Aon plc
Form 10-Q
October 31, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2012

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.)
8 DEVONSHIRE SQUARE, LONDON, ENGLAND	**EC2M 4PL**

(Address of Principal Executive Offices)	(Zip Code)

+44 20 7623 5500

(Registrant s Telephone Number,

Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x 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 x NO 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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of Class A Ordinary Shares of Aon plc, $0.01 nominal value, outstanding as of September 30, 2012: 318,667,385

Part I Financial Information

ITEM 1. FINANCIAL STATEMENTS

Aon plc

Condensed Consolidated Statements of Income

(Unaudited)

(millions, except share data)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue				
Commissions, fees and other	$ 2,726	$ 2,708	$ 8,368	$ 8,255
Fiduciary investment income	11	15	31	38
Total revenue	2,737	2,723	8,399	8,293
Expenses				
Compensation and benefits	1,620	1,634	4,920	4,843
Other general expenses	778	761	2,344	2,284
Total operating expenses	2,398	2,395	7,264	7,127
Operating income	339	328	1,135	1,166
Interest income	1	4	6	14
Interest expense	(57)	(60)	(173)	(186)
Other (expense) income	(9)	20	3	6
Income from continuing operations before income taxes	274	292	971	1,000
Income taxes	64	84	257	274
Income from continuing operations	210	208	714	726
(Loss) income from discontinued operations before income taxes			(1)	5
Income taxes				1
(Loss) income from discontinued operations			(1)	4
Net income	210	208	713	730
Less: Net income attributable to noncontrolling interests	6	10	25	28
Net income attributable to Aon shareholders	$ 204	$ 198	$ 688	$ 702
Net income (loss) attributable to Aon shareholders				
Income from continuing operations	$ 204	$ 198	$ 689	$ 698
(Loss) income from discontinued operations			(1)	4
Net income	$ 204	$ 198	$ 688	$ 702
Basic net income per share attributable to Aon shareholders				
Continuing operations	$ 0.62	$ 0.59	$ 2.08	$ 2.07
Discontinued operations				0.01
Net income	$ 0.62	$ 0.59	$ 2.08	$ 2.08

Diluted net income per share attributable to Aon shareholders								
Continuing operations	$	0.62	$	0.59	$	2.06	$	2.04
Discontinued operations								0.01
Net income	$	0.62	$	0.59	$	2.06	$	2.05
Cash dividends per share paid on ordinary shares	$	0.16	$	0.15	$	0.46	$	0.45
Weighted average ordinary shares outstanding - basic		327.3		332.6		330.6		336.7
Weighted average ordinary shares outstanding - diluted		331.0		336.9		334.4		341.8

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

Aon plc

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended		Nine Months Ended	
(millions)	**September 30, 2012**	**September 30, 2011**	**September 30, 2012**	**September 30, 2011**
Net income	$ 210	$ 208	$ 713	$ 730
Less: Net income attributable to noncontrolling interests	6	10	25	28
Net income attributable to Aon shareholders	$ 204	$ 198	$ 688	$ 702
Other comprehensive income (loss), net of tax:				
Change in fair value of derivatives	15	(9)	5	(14)
Foreign currency translation adjustments	164	(209)	71	(12)
Post-retirement benefit obligation	7	15	46	42
Total other comprehensive income (loss)	186	(203)	122	16
Less: Other comprehensive income (loss) attributable to noncontrolling interests	4	(1)	2	(1)
Total other comprehensive income (loss) attributable to Aon shareholders	182	(202)	120	17
Comprehensive income (loss) attributable to Aon shareholders	$ 386	$ (4)	$ 808	$ 719

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

Aon plc

Condensed Consolidated Statements of Financial Position

(millions, except par value)	Sept. 30, 2012 (Unaudited)	Dec. 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 290	$ 272
Short-term investments	718	785
Receivables, net	2,959	3,183
Fiduciary assets	11,343	10,838
Other current assets	392	427
Total Current Assets	15,702	15,505
Goodwill	8,856	8,770
Intangible assets, net	3,040	3,276
Fixed assets, net	814	783
Investments	160	239
Other non-current assets	937	979
TOTAL ASSETS	$ 29,509	$ 29,552
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Fiduciary liabilities	$ 11,343	$ 10,838
Short-term debt and current portion of long-term debt	291	337
Accounts payable and accrued liabilities	1,519	1,832
Other current liabilities	801	753
Total Current Liabilities	13,954	13,760
Long-term debt	4,111	4,155
Pension, other post retirement and other post employment liabilities	1,757	2,192
Other non-current liabilities	1,326	1,325
TOTAL LIABILITIES	21,148	21,432
EQUITY		
Ordinary shares (2012 - $0.01 nominal value; 2011 - $1.00 par value) Authorized: 750 shares (issued: 2012 - 318.7; 2011 - 386.4)	3	386
Additional paid-in capital	4,373	4,021
Retained earnings	6,179	8,594
Treasury shares at cost (shares: 2012 - 0; 2011 - 59.6)		(2,553)
Accumulated other comprehensive loss	(2,250)	(2,370)
TOTAL AON SHAREHOLDERS EQUITY	8,305	8,078
Noncontrolling interests	56	42
TOTAL EQUITY	8,361	8,120
TOTAL LIABILITIES AND EQUITY	$ 29,509	$ 29,552

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

Aon plc

Condensed Consolidated Statement of Shareholders Equity

(Unaudited)

(millions)	Shares	Ordinary Shares and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss, Net of Tax	Non-controlling Interests	Total
Balance at December 31, 2011	386.4	$ 4,407	$ 8,594	$ (2,553)	$ (2,370)	$ 42	$ 8,120
Net income			688			25	713
Retirement of treasury shares	(60.0)	(60)	(2,412)	2,472			
Shares issued - employee benefit plans	3.0	20					20
Shares purchased	(10.7)		(525)	(100)			(625)
Shares reissued - employee benefit plans		(181)	(13)	181			(13)
Tax benefit - employee benefit plans		30					30
Share-based compensation expense		160					160
Dividends to shareholders			(153)				(153)
Change in net derivative gains/losses					5		5
Net foreign currency translation adjustments					69	2	71
Net post-retirement benefit obligation					46		46
Purchase of subsidiary shares from non-controlling interests						4	4
Dividends paid to non-controlling interests on subsidiary common stock						(17)	(17)
Balance at September 30, 2012	318.7	$ 4,376	$ 6,179	$	$ (2,250)	$ 56	$ 8,361

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

Aon plc

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(millions)	**Nine Months Ended September 30, 2012**	**September 30, 2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 713	$ 730
Adjustments to reconcile net income to cash provided by operating activities:		
Gain from sales of businesses, net	(1)	(4)
Depreciation of fixed assets	168	164
Amortization of intangible assets	313	273
Share-based compensation expense	160	179
Deferred income taxes	21	3
Change in assets and liabilities:		
Fiduciary receivables	(447)	412
Short term investments - funds held on behalf of clients	118	(626)
Fiduciary liabilities	329	214
Receivables, net	240	(36)
Accounts payable and accrued liabilities	(347)	(227)
Restructuring reserves	(43)	(68)
Current income taxes	67	172
Pension and other post employment liabilities	(414)	(334)
Other assets and liabilities	(10)	(65)
CASH PROVIDED BY OPERATING ACTIVITIES	867	787
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of long-term investments	171	103
Purchases of long-term investments	(9)	(28)
Net sales of short-term investments - non-fiduciary	66	176
Acquisition of businesses, net of cash acquired	(97)	(102)
Proceeds from sale of businesses	2	9
Capital expenditures	(201)	(151)
CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(68)	7
CASH FLOWS FROM FINANCING ACTIVITIES		
Share repurchase	(625)	(828)
Issuance of shares for employee benefit plans	93	165
Issuance of debt	333	1,572
Repayment of debt	(427)	(1,523)
Cash dividends to shareholders	(153)	(150)
Purchase of shares from noncontrolling interests		(24)
Dividends paid to noncontrolling interests	(17)	(21)
CASH USED FOR FINANCING ACTIVITIES	(796)	(809)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	15	(36)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18	(51)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	272	346
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 290	$ 295
Supplemental disclosures:		
Interest paid	$ 172	$ 216

Income taxes paid, net of refunds	$	139	$	74

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

Notes to the Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

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

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. The results for the three and nine months ended September 30, 2012 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2012.

Company Redomestication

On April 2, 2012, the Company completed the reorganization of the corporate structure of the group of companies controlled by its predecessor, Aon Corporation, as holding company of the Aon group, pursuant to which Aon Corporation merged with one of its indirect, wholly-owned subsidiaries and Aon plc became the publicly-held parent company of the Aon group. This transaction is referred to as the Redomestication. In the Redomestication, each issued and outstanding share of Aon Corporation common stock held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value $0.01 per share, of Aon plc. Likewise, equity incentive and compensation plans were assumed by Aon plc and amended to provide that those plans will now provide for the award and issuance of Class A Ordinary Shares instead of shares of common stock of Aon Corporation on a one-for-one basis. Shares of treasury stock of Aon Corporation were cancelled in the Redomestication. Any references to Aon , the Company , us , or we, or any similar references relating to periods before the Redomestication shall be construed as references to Aon Corporation, being the previous parent company of the Aon group.

Reclassification

Certain amounts in prior year s Condensed Consolidated Financial Statements and related notes have been reclassified to conform to the 2012 presentation. In prior periods, remeasurement gains and losses from foreign currency transactions and related derivative instruments were recognized in Other general expenses in the Condensed Consolidated Statements of Income. These gains and losses are now included in Other (expense) income in the Condensed Consolidated Statements of Income and disclosed in Note 4 to these Condensed Consolidated Financial Statements. The Company believes this provides greater clarity into the income generated from operations.

Use of Estimates

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

2. Accounting Principles and Practices

Changes in Accounting Principles

Indefinite-Lived Intangible Asset Impairment

In July 2012, the Financial Accounting Standards Board (FASB) issued guidance on the testing of indefinite-lived intangible assets for impairment that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual quantitative test. The recently issued guidance gives an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a an indefinite-lived intangible asset is less than its carrying amount. If an entity concludes that this is the case, it must perform the quantitative test. The guidance is effective for Aon in the first quarter 2013. The adoption of this guidance is not expected to have a material impact on the Company s Consolidated Financial Statements.

Goodwill Impairment

In September 2011, the FASB issued final guidance on goodwill impairment that gives an entity the option to perform a qualitative assessment that may eliminate the requirement to perform the annual two-step test. The two-step test requires an entity to assess goodwill for impairment by quantitatively comparing the fair value of a reporting unit with its carrying amount, including goodwill (Step 1). If the reporting unit s fair value is less than its carrying amount, Step 2 of the test must be performed to measure the amount of goodwill impairment, if any. The guidance gives an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity concludes that this is the case, it must perform the two-step test. Otherwise, the two-step test is not required. The Company early adopted this guidance in the fourth quarter 2011. The adoption of this guidance did not have a material impact on the Company s Consolidated Financial Statements.

Comprehensive Income

In June 2011, the FASB issued guidance that updates principles related to the presentation of comprehensive income. The revised guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements and eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The guidance, which must be applied retroactively, was effective for Aon beginning in the first quarter of 2012. The adoption of this guidance affects only the presentation of these Condensed Consolidated Financial Statements, and had no effect on the financial condition, results of operations or cash flows of the Company.

Fair Value Measurement

In May 2011, the FASB issued guidance that clarifies the application of existing fair value measurements and disclosures, and changes certain principles or requirements for fair value measurements and disclosures. The additional required disclosures include quantitative information, sensitivity discussion, and description of the valuation process, as well as increased disclosure of unobservable inputs that are significant to the fair value measurement and transfers between Level 1 and Level 2. The guidance is effective for Aon beginning in the first quarter 2012. The adoption of this guidance did not have a material impact on the Company s financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents include cash balances and all highly liquid investments with initial maturities of three months or less. Short-term investments include certificates of deposit, money market funds and highly liquid debt instruments purchased with initial maturities in excess of three months but less than one year and are carried at amortized cost, which approximates fair value.

The Company is required to hold £77 million of operating funds in the U.K. as required by the Financial Services Authority, which were included in Short-term investments. These operating funds, when translated to U.S. dollars, were $124 million and $120 million at September 30, 2012 and December 31, 2011, respectively. Cash and cash equivalents included restricted balances of $88 million and $71 million at September 30, 2012 and December 31, 2011 respectively.

4. Other (Expense) Income

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

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Equity earnings	$	$ 5	$ 8	$ 9
Realized gain on sale of investments	9	1	11	10
Foreign currency remeasurement (losses) gains	(24)	24	(24)	18
Hedging gains (losses)	8	(11)	8	(13)
Loss on extinguishment of debt				(19)
Other	(2)	1		1
	$ (9)	$ 20	$ 3	$ 6

5. Acquisitions and Dispositions

Acquisitions

During the nine months ended September 30, 2012, the Company completed the acquisition of two businesses in the HR Solutions segment and four businesses in the Risk Solutions segment. During the nine months ended September 30, 2011, the Company completed the acquisition of one business in the HR Solutions segment and two businesses in the Risk Solutions segment.

