates, compensation increases, and turnover rates. The Company reviews its actuarial assumptions on an annual basis and modifies these assumptions based on current rates and trends. The effects of gains, losses, and prior service costs and credits are amortized over future service periods or future estimated lives if the plans are frozen. The funded status of each plan, calculated as the fair value of plan assets less the benefit obligation, is reflected in the Company's Consolidated Statements of Financial Position using a December 31 measurement date.

Net Income per Share

Basic net income per share is computed by dividing net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding, including participating securities, which consist of unvested share awards with non-forfeitable rights to dividends. Diluted net income per share is computed by dividing net income available to ordinary shareholders by the weighted-average number of ordinary shares outstanding, which have been adjusted for the dilutive effect of potentially issuable ordinary shares (excluding those that are considered participating securities), including certain contingently issuable shares. The diluted earnings per share calculation reflects the more dilutive effect of either (1) the two-class method that assumes that the participating securities have not been exercised, or (2) the treasury stock method.

Potentially issuable shares are not included in the computation of diluted income per share if their inclusion would be antidilutive.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents include cash balances and all highly liquid investments 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 December 31, 2016, Cash and cash equivalents and Short-term investments totaled $721 million compared to $740 million at December 31, 2015. Of the total balance, $82 million and $105 million was restricted as to its use at December 31, 2016 and 2015, respectively. Included within the December 31, 2016 and 2015 balances, respectively, were £43.3 million ($53.2 million at December 31, 2016 exchanges rates) and £43.3 million ($64.6 million at December 31, 2015 exchange rates) of operating funds required to be held by the Company in the U.K. by the Financial Conduct Authority, a U.K.-based regulator, which were included in Short-term investments. In addition, Cash and cash equivalents included restricted balances of $29 million and $40 million at December 31, 2016 and 2015, respectively.

Fiduciary Assets and Liabilities

In its capacity as an insurance agent and broker, Aon collects premiums from insureds and, after deducting its commission, remits the premiums to the respective insurers. Aon also collects claims or refunds from insurers on behalf of insureds. Uncollected premiums from insureds and uncollected claims or refunds from insurers are recorded as Fiduciary assets in the Company's Consolidated Statements of Financial Position. Unremitted insurance premiums and claims are held in a fiduciary capacity and the obligation to remit these funds is recorded as Fiduciary liabilities in the Company's Consolidated Statements of Financial Position. Some of the Company's outsourcing agreements also require it to hold funds to pay certain obligations on behalf of clients. These funds are also recorded as Fiduciary assets with the related obligation recorded as Fiduciary liabilities in the Company's Consolidated Statements of Financial Position.

Aon maintained premium trust balances for premiums collected from insureds but not yet remitted to insurance companies of $3.8 billion and $3.4 billion at December 31, 2016 and 2015, respectively. These funds and a corresponding liability are included in Fiduciary assets and Fiduciary liabilities, respectively, in the accompanying Consolidated Statements of Financial Position.

Allowance for Doubtful Accounts

The Company's allowance for doubtful accounts with respect to receivables is based on a combination of factors, including evaluation of historical write-offs, aging of balances, and other qualitative and quantitative analyses. Receivables, net included an allowance for doubtful accounts of $58 million at both December 31, 2016 and 2015.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Included in this category is internal use software, which is software that is acquired, internally developed or modified solely to meet internal needs, with no plan to market externally. Costs related to directly obtaining, developing or upgrading internal use software are capitalized. Depreciation and amortization

are computed using the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Asset Description	Asset Life
Software	Lesser of the life of an associated license, or 4 to 7 years
Leasehold improvements	Lesser of estimated useful life or lease term, not to exceed 10 years
Furniture, fixtures and equipment	4 to 10 years
Computer equipment	4 to 6 years
Buildings	35 years
Automobiles	6 years

Goodwill and Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of the net assets in the acquisition of a business. Goodwill is allocated to various reporting units, which are one reporting level below the operating segment. Upon disposition of a business entity, goodwill is allocated to the disposed entity based on the fair value of that entity compared to the fair value of the reporting unit in which it was included. Goodwill is not amortized, but instead is tested for impairment at least annually. The goodwill impairment test is performed at the reporting unit level. The Company initially performs a qualitative analysis to determine if it is more likely than not that the goodwill balance is impaired. If such a determination is made, then the Company will perform a two-step quantitative analysis. First, the fair value of each reporting unit is compared to its carrying value. If the fair value of the reporting unit is less than its carrying value, the Company performs a hypothetical purchase price allocation based on the reporting unit's fair value to determine the fair value of the reporting unit's goodwill. Any resulting difference will be a charge to Other general expenses in the Consolidated Statements of Income in the period in which the determination is made. Fair value is determined using a combination of present value techniques and market prices of comparable businesses.

Intangible assets are primarily comprised of tradenames and customer-related, contract-based, and technology assets. Tradenames are not amortized when such assets have been determined to have indefinite useful lives, and are tested at least annually for impairments using an analysis of expected future cash flows. Interim impairment testing may be performed when events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. Customer related and contract based assets are amortized over periods ranging from 1 to 16 years, with a weighted average original life of 11 years. Technology assets are typically amortized over 7 years.

Derivatives

Derivative instruments are recognized in the Consolidated Statements of Financial Position at fair value. Where the Company has entered into master netting agreements with counterparties, the derivative positions are netted by counterparty and are reported accordingly in other assets or other liabilities. Changes in the fair value of derivative instruments are recognized in earnings each period, unless the derivative is designated and qualifies as a cash flow or net investment hedge.

The Company has historically designated the following hedging relationships for certain transactions: (i) a hedge of the change in fair value of a recognized asset or liability or firm commitment ("fair value hedge"), (ii) a hedge of the variability in cash flows from a recognized variable-rate asset or liability or forecasted transaction ("cash flow hedge"), and (iii) a hedge of the net investment in a foreign operation ("net investment hedge").

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow, or a net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation must include a description of the hedging instrument, the hedged item, the risk being hedged, Aon's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge, and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both the inception of the hedge and on an ongoing basis. Aon assesses the ongoing effectiveness of its hedges and measures and records hedge ineffectiveness, if any, at the end of each quarter or more frequently if facts and circumstances require.

For a derivative designated as a hedging instrument, the changes in the fair value of a recognized asset or liability or a firm commitment (a fair value hedge), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. For a cash flow hedge that qualifies for hedge accounting, the effective portion of the change in fair value of a hedging instrument is recognized in Other Comprehensive Income ("OCI") and subsequently reclassified to earnings in the same period the hedged item impacts earnings. The ineffective portion of the change in fair value is recognized immediately in earnings. For a net investment hedge, the effective portion of the change in fair value of the hedging instrument is recognized in OCI as part of the cumulative translation adjustment, while the ineffective portion is recognized immediately in earnings.

Changes in the fair value of a derivative that is not designated as part of a hedging relationship (commonly referred to as an "economic hedge") are recorded in Other income in the Consolidated Statements of Income.

The Company discontinues hedge accounting prospectively when (1) the derivative expires or is sold, terminated, or exercised, (2) the qualifying criteria are no longer met, or (3) management removes the designation of the hedging relationship.

Foreign Currency

Certain of the Company's non-US operations use their respective local currency as their functional currency. These operations that do not have the U.S. dollar as their functional currency translate their financial statements at the current rates of exchange in effect at the balance sheet date and revenues and expenses using rates that approximate those in effect during the period. The resulting translation adjustments are included in net foreign currency translation adjustments within the Consolidated Statements of Shareholders' Equity. Gains and losses from the remeasurement of monetary assets and liabilities that are denominated in a non-functional currency are included in Other income within the Consolidated Statements of Income. The effect of foreign exchange gains and losses on the Consolidated Statements of Income were losses of $9 million, $11 million, and $1 million in 2016, 2015, and 2014, respectively. Included in these amounts were hedging losses of $7 million in 2016 and hedging losses of $19 million in both 2015 and 2014.

Income Taxes

Deferred income taxes are recognized for the effect of temporary differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted marginal tax rates and laws that are currently in effect. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in the period when the rate change is enacted.

Deferred tax assets are reduced by valuation allowances if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. Significant weight is given to evidence that can be objectively verified. Deferred tax assets are realized by having sufficient future taxable income to allow the related tax benefits to reduce taxes otherwise payable. The sources of taxable income that may be available to realize the benefit of deferred tax assets are future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carry-forwards, taxable income in carry-back years and tax planning strategies that are both prudent and feasible.

The Company recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Tax positions that meet the more likely than not recognition threshold but are not highly certain are initially and subsequently measured based on the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the taxing authority. Only information that is available at the reporting date is considered in the Company's recognition and measurement analysis, and events or changes in facts and circumstances are accounted for in the period in which the event or change in circumstance occurs.

The Company records penalties and interest related to unrecognized tax benefits in Income taxes in the Company's Consolidated Statements of Income.

New Accounting Pronouncements

Income Tax Consequences of Intercompany Transactions

In October 2016, the Financial Accounting Standards Board ("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 its Consolidated Financial Statements.

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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 application 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 application 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 upon the Company's Consolidated Statement 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 its Consolidated Financial Statements, as well as the method of transition and period of adoption.

Share-based Compensation

In March 2016, the 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 guidance is effective for Aon in the first quarter of 2017 and early adoption is permitted.

Upon the adoption of this guidance on January 1, 2017, the Company expects to recognize an increase to Deferred tax assets of approximately $49 million through a cumulative-effect adjustment to Retained earnings for excess tax benefits not previously recognized. On a prospective basis, excess tax benefits will be recognized in the Consolidated Statements of Income each quarter as share-based payment awards vest, which could have a significant impact on Income tax expense in the Consolidated Statement of Income and Additional paid-in capital in the Consolidated Statements of Financial Position. The impact will be driven, in part, by the difference between the Company's share price at the time share-based payment transactions vest or options are exercised in the future periods and the fair value of the awards at the date of grant. Amendments related to the presentation of excess tax benefits on the Consolidated Statement of Cash Flows, which will be applied prospectively, may have a significant impact on Cash Flows from Operating Activities and Cash Flows from Financing Activities in the Consolidated Statements of Cash Flows. The impact will also be driven by the Company's share price at the time share-based payment transactions vest in future periods. The Company does not expect other elements of the guidance to have a material impact on its Consolidated Financial Statements.

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 Consolidated 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 application 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 its Consolidated Financial Statements, as well as the method of transition and period of adoption.

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 its Consolidated Financial Statements, as well as the method of transition and period of adoption.

Presentation of Deferred Taxes

In November 2015, the FASB issued new accounting guidance on the balance sheet presentation of deferred taxes, which requires that deferred tax liabilities and assets be classified as non-current. Aon early adopted this guidance in the second quarter of 2016 and retrospectively applied its requirements to all periods presented. For the year ended December 31, 2015, Aon reclassified its current deferred tax positions to non-current and netted the new balances by jurisdiction, which increased Deferred tax assets by $93 million and decreased Deferred tax liabilities by $139 million on the Consolidated Statement of Financial Position.

Debt Issuance Costs

In April 2015, the FASB issued new accounting guidance on the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Debt issuance costs related to its line-of-credit arrangements will be shown within Other non-current assets. This guidance was effective for Aon in the first quarter of 2016, which required retrospective application to prior year comparable periods. For the year ended December 31, 2015, Aon reclassified $4 million from Other current assets and $33 million from Other non-current assets to Long-term debt on the Consolidated Statement of Financial Position.

Consolidations

In February 2015, the FASB issued new accounting guidance on consolidations, which will eliminate the deferral granted to investment companies from applying the variable interest entities guidance and make targeted amendments to the current consolidation guidance. The new guidance applies to all entities involved with limited partnerships or similar entities and requires re-evaluation of these entities under the revised guidance, which could change previous consolidation conclusions. The guidance was effective for the Company in the first quarter of 2016. The adoption of this guidance did not have a material impact on the Company’s Consolidated Financial Statements.

Revenue Recognition

In May 2014, the FASB issued new accounting guidance 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 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, revenues 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 which will be impacted by the new standard, but is unable to provide information on quantitative impacts at this time.

However, the primary impacts of the new standard to the Company's product and service lines are anticipated to be as follows:

The Company currently recognizes revenue for certain brokerage activities within the Risk Solutions business 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. Similarly, the Company is currently assessing the timing and measurement of revenue recognition under the new standard for outsourcing and consulting operations within the HR Solutions business.

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. These assets recognized for the costs to obtain and/or fulfill a contract will be amortized on a on a systematic basis that is consistent with the transfer of the services to which the asset relates. 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. Other Financial Data

Consolidated Statements of Income Information

Other Income

Other income consists of the following (in millions):

Years ended December 31	2016	2015	2014
Equity earnings	$13	$13	$12
Net gain on disposals of businesses	39	82	24
Foreign currency remeasurement (loss) gain	(2)	30	18
(Loss) income on financial instruments	(14)	(24)	(15)
Other	—	(1)	5
Total	$36	$100	$44

Consolidated Statements of Financial Position Information

Allowance for Doubtful Accounts

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

Years ended December 31	2016	2015	2014
Balance at January 1	$58	$74	$90
Provision charged to operations	11	13	12
Accounts written off, net of recoveries	(14)	(34)	(33)
Foreign currency translation	3	5	5
Balance at December 31	$58	$58	$74

Other Current Assets

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

As of December 31	2016	2015
Taxes receivable	$100	$94
Prepaid expenses	125	130
Deferred project costs	87	92
Other	39	13
Total	$351	$329

Fixed Assets, net

The components of Fixed assets, net are as follows (in millions):

As of December 31	2016	2015
Software	$948	$1,095
Leasehold improvements	452	422
Computer equipment	417	358
Furniture, fixtures and equipment	300	315
Construction in progress	93	76
Other	115	115
Fixed assets, gross	2,325	2,381
Less: Accumulated depreciation	1,560	1,616
Fixed assets, net	$765	$765

Depreciation expense, which includes software amortization, was $232 million, $229 million, and $242 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Other Non-Current Assets

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

As of December 31	2016	2015
Deferred project costs	$183	$210
Investments	119	135
Taxes receivable	82	82
Other	170	165
Total	$554	$592

Other Current Liabilities

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

As of December 31	2016	2015
Deferred revenue	$393	$394
Taxes payable	78	94
Other	402	331
Total	$873	$819

Other Non-Current Liabilities

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

As of December 31	2016	2015
Taxes payable	$288	$223
Leases	169	166
Deferred revenue	140	159
Compensation and benefits	56	59
Other	191	162
Total	$844	$769

4. Acquisitions and Dispositions of Businesses

Acquisitions

The number of acquisitions completed within each reportable segment is as follows:

Years ended December 31	2016	2015
Risk Solutions	5	4
HR Solutions	3	3
Total	8	7

2016 Acquisitions

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.