The following table includes the aggregate consideration transferred and the preliminary value of intangible assets recorded as a result of the Company s acquisitions.

(millions)	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Consideration	$ 110	$ 100
Intangible assets:		
Goodwill	$ 60	$ 58
Other intangible assets	56	29
	$ 116	$ 87

The results of operations of these acquisitions are included in the Condensed 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.

Dispositions — Continuing Operations

During the nine months ended September 30, 2012, the Company completed the sale of two businesses in the Risk Solutions segment and one business in the HR Solutions segment. A pretax gain of $1 million was recognized on these sales, which is included in Other (expense) income in the Condensed Consolidated Statements of Income. During the nine months ended September 30, 2011, the Company completed the sale of two businesses in the Risk Solutions segment. A pretax loss of $2 million was recognized on these sales, which is included in Other (expense) income in the Condensed Consolidated Statements of Income.

6. Goodwill and Other Intangible Assets

The change in the net carrying amount of goodwill by operating segment for the nine months ended September 30, 2012 is as follows (in millions):

	Risk Solutions	HR Solutions	Total
Balance as of December 31, 2011	$ 5,557	$ 3,213	$ 8,770
Goodwill related to current year acquisitions	55	5	60
Goodwill related to other prior year acquisitions	(6)		(6)
Transfer related to Health and Benefits Consulting (1)	313	(313)	
Foreign currency translation	18	14	32
Balance as of September 30, 2012	$ 5,937	$ 2,919	$ 8,856

(1) Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment.

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

	September 30, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with indefinite lives:						
Trademarks	$ 1,024	$	$ 1,024	$ 1,024	$	$ 1,024
Intangible assets with finite lives:						
Trademarks	6	2	4	4	1	3
Customer related and contract based	2,671	874	1,797	2,608	615	1,993
Marketing, technology and other	609	394	215	606	350	256
	$ 4,310	$ 1,270	$ 3,040	$ 4,242	$ 966	$ 3,276

Amortization expense from finite lived intangible assets was $105 million and $313 million for the three and nine months ended September 30, 2012, respectively. Amortization expense from finite lived intangible assets was $91 million and $273 million for the three and nine months ended September 30, 2011, respectively.

The estimated future amortization for intangible assets as of September 30, 2012 is as follows (in millions):

HR Solutions	Risk Solutions	Total

Remainder of 2012	$	76	$	32	$	108
2013		278		112		390
2014		240		96		336
2015		210		82		292
2016		175		70		245
Thereafter		478		167		645
	$	1,457	$	559	$	2,016

7. Restructuring

Aon Hewitt Restructuring Plan

On October 14, 2010, Aon announced a global restructuring plan (Aon Hewitt Plan) in connection with the acquisition of Hewitt Associates, Inc. The Aon Hewitt Plan is intended to streamline operations across the combined Aon Hewitt organization and includes approximately 2,000 job eliminations. The Company expects these restructuring activities and related expenses to affect continuing operations into 2013. The Aon Hewitt Plan is expected to result in cumulative costs of approximately $325 million through the end of the plan, consisting of approximately $180 million in employee termination costs and approximately $145 million in real estate rationalization costs across the Company.

From the inception of the Aon Hewitt Plan through September 30, 2012, in excess of 1,800 jobs have been eliminated and total expenses of $214 million have been incurred. The Company recorded $32 million and $57 million of restructuring and related charges in the three and nine months ended September 30, 2012, respectively. The Company recorded $26 million and $80 million of restructuring and related charges in the three and nine months ended September 30, 2011, respectively. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The following summarizes restructuring and related costs by type that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	Third Quarter 2012	Nine Months 2012	Total Inception to Date	Estimated Total Cost for Restructuring Plan (1)
Workforce reduction	$ 49	$ 64	$ 25	$ 44	$ 157	$ 180
Lease consolidation	3	32	6	11	46	95
Asset impairments		7		1	8	47
Other costs associated with restructuring (2)		2	1	1	3	3
Total restructuring and related expenses	$ 52	$ 105	$ 32	$ 57	$ 214	$ 325

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

(2) Other costs associated with restructuring initiatives, including moving costs and consulting and legal fees, are recognized when incurred.

Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment. Restructuring costs associated with the Health and Benefits Consulting business are reflected in the Risk Solutions segment, including $41 million that was reclassified from the HR Solutions segment to the Risk Solutions segment for 2011. During the third quarter 2011, $26 million in restructuring expenses were recorded, $14 million of which related to the Health and Benefits Consulting business. The following summarizes the restructuring and related expenses, by segment, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	Third Quarter 2012	Nine Months 2012	Total Inception to Date	Estimated Total Cost for Restructuring Plan
HR Solutions	$ 52	$ 49	$ 16	$ 36	$ 137	$ 243
Risk Solutions		56	16	21	77	82
Total restructuring and related expenses	$ 52	$ 105	$ 32	$ 57	$ 214	$ 325

Aon Benfield Restructuring Plan

The Company announced a global restructuring plan (Aon Benfield Plan) in conjunction with its acquisition of Benfield in 2008. The Aon Benfield Plan was intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan included 810 job eliminations. Additionally, duplicate space and assets were abandoned. The Company incurred all remaining costs for the Aon Benfield Plan and the plan was closed in the first quarter 2012.

The Company recorded $8 million of restructuring and related charges in the nine months ended September 30, 2012. The Company recorded $3 million of restructuring and related charges in the three months ended September 30, 2011, and a net restructuring benefit of $2 million in the nine months ended September 30, 2011. All costs associated with the Aon Benfield Plan are included in the Risk Solutions segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The following summarizes the restructuring and related costs by type that have been incurred through the end of the restructuring initiative related to the Aon Benfield Plan (in millions):

	Purchase Price Allocation	2009	2010	2011	Third Quarter 2012	Nine Months 2012	Inception to Date	Total Cost for Restructuring Plan
Workforce reduction	$ 32	$ 38	$ 15	$ 33	$	$ 8	$ 126	$ 126
Lease consolidation	20	14	7	(15)			26	26
Asset impairments		2	2				4	4
Other costs associated with restructuring	1	1	2	1			5	5
Total restructuring and related expenses	$ 53	$ 55	$ 26	$ 19	$	$ 8	$ 161	$ 161

As of September 30, 2012, the Company s liabilities for its restructuring plans are as follows (in millions):

	Aon Hewitt Plan	Aon Benfield Plan	2007 Plan	Other	Total
Balance at December 31, 2011	$ 95	$ 20	$ 50	$ 8	$ 173
Expensed	56	8			64
Cash payments	(71)	(20)	(15)	(3)	(109)
Foreign exchange translation and other		1	2		3
Balance at September 30, 2012	$ 80	$ 9	$ 37	$ 5	$ 131

8. Investments

The Company earns income on cash balances and investments, as well as on premium trust balances that the Company maintains for premiums collected from insureds but not yet remitted to insurance companies, and funds held under the terms of certain outsourcing agreements to pay certain obligations on behalf of clients. Premium trust balances and a corresponding liability are included in Fiduciary assets and Fiduciary liabilities in the accompanying Condensed Consolidated Statements of Financial Position.

The Company s interest-bearing assets and other investments are included in the following categories in the Condensed Consolidated Statements of Financial Position (in millions):

	September 30, 2012	December 31, 2011
Cash and cash equivalents	$ 290	$ 272
Short-term investments	718	785
Fiduciary assets (1)	4,147	4,190
Investments	160	239
	$ 5,315	$ 5,486

(1) Fiduciary assets include funds held on behalf of clients but does not include fiduciary receivables.

The Company s investments are as follows (in millions):

	September 30, 2012	December 31, 2011
Equity method investments (2)	$ 103	$ 164
Other investments, at cost	39	60
Fixed-maturity securities	18	15
	$ 160	$ 239

(2) The reduction in equity method investments is primarily due to redemptions.

9. Debt

The Company uses proceeds from the commercial paper market from time to time in order to meet short-term working capital needs. At September 30, 2012, the Company had no commercial paper outstanding when compared to the $50 million of commercial paper outstanding at December 31, 2011. The weighted average commercial paper outstanding for the three and nine months ended September 30, 2012 was $15 million and $41 million, respectively. The weighted average interest rate of the commercial paper outstanding for the three and nine months ended September 30, 2012 was 0.52% and 0.51%, respectively.

On March 20, 2012, the Company entered into a $400 million five year credit agreement (Revolving Credit Agreement). Borrowings under the Revolving Credit Agreement will bear interest, at the Company s option, at a rate equal to either (a) the rate for eurodollar deposits as reflected on the applicable Reuters LIBOR01 page for the interest period relevant to such borrowing (Eurodollar Rate), plus the applicable margin or (b) the highest of (i) the rate of interest publicly announced by Citibank as its prime rate, (ii) the federal funds effective rate from time to time plus 0.5% and (iii) the one month Eurodollar rate plus 1.0%, in each case plus the applicable margin. The applicable margin for borrowings under the Revolving Credit Agreement may change depending on achievement of certain public debt ratings. The Revolving Credit Agreement has a maturity date of March 20, 2017 and contains covenants with respect to the ratio of consolidated funded debt to consolidated adjusted EBITDA (which may not be more than the lower of (a) 3.25 to 1.00 or (b) the greater of (i) 3.00 to 1.00 or (ii) the lowest ratio of consolidated funded debt to consolidated adjusted EBITDA then set forth in certain of Aon s other credit facilities), as well as other customary covenants, undertakings and events of default. In conjunction with the Company entering into the Revolving Credit Agreement, the prior revolving credit agreement dated December 4, 2009 was terminated. There were no borrowings on the Revolving Credit Agreement at September 30, 2012. On April 2, 2012, in connection with the Redomestication, Aon plc became party to the Revolving Credit Agreement and guaranteed the obligations of Aon Corporation thereunder. The Company was in compliance with all debt covenants as of September 30, 2012.

10. Shareholders Equity

Redomestication

Prior to the Redomestication, the Company accounted for purchases of its outstanding common stock using the treasury stock method included in U.S. GAAP. Under this method, the Company recorded purchases of its own outstanding common stock as a reduction to Additional paid-in capital based on the cost of the shares acquired. Under U.K. law, when the Company repurchases its outstanding shares, those shares are treated as cancelled. In April 2012, the Company constructively cancelled 60 million shares of treasury stock related to the Redomestication. The impact of the cancellation of all outstanding treasury shares was a decrease in Ordinary shares and Retained earnings of $60 million and $2.4 billion, respectively. The balance of Treasury stock at cost of $2.5 billion was also eliminated as part of the cancellation. Additionally, effective upon the completion of the Redomestication, the par value of Aon s outstanding equity shares decreased from $1.00 to $0.01. The impact of this change was a decrease in Ordinary shares of $323 million, and an increase in Additional paid-in capital of $323 million.

As a U.K. incorporated company, Aon plc must have distributable reserves to repurchase shares 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. On April 4, 2012, the Company received approval from the English Companies Court to reduce its share premium and in connection with that approval, recognized distributable reserves in the amount of $8 billion.

Ordinary Shares

In January 2010, the Company s Board of Directors authorized a share repurchase program under which up to $2.0 billion of common stock may be repurchased (2010 Share Repurchase Program). Shares could be repurchased through the open market or in privately negotiated transactions, including structured repurchase programs, from time to time, based on prevailing market conditions, and were to be funded from available capital. Any repurchased shares were to be available for employee stock plans and for other corporate purposes.

During the three months ended March 31, 2012, the Company repurchased 2.1 million shares at an average price per share of $48.32 for a total cost of $100 million under the 2010 Share Repurchase Program. Since the inception of the 2010 Share Repurchase Program, the Company repurchased a total of 18.2 million shares for an aggregate cost of $913 million as of March 31, 2012.

The 2010 Share Repurchase Program, which related to common stock of Aon Corporation and preceded the Redomestication, did not extend to shares of Aon plc. In April 2012, the Company s Board of Directors therefore authorized a share repurchase program under which up to $5.0 billion of Class A ordinary shares may be repurchased (2012 Share Repurchase Program). Under this 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 the three months ended September 30, 2012, the Company repurchased 5.4 million shares at an average price per share of $51.37 for a total cost of $275 million. During the nine months ended September 30, 2012, the Company repurchased 12.7 million shares at an average price per share of $49.22 for a total cost of $625 million under the 2012 Share Repurchase Program and the previously completed 2010 Share Repurchase Program. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is $4.5 billion.

Participating Securities

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities, as defined, and therefore, should be included in computing basic and diluted earnings per share using the two class method. Certain of the Company s restricted share awards allow the holder to receive a non-forfeitable dividend equivalent.

Income from continuing operations, Income from discontinued operations and Net income, attributable to participating securities, were as follows (in millions):

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Income from continuing operations	$ 2	$ 3	$ 8	$ 11
Income from discontinued operations				
Net income	$ 2	$ 3	$ 8	$ 11

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

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Shares for basic earnings per share (1)	327.3	332.6	330.6	336.7
Common stock equivalents	3.7	4.3	3.8	5.1
Shares for diluted earnings per share	331.0	336.9	334.4	341.8

(1) Includes 4.5 million and 5.2 million of participating securities for the three months ended September 30, 2012 and 2011, respectively, and 4.7 million and 5.5 million of participating securities for the nine months ended September 30, 2012 and 2011, respectively.