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 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 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 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.

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 November 11, 2016 the Company completed the transaction to acquire CoCubes, a leading hiring assessment company based in India.

On December 26, 2016, the Company completed the transaction to acquire Admix, a leading health and benefits brokerage and solutions firm based in Brazil.

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):

Year ended December 31	2016
Cash	$ 891
Deferred and contingent consideration	43
Aggregate consideration transferred	934
Assets acquired:	
Cash and cash equivalents	12
Receivables, net	52
Goodwill	642
Intangible assets, net	366
Fixed assets, net	30
Other assets	2
Total assets acquired	1,104
Liabilities assumed:	
Current liabilities	163
Other liabilities	7
Total liabilities assumed	170
Net assets acquired	$ 934

Intangible assets are primarily customer-related and contract-based assets; those acquired as part of a business acquisition in 2016 had a weighted average useful economic life of 13 years. Acquisition related costs incurred and recognized within Other general expenses for the year ended December 31, 2016 were $8 million. Total revenue for these acquisitions included in the Company's Consolidated Statement of Income for the year ended December 31, 2016 was $68 million.

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

2015 Acquisitions

The following table includes the preliminary fair values of consideration transferred and intangible assets acquired as a result of the Company's acquisitions (in millions):

Year ended December 31	2015
Consideration	$ 27
Intangible assets:	
Goodwill	$ 18
Other intangible assets	6
Total intangible assets	$ 24

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

Dispositions

The number of dispositions completed within each reportable segment is as follows:

Years ended December 31	2016	2015	2014
Risk Solutions	4	4	2
HR Solutions	1	3	0
Total	5	7	2

Total pretax gains, net of losses, recognized were $39 million, $82 million, and $24 million, respectively, for the years ended December 31, 2016, 2015, and 2014. Gains and losses recognized as a result of a disposition are included in Other income in the Consolidated Statements of Income.

5. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill by reportable segment for the years ended December 31, 2016 and 2015, respectively, are as follows (in millions):

	Risk Solutions	HR Solutions	Total
Balance as of January 1, 2015	$ 5,911	$ 2,949	$ 8,860
Goodwill related to current year acquisitions	2	16	18
Goodwill related to disposals	(1)	(76)	(77)
Goodwill related to prior year acquisitions	—	—	—
Foreign currency translation	(319)	(34)	(353)
Balance as of December 31, 2015	$ 5,593	$ 2,855	$ 8,448
Goodwill related to current year acquisitions	632	10	642
Goodwill related to disposals	(8)	(26)	(34)
Goodwill related to prior year acquisitions	4	—	4
Foreign currency translation	(268)	(45)	(313)
Balance as of December 31, 2016	$ 5,953	$ 2,794	$ 8,747

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

	As of December 31					
	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with indefinite lives:						
Tradenames	$998	$ —	$ 998	$1,019	$ —	$ 1,019
Intangible assets with finite lives:						
Customer related and contract based	3,108	1,971	1,137	2,886	1,809	1,077
Technology and other	574	486	88	541	457	84
Total	$4,680	$ 2,457	$ 2,223	$4,446	$ 2,266	$ 2,180

Amortization expense from finite-lived intangible assets was $277 million, $314 million and $352 million during 2016, 2015 and 2014, respectively.

The estimated future amortization for finite-lived intangible assets as of December 31, 2016 is as follows (in millions):

	Risk Solutions	HR Solutions	Total
2017	$ 123	$ 136	$ 259
2018	118	91	209
2019	107	73	180
2020	97	61	158
2021	66	53	119
Thereafter	239	61	300
Total	$ 750	$ 475	$ 1,225

6. Debt

The following is a summary of outstanding debt (in millions):

As of December 31	2016	2015 (1)
3.875% Senior Notes due December 2025	$744	$—
5.00% Senior Notes due September 2020	598	597
4.75% Senior Notes due May 2045	592	591
3.50% Senior Notes due June 2024	594	593
4.60% Senior Notes due June 2044	543	543
2.875% Senior Notes due May 2026 (EUR 500M)	516	541
8.205% Junior Subordinated Notes due January 2027	521	521
3.125% Senior Notes due May 2016	—	500
2.80% Senior Notes due March 2021	397	396
4.00% Senior Notes due November 2023	347	347
6.25% Senior Notes due September 2040	295	295
4.76% Senior Notes due March 2018 (CAD 375M)	277	270
4.45% Senior Notes due May 2043	246	246
4.25% Senior Notes due December 2042	197	195
Commercial paper	329	50
Other	9	15
Total debt	6,205	5,700
Less short-term and current portion of long-term debt	336	562
Total long-term debt	$5,869	$5,138

(1) Amended to reflect the adoption of new guidance related to the presentation of debt issuance costs as described in Note 2 “Summary of Significant Accounting Principles and Practices.”

On May 27, 2016, $500 million of 3.125% Senior Notes due May 2016 issued by Aon Corporation matured and were repaid in full.

On March 1, 2016, Aon plc issued $750 million of 3.875% Senior Notes due December 2025. The Company used the proceeds of the issuance for general corporate purposes.

On November 13, 2015, Aon plc issued $400 million of 2.80% Senior Notes due March 2021. The Company used the proceeds of the issuance for general corporate purposes.

On September 30, 2015, $600 million of 3.50% Senior Notes issued by Aon Corporation matured and were repaid in full.

On May 20, 2015, Aon plc issued $600 million of 4.750% Senior Notes due May 2045. The Company used the proceeds of the issuance for general corporate purposes.

Each of the notes issued by Aon plc and described above is fully and unconditionally guaranteed by Aon Corporation. The 4.76% Senior Notes due March 2018 identified in the table above were issued by a Canadian subsidiary of Aon Corporation and are fully and unconditionally guaranteed by Aon plc and Aon Corporation. Refer to Note 16 “Guarantee of Registered Securities” for additional information regarding guarantees of outstanding debt securities.

Each of the notes described above and identified in the table above contains customary representations, warranties and covenants, and the Company was in compliance with all such covenants as of December 31, 2016.

Repayments of total debt are as follows (in millions):

2017	$336
2018	278
2019	—
2020	600
2021	400
Thereafter	4,700
Total Repayments	6,314
Unamortized discount, premium, and debt issuance cost	(109)
Total Debt	$6,205

Revolving Credit Facilities

As of December 31, 2016, Aon plc had two primary committed credit facilities outstanding: its $400 million U.S. credit facility expiring in March 2017 (the “2017 Facility”) and its $900 million multi-currency U.S. credit facility expiring in February 2021 (the “2021 Facility”). The Company plans to let the 2017 facility expire but may evaluate obtaining additional committed credit in the future. Each of these facilities includes customary representations, warranties and covenants, including financial covenants that require Aon plc to maintain specified ratios of adjusted consolidated EBITDA to consolidated interest expense and consolidated debt to adjusted consolidated EBITDA, in each case, tested quarterly. At December 31, 2016, Aon plc did not have borrowings under either the 2017 Facility or the 2021 Facility, and was in compliance with all covenants contained therein during the twelve months ended December 31, 2016.

Commercial Paper

Aon Corporation, a wholly-owned subsidiary of Aon plc, has established a U.S. commercial paper program, which provides for commercial paper to be issued in an aggregate principal amount of up to $900 million, and Aon plc has established a European multi-currency commercial paper program that provides for commercial paper to be issued in an aggregate principal amount of up to €300 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 $329.2 million and $50.0 million of commercial paper outstanding at December 31, 2016 and 2015, respectively, which was included in Short-term debt and current portion of long-term debt in the Company’s Consolidated Statements of Financial Position. The weighted average commercial paper outstanding for 2016 and 2015 was $265.0 million and $402.0 million, respectively. The weighted average interest rate of the commercial paper outstanding during 2016 and 2015 was 0.22% and 0.50%, respectively.

7. Lease Commitments

The Company leases office facilities, equipment, and automobiles under non-cancelable operating leases. These leases expire at various dates and may contain renewal and expansion options. In addition to base rental costs, occupancy lease agreements generally provide for rent escalations resulting from increased assessments for real estate taxes and other charges. The Company’s lease obligations are primarily for the use of office space.

Rental expenses (including amounts applicable to taxes, insurance and maintenance) for operating leases are as follows (in millions):

Years ended December 31	2016	2015	2014
Rental expense	$400	$454	$455
Less: Sub lease rental income	(64)	(83)	(75)
Net rental expense	$336	$371	$380

At December 31, 2016, future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows (in millions):

Years ended December 31, 2016	Gross rental commitments	Rentals from subleases	Net rental commitments
2017	$ 355	$ (55)	$ 300
2018	317	(44)	273
2019	283	(38)	245
2020	237	(34)	203
2021	214	(33)	181
Thereafter	696	(47)	649
Total minimum payments required	$ 2,102	$ (251)	$ 1,851

8. Income Taxes

Income before income tax and the provision for income tax consist of the following (in millions):

Years ended December 31	2016	2015	2014
Income before income taxes:			
U.K.	$(202)	$149	$347
U.S.	(104)	(51)	(55)
Other	1,975	1,591	1,473
Total	$1,669	$1,689	$1,765
Income tax expense (benefit):			
Current:			
U.K.	$(54)	$43	$1
U.S. federal	94	137	156
U.S. state and local	—	54	75
Other	223	256	236
Total current tax expense	$263	$490	$468
Deferred tax expense (benefit):			
U.K.	$59	$(39)	$38
U.S. federal	(47)	(140)	(133)
U.S. state and local	6	(14)	(24)
Other	(42)	(30)	(15)
Total deferred tax benefit	$(24)	$(223)	$(134)
Total income tax expense	$239	$267	$334

Income before income taxes shown above is based on the location of the business unit to which such earnings are attributable for tax purposes. In addition, because the earnings shown above may in some cases be subject to taxation in more than one country, the income tax provision shown above as U.K., U.S. or Other may not correspond to the geographic attribution of the earnings.

The Company performs a reconciliation of the income tax provisions based on its domicile and statutory rate at each reporting period. The 2016, 2015, and 2014 reconciliations are based on the U.K. statutory corporate tax rate of 20.0%, 20.3%, and 21.5%, respectively. The reconciliation to the provisions reflected in the Consolidated Financial Statements is as follows:

Years ended December 31	2016	2015	2014
Statutory tax rate	20.0%	20.3%	21.5%
U.S. state income taxes, net of U.S. federal benefit	0.7	0.5	1.5
Taxes on international operations (1)	(8.5)	(6.0)	(8.9)
Nondeductible expenses	1.2	2.2	1.7
Adjustments to prior year tax requirements	(1.0)	(1.3)	0.9
Adjustments to valuation allowances	(1.8)	(1.2)	0.6
Change in uncertain tax positions	3.0	1.4	1.7
Other — net	0.7	(0.1)	(0.1)
Effective tax rate	14.3%	15.8%	18.9%

(1) The Company determines the adjustment for taxes on international operations based on the difference between the statutory tax rate applicable to earnings in each foreign jurisdiction and the enacted rate of 20.0%, 20.3% and 21.5% at December 31, 2016, 2015, and 2014, respectively. The benefit to the Company's effective income tax rate from taxes on international operations relates to benefits from lower-taxed global operations, primarily due to the use of global funding structures.

The components of the Company's deferred tax assets and liabilities are as follows (in millions):

As of December 31	2016	2015
Deferred tax assets:		
Employee benefit plans	$661	$635
Net operating/capital loss and tax credit carryforwards	399	336
Accrued interest	166	293
Other accrued expenses	102	98
Brokerage fee arrangements (1)	66	66
Deferred revenue	57	65
Investment basis differences	48	56
Other	60	57
Total	1,559	1,606
Valuation allowance on deferred tax assets	(130)	(162)
Total	$1,429	$1,444
Deferred tax liabilities:		
Intangibles and property, plant and equipment	$(982)	$(961)
Other accrued expenses	(101)	(99)
Deferred costs	(20)	(30)
Unrealized foreign exchange gains	(26)	(29)
Unremitted earnings	(29)	(18)
Other	(50)	(44)
Total	$(1,208)	$(1,181)
Net deferred tax asset	$221	$263

(1) Refer to Note 1 "Basis of Presentation" for details regarding the Revision of Previously Issued Financial Statements.

Deferred income taxes (assets and liabilities have been netted by jurisdiction) have been classified in the Consolidated Statements of Financial Position as follows (in millions):

As of December 31	2016	2015
Deferred tax assets — non-current (2)	$322	$300
Deferred tax liabilities — non-current (2)	(101)	(37)
Net deferred tax asset	$221	$263

(2) For the year ended December 31, 2015, Aon reclassified its current deferred tax positions to non-current and netted the new balances by jurisdiction. Refer to Note 2 "Summary of Significant Accounting Principles and Practices" for additional details.

Valuation allowances have been established primarily with regard to the tax benefits of certain net operating loss, capital loss and interest expense carryforwards. Valuation allowances decreased by $32 million as of December 31, 2016, when compared to December 31, 2015, primarily attributable to the reversal of a valuation allowance and the impact of foreign currency translation.

The Company recognized, as an adjustment to additional paid-in-capital, income tax benefits attributable to employee stock compensation of $(4) million, $126 million and $89 million in 2016, 2015, and 2014, respectively. The year-over-year change is primarily attributable to excess tax benefits not recorded in 2016 because the deduction did not decrease income taxes payable.