Certain ordinary share equivalents, primarily related to options, were not included in the computation of diluted net income per share because their inclusion would have been antidilutive. The number of shares excluded from the calculation was 0.1 million and 1.0 million for the three months ended September 30, 2012 and 2011, respectively, and 0.1 million and 0.1 million for the nine months ended September 30, 2012 and 2011, respectively.

Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss, net of related tax, are as follows (in millions):

	September 30, 2012	December 31, 2011
Net derivative losses	$ (32)	$ (37)
Net foreign exchange translation adjustments	193	124
Net postretirement benefit obligations	(2,411)	(2,457)
Accumulated other comprehensive loss, net of tax	$ (2,250)	$ (2,370)

11. Employee Benefits

The following table provides the components of the net periodic benefit cost for Aon s U.S. pension plans, along with its most significant international pension plans, which are located in the U.K., the Netherlands, and Canada (in millions):

	Three months ended September 30,			
	U.S.		International	
	2012	2011	2012	2011
Service cost	$	$	$ 4	$ 5
Interest cost	29	31	66	67
Expected return on plan assets	(31)	(30)	(80)	(73)
Amortization of net actuarial loss	10	8	15	14
Net periodic benefit cost	$ 8	$ 9	$ 5	$ 13

	Nine months ended September 30,			
	U.S.		International	
	2012	2011	2012	2011
Service cost	$	$	$ 12	$ 15
Interest cost	89	92	198	201
Expected return on plan assets	(95)	(90)	(241)	(217)
Amortization of net actuarial loss	32	23	44	41
Net periodic benefit cost	$ 26	$ 25	$ 13	$ 40

Based on current assumptions, in 2012, Aon plans to contribute $226 million and $415 million to its U.S. and most significant international defined benefit pension plans, respectively. During the nine months ended September 30, 2012, contributions of $195 million were made to the Company s U.S. pension plans and $259 million were made to its most significant international pension plans. On September 30, 2012, the Company completed a merger of five of the seven legacy Aon and Hewitt UK pension plans into one single plan. In addition to decreasing management time and improving governance, additional benefits are expected to be derived through improved operational efficiencies, reduced advisor and asset manager costs, and a higher level of control over investments. In connection with this transaction, on October 1, 2012, the Company made a discretionary contribution of approximately $80 million.

12. Share-Based Compensation Plans

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Restricted stock units (RSUs)	$ 37	$ 31	$ 120	$ 108
Performance share awards (PSAs)	15	24	30	59
Stock options	1	2	4	7
Employee stock purchase plans	2	2	6	5
Total stock-based compensation expense	$ 55	$ 59	$ 160	$ 179

Share Awards

A summary of the status of the Company s RSUs is as follows (shares in thousands):

	Nine months ended September 30, 2012			2011		
	Shares		Fair Value (1)	Shares		Fair Value (1)
Non-vested at beginning of period	9,916	$	42	10,674	$	38
Granted	4,888		46	3,366		51
Vested	(3,343)		42	(3,385)		39
Forfeited	(516)		44	(410)		39
Non-vested at end of period	10,945		44	10,245		42

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

Information as of September 30, 2012 regarding the Company s PSAs granted during the nine months ended September 30, 2012 and the years ended December 31, 2011 and 2010, respectively, is as follows (shares in thousands, dollars in millions, except fair value):

	As of September 30, 2012	As of December 31, 2011	As of December 31, 2010
Target PSAs granted	1,369	1,715	1,390
Fair value (1)	$ 47	$ 50	$ 39
Number of shares that would be issued based on current performance levels	1,367	1,131	1,241
Unamortized expense, based on current performance levels	$ 52	$ 25	$ 4

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

Share Options

In connection with its incentive compensation plans, the Company did not grant any share options in the nine months ended September 30, 2012. During the nine months ended September 30, 2011, the Company granted 80,000 share options at a weighted average exercise price of $53 per share. The weighted average volatility, expected dividend yield and risk-free rate assumed related to those options were 26.1%, 1.3% and 2.2%, respectively. The weighted average expected life was 5.5 years, and the weighted average estimated fair value per share was $10.92.

A summary of the status of the Company s share options and related information is as follows (shares in thousands):

	Nine months ended September 30,			
	2012		2011	
	Shares	Weighted- Average Exercise Price	Shares	Weighted- Average Exercise Price
Beginning outstanding	9,116	$ 32	13,919	$ 32
Granted			80	53
Exercised	(2,570)	31	(3,781)	32
Forfeited and expired	(67)	37	(300)	37
Outstanding at end of period	6,479	32	9,918	32
Exercisable at end of period	5,969	31	8,566	30

The weighted average remaining contractual life, in years, of outstanding options was 2.8 years and 3.3 years at September 30, 2012 and 2011, respectively.

The aggregate intrinsic value represents the total pretax intrinsic value, based on options with an exercise price less than the Company s closing stock price of $52.29 as of September 30, 2012, which would have been received by the option holders had those option holders exercised their options as of that date. At September 30, 2012, the aggregate intrinsic value of options outstanding was $131 million, of which $125 million was exercisable.

Other information related to the Company s share options is as follows (in millions):

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Aggregate intrinsic value of stock options exercised	$ 23	$ 4	$ 47	$ 69
Cash received from the exercise of stock options	29	8	80	129
Tax benefit realized from the exercise of stock options	5		8	12

Unamortized deferred compensation expense, which includes both options and awards, amounted to $329 million as of September 30, 2012, with a remaining weighted-average amortization period of approximately 2.1 years.

13. Derivatives and Hedging

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

Foreign Exchange Risk Management

The Company is exposed to foreign exchange risk when it receives revenues, pays expenses, or enters into intercompany loans denominated in a currency that differs from its functional currency. The Company uses foreign exchange derivatives, typically forward contracts, options and cross currency swaps, to reduce its overall exposure to the effects of currency fluctuations on cash flows. These exposures are hedged, on average, for less than two years; however, in limited instances, the Company has hedged certain exposures up to five years in the future.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to hedge its net investments in foreign operations for up to two years in the future.

The Company also uses foreign exchange derivatives, typically forward contracts and options, to manage the currency exposure of the Company s global liquidity profile for up to one year in the future. These derivatives are not accounted for as hedges, and changes in fair value are recorded each period in Other (expense) income in the Condensed Consolidated Statements of Income.

Interest Rate Risk Management

The Company holds variable-rate short-term brokerage and other operating deposits. The Company uses interest rate derivatives, typically swaps, to reduce its exposure to the effects of interest rate fluctuations on the forecasted interest receipts from these deposits for up to two years in the future.

Certain derivatives also give rise to credit risks from the possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to the Company. The Company has limited its credit risk by using International Swaps and Derivatives Association (ISDA) master agreements, collateral and credit support arrangements, entering into non-exchange-traded derivatives with highly-rated major financial institutions and by using exchange-traded instruments. The Company monitors the credit worthiness of, and exposure to, its counterparties. As of September 30, 2012, all net derivative positions were free of credit risk contingent features. The Company has not received or pledged any collateral as of September 30, 2012.

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

	Notional Amount		Derivative Assets (1)		Derivative Liabilities (2)	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
Derivatives accounted for as hedges:						
Interest rate contracts	$ 342	$ 702	$ 16	$ 16	$	$
Foreign exchange contracts	1,224	1,297	224	140	283	188
Total	1,566	1,999	240	156	283	188
Derivatives not accounted for as hedges:						
Foreign exchange contracts	187	246	2	1	1	1
Total	$ 1,753	$ 2,245	$ 242	$ 157	$ 284	$ 189

(1) Included within Other current assets or Other non-current assets

(2) Included within Other current liabilities or Other non-current liabilities

The amounts of derivative gains (losses) recognized in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2012 and 2011 are as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Gain (Loss) recognized in Accumulated Other Comprehensive Loss:				
Cash Flow Hedges:				
Interest rate contracts (1)	$	$ 1	$	$ (1)
Foreign exchange contracts (2)	16	(10)	(14)	(31)
Total	16	(9)	(14)	(32)
Foreign Net Investment Hedges:				
Foreign exchange contracts	$ 3	$ 13	$ 4	$ (4)
Gain (Loss) reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion):				
Cash Flow Hedges:				
Interest rate contracts (1)	$	$	$	$ 1
Foreign exchange contracts (2)	(7)	3	(23)	(12)
Total	(7)	3	(23)	(11)
Foreign Net Investment Hedges:				
Foreign exchange contracts	$	$	$	$

(1) Included within Fiduciary investment income and Interest expense

(2) Included within Other (expense) income and Interest expense

	Three months ended September 30,				Nine months ended September 30,			
	Amount of Gain (Loss) Recognized in Income on Derivative (1)		Amount of Gain (Loss) Recognized in Income on Related Hedge Item (2)		Amount of Gain (Loss) Recognized in Income on Derivative (1)		Amount of Gain (Loss) Recognized in Income on Related Hedge Item (2)	
	2012	2011	2012	2011	2012	2011	2012	2011
Fair value hedges:								
Foreign exchange contracts	(3)	2	3	(3)				1

(1) Relates to fixed rate debt

(2) Included in Interest expense

It is estimated that approximately $18 million of pretax losses currently included within Accumulated other comprehensive loss will be reclassified into earnings in the next twelve months.

The amount of gain (loss) recognized in income on the ineffective portion of derivatives for the three and nine months ended September 30, 2012 and 2011 was not material.

During the three and nine months ended September 30, 2012, the Company recorded a gain of $6 million and $12 million, respectively, in Other (expense) income for foreign exchange derivatives not designated or qualifying as hedges. During the three and nine months ended September 30, 2011, the Company recorded a loss of $9 million in each period, in Other (expense) income for foreign exchange derivatives not designated or qualifying as hedges.

14. Fair Value and Financial Instruments

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

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

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

Money market funds and highly liquid debt securities are carried at cost and amortized cost, respectively, as an approximation of fair value. Based on market convention, the Company considers cost a practical and expedient measure of fair value.

Cash, cash equivalents, and highly liquid debt instruments consist of cash and institutional short-term investment funds. The Company independently reviews the short-term investment funds to obtain reasonable assurance the fund net asset value is $1 per share.

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

Fixed income investments consist of certain categories of bonds and derivatives. Corporate, government, and agency bonds are valued by pricing vendors who estimate fair value using recently executed transactions and proprietary models based on observable inputs, such as interest rate spreads, yield curves and credit risk. Asset-backed securities are valued by pricing vendors who estimate fair value using discounted cash flow models utilizing observable inputs based on trade and quote activity of securities with similar features. Fixed income derivatives are valued by pricing vendors using observable inputs such as interest rates and yield curves. The Company obtains a detailed understanding of the models, inputs, and assumptions used in developing prices provided by its vendors. This understanding includes discussions with valuation resources at the vendor. During these discussions, the Company uses a fair value measurement questionnaire, which is part of the Company s internal controls over financial reporting, to obtain the information necessary to assert the model, inputs and assumptions used comply with U.S. GAAP, including disclosure requirements. The Company also obtains observable inputs from the pricing vendor and independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company s guidelines, it is then reviewed by a member of management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and have not historically been material to the fair value estimates used in the Condensed Consolidated Financial Statements.

Pooled funds consist of various equity, fixed income, commodity, and real estate mutual fund type investment vehicles. Pooled investment funds fair value is estimated based on the proportionate share ownership in the underlying net assets of the investment, which is based on the fair value of the underlying securities that trade on a national securities exchange. Where possible, the Company independently reviews the listing securities in the portfolio and agrees the closing stock prices to a national securities exchange. The Company gains an understanding of the investment guidelines and valuation policies of the fund and discusses fund performance with pooled fund managers. The Company obtains audited fund manager financial statements, when available. If the pooled fund is designed to replicate a publicly traded index, the Company compares the performance of the fund to the index to assess the reasonableness of the fair value measurement.

Alternative investments consist of limited partnerships, private equity and hedge funds. Alternative investment fair value is generally estimated based on the proportionate share ownership in the underlying net assets of the investment as determined by the general partner or investment manager. The valuations are based on various factors depending on investment strategy, proprietary models, and specific financial data or projections. The Company obtains audited fund manager financial statements, when available. The Company obtains a detailed understanding of the models, inputs and assumptions used in developing prices provided by the investment managers (or appropriate party) through regular discussions. During these discussions with the investment managers, the Company uses a fair value measurement questionnaire, which is part of the Company s internal controls over financial reporting, to obtain the information necessary to assert the model, inputs and assumptions used comply with U.S. GAAP, including disclosure requirements. The Company also obtains observable inputs from the investment manager and independently verifies the observable inputs, as well as assesses assumptions used for reasonableness based on relevant market conditions and internal Company guidelines. If an assumption is deemed unreasonable, based on the Company s guidelines, it is then reviewed by a member of management and the fair value estimate provided by the vendor is adjusted, if deemed appropriate. These adjustments do not occur frequently and have not historically been material to the fair value estimates in the Condensed Consolidated Financial Statements.

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

Annuity contracts consist of insurance group annuity contracts purchased to match the pension benefit payment stream owed to certain selected plan participant demographics within a few major United Kingdom defined benefit plans. Annuity contracts are valued using a discounted cash flow model utilizing assumptions such as discount rate, mortality, and inflation. The Company independently verifies the observable inputs.

Real estate and REITs consist of publicly traded REITs and direct real estate investments. Level 1 REITs are valued using the closing stock price on a national securities exchange. The Level 3 values are based on the proportionate share of ownership in the underlying net asset value as determined by the investment manager. The Company independently reviews the listing of Level 1 REIT securities in the portfolio and agrees the closing stock prices to a national securities exchange. The Company gains an understanding of the investment guidelines and valuation policies of the Level 3 real estate funds and discusses performance with the fund managers. The Company obtains audited fund manager financial statements, when available. See the description of Alternative Investments for further detail on valuation procedures surrounding Level 3 REITs.

Guarantees are carried at fair value, which is based on discounted estimated cash flows using published historical cumulative default rates and discount rates commensurate with the underlying exposure.

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

The following tables present the categorization of the Company s assets and liabilities that are measured at fair value on a recurring basis at September 30, 2012 and December 31, 2011 (in millions):

		Fair Value Measurements Using		
	Balance at September 30, 2012	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds and highly liquid debt securities (1)	$ 2,612	$ 2,587	$ 25	$
Other investments				
Fixed maturity securities				
Corporate bonds	12			12
Government bonds	6		6	
Derivatives				
Interest rate contracts	16		16	
Foreign exchange contracts	226		226	
Liabilities:				
Derivatives				
Foreign exchange contracts	284		284	

(1) Includes $2,587 million of money market funds and $25 million of highly liquid debt securities that are classified as Fiduciary assets, Short-term investments or Cash and cash equivalents in the Condensed Consolidated Statements of Financial Position, depending on their nature and initial maturity. See Note 8 Investments for additional information regarding the Company s investments.

		Fair Value Measurements Using		
	Balance at December 31, 2011	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Money market funds and highly liquid debt securities (1)	$ 2,428	$ 2,403	$ 25	$

Other investments			
Fixed maturity securities			
Corporate bonds	12		12
Government Bonds	3	3	
Derivatives			
Interest rate contracts	16	16	
Foreign exchange contracts	141	141	
Liabilities:			
Derivatives			
Foreign exchange contracts	189	189	

(1) Includes $2,403 million of money market funds and $25 million of highly liquid debt securities that are classified as Fiduciary assets, Short-term investments or Cash and cash equivalents in the Condensed Consolidated Statements of Financial Position,

depending on their nature and initial maturity. See Note 8 Investments for additional information regarding the Company s investments.

There were no transfers of assets or liabilities between fair value hierarchy levels during either the three or nine months ended September 30, 2012 and 2011. There were no realized or unrealized gains or losses recognized in the Condensed Consolidated Statements of Income during either the three or nine months ended September 30, 2012 and 2011, related to assets and liabilities measured at fair value using unobservable inputs.

The fair value of all long-term debt instruments is classified as Level 2. The following table discloses the Company s financial instruments where the carrying amounts and fair values differ (in millions):

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$ 4,111	$ 4,618	$ 4,155	$ 4,494

15. Commitments and Contingencies

Legal

Aon and its subsidiaries are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business, which frequently include errors and omissions (E&O) claims. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or extraordinary damages. Aon has historically purchased E&O insurance and other insurance to provide protection against certain losses that arise in such matters. Aon has exhausted or materially depleted its coverage under some of the policies that protect the Company and, consequently, is self-insured or materially self-insured for some 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 amounts are adjusted from time to time as developments warrant. Amounts related to settlement provisions are recorded in Other general expenses in the Condensed Consolidated Statements of Income.

At the time of the 2004-05 investigation of the insurance industry by the Attorney General of New York and other regulators, purported classes of clients filed civil litigation against Aon and other companies under a variety of legal theories, including state tort, contract, fiduciary duty, antitrust and statutory theories and federal antitrust and Racketeer Influenced and Corrupt Organizations Act (RICO) theories. The federal actions were consolidated in the U.S. District Court for the District of New Jersey, and a state court collective action was filed in California. In the New Jersey actions, the Court dismissed plaintiffs federal antitrust and RICO claims in separate orders in August and October 2007, respectively. In August 2010, the U.S. Court of Appeals for the Third Circuit affirmed the dismissals of most, but not all, of the claims. In March 2011, Aon entered into a Memorandum of Understanding documenting a settlement of the civil cases consolidated in the U.S. District Court for the District of New Jersey. Under that agreement, Aon will pay $550,000 in exchange for dismissal of the class claims. This agreement received final approval in the trial court in March 2012. In April 2012, certain entities that had objected to the settlement filed notices of appeal from the trial court judgment. Several non-class claims brought by individual plaintiffs who opted out of the class action proceeding will remain pending, but the Company does not believe these present material exposure to the Company individually or in the aggregate. The outcome of these lawsuits, and the amount of any losses or other payments that may result, cannot be estimated at this time.

A retail insurance brokerage subsidiary of Aon provides insurance brokerage services to Northrop Grumman Corporation (Northrop). This Aon subsidiary placed Northrop s excess property insurance program for the period covering 2005. Northrop suffered a substantial loss in August 2005 when Hurricane Katrina damaged Northrop s facilities in the Gulf states. Northrop s excess insurance carrier, Factory Mutual Insurance Company (Factory Mutual), denied coverage for the claim pursuant to a flood exclusion. Northrop sued Factory Mutual in the United States District Court for the Central District of California and later sought to add this Aon subsidiary as a defendant, asserting that if Northrop s policy with Factory Mutual does not cover the losses suffered by Northrop stemming from Hurricane Katrina, then this Aon subsidiary will be responsible for Northrop s losses. On August 26, 2010, the court granted in large part Factory Mutual s motion for partial summary judgment regarding the applicability of the flood exclusion and denied Northrop s motion to add this Aon subsidiary as a defendant in the federal lawsuit. On January 27, 2011, Northrop filed suit against this Aon subsidiary in state court in Los Angeles, California, pleading claims for negligence, breach of contract and negligent misrepresentation. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these claims. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

Another retail insurance brokerage subsidiary of Aon has been sued in Tennessee state court by a client, Opry Mills Mall Limited Partnership (Opry Mills) that sustained flood damage to its property in May 2010. The lawsuit seeks $200 million from numerous insurers with whom this Aon subsidiary placed the client s property insurance coverage. The insurers contend that only $50 million in coverage is available for the loss because the flood event occurred on property in a high hazard flood zone. Opry Mills is seeking full coverage from the insurers for the loss and has sued this Aon subsidiary in the alternative for the same $150 million difference on various theories of professional liability if the court determines there is not full coverage. Aon believes it has meritorious defenses and

intends to vigorously defend itself against these claims. The outcome of this lawsuit, and the amount of any losses or other payments that may result, cannot be estimated at this time.

A pensions consulting and administration subsidiary of Hewitt prior to its acquisition by Aon provided advisory services to the Trustees of the Philips UK pension fund and the relevant employer of fund beneficiaries (together, Philips). In December 2011, the Aon subsidiary received notice of a potential claim alleging negligence and breach of duty. The notice asserts Philips right to claim damages related to Philips use of a credit default swap hedging strategy pursuant to the supply of the advisory services, which is said to have resulted in substantial damages to Philips. No lawsuit has yet been filed. Aon believes that it has meritorious defenses and intends to vigorously defend itself against these allegations. The outcome of this circumstance, and the amount of any losses or other payments that may result, cannot be estimated at this time.

From time to time, Aon s clients may bring claims and take legal action pertaining to the performance of fiduciary responsibilities. Whether client claims and legal action related to the Company s performance of fiduciary responsibilities are founded or unfounded, if such claims and legal actions are resolved in a manner unfavorable to the Company, they may adversely affect Aon s financial results and materially impair the market perception of the Company and that of its products and services.

Although the ultimate outcome of all matters referred to above cannot be ascertained, and liabilities in indeterminate amounts may be imposed on Aon or its subsidiaries, on the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on the consolidated financial position of Aon. However, 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.

Guarantees and Indemnifications

In connection with the Redomestication, the Company on April 2, 2012 entered various agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under issued and outstanding debt securities. Those agreements included the (1) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc, and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee) (amending and restating the Indenture, dated as of September 10, 2010, between Aon Corporation and the Trustee), (2) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of December 16, 2002, between Aon Corporation and the Trustee), (3) Amended and Restated Indenture, dated as of April 2, 2012, among Aon Corporation, Aon plc and the Trustee (amending and restating the Indenture, dated as of January 13, 1997, as supplemented by the First Supplemental Indenture, dated as of January 13, 1997) (4) First Supplemental Indenture, dated as of April 2, 2012, among Aon Finance N.S. 1, ULC, as issuer, Aon Corporation, as guarantor, Aon plc, as guarantor, and Computershare Trust Company of Canada, as trustee, and (5) Amended and Restated Trust Deed, among Aon Corporation, Aon plc, Aon Services Luxembourg & Co S.C.A. (formerly known as Aon Financial Services Luxembourg S.A.) (Aon Luxembourg) and BNY Mellon Corporate Trustee Services Limited, as trustee (the Luxembourg Trustee) (amending and restating the Trust Deed, dated as of July 1, 2009, as amended and restated on January 12, 2011, among Aon Delaware, Aon Luxembourg and the Luxembourg Trustee).

Effective as of the same date, the Company also entered into agreements pursuant to which it agreed to guarantee the obligations of its subsidiaries arising under the (1) $450,000,000 Term Credit Agreement dated June 15, 2011, among Aon Corporation, as borrower, Bank of America, N.A., as administrative agent and the other agents and lenders party thereto, (2) $400,000,000 Five-Year Agreement dated March 20, 2012, among Aon Corporation, as borrower, Citibank, N.A., as administrative agent and the other agents and lenders party thereto and (3) 650,00,000 Facility Agreement, dated October 15, 2010, among Aon Corporation, the subsidiaries of Aon Corporation party thereto as borrowers, Citibank International plc, as agent, and the other agents and lenders party thereto, as amended on July 18, 2011.

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

Aon had total letters of credit (LOCs) outstanding for approximately $69 million at September 30, 2012, as compared to $75 million at December 31, 2011. These letters of credit cover the beneficiaries related to Aon s Canadian pension plan scheme and secure deductible retentions for Aon s own workers compensation program and one of the U.S. pension plans. Aon also has issued letters of credit to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at its international subsidiaries. Amounts are accrued in the Condensed Consolidated Financial Statements to the extent the guarantees are probable and estimable.

Aon has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. Costs associated with these guarantees, to the extent estimable and probable, are provided in Aon s allowance for doubtful accounts. The maximum exposure with respect to such contractual contingent guarantees was approximately $36 million at September 30, 2012.

Aon has provided commitments to fund certain limited partnerships in which it has an interest in the event that the general partners request funding. Some of these commitments have specific expiration dates and the maximum potential funding under these commitments was $55 million at September 30, 2012. During the three and nine months ended September 30, 2012, the Company funded $4 million and $8 million, respectively, of these commitments.

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

16. Related Party Transactions

During the nine months ended September 30, 2012, the Company, in the ordinary course of business, provided retail brokerage, consulting and financial advisory services to, and received wholesale brokerage services from, an entity that is controlled by one of the Company s shareholders. These transactions were negotiated on an arms-length basis and contain customary terms and conditions. During the three and nine months ended September 30, 2012, commissions and fee revenue from these transactions were approximately $3 million and $11 million, respectively. During the three and nine months ended September 30, 2011, commissions and fee revenue from these transactions was $3 million and $5 million, respectively.

17. Segment Information

The Company has two reportable segments: Risk Solutions and HR Solutions. Unallocated income and expenses, when combined with the operating segments and after the elimination of intersegment revenues and expenses, total to the amounts in the Condensed Consolidated Financial Statements.

Reportable operating segments have been determined using a management approach, which is consistent with the basis and manner in which Aon s chief operating decision-maker (CODM) uses financial information for the purposes of allocating resources and evaluating performance. The CODM assesses performance based on operating income and generally accounts for inter-segment revenue as if the revenue were from third parties and at what management believes are current market prices. The Company does not present net assets by segment as this information is not reviewed by the CODM.

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 Aon s 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.

Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment. All prior year amounts have been adjusted to reflect that transfer.