Deferred income taxes of $11 million were accrued in 2016 on undistributed earnings that are not permanently reinvested. Undistributed earnings of non-U.S. entities were approximately $2.3 billion at December 31, 2016. U.S. income taxes have not been provided on these undistributed earnings because they are considered to be permanently reinvested in those subsidiaries. It is not practicable to estimate the amount of unrecognized deferred tax liabilities, if any, for these undistributed foreign earnings.

The Company had the following operating and capital loss carryforwards (in millions):

As of December 31	2016	2015
UK		
Operating loss carryforwards	$325	$449
Capital loss carryforwards	294	360
US		
Federal operating loss carryforwards	$196	$8
State operating loss carryforwards	474	443
Other Non-US		
Operating loss carryforwards	$350	$245
Capital loss carryforwards	218	206

As of December 31, 2016, the Company had $126 million of federal operating loss carryforwards and $110 million of state operating loss carryforwards for which a benefit will be recorded in APIC when realized.

The U.K. operating losses and capital losses have an indefinite carryforward. The federal operating loss carryforwards as of December 31, 2016 expire at various dates from 2020 to 2036 and the state operating losses as of December 31, 2016 expire at various dates from 2017 to 2036. Operating and capital losses in other non-US jurisdictions have various carryforward periods and will begin to expire in 2019.

During 2012, the Company was granted a tax holiday for the period from October 1, 2012 through September 30, 2022, with respect to withholding taxes and certain income derived from services in Singapore. This tax holiday and reduced withholding tax rate may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The benefit realized was approximately $46 million, $23 million, and $7 million during the years ended December 31, 2016, 2015, and 2014, respectively. The impact of this tax holiday on diluted earnings per share was $0.17, $0.08, and $0.02 during the years ended December 31, 2016, 2015, and 2014, respectively.

Uncertain Tax Positions

The following is a reconciliation of the Company's beginning and ending amount of uncertain tax positions (in millions):

	2016	2015
Balance at January 1	$238	$211
Additions based on tax positions related to the current year	36	31
Additions for tax positions of prior years	20	53
Reductions for tax positions of prior years	(12)	(18)
Settlements	—	(32)
Business combinations	2	—
Lapse of statute of limitations	(5)	(5)
Foreign currency translation	(1)	(2)
Balance at December 31	$278	$238

The Company's liability for uncertain tax positions as of December 31, 2016, 2015, and 2014, includes $240 million, $200 million, and $174 million, respectively, related to amounts that would impact the effective tax rate if recognized. It is possible that the amount of unrecognized tax benefits may change in the next twelve months; however, the Company does not expect the change to have a significant impact on its consolidated statements of income or consolidated balance sheets. These changes may be the result of settlements of ongoing audits. At this time, an estimate of the range of the reasonably possible outcomes within the twelve months cannot be made.

The Company recognizes interest and penalties related to uncertain tax positions in its provision for income taxes. The Company accrued potential interest and penalties of $15 million, $2 million, and $4 million in 2016, 2015, and 2014, respectively. The

Company recorded a liability for interest and penalties of $48 million, $33 million, and $31 million as of December 31, 2016, 2015, and 2014, respectively.
The Company and its subsidiaries file income tax returns in their respective jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 2007. Material U.S. state and local income tax jurisdiction examinations have been concluded for years through 2005. The Company has concluded income tax examinations in its primary non-U.S. jurisdictions through 2005.

9. Shareholders' Equity

Distributable Reserves

As a U.K. incorporated company, the Company is required under U.K. law to have available "distributable reserves" to make share repurchases or pay dividends to shareholders. Distributable reserves may be created through the earnings of the U.K. parent company and, amongst other methods, through a reduction in share capital approved by the English Companies Court. Distributable reserves are not linked to a U.S. GAAP reported amount (e.g., retained earnings). As of December 31, 2016 and 2015, the Company had distributable reserves in excess of $1.6 billion and $2.1 billion, respectively.

Ordinary Shares

In April 2012, the Company's Board of Directors authorized a share repurchase program under which up to $5.0 billion of Class A Ordinary Shares may be repurchased ("2012 Share Repurchase Program"). In November 2014, the Company's Board of Directors authorized a new $5.0 billion share repurchase program in addition to the existing program ("2014 Share Repurchase Program" and, together with the 2012 Share Repurchase Program, the "Repurchase Programs"). Subsequent to the close of the fourth quarter 2016, the Board of Directors authorized a $5.0 billion increase to the existing remaining authorization under its share repurchase program. Under each program, 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.
During 2016, the Company repurchased 12.2 million shares at an average price per share of $102.66 for a total cost of $1.3 billion under the 2014 Share Repurchase Program. The Company recorded an additional $6 million of transaction costs associated with the repurchase to retained earnings during 2016. During 2015, the Company repurchased 16.0 million shares at an average price per share of $97.04 for a total cost of $1.6 billion under the Repurchase Programs. In August 2015, the $5 billion of Class A Ordinary Shares authorized under the 2012 Share Repurchase Program was exhausted. At December 31, 2016, the remaining authorized amount for share repurchase under the 2014 Share Repurchase Program is $2.8 billion. Under the Repurchase Programs, the Company has repurchased a total of 90.2 million shares for an aggregate cost of $7.2 billion.

Net Income Per Share

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

	Year ended December 31,		
	2016	2015	2014
Basic weighted-average ordinary shares outstanding	268.1	280.8	295.5
Dilutive effect of potentially issuable shares	2.2	3.0	4.1
Diluted weighted-average ordinary shares outstanding	270.3	283.8	299.6

Potentially issuable shares are not included in the computation of diluted net income per share if their inclusion would be antidilutive. There were no shares excluded from the calculation for in 2016, 2015, or 2014.

Dividends

During 2016, 2015, and 2014, the Company paid dividends on its Class A Ordinary Shares of $345.0 million, $323.0 million, and $273.0 million, respectively. Dividends paid per Class A Ordinary Share were $1.29, $1.15 and $0.92 for the years ended December 31, 2016, 2015, and 2014 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 January 1, 2014	$ (21)	$ 169	$ (2,522)	$(2,374)
Other comprehensive loss before reclassifications:				
Other comprehensive loss before reclassifications	(13)	(492)	(563)	(1,068)
Tax benefit	4	(12)	229	221
Other comprehensive loss before reclassifications, net	(9)	(504)	(334)	(847)
Amounts reclassified from accumulated other comprehensive loss:				
Amounts reclassified from accumulated other comprehensive loss	20	—	106	126
Tax benefit	(7)	—	(32)	(39)
Amounts reclassified from accumulated other comprehensive loss, net	13	—	74	87
Net current period other comprehensive (loss) income	4	(504)	(260)	(760)
Balance at December 31, 2014	(17)	(335)	(2,782)	(3,134)
Other comprehensive loss before reclassifications:				
Other comprehensive loss before reclassifications	(4)	(467)	82	(389)
Tax benefit	1	31	(9)	23
Other comprehensive loss before reclassifications, net	(3)	(436)	73	(366)
Amounts reclassified from accumulated other comprehensive loss:				
Amounts reclassified from accumulated other comprehensive loss	11	—	117	128
Tax benefit	(16)	—	(35)	(51)
Amounts reclassified from accumulated other comprehensive loss, net	(5)	—	82	77
Net current period other comprehensive (loss) income	(8)	(436)	155	(289)
Balance at December 31, 2015	(25)	(771)	(2,627)	(3,423)
Other comprehensive loss before reclassifications:				
Other comprehensive loss before reclassifications	(25)	(490)	(276)	(791)
Tax benefit	6	(3)	74	77
Other comprehensive loss before reclassifications, net	(19)	(493)	(202)	(714)
Amounts reclassified from accumulated other comprehensive loss:				
Amounts reclassified from accumulated other comprehensive loss	10	—	322	332
Tax benefit	(3)	—	(104)	(107)
Amounts reclassified from accumulated other comprehensive loss, net	7	—	218	225
Net current period other comprehensive (loss) income	(12)	(493)	16	(489)
Balance at December 31, 2016	$ (37)	$ (1,264)	$ (2,611)	$(3,912)