Aon s total revenue is as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Risk Solutions	$ 1,778	$ 1,772	$ 5,582	$ 5,535
HR Solutions	971	957	2,847	2,778
Intersegment elimination	(12)	(6)	(30)	(20)
Total revenue	$ 2,737	$ 2,723	$ 8,399	$ 8,293

Commissions, fees and other revenues by product are as follows (in millions):

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Retail brokerage	$ 1,390	$ 1,392	$ 4,395	$ 4,378
Reinsurance brokerage	377	365	1,156	1,119
Total Risk Solutions Segment	1,767	1,757	5,551	5,497
Consulting services	394	403	1,140	1,141
Outsourcing	585	558	1,723	1,655
Intrasegment	(8)	(4)	(16)	(18)
Total HR Solutions Segment	971	957	2,847	2,778
Intersegment	(12)	(6)	(30)	(20)
Total commissions, fees and other revenue	$ 2,726	$ 2,708	$ 8,368	$ 8,255

Fiduciary investment income by segment is as follows (in millions):

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Risk Solutions	$ 11	$ 15	$ 31	$ 38
HR Solutions				
Total fiduciary investment income	$ 11	$ 15	$ 31	$ 38

A reconciliation of segment operating income before tax to income from continuing operations before income taxes is as follows (in millions):

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Risk Solutions	$ 309	$ 311	$ 1,059	$ 1,036
HR Solutions	80	61	211	239
Segment income from continuing operations before income taxes	389	372	1,270	1,275
Unallocated expenses	(50)	(44)	(135)	(109)
Interest income	1	4	6	14
Interest expense	(57)	(60)	(173)	(186)
Other (expense) income	(9)	20	3	6
Income from continuing operations before income taxes	$ 274	$ 292	$ 971	$ 1,000

Unallocated expenses include administrative or other costs not attributable to the operating segments, such as corporate governance costs and the costs associated with corporate investments. Interest income represents income earned primarily on operating cash balances and certain income producing securities. Interest expense represents the cost of worldwide debt obligations.

Other (expense) income consists of equity earnings, realized gains or losses on the sale of investments, gains or losses on the disposal of businesses, gains or losses on hedging activities, and gains or losses on foreign currency transactions.

18. Guarantee of Registered Securities

As described in Note 15, in connection with the Redomestication, on April 2, 2012, Aon plc (Parent Guarantor) entered into various agreements pursuant to which it agreed to guarantee the obligations of Aon Corporation (Subsidiary Issuer) arising under issued and outstanding debt securities. Aon Corporation is a 100% indirectly owned subsidiary of Aon plc. The debt securities that are subject to Rule 3-10 of Regulation S-X are the 7.375% debt securities due December 2012, the 3.50% senior notes due September 2015, the 3.125% senior notes due May 2016, the 5.00% senior notes due September 2020, the 8.205% junior subordinated deferrable interest debentures due January 2027 and the 6.25% senior notes due September 2040. All guarantees of Aon plc are full and unconditional. There are no subsidiaries of Aon plc that are guarantors of the debt.

The following tables set forth condensed consolidating statements of income for the three and nine months ended September 30, 2012 and 2011, condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2012 and 2011, condensed consolidating statements of financial position as of September 30, 2012 and December 31, 2011, and condensed consolidating statements of cash flows for the nine months ended September 30, 2012 and 2011 in accordance with Rule 3-10 of

Regulation S-X. The condensed consolidating financial information includes the accounts of Aon plc, the accounts of Aon Corporation, and the combined accounts of the non-guarantor subsidiaries. The condensed consolidating financial statements are presented in all periods as a merger under common control, with Aon plc presented as the Parent Guarantor in all periods prior and subsequent to the Redomestication. The principal consolidating adjustments are to eliminate the investment in subsidiaries and intercompany balances and transactions.

Condensed Consolidating Statement of Income

	Three Months Ended September 30, 2012				
(millions)	**Parent Guarantor**	**Subsidiary Issuer**	**Other Non-Guarantor Subsidiaries**	**Consolidating Adjustments**	**Consolidated**
Revenue					
Commissions, fees and other	$	$	$ 2,726	$	$ 2,726
Fiduciary investment income			11		11
Total revenue			2,737		2,737
Expenses					
Compensation and benefits	34	(11)	1,597		1,620
Other general expenses	19	6	753		778
Total operating expenses	53	(5)	2,350		2,398
Operating (loss) income	(53)	5	387		339
Interest income			1		1
Interest expense		(44)	(13)		(57)
Intercompany interest (expense) income	(8)	48	(40)		
Other income (expense)		10	(19)		(9)
(Loss) income from continuing operations before taxes	(61)	19	316		274
Income tax (benefit) expense	(15)	11	68		64
(Loss) income from continuing operations	(46)	8	248		210
Loss from discontinued operations before taxes					
Income taxes					
Loss from discontinued operations					
Equity in earnings of subsidiaries, net of tax	250	209	217	(676)	
Net income	204	217	465	(676)	210
Less: Net income attributable to noncontrolling interests			6		6
Net income attributable to Aon shareholders	$ 204	$ 217	$ 459	$ (676)	$ 204

Condensed Consolidating Statement of Income

	Three Months Ended September 30, 2011				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Commissions, fees and other	$	$	$ 2,708	$	$ 2,708
Fiduciary investment income			15		15
Total revenue			2,723		2,723
Expenses					
Compensation and benefits		(2)	1,636		1,634
Other general expenses		20	741		761
Total operating expenses		18	2,377		2,395
Operating (loss) income		(18)	346		328
Interest income			4		4
Interest expense		(40)	(20)		(60)
Intercompany interest income (expense)		47	(47)		
Other income			20		20
(Loss) income from continuing operations before taxes		(11)	303		292
Income tax (benefit) expense		(3)	87		84
(Loss) income from continuing operations		(8)	216		208
Income from discontinued operations before taxes					
Income tax benefit					
Income from discontinued operations					
Equity in earnings of subsidiaries, net of tax	198	174	166	(538)	
Net income	198	166	382	(538)	208
Less: Net income attributable to noncontrolling interests			10		10
Net income attributable to Aon shareholders	$ 198	$ 166	$ 372	$ (538)	$ 198

Condensed Consolidating Statement of Income

(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	Nine Months Ended September 30, 2012				
Revenue					
Commissions, fees and other	$	$	$ 8,368	$	$ 8,368
Fiduciary investment income			31		31
Total revenue			8,399		8,399
Expenses					
Compensation and benefits	18	22	4,880		4,920
Other general expenses	21	26	2,297		2,344
Total operating expenses	39	48	7,177		7,264
Operating (loss) income	(39)	(48)	1,222		1,135
Interest income		1	5		6
Interest expense		(124)	(49)		(173)
Intercompany interest (expense) income	(10)	140	(130)		
Other income		12	(9)		3
(Loss) income from continuing operations before taxes	(49)	(19)	1,039		971
Income tax (benefit) expense		(4)	261		257
(Loss) income from continuing operations	(49)	(15)	778		714
Loss from discontinued operations before taxes			(1)		(1)
Income taxes					
Loss from discontinued operations			(1)		(1)
Equity in earnings of subsidiaries, net of tax	737	662	647	(2,046)	
Net income	688	647	1,424	(2,046)	713
Less: Net income attributable to noncontrolling interest			25		25
Net income attributable to Aon shareholders	$ 688	$ 647	$ 1,399	$ (2,046)	$ 688

Condensed Consolidating Statement of Income

	Nine Months Ended September 30, 2011				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Revenue					
Commissions, fees and other	$	$	$ 8,255	$	$ 8,255
Fiduciary investment income		2	36		38
Total revenue		2	8,291		8,293
Expenses					
Compensation and Benefits		(7)	4,850		4,843
Other general expenses		40	2,245		2,284
Total operating expenses		33	7,095		7,127
Operating (loss) income		(31)	1,196		1,166
Interest income		4	10		14
Interest expense		(131)	(55)		(186)
Intercompany interest income (expense)		135	(135)		
Other (expense) income		(27)	33		6
(Loss) income from continuing operations before taxes		(50)	1,049		1,000
Income tax (benefit) expense		(18)	292		274
(Loss) income from continuing operations		(32)	757		726
Income from discontinued operations before taxes		5			5
Income tax expense		1			1
Income from discontinued operations		4			4
Equity in earnings of subsidiaries, net of tax	702	628	600	(1,930)	
Net income	702	600	1,357	(1,930)	730
Less: Net income attributable to noncontrolling interests			28		28
Net income attributable to Aon shareholders	$ 702	$ 600	$ 1,329	$ (1,930)	$ 702

Condensed Consolidating Statement of Comprehensive Income

(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	Three Months Ended September 30, 2012				
Net income	$ 204	$ 217	$ 465	$ (676)	$ 210
Less: Net income attributable to noncontrolling interests			6		6
Net income attributable to Aon shareholders	$ 204	$ 217	$ 459	$ (676)	$ 204
Other comprehensive loss, net of tax:					
Change in fair value of derivatives		1	14		15
Foreign currency translation adjustments		17	147		164
Post-retirement benefit obligation		9	(2)		7
Total other comprehensive income (loss)		27	159		186
Equity in other comprehensive (loss) income of subsidiaries, net of tax	182	155	182	(519)	
Less: Other comprehensive loss attributable to noncontrolling interests			4		4
Total other comprehensive loss attributable to Aon shareholders	182	182	337	(519)	182
Comprehensive income (loss) attributable to Aon shareholders	$ 386	$ 399	$ 796	$ (1,195)	$ 386

Condensed Consolidating Statement of Comprehensive Income

(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
	Three Months Ended September 30, 2011				
Net income	$ 198	$ 166	$ 382	$ (538)	$ 208
Less: Net income attributable to noncontrolling interests			10		10
Net income attributable to Aon shareholders	$ 198	$ 166	$ 372	$ (538)	$ 198
Other comprehensive income, net of tax:					
Change in fair value of derivatives			(9)		(9)
Foreign currency translation adjustments		(5)	(204)		(209)
Post-retirement benefit obligation		4	11		15
Total other comprehensive (loss) income		(1)	(202)		(203)
Equity in other comprehensive income (loss) of subsidiaries, net of tax	(202)	(201)	(202)	605	
Less: Other comprehensive income attributable to noncontrolling interests			(1)		(1)
Total other comprehensive income attributable to Aon shareholders	(202)	(202)	(403)	605	(202)
Comprehensive income attributable to Aon Shareholders	$ (4)	$ (36)	$ (31)	$ 67	$ (4)

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Condensed Consolidating Statement of Comprehensive Income

	Nine Months Ended September 30, 2012				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income	$ 688	$ 647	$ 1,424	$ (2,046)	$ 713
Less: Net income attributable to noncontrolling interests			25		25
Net income attributable to Aon shareholders	$ 688	$ 647	$ 1,399	$ (2,046)	$ 688
Other comprehensive loss, net of tax:					
Change in fair value of derivatives		1	4		5
Foreign currency translation adjustments		16	55		71
Post-retirement benefit obligation		24	22		46
Total other comprehensive income (loss)		41	81		122
Equity in other comprehensive (loss) income of subsidiaries, net of tax	120	78	119	(317)	
Less: Other comprehensive loss attributable to noncontrolling interests			2		2
Total other comprehensive loss attributable to Aon shareholders	120	119	198	(317)	120
Comprehensive income attributable to Aon shareholders	$ 808	$ 766	$ 1,597	$ (2,363)	$ 808

Condensed Consolidating Statement of Comprehensive Income

	Nine Months Ended September 30, 2011				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income	$ 702	$ 600	$ 1,357	$ (1,930)	$ 730
Less: Net income attributable to noncontrolling interests			28		28
Net income attributable to Aon shareholders	$ 702	$ 600	$ 1,329	$ (1,930)	$ 702
Other comprehensive income, net of tax:					
Change in fair value of derivatives		(1)	(13)		(14)
Foreign currency translation adjustments		(9)	(3)		(12)
Post-retirement benefit obligation		13	29		42
Total other comprehensive (loss) income		3	13		16
Equity in other comprehensive income (loss) of subsidiaries, net of tax	17	12	15	(44)	
Less: Other comprehensive income attributable to noncontrolling interests			(1)		(1)
Total other comprehensive income attributable to Aon shareholders	17	15	29	(44)	17
Comprehensive income attributable to Aon shareholders	$ 719	$ 615	$ 1,358	$ (1,974)	$ 719

Condensed Consolidating Statement of Financial Position

	September 30, 2012				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	$ 1	$ 58	$ 231	$	$ 290
Short-term investments	16	261	441		718
Receivables, net		2	2,957		2,959
Fiduciary assets			11,343		11,343
Intercompany receivables		1,677	2,868	(4,545)	
Other current assets		41	351		392
Total Current Assets	17	2,039	18,191	(4,545)	15,702
Goodwill			8,856		8,856
Intangible assets, net			3,040		3,040
Fixed assets, net			814		814
Investments		41	119		160
Intercompany receivables		2,240	2,171	(4,411)	
Other non-current assets	222	659	56		937
Investment in subsidiary	10,797	10,349	8,446	(29,592)	
TOTAL ASSETS	$ 11,036	$ 15,328	$ 41,693	$ (38,548)	$ 29,509
LIABILITIES AND EQUITY					
Fiduciary liabilities	$	$	$ 11,343	$	$ 11,343
Short-term debt and current portion of long-term debt		268	23		291
Accounts payable and accrued liabilities	4	86	1,429		1,519
Intercompany payables	34	1,779	1,782	(3,595)	
Other current liabilities		47	754		801
Total Current Liabilities	38	2,180	15,331	(3,595)	13,954
Long-term debt		3,030	1,081		4,111
Pension, other post retirement and other post employment liabilities		1,167	590		1,757
Intercompany payables	2,690	359	2,311	(5,360)	
Other non-current liabilities	3	146	1,177		1,326
TOTAL LIABILITIES	2,731	6,882	20,490	(8,955)	21,148
TOTAL AON SHAREHOLDERS EQUITY	8,305	8,446	21,146	(29,592)	8,305
Noncontrolling interests			56		56
TOTAL EQUITY	8,305	8,446	21,202	(29,592)	8,361
TOTAL LIABILITIES AND EQUITY	$ 11,036	$ 15,328	$ 41,692	$ (38,547)	$ 29,509

Condensed Consolidating Statement of Financial Position

(millions)	Parent Guarantor	Subsidiary Issuer	Dec. 31, 2011 Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	$	$ (21)	$ 293	$	$ 272
Short-term investments		321	464		785
Receivables, net		2	3,181		3,183
Fiduciary assets			10,838		10,838
Intercompany receivables	3	610	539	(1,152)	
Other current assets		57	378	(8)	427
Total Current Assets	3	969	15,693	(1,160)	15,505
Goodwill			8,770		8,770
Intangible assets, net			3,276		3,276
Fixed assets, net			783		783
Investments		39	200		239
Intercompany receivables		2,133	2,202	(4,335)	
Other non-current assets		900	781	(702)	979
Investment in subsidiary	10,183	9,269	7,714	(27,166)	
TOTAL ASSETS	$ 10,186	$ 13,310	$ 39,419	$ (33,363)	$ 29,552
LIABILITIES AND EQUITY					
Fiduciary liabilities	$	$	$ 10,838	$	$ 10,838
Short-term debt and current portion of long-term debt		318	19		337
Accounts payable and accrued liabilities		78	1,758	(4)	1,832
Intercompany payables		206	609	(815)	
Other current liabilities		5	752	(4)	753
Total Current Liabilities		607	13,976	(823)	13,760
Long-term debt		3,063	1,092		4,155
Pension, other post retirement and other post employment liabilities		1,407	785		2,192
Intercompany payables	2,108	378	2,186	(4,672)	
Other non-current liabilities		141	1,886	(702)	1,325
TOTAL LIABILITIES	2,108	5,596	19,925	(6,197)	21,432
TOTAL AON SHAREHOLDERS EQUITY	8,078	7,714	19,452	(27,166)	8,078
Noncontrolling interests			42		42
TOTAL EQUITY	8,078	7,714	19,494	(27,166)	8,120
TOTAL LIABILITIES AND EQUITY	$ 10,186	$ 13,310	$ 39,419	$ (33,363)	$ 29,552

Condensed Consolidating Statement of Cash Flows

	Nine Months Ended September 30, 2012				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	$ (46)	$ (189)	$ 1,102	$	$ 867
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of long-term investments		79	92		171
Purchase of long-term investments		(9)			(9)
Net sales of short-term investments - non-fiduciary	(16)	61	21		66
Acquisition of businesses, net of cash acquired		(55)	(42)		(97)
Proceeds from sale of businesses			2		2
Capital expenditures			(201)		(201)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(16)	76	(128)		(68)
CASH FLOWS FROM FINANCING ACTIVITIES					
Share repurchase	(525)	(100)			(625)
Advances from (to) affiliates	648	376	(1,024)		
Issuance of shares for employee benefit plans	44	49			93
Issuance of debt		332	1		333
Repayment of debt		(416)	(11)		(427)
Cash dividends to shareholders	(104)	(49)			(153)
Purchase of shares from noncontrolling interests					
Dividends paid to noncontrolling interests			(17)		(17)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	63	192	(1,051)		(796)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			15		15
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1	79	(62)		18
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(21)	293		272
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1	$ 58	$ 231	$	$ 290

Condensed Consolidating Statement of Cash Flows

	Nine Months Ended September 30, 2011				
(millions)	Parent Guarantor	Subsidiary Issuer	Other Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	$	$ (137)	$ 924	$	$ 787
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of long-term investments		52	51		103
Purchase of long-term investments		(17)	(11)		(28)
Net sales of short-term investments - non-fiduciary		329	(153)		176
Acquisition of businesses, net of cash acquired		(10)	(92)		(102)
Proceeds from sale of businesses		5	4		9
Capital expenditures			(151)		(151)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		359	(352)		7
CASH FLOWS FROM FINANCING ACTIVITIES					
Share repurchase		(828)			(828)
Advances from (to) affiliates		487	(487)		
Issuance of shares for employee benefit plans		165			165
Issuance of debt		1,190	382		1,572
Repayment of debt		(1,126)	(397)		(1,523)
Cash dividends to shareholders		(150)			(150)
Purchase of shares from noncontrolling interests			(24)		(24)
Dividends paid to noncontrolling interests			(21)		(21)
CASH USED FOR FINANCING ACTIVITIES		(262)	(547)		(809)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			(36)		(36)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(40)	(11)		(51)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		14	332		346
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	$ (26)	$ 321	$	$ 295

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY OF THIRD QUARTER 2012 FINANCIAL RESULTS

On April 2, 2012, we completed the Redomestication, moving our corporate headquarters to London. In the Redomestication, each issued and outstanding share of Aon Corporation common stock held by stockholders of Aon Corporation was converted into the right to receive one Class A Ordinary Share, nominal value $0.01 per share, of Aon plc. In connection with the Redomestication, we have incurred costs related to the headquarters relocation of $6 million and $23 million in the three and nine months ended September 30, 2012, respectively. We anticipate that we will incur an additional $12 million of costs through 2013 related to the headquarters relocation. We believe the Redomestication will strengthen our long term strategy by:

- Enabling Risk Solutions to deliver superior value to our clients by executing our Aon Broking strategy;
- Expanding the HR Solutions portfolio penetration, especially within consulting, which already has a significant presence in the UK and EMEA;
- Enhancing our Risk Solutions relationship with, and integration into, London markets;
- Increasing our connection to emerging markets, accelerating our ability to grow there, and further aligning our strategy with underwriters and carriers who are also targeting these high growth markets;
- Strengthening our international brand awareness and positioning as a global firm;
- Advancing our talent strategy through better development, retention and acquisition of professional talent, with a special focus on London s insurance talent;
- Optimizing our fiscal planning and capital allocation and reducing our global tax rate in a manner that provides us with the increased financial flexibility to properly invest in our growth.

During the first nine months of 2012, we continued to face certain headwinds impacting our business. In our Risk Solutions segment, these included economic weakness in continental Europe and sector specific weakness in construction, private equity and mergers and acquisitions. In our HR Solutions segment, these included price compression in our benefits administration business and a decline in discretionary demand for retirement consulting services internationally.

We focus on three key metrics each quarter that we communicate to shareholders: grow organically, expand margins, and increase earnings per share. The following is our measure of performance against these three metrics for the third quarter and first nine months of 2012:

- Organic revenue growth, a non-GAAP measure as defined under the caption Review of Consolidated Results General below, was 4% in both the third quarter and first nine months of 2012, demonstrating continued improvement compared to the prior year s organic revenue growth of 1% for the comparable periods. Organic revenue growth was primarily driven by strong management of the renewal book portfolio across all regions and solid new business growth in Asia and emerging markets. Solid growth across our Reinsurance business and new client wins in our HR Solutions segment also drove organic growth.

- Adjusted operating margin, a non-GAAP measure as defined under the caption Review of Consolidated Results General below, for the third quarter 2012 was 17.5% for Aon overall, 20.0% for the Risk Solutions segment, and 17.5% for the HR Solutions segment. Adjusted operating margin was 17.2% for Aon overall, 20.2% for the Risk Solutions segment, and 16.0% for the HR Solutions segment for the third quarter 2011. For the first nine months of 2012, adjusted operating margin was 18.3% for Aon overall, 21.1% for the Risk Solutions segment, and 16.5% for the HR Solutions segment. For the first nine months of 2011, adjusted operating margin was 18.7% for Aon overall, 21.1% for the Risk Solutions segment, and 16.5% for the HR Solutions segment. The year-to-date increase in adjusted operating margin for the Risk Solutions segment reflects strong organic revenue growth and restructuring savings, partially offset by investments in Asia, Latin America and GRIP solutions, as well as lower investment income. The year-to-date decrease in adjusted operating margin for both the HR Solutions segment and Aon overall reflects significant investment in new growth opportunities in health care exchanges and human resource business processing outsourcing (HR BPO) and anticipated pricing compression in our benefits administration business.

- Adjusted diluted earnings per share from continuing operations attributable to Aon s shareholders, a non-GAAP measure as defined under the caption Review of Consolidated Results General below, was $0.95 per share in the third quarter of 2012 and $2.94 per share for the first nine months of 2012, compared to $0.88 and $2.90 per share in the third quarter and first nine months of 2011, respectively.

Additionally, the following is a summary of our third quarter and first nine months 2012 financial results:

- For the quarter, revenue increased $14 million, a 1% increase when compared to the prior year quarter of $2.7 billion. This was the result of 4% organic revenue growth, partially offset by a 3% unfavorable impact from foreign exchange rates. Fiduciary investment income decreased $4 million due to the continued decline in global interest rates. Organic revenue grew 4% in the HR Solutions segment and 3% in the Risk Solutions segment during the quarter. During the first nine months of 2012, revenue increased $106 million, or 1%, to $8.4 billion due primarily to 4% organic revenue growth, partially offset by a 3% unfavorable impact from foreign exchange rates.

- Operating expenses for the quarter were $2.4 billion, an increase of $3 million over the prior year quarter. Operating expenses for the first nine months of 2012 were $7.3 billion, an increase of $137 million, or 2%, over the prior year. The increase in both periods is primarily a result of a $14 million and $40 million increase in intangible asset amortization expense for the quarter and year to date periods, respectively, as well as investments in health care exchanges and other new growth opportunities, partially offset by benefits related to restructuring initiatives and a decrease in restructuring related expenses.

- Operating margin from continuing operations increased to 12.4% in the third quarter 2012 from 12.0% in the third quarter 2011. The nine month operating margin was 13.5% as compared to 14.1% in 2011. The year-to-date decrease in operating margin is primarily related to intangible asset amortization related to the acquisition of Hewitt, as well as significant investments in new growth opportunities in health care exchanges.

- Net income from continuing operations attributable to Aon shareholders for the third quarter 2012 increased $6 million, or 3%, from the third quarter 2011 to $204 million. During the first nine months of 2012, Net income from continuing operations attributable to Aon shareholders decreased $14 million, or 2%, compared to the first nine months of 2011 to $688 million.

REVIEW OF CONSOLIDATED RESULTS

General

In our discussion of operating results, we sometimes refer to supplemental information derived from consolidated financial information specifically related to organic revenue growth, adjusted operating margin, adjusted diluted earnings per share, and the impact of foreign exchange rate fluctuations on operating results.

Organic Revenue

We use supplemental information related to organic revenue to help us and our investors evaluate business growth from existing operations. Organic revenue 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 Condensed Consolidated Financial Statements and Notes thereto. Industry peers provide similar supplemental information about their revenue performance, although they may not make identical adjustments. Reconciliation of this non-GAAP measure, organic revenue growth percentages, to the reported Commissions, fees and other revenue growth percentages, has been provided in the Review by Segment caption, below.

Adjusted Operating Margins

We use adjusted operating margin as a measure of core operating performance of our Risk Solutions and HR Solutions segments. Adjusted operating margin excludes the impact of certain noteworthy items, including restructuring charges, intangible asset amortization, headquarters relocation costs and Hewitt-related costs. 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 Condensed Consolidated Financial Statements and Notes thereto.

A reconciliation of this non-GAAP measure to the reported operating margin is as follows (in millions):

	Three months ended September 30, 2012		
	Total Aon (1)	**Risk Solutions**	**HR Solutions**
Revenue U.S. GAAP	$ 2,737	$ 1,778	$ 971
Operating income U.S. GAAP	339	309	$ 80
Restructuring charges	32	16	16
Intangible asset amortization	105	31	74
Headquarters relocation costs	4		
Operating income as adjusted	$ 480	$ 356	$ 170
Operating margins U.S. GAAP	12.4%	17.4%	8.2%
Operating margins as adjusted	17.5%	20.0%	17.5%

	Nine months ended September 30, 2012		
	Total Aon (1)	Risk Solutions	HR Solutions
Revenue U.S. GAAP	$ 8,399	$ 5,582	$ 2,847
Operating income U.S. GAAP	1,135	1,059	211
Restructuring charges	65	29	36
Intangible asset amortization	313	91	222
Headquarters relocation costs	21		
Operating income as adjusted	$ 1,534	$ 1,179	$ 469
Operating margins U.S. GAAP	13.5%	19.0%	7.4%
Operating margins as adjusted	18.3%	21.1%	16.5%

(1) Includes unallocated expenses and the elimination of inter-segment revenue.

	Three months ended September 30, 2011		
	Total Aon (1)	Risk Solutions	HR Solutions
Revenue U.S. GAAP	$ 2,723	$ 1,772	$ 957
Operating income U.S. GAAP	328	311	61
Restructuring charges	26	14	12
Intangible asset amortization	91	33	58
Hewitt related costs	22		22
Operating income as adjusted	$ 467	$ 358	$ 153
Operating margins U.S. GAAP	12.0%	17.6%	6.4%
Operating margins as adjusted	17.2%	20.2%	16.0%

	Nine months ended September 30, 2011		
	Total Aon (1)	Risk Solutions	HR Solutions
Revenue U.S. GAAP	$ 8,293	$ 5,535	$ 2,778
Operating income U.S. GAAP	1,166	1,036	239
Restructuring charges	70	28	42
Intangible asset amortization	273	97	176
Hewitt related costs	42		42
Operating income as adjusted	$ 1,551	$ 1,161	$ 499
Operating margins U.S. GAAP	14.1%	18.7%	8.6%
Operating margins as adjusted	18.7%	21.0%	18.0%

(1) Includes unallocated expenses and the elimination of inter-segment revenue.