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

(2)

Reclassifications from this category included in Accumulated other comprehensive loss are recorded in Compensation and benefits

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10. Employee Benefits

Defined Contribution Savings Plans

Aon maintains defined contribution savings plans for the benefit of its U.S., U.K., Netherlands and Canada employees. The expense recognized for these plans is included in Compensation and benefits in the Consolidated Statements of Income, as follows (in millions):

Years ended December 31	2016	2015	2014
U.S.	$142	$133	$123
U.K.	43	42	42
Netherlands and Canada	27	25	30
Total	$212	$200	$195

Pension and Other Post-retirement Benefits

The Company sponsors defined benefit pension and post-retirement health and welfare plans that provide retirement, medical, and life insurance benefits. The post-retirement healthcare plans are contributory, with retiree contributions adjusted annually, and the life insurance and pension plans are generally noncontributory. The significant U.S., U.K., Netherlands and Canadian pension plans are closed to new entrants.

Pension Plans

The following tables provide a reconciliation of the changes in the projected benefit obligations and fair value of assets for the years ended December 31, 2016 and 2015 and a statement of the funded status as of December 31, 2016 and 2015, for the material U.K. plans, U.S. plans and other major plans, which are located in the Netherlands and Canada. These plans represent approximately 92% of the Company's projected benefit obligations.

	U.K.		U.S.		Other	
(millions)	2016	2015	2016	2015	2016	2015
Change in projected benefit obligation						
At January 1	$4,985	$5,529	$3,160	$3,350	$1,177	$1,399
Service cost	—	1	—	—	—	—
Interest cost	158	198	111	131	29	33
Plan amendment	(20)	27	—	—	—	(10)
Settlements	(159)	—	(281)	—	—	—
Plan transfer and acquisitions	—	(2)	—	(18)	—	—
Actuarial loss (gain)	32	(83)	(43)	(25)	(7)	24
Benefit payments	(242)	(217)	(139)	(133)	(39)	(38)
Change in discount rate	1,079	(247)	100	(145)	100	(66)
Foreign currency impact	(959)	(221)	—	—	(33)	(165)
At December 31	$4,874	$4,985	$2,908	$3,160	$1,227	$1,177
Accumulated benefit obligation at end of year	$4,874	$4,985	$2,908	$3,160	$1,191	$1,135
Change in fair value of plan assets						
At January 1	$5,903	$6,224	$1,951	$2,036	$1,019	$1,161
Actual return on plan assets	1,233	91	116	(60)	111	8
Employer contributions	67	65	36	108	20	21
Settlements	(159)	—	(281)	—	—	—
Plan transfer and acquisitions	—	(3)	—	—	—	—
Benefit payments	(242)	(217)	(139)	(133)	(39)	(38)
Foreign currency impact	(1,127)	(257)	—	—	(35)	(133)
At December 31	$5,675	$5,903	$1,683	$1,951	$1,076	$1,019
Market related value at end of year	$5,675	$5,903	$1,819	$2,064	$1,076	$1,019
Amount recognized in Statement of Financial Position at December 31						
Funded status	$801	$918	$(1,225)	$(1,209)	$(151)	$(158)
Unrecognized prior-service cost	19	46	6	9	(6)	(7)
Unrecognized loss	1,237	1,465	1,612	1,723	400	389
Net amount recognized	$2,057	$2,429	$393	$523	$243	$224

In March 2016, the Company entered into an insurance contract that covers a portion of the assets within select U.K. pension schemes. The transaction resulted in a decrease in Prepaid pension assets and Accumulated other comprehensive income of $267 million.

Amounts recognized in the Consolidated Statements of Financial Position consist of (in millions):

	U.K.		U.S.		Other	
	2016	2015	2016	2015	2016	2015
Prepaid benefit cost (1)	$836	$1,012	$—	$—	$—	$—
Accrued benefit liability (2)	(35)	(94)	(1,225)	(1,209)	(151)	(158)
Accumulated other comprehensive loss	1,256	1,511	1,618	1,732	394	382
Net amount recognized	$2,057	$2,429	$393	$523	$243	$224

(1) Included in Prepaid pension

(2) Included in Other current liabilities and Pension, other post retirement, and post employment liabilities

Amounts recognized in Accumulated other comprehensive loss (income) that have not yet been recognized as components of net periodic benefit cost at December 31, 2016 and 2015 consist of (in millions):

	U.K.		U.S.		Other	
	2016	2015	2016	2015	2016	2015
Net loss	$1,237	$1,465	$1,612	$1,723	$400	$389
Prior service cost (income)	19	46	6	9	(6)	(7)
Total	$1,256	$1,511	$1,618	$1,732	$394	$382

In 2016, U.S. plans with a projected benefit obligation ("PBO") and an accumulated benefit obligation ("ABO") in excess of the fair value of plan assets had a PBO of $2.9 billion, an ABO of $2.9 billion, and plan assets with a fair value of $1.7 billion. U.K. plans with a PBO in excess of the fair value of plan assets had a PBO of $1.2 billion and plan assets with a fair value of $1.1 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of $1.2 billion and plan assets with a fair value of $1.1 billion. Other plans with a PBO in excess of the fair value of plan assets had a PBO of $1.2 billion and plan assets with a fair value of $1.0 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of $1.1 billion and plan assets with a fair value of $1.0 billion.

In 2015, U.S. plans with a PBO and an ABO in excess of the fair value of plan assets had a PBO of $3.2 billion, an ABO of $3.2 billion, and plan assets of $2.0 billion. U.K. plans with a PBO in excess of the fair value of plan assets had a PBO of $1.2 billion and plan assets with a fair value of $1.1 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of $1.2 billion and plan assets with a fair value of $1.1 billion. Other plans with a PBO in excess of the fair value of plan assets had a PBO of $1.2 billion and plan assets with a fair value of $1.0 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of $1.1 billion and plan assets with a fair value of $1.0 billion.