Adjusted Diluted Earnings per Share from Continuing Operations

We also use adjusted diluted earnings per share from continuing operations as a non-GAAP measure of our core operating performance. Adjusted diluted earnings per share excludes the impact of restructuring charges, intangible asset amortization, headquarters relocation costs and Hewitt-related costs, along with related income taxes. 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 Condensed Consolidated Financial Statements and Notes thereto. Reconciliations of this non-GAAP measure to the reported diluted earnings per share are as follows (in millions except per share data):

	Three months ended September 30, 2012		
	U.S. GAAP	Adjustments	As Adjusted
Operating Income	339	141	480
Interest income	1		1
Interest expense	(57)		(57)
Other (expense) income	(9)	2	(7)
Income from continuing operations before income taxes	274	143	417
Income taxes	64	34	98
Income from continuing operations	210	109	319
Less: Net income attributable to noncontrolling interests	6		6
Income from continuing operations attributable to Aon stockholders	$ 204	$ 109	$ 313
Diluted earnings per share from continuing operations	$ 0.62	$ 0.33	$ 0.95
Weighted average common shares outstanding diluted	331.0	331.0	331.0

	Nine months ended September 30, 2012		
	U.S. GAAP	Adjustments	As Adjusted
Operating Income	1,135	399	1,534
Interest income	6		6
Interest expense	(173)		(173)
Other (expense) income	3	2	5
Income from continuing operations before income taxes	971	401	1,372
Income taxes	257	107	364
Income from continuing operations	714	294	1,008
Less: Net income attributable to noncontrolling interests	25		25
Income from continuing operations attributable to Aon stockholders	$ 689	$ 294	$ 983
Diluted earnings per share from continuing operations	$ 2.06	$ 0.88	$ 2.94
Weighted average common shares outstanding diluted	334.4	334.4	334.4

	Three months ended September 30, 2011		
	U.S. GAAP	Adjustments	As Adjusted
Operating Income	328	139	$ 467
Interest income	4		$ 4
Interest expense	(60)		(60)
Other (expense) income	20		20
Income from continuing operations before income taxes	292	139	431
Income taxes	84	41	125
Income from continuing operations	208	98	306
Less: Net income attributable to noncontrolling interests	10		10
Income from continuing operations attributable to Aon stockholders	$ 198	$ 98	$ 296
Diluted earnings per share from continuing operations	$ 0.59	$ 0.29	$ 0.88
Weighted average common shares outstanding diluted	336.9	336.9	336.9

	Nine months ended September 30, 2011		
	U.S. GAAP	Adjustments	As Adjusted
Operating Income	1,166	385	1,551
Interest income	14		14
Interest expense	(186)		(186)
Other (expense) income	6	19	25
Income from continuing operations before income taxes	1,000	404	1,404
Income taxes	274	111	385
Income from continuing operations	726	295	1,019
Less: Net income attributable to noncontrolling interests	28		28
Income from continuing operations attributable to Aon stockholders	$ 698	$ 293	$ 991
Diluted earnings per share from continuing operations	$ 2.04	$ 0.86	$ 2.90
Weighted average common shares outstanding diluted	341.8	341.8	341.8

Impact of Foreign Exchange Rate Fluctuations

Because we conduct business in more than 120 countries, foreign exchange rate fluctuations have a significant impact on our business. In comparison to the U.S. dollar, foreign 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 more meaningful information about our operations, we have provided a discussion of the impact of foreign currency exchange rates on our financial results. The methodology used to calculate this impact isolates the impact of the change in currencies between periods by translating last year s revenue, expenses and net income at this year s foreign exchange rates. Currency fluctuations had no impact and an unfavorable impact of $0.03 during the three and nine month periods ended September 30, 2012, respectively, on adjusted net income from continuing operations per diluted share when we translate prior year quarter results at current quarter foreign exchange rates.

Summary of Results

The consolidated results of continuing operations follow (in millions):

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue:				
Commissions, fees and other	$ 2,726	$ 2,708	$ 8,368	$ 8,255
Fiduciary investment income	11	15	31	38
Total revenue	2,737	2,723	8,399	8,293
Expenses:				
Compensation and benefits	1,620	1,634	4,920	4,843
Other general expenses	778	761	2,344	2,284
Total operating expenses	2,398	2,395	7,264	7,127
Operating income	339	328	1,135	1,166
Interest income	1	4	6	14
Interest expense	(57)	(60)	(173)	(186)
Other (expense) income	(9)	20	3	6
Income from continuing operations before income taxes	274	292	971	1,000
Income taxes	64	84	257	274
Income from continuing operations	210	208	714	726
Income (loss) from discontinued operations, after-tax			(1)	4
Net income	210	208	713	730
Less: Net income attributable to noncontrolling interests	6	10	25	28
Net income attributable to Aon stockholders	$ 204	$ 198	$ 688	$ 702

Revenue

Revenue increased by $14 million, or 1%, in the third quarter 2012 compared to the third quarter 2011, and increased $106 million, or 1%, on a year-to-date basis. The third quarter increase consists of a $14 million, or 1%, increase in the HR Solutions segment and a $6 million, essentially flat, increase in the Risk Solutions segment, partially offset by a $4 million decrease in Fiduciary investment income. Organic revenue growth in the HR Solutions segment for the quarter was 4%. The increase in the HR Solutions segment compared to the prior year quarter was primarily driven by new client wins in HR BPO and benefits administration and strong growth in certain consulting businesses. The results of the Risk Solutions segment reflect 3% organic revenue growth, offset by an unfavorable impact of 4% from foreign exchange rates and a decline in Fiduciary investment income.

Revenue for the nine months ended September 30, 2012 increased $106 million from the comparable prior year period due to a $69 million, or 2%, increase in HR Solutions and a $47 million, or 1%, increase in Risk Solutions partially offset by a $7 million decrease in Fiduciary investment income. Organic revenue growth in HR Solutions was 4% compared to the first nine months 2011. The 1% increase in the Risk Solutions segment reflects 4% organic revenue growth, partially offset by an unfavorable impact of 3% from foreign exchange rates.

Compensation and Benefits

Compensation and benefits decreased $14 million, or 1%, from third quarter 2011. For the first nine months of 2012, Compensation and benefits increased $77 million, or 2%, from the comparable prior year period. In both periods, increases in Compensation and benefits were primarily driven by organic revenue growth, investments in key talent and additional costs related to acquisitions, partially offset by a favorable impact from foreign currency translation. In the third quarter 2012, this increase was offset by restructuring savings.

Other General Expenses

Other general expenses for the three and nine month periods ended September 30, 2012, compared to the prior year, increased $17 million, or 2%, and $60 million, or 3%, respectively. The increase for both periods was due largely due to the impact of headquarters relocation costs of $4 million and $21 million during the three and nine month periods ended September 30, 2012, respectively, and a $14 million and $40 million increase in intangible asset amortization expense for the three and nine month periods ended September 30, 2012, respectively, partially offset by a favorable impact from foreign currency translation.

Interest income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. For the third quarter 2012, Interest income decreased $3 million from the third quarter 2011. For the first nine months 2012, Interest income decreased $8 million from the comparable period in 2011 due to lower average interest rates globally.

Interest expense

Interest expense, for the third quarter and first nine months of 2012, which represents the cost of our worldwide debt obligations, decreased $3 million and $13 million from the third quarter and the first nine months of 2011, respectively. The decrease in interest expense reflects a decline in the average rate on total debt outstanding.

Other (expense) income

Other (expense) income was $9 million expense and $3 million income for the third quarter and first nine months 2012, respectively, as compared to $20 million income and $6 million income for the third quarter and first nine months 2011, respectively. Other (expense) income during the nine month period ended September 30, 2011 included a $19 million loss on the extinguishment of debt obligations. The third quarter 2012 includes an $24 million loss on foreign currency remeasurement, partially offset by an $8 million hedging gain. The three and nine months ended September 30, 2011 included gains of $24 million and $18 million, respectively, related to foreign currency remeasurement, partially offset by hedging losses of $11 million and $13 million, respectively.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes for the third quarter was $204 million, a 3% increase from $198 million in 2012. For the first nine months 2012, Income from continuing operations before income taxes was $689 million, a 1% decrease from $698 million in 2011. For both periods, the decreases in income from continuing operations before income taxes was due to higher intangible asset amortization and headquarters relocation costs, partially offset by 4% organic revenue growth. During the third quarter 2012, those costs were offset by lower Compensation and benefits expenses.

Income Taxes

The effective tax rate on income from continuing operations was 23.2% and 28.9% for the third quarter 2012 and 2011, respectively, and 26.5% and 27.4% for the first nine months of 2012 and 2011, respectively. The third quarter 2012 effective tax rate was favorably impacted by certain discrete items recognized in the period including foreign tax credits that reduced our income tax expense, partially offset by a change in a statutory tax rate during the quarter. The underlying tax rate for continuing operations for 2012 is expected to be approximately 26%, reflecting the initial benefits related to the Redomestication.

Income from Continuing Operations Attributable to Aon Shareholders

Income from continuing operations attributable to Aon shareholders for the third quarter increased to $204 million, or $0.62 diluted net income per share, from $198 million, or $0.59 diluted net income per share, in 2011. For the first nine months of 2012, Income from continuing operations attributable to Aon shareholders decreased to $689 million, or $2.06 diluted net income per share, from $698 million, or $2.04 diluted net income per share, in 2011.

Restructuring Initiatives

Aon Hewitt Restructuring Plan

On October 14, 2010, we announced a global restructuring plan in connection with the acquisition of Hewitt. The Aon Hewitt Plan is intended to streamline operations across the combined Aon Hewitt organization and includes approximately 2,000 job eliminations. We expect these restructuring activities and related expenses to affect continuing operations into 2013. The Aon Hewitt Plan is expected to result in cumulative costs of approximately $325 million through the end of the plan, consisting of approximately $180 million in employee termination costs and approximately $145 million in real estate rationalization across the Company.

From the inception of the Aon Hewitt Plan through September 30, 2012, in excess of 1,800 jobs have been eliminated and total expenses of $214 million have been incurred. We recorded $32 million and $57 million of restructuring and related charges in the three and nine months ended September 30, 2012, respectively. We recorded $26 million and $80 million of restructuring and related charges in the three and nine months ended September 30, 2011, respectively. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The following summarizes the restructuring and related costs, by type, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	Third Quarter 2012	Nine Months 2012	Total Inception to Date	Estimated Total Cost for Restructuring Plan (1)
Workforce reduction	$ 49	$ 64	$ 25	$ 44	$ 157	$ 180
Lease consolidation	3	32	6	11	46	95
Asset impairments		7		1	8	47
Other costs associated with restructuring (2)		2	1	1	3	3
Total restructuring and related expenses	$ 52	$ 105	$ 32	$ 57	$ 214	$ 325

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

(2) Other costs associated with restructuring initiatives, including moving costs and consulting and legal fees, are recognized when incurred.

Effective January 1, 2012, the Health and Benefits Consulting business was transferred from the HR Solutions segment to the Risk Solutions segment. Restructuring costs associated with the Health and Benefits Consulting business are reflected in the Risk Solutions segment, including $41 million that was reclassified from the HR Solutions segment to the Risk Solutions segment for 2011. During the third quarter 2011, $26 million in restructuring expenses were recorded, $14 million of which related to the Health and Benefits Consulting business. The following summarizes the restructuring and related expenses, by segment, that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the Aon Hewitt Plan (in millions):

	2010	2011	Third Quarter 2012	Nine Months 2012	Total Inception to Date	Estimated Total Cost for Restructuring Plan
HR Solutions	$ 52	$ 49	$ 16	$ 36	$ 137	$ 243
Risk Solutions		56	16	21	77	82
Total restructuring and related expenses	$ 52	$ 105	$ 32	$ 57	$ 214	$ 325

The restructuring plan, before any potential reinvestment of savings, is expected to deliver approximately $280 million of annual savings in 2013. The HR Solutions segment is expected to deliver $234 million of annual savings, with the remaining $46 million to be delivered by the Risk Solutions segment. We estimate that we realized approximately $64 million and $169 million in restructuring cost savings in the third quarter and first nine months of 2012, respectively. With other integration savings, we expect to achieve approximately $355 million in annual cost savings in 2013, which includes the approximately $280 million of annual savings related to the restructuring plan, and additional savings in areas such as information technology, procurement and public company costs. All of the components of the restructuring and integration plan are not finalized and actual total savings, costs and timing may vary from those estimated due to changes in the scope or assumptions underlying the plan.

Aon Benfield Restructuring Plan

We announced a global restructuring plan in conjunction with our acquisition of Benfield in 2008. The Aon Benfield Plan was intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan included 810 job eliminations. Additionally, duplicate space and assets were abandoned. We incurred all remaining costs for the Aon Benfield Plan in the first quarter 2012.

We recorded $8 million of restructuring and related charges in the nine months ended September 30, 2012. We recorded a restructuring costs of $3 million and a benefit of $2 million for the three and nine months ended September 30, 2011, respectively. All costs associated with the Aon Benfield Plan are included in the Risk Solutions segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the accompanying Condensed Consolidated Statements of Income.

The Aon Benfield Plan, before any potential reinvestment of savings, has delivered cumulative run-rate cost savings of approximately $146 million through the third quarter 2012. We estimate that we realized approximately $36 million and $106 million of cost savings in the three and nine months ended September 30, 2012.

The following is a summary of the restructuring and related expenses by type that have been incurred through the end of the restructuring initiative related to the Aon Benfield Plan (in millions):

	Purchase Price Allocation	2009	2010	2011	Third Quarter 2012	Nine Months 2012	Inception to Date	Total Cost for Restructuring Plan
Workforce reduction	$ 32	$ 38	$ 15	$ 33	$	$ 8	$ 126	$ 126
Lease consolidation	20	14	7	(15)			26	26
Asset impairments		2	2				4	4
Other costs associated with restructuring	1	1	2	1			5	5
Total restructuring and related expenses	$ 53	$ 55	$ 26	$ 19	$	$ 8	$ 161	$ 161

LIQUIDITY AND FINANCIAL CONDITION

Liquidity

Executive Summary

We believe that our balance sheet and strong cash flow provide us with financial flexibility to create long-term value for our shareholders. Our primary sources of liquidity are cash flow from operations, available cash reserves and debt capacity available under our various credit facilities. Our primary uses of liquidity are operating expenses, principal and interest payments on our debt obligations, capital expenditures, acquisitions, share repurchases, restructuring initiatives, pension obligations and shareholder dividends.

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

Operating Activities

Net cash provided by operating activities during the nine months ended September 30, 2012 was $867 million as compared to net cash provided by operating activities in the nine months ended September 30, 2011 of $787 million, an increase of $80 million. The primary driver of the cash provided by operating activities was net income, adjusted for non-cash expenses, of $1.4 billion, partially offset by pension contributions of $454 million and a decrease in accounts payable and accrued liabilities of $347 million. Pension contributions were $454 million and $388 million for the nine months ended September 30, 2012 and 2011, respectively. For the remainder of 2012, we expect to contribute approximately $187 million to our pension plans, with the majority attributable to non-U.S. pension plans, which are subject to changes in foreign exchange rates.

During the third quarter 2012, we continued to progress with elevated levels of invoicing and cash collections related to a delay in invoicing HR Solutions customers in the second half of 2011. We expect the increase in unbilled receivables and accounts receivable of approximately $375 million to reverse and return to normalized levels.

We expect cash generated by operations for 2012 to be sufficient to service our debt and contractual obligations, fund the cash requirements of our restructuring programs, finance capital expenditures, continue acquisitions of shares under our share repurchase program, and continue to pay dividends to our shareholders. Although cash from operations is expected to be sufficient to service these obligations, we have the ability to borrow under our credit facilities to accommodate any timing differences in cash flows. We have committed credit facilities of approximately $1.2 billion, all of which was available at September 30, 2012. We can access these facilities on a same day or next day basis. Additionally, we believe that we could access capital markets to obtain debt financing for longer-term funding, under current market conditions, if needed.

Investing Activities

Cash flow used for investing activities was $68 million during the nine months ended September 30, 2012. The primary drivers of the cash flow used for investing activities were $201 million for capital expenditures and $97 million for the acquisition of businesses, partially offset by $171 million for sales of long term investments and $66 million for net sales of short term investments.

Cash flow provided by investing activities was $7 million during the nine months ended September 30, 2011. The primary drivers of the cash flow provided by investing activities were $251 million in net sales of investments and proceeds from the sale of operations of $9 million, partially offset by $151 million for capital expenditures and $102 million for acquisitions, net of sales.

Financing Activities

Cash flow used for financing activities during the nine months ended September 30, 2012 was $796 million. The primary drivers of cash flow used for financing activities were share repurchases of $625 million, dividends paid to shareholders of $153 million, and repayments of debt, net of issuances, of $94 million partially offset by proceeds from the exercise of share options and issuance of shares purchased through the employee stock purchase plan of $93 million.

Cash flow used for financing activities during the nine months ended September 30, 2011 was $809 million. The primary drivers of cash flow used for financing activities were share repurchases of $828 million and dividends paid to shareholders of $150 million. This was partially offset by repayment of debt, net of issuances of $49 million, proceeds from the exercise of share options and issuance of shares purchased through the employee stock purchase plan of $165 million.

As of September 30, 2012, we had distributable reserves of $7.2 billion. We believe that we will have sufficient distributable reserves to fund shareholder dividends for the foreseeable future.

Cash and Investments

At September 30, 2012, our cash and cash equivalents and short-term investments were $1.0 billion, a decrease of $49 million from December 31, 2011. Of the total balance as of September 30, 2012, $212 million was restricted as to its use, which was comprised of $124 million of operating funds in the U.K. as required by the Financial Services Authority and $88 million held as collateral for various business purposes. At September 30, 2012, $293 million of cash and cash equivalents and short-term investments were held in the U.S. and $715 million was held by our subsidiaries in other countries.

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 foreign currency movements. Fiduciary assets, because of their nature, are required to be invested in very liquid securities with highly-rated, credit-worthy financial institutions. In our Condensed Consolidated Statements of Financial Position, the amount we report for Fiduciary assets and Fiduciary liabilities are equal. Our Fiduciary assets included cash and investments of $4.1 billion and fiduciary receivables of $7.2 billion at September 30, 2012. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments are not owned by us, and cannot be used for general corporate purposes.

As disclosed in Note 14 Fair Value and Financial Instruments, of the Notes to the Condensed Consolidated Financial Statements, the majority of our investments carried at fair value are money market funds. Money market funds are carried at cost as an approximation of fair value. Based on market convention, we consider cost a practical and expedient measure of fair value. These money market funds are held throughout the world with various financial institutions. We do not believe that there are any market liquidity issues affecting the fair value of these investments.

As of September 30, 2012, our investments in money market funds and highly liquid debt instruments had a fair value of $2.6 billion and are reported as Short-term investments or Fiduciary assets in the Condensed 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 September 30, 2012 (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	$ 290	$	$ 2,252	$ 2,542
Money market funds		717	1,870	2,587
Highly liquid debt instruments			25	25
Other investments due within one year		1		1
Cash and investments	290	718	4,147	5,155
Fiduciary receivables			7,196	7,196
Total	$ 290	$ 718	$ 11,343	$ 12,351

Share Repurchase Program

In January 2010, our Board of Directors authorized a share repurchase program under which up to $2 billion of common stock were authorized to be repurchased (2010 Share Repurchase Program). Shares were authorized to be repurchased through the open market or in privately negotiated transactions, including structured repurchase programs, from time to time, based on prevailing market conditions, and were funded from available capital. Any repurchased shares were available for employee stock plans and for other corporate purposes.

During the first quarter of 2012, we repurchased 2.1 million shares at an average price per share of $48.32 for a total cost of $100 million under the 2010 Share Repurchase Program. During the first quarter 2011, we repurchased 6.8 million shares at an average price per share of $51.29 for a total cost of $350 million under the 2010 Share Repurchase Program as well as a previous program that was completed in the first quarter 2011. Since the inception of the 2010 Share Repurchase Program, we repurchased a total of 18.2 million shares for an aggregate cost of $913 million. As of March 31, 2012, we were authorized to purchase up to $1.1 billion of additional shares under the 2010 Share Repurchase Program.

The 2010 Share Repurchase Program, which related to common stock of Aon Corporation and preceded the Redomestication, did not extend to the shares of Aon plc. In April 2012, our Board of Directors therefore authorized a share repurchase program under which up to $5 billion of Class A Ordinary Shares may be repurchased. Under this 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 the three months ended September 30, 2012, we repurchased 5.4 million shares at an average price per share of $51.37 for a total cost of $275 million. During the nine months ended September 30, 2012, we repurchased 12.7 million shares at an average price per share of $49.22 for a total cost of $625 million under the 2012 Share Repurchase Program and the previously completed 2010 Share Repurchase Program. The remaining authorized amount for share repurchase under the 2012 Share Repurchase Program is $4.5 billion.

For information regarding share repurchases made during the third quarter of 2012, see Part II, Item 2 Unregistered Sales of Equity Securities and Use of Proceeds below.

Debt Securities

On August 31, 2012, we filed a shelf registration statement with the SEC, registering the offer and sale from time to time of an indeterminate amount of, among other securities, debt, securities, preference shares, Class A Ordinary shares and convertible securities. The availability of any potential liquidity for these types of securities is dependent on investor demand, market conditions and other factors.

Credit Facilities

At September 30, 2012, we have a five-year $400 million unsecured revolving credit facility in the U.S. (U.S. Facility) that expires in 2017. The U.S. facility is for general corporate purposes, including commercial paper support. Additionally, we have a five-year 650 million ($837 million at September 30, 2012 exchange rates) multi-currency foreign credit facility (Euro Facility) available, which expires in October 2015. At September 30, 2012, we had no borrowings under either of these credit facilities.

For both our U.S. and Euro Facilities, the two most significant covenants require us to maintain a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for Hewitt related transaction costs and up to $50 million in non-recurring cash charges (Adjusted EBITDA) to consolidated interest expense and a ratio of consolidated debt to Adjusted EBITDA. For both facilities, the ratio of Adjusted EBITDA to consolidated interest expense must be at least 4 to 1. For the Euro Facility, the ratio of consolidated debt to Adjusted EBITDA must not exceed 3 to 1. For the U.S. Facility, the ratio of consolidated debt to Adjusted EBITDA must not exceed the lower of (a) 3.25 to 1.00 or (b) the greater of (i) 3.00 to 1.00 or (ii) the lowest ratio of consolidated debt to Adjusted EBITDA then set forth in the Euro Facility or Aon s $450,000,000 Term Loan Facility. We were in compliance with these and all other covenants as of September 30, 2012.

Rating Agency Ratings

The major rating agencies ratings of our debt at October 31, 2012 appear in the table below.

	Ratings		
	Senior Long-term Debt	**Commercial Paper**	**Outlook**
Standard & Poor s	BBB+	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 would increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, increase our commercial paper interest rates or possibly restrict our access to the commercial paper market altogether, or may impact future pension contribution requirements.

Letters of Credit and Other Guarantees

We had total letters of credit outstanding for approximately $69 million at September 30, 2012, as compared to $75 million at December 31, 2011. These letters of credit cover the beneficiaries related to Aon s Canadian pension plan scheme and secure deductible retentions for our own workers compensation program and one of the U.S. pension plans. We also have issued letters of credit to cover contingent payments for taxes and other business obligations to third parties, and other guarantees for miscellaneous purposes at our international subsidiaries. Amounts are accrued in the Condensed Consolidated Financial Statements to the extent the guarantees are probable and estimable.

We have certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. Costs associated with these guarantees, to the extent estimable and probable, are provided in our allowance for doubtful accounts. The maximum exposure with respect to such contractual contingent guarantees was approximately $36 million at September 30, 2012.

We have provided commitments to fund certain limited partnerships in which we have an interest in the event that the general partners request funding. Some of these commitments have specific expiration dates and the maximum potential funding under these commitments was $55 million at September 30, 2012. During the three and nine months ended September 30, 2012, we funded $4 million and $8 million, respectively, of these commitments.

Adequacy of Liquidity Sources

We believe that cash flows from operations and available credit facilities will be sufficient to meet our liquidity needs, including principal and interest payments on debt obligations, capital expenditures, pension contributions, cash restructuring costs, and anticipated working capital requirements, for the foreseeable future. Our cash flows from operations, borrowing availability and overall liquidity are subject to risks and uncertainties. See Information Concerning Forward-Looking Statements below.

Financial Condition

At September 30, 2012, our net assets of $8.4 billion, representing total assets minus total liabilities, increased from $8.1 billion at December 31, 2011. The increase was due primarily to Net income of $713 million for the nine months ended September 30, 2012 and a decrease in Accumulated other comprehensive loss of $120 million, offset by dividends and share repurchases. Working capital was essentially flat versus December 31, 2011 at $1.7 billion.

Borrowings

Total debt at September 30, 2012 was $4.4 billion, a decrease of $90 million from December 31, 2011, primarily related to a decrease in commercial paper outstanding of $50 million from December 31, 2011.

On March 20, 2012, we entered into the U.S. Facility. Borrowings under the U.S. Facility will bear interest, at our option, at a rate equal to either (a) the rate for eurodollar deposits as reflected on the applicable Reuters LIBOR01 page for the interest period relevant to such borrowing (Eurodollar Rate), plus the applicable margin or (b) the highest of (i) the rate of interest publicly announced by Citibank as its prime rate, (ii) the federal funds effective rate from time to time plus 0.5% and (iii) the one month Eurodollar rate plus 1.0%, in each case plus the applicable margin. The applicable margin for borrowings under the U.S. Facility may change depending on achievement of certain public debt ratings. The U.S. Facility has a maturity date of March 20, 2017. In conjunction with the Company entering into the U.S. Facility the prior