The following table provides the components of net periodic benefit (income) cost for the plans (in millions):

	U.K.			U.S.			Other		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Service cost	$—	$1	$1	$—	$—	$2	$—	$—	$—
Interest cost	158	198	230	111	131	129	29	33	47
Expected return on plan assets, net of administration expenses	(243)	(307)	(326)	(156)	(154)	(157)	(48)	(50)	(59)
Amortization of prior-service cost	2	1	1	2	2	2	—	—	—
Amortization of net actuarial loss	31	41	52	50	54	42	10	11	10
Net periodic benefit (income) cost	(52)	(66)	(42)	7	33	18	(9)	(6)	(2)
Settlement expense	61	—	—	158	—	—	—	—	—
Curtailment gain and other	—	—	—	—	—	—	—	—	(2)
Total net periodic benefit cost (income)	$9	$(66)	$(42)	$165	$33	$18	$(9)	$(6)	$(4)

Beginning in 2016, the Company has elected to utilize a full yield curve approach in the estimation of the service and interest cost components of net periodic pension and post-retirement benefit cost for its major pension and other post-retirement benefit plans by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. In 2015 and prior years, the Company estimated these components of net periodic pension and post-retirement benefit cost by applying a single weighted-average discount rate, derived from the yield curve used to measure the benefit obligation at the beginning of the period.

In March 2016, the Company announced a plan to offer a voluntary one-time lump sum payment option to certain eligible former employees under one of the Company's U.K. pension plans, that if accepted, would settle the Company's pension obligations to them. The lump sum cash payment offer closed during the second quarter of 2016. In total, lump sum payments from plan assets of £116 million ($159 million using June 30, 2016 exchange rates) were paid. As a result of this settlement, the Company remeasured the assets and liabilities of the U.K. pension plan during the second quarter of 2016, which in aggregate resulted in a reduction to the projected benefit obligation of £103 million ($141 million using June 30, 2016 Exchange rates) as well as a non-cash settlement charge of £42 million ($61 million using average June 2016 exchange rate) in the second quarter of 2016.

In August 2016, the Company announced a plan to offer a voluntary one-time lump sum payment option to certain eligible former employees under one of the Company's U.S. pension plans, that if accepted, would settle the Company's pension obligations to them. The lump sum cash payment offer closed during the fourth quarter of 2016. In total, lump sum payments from plan assets of $281 million were paid. As a result of this settlement, the Company remeasured the assets and liabilities of the U.S. pension plan during the fourth quarter of 2016, which in aggregate resulted in a reduction to the projected benefit obligation of $325 million as well as a non-cash settlement charge of $158 million in the fourth quarter of 2016.

The weighted-average assumptions used to determine benefit obligations are as follows:

	U.K.		U.S.		Other	
	2016	2015	2016	2015	2016	2015
Discount rate	2.77%	3.96%	3.53-4.11%	3.69-4.43%	1.85-3.81%	2.43-3.96%
Rate of compensation increase	3.70 - 4.20%	3.63-4.13%	N/A	N/A	1.00-3.50%	2.00-3.50%
Underlying price inflation	1.83%	1.88%	N/A	N/A	2.00-2.50%	2.00-2.50%

The weighted-average assumptions used to determine the net periodic benefit cost are as follows:

	U.K.			U.S.			Other		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Discount rate	3.96%	3.70%	4.55%	3.69 - 4.43%	3.37 - 4.08%	3.97 - 4.87%	2.43 - 3.96%	2.03 - 3.91%	3.60 - 4.71%
Expected return on plan assets, net of administration expenses	4.55%	5.09%	6.00%	7.81%	7.96%	8.80%	3.47 - 4.95%	3.99 - 5.21%	4.70 - 6.50%
Rate of compensation increase	3.63 - 4.13%	3.55 - 4.05%	3.70 - 4.40%	N/A	N/A	N/A	2.00 - 3.50%	2.25 - 3.50%	2.25 - 3.50%

The amounts in Accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost during 2017 are $52 million in the U.S. and $41 million outside the U.S.

Expected Return on Plan Assets

To determine the expected long-term rate of return on plan assets, the historical performance, investment community forecasts and current market conditions are analyzed to develop expected returns for each asset class used by the plans. The expected returns for each asset class are weighted by the target allocations of the plans. The expected return on plan assets in the U.S. of 7.81% reflects a portfolio that is seeking asset growth through a higher equity allocation while maintaining prudent risk levels. The portfolio contains certain assets that have historically resulted in higher returns and other financial instruments to minimize downside risk.

No plan assets are expected to be returned to the Company during 2017.

Fair value of plan assets

The Company determined the fair value of plan assets through numerous procedures based on the asset class and available information. Refer to Note 13 “Fair Value Measurements and Financial Instruments” for a description of the procedures performed to determine the fair value of the plan assets.

The fair values of the Company’s U.S. pension plan assets at December 31, 2016 and December 31, 2015, by asset category, are as follows (in millions):

		Fair Value Measurements Using		
Asset Category	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)
Cash and cash equivalents (1)	$ 100	$ 100	$ —	$ —
Equity investments:				
Large cap domestic	268	268	—	—
Small cap domestic	15	15	—	—
International	64	64	—	—
Equity derivatives	81	78	3	—
Pooled funds:				
International (2)	196	—	—	—
Small cap domestic (2)	52	—	—	—
Fixed income investments: (3)				
Corporate bonds	105	—	105	—
Government and agency bonds	132	76	56	—
Asset-backed securities	—	—	—	—
Fixed income derivatives	65	65	—	—
Pooled funds:				
Corporate bonds (2)	255	—	—	—
Other investments:				
Commodity derivatives (4)	22	—	22	—
Real estate and REITS (5)	61	61	—	—
Alternative investments (2) (6)	267	—	—	—
Total	$ 1,683	$ 727	$ 186	$ —

(1) Consists of cash and institutional short-term investment funds.

(2) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair values to the amounts presented in the plan assets contained in this Note.

(3) Consists of corporate and government bonds, asset-backed securities, and fixed income derivatives.

(4) Consists of long-dated options and swaps on a commodity index.

(5) Consists of exchange traded real estate investment trusts (“REITS”).

(6) Consists of limited partnerships, private equity and hedge funds.

Asset Category	Balance at December 31, 2015	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents (1)	$ 33	$ 33	$ —	$ —
Equity investments:				
Large cap domestic	299	299	—	—
Small cap domestic	30	30	—	—
International	52	52	—	—
Equity derivatives	203	170	33	—
Pooled funds:				
International (2)	210	—	—	—
Small cap domestic (2)	58	—	—	—
Fixed income investments: (3)				
Corporate bonds	148	—	148	—
Government and agency bonds	128	52	76	—
Asset-backed securities	—	—	—	—
Fixed income derivatives	69	47	22	—
Pooled funds:				
Corporate bonds (2)	336	—	—	—
Other investments:				
Commodity derivatives (4)	13	—	13	—
Real estate and REITS (5)	67	67	—	—
Alternative investments (2) (6)	305	—	—	—
Total	$ 1,951	$ 750	$ 292	$ —

(1) Consists of cash and institutional short-term investment funds.
(2) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair values to the amounts presented in the plan assets contained in this Note.
(3) Consists of corporate and government bonds, asset-backed securities, and fixed income derivatives.
(4) Consists of long-dated options on a commodity index.
(5) Consists of exchange traded REITS.
(6) Consists of limited partnerships, private equity and hedge funds.

The fair values of the Company's major U.K. pension plan assets at December 31, 2016 and December 31, 2015, by asset category, are as follows (in millions):

	Balance at December 31, 2016	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents (1)	$ 86	$86	$ —	$ —
Equity investments:				
Global	135	135	—	—
Pooled funds:				
Global (2)	365	—	—	—
Europe (2)	18	—	—	—
Fixed income investments: (3)				
Derivatives (4)	10	—	10	—
Fixed income securities (5)	2,129	1,726	403	—
Annuities	1,773	—	—	1,773
Pooled funds:				
Derivatives (2)	62	—	—	—
Fixed income securities (2)	223	—	—	—
Other investments:				
Real estate (2) (6)	101	—	—	—
Alternative investments (2) (7)	773	—	—	—
Total	$ 5,675	$1,947	$ 413	$ 1,773

(1) Consists of cash and institutional short-term investment funds.

(2) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair values to the amounts presented in the plan assets contained in this Note.

(3) Consists of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles.

(4) Consists of equity securities and equity derivatives.

(5) Consists of corporate and government bonds and fixed income derivatives.

(6) Consists of property funds and trusts holding direct real estate investments.

(7) Consists of limited partnerships, private equity and hedge funds.

	Balance at December 31, 2015	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents (1)	$ 159	$159	$ —	$ —
Equity investments:				
Derivatives	66	—	66	—
Global	133	133	—	—
Pooled funds:				
Global (2)	360	—	—	—
Europe (2)	17	—	—	—
Fixed income investments: (3)				
Derivatives (4)	111	—	111	—
Fixed income securities (5)	3,145	2,268	877	—
Annuities	827	—	—	827
Pooled funds:				
Fixed income securities (2)	283	—	—	—
Other investments:				
Real estate (2) (6)	85	—	—	—
Alternative investments (2) (7)	717	—	—	—
Total	$ 5,903	$2,560	$ 1,054	$ 827

(1) Consists of cash and institutional short-term investment funds.

(2) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair values to the amounts presented in the plan assets contained in this Note.

(3) Consists of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles.

(4) Consists of equity securities and equity derivatives.

(5) Consists of corporate and government bonds and fixed income derivatives.

(6) Consists of property funds and trusts holding direct real estate investments.

(7) Consists of limited partnerships, private equity and hedge funds.

The following table presents the changes in the Level 3 fair-value category in the Company's U.K. pension plans for the years ended December 31, 2016 and December 31, 2015 (in millions):

Fair Value Measurements Using Level 3 Inputs	Annuities
Balance at January 1, 2015	$ 836
Actual return on plan assets:	
Relating to assets still held at December 31, 2015	(32)
Purchases, sales and settlements—net	58
Foreign exchange	(35)
Balance at December 31, 2015	827
Actual return on plan assets:	
Relating to assets still held at December 31, 2016	7
Purchases, sales and settlements—net	1,248
Foreign exchange	(309)
Balance at December 31, 2016	$ 1,773

The fair values of the Company's other major pension plan assets at December 31, 2016 and December 31, 2015, by asset category, are as follows (in millions):

		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)
Cash and cash equivalents	$ 11	$ 11	$ —	$ —
Equity investments:				
Pooled funds:				
Global (1)	322	—	—	—
North America (1)	36	—	—	—
Derivatives (1)	20	—	—	—
Fixed income investments:				
Fixed income securities (2)	166	—	166	—
Derivatives (2)	37	—	37	—
Pooled funds:				
Fixed income securities (1)	469	—	—	—
Other investments:				
Alternative investments (1) (3)	9	—	—	—
Pooled funds:				
REITS (1) (4)	6	—	—	—
Total	$ 1,076	$ 11	$ 203	$ —

(1) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair values to the amounts presented in the plan assets contained in this Note.
(2) Consists of corporate and government bonds and fixed income derivatives.
(3) Consists of limited partnerships, private equity and hedge funds.
(4) Consists of property funds and trusts holding direct real estate investments.

	Balance at December 31, 2015	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 11	$ 11	$ —	$ —
Equity investments:				
Pooled funds:				
Global (1)	270	—	—	—
North America (1)	37	—	—	—
Derivatives (1)	21	—	—	—
Fixed income investments:				
Fixed income securities (2)	30	—	30	—
Derivatives (2)	48	—	48	—
Pooled funds:				
Fixed income securities (1)	576	—	—	—
Derivatives (1)	12	—	—	—
Other investments:				
Alternative investments (1) (3)	9	—	—	—
Pooled funds:				
Commodities (1)	2	—	—	—
REITS (1) (4)	3	—	—	—
Total	$ 1,019	$ 11	$ 78	$ —

(1) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair values to the amounts presented in the plan assets contained in this Note.

(2) Consists of corporate and government bonds and fixed income derivatives.

(3) Consists of limited partnerships, private equity and hedge funds.

(4) Consists of property funds and trusts holding direct real estate investments.

Investment Policy and Strategy

The U.S. investment policy, as established by the Aon Retirement Plan Governance and Investment Committee (“RPGIC”), seeks reasonable asset growth at prudent risk levels within target allocations, which are 41% equity investments, 30% fixed income investments, and 29% other investments. Aon believes that plan assets are well-diversified and are of appropriate quality. The investment portfolio asset allocation is reviewed quarterly and re-balanced to be within policy target allocations. The investment policy is reviewed at least annually and revised, as deemed appropriate by the RPGIC. The investment policies for international plans are generally established by the local pension plan trustees and seek to maintain the plans’ ability to meet liabilities and to comply with local minimum funding requirements. Plan assets are invested in diversified portfolios that provide adequate levels of return at an acceptable level of risk. The investment policies are reviewed at least annually and revised, as deemed appropriate to ensure that the objectives are being met. At December 31, 2016, the weighted average targeted allocation for the U.K. and non-U.S. plans was 14% for equity investments, 77% for fixed income investments, and 9% for other investments.

Cash Flows

Contributions

Based on current assumptions, in 2017, the Company expects to contribute approximately $80 million, $87 million, and $18 million to its U.K., U.S. and other significant international pension plans, respectively.

Estimated Future Benefit Payments

Estimated future benefit payments for plans are as follows at December 31, 2016 (in millions):

	U.K.	U.S.	Other
2017	$124	$168	$ 39
2018	130	180	40
2019	140	187	40
2020	148	191	41
2021	156	185	42
2022 – 2026	892	893	228

U.S. and Canadian Other Post-Retirement Benefits

The following table provides an overview of the accumulated projected benefit obligation, fair value of plan assets, funded status and net amount recognized as of December 31, 2016 and 2015 for the Company’s other significant post-retirement benefit plans located in the U.S. and Canada (in millions):

	2016	2015
Accumulated projected benefit obligation	$110	$105
Fair value of plan assets	18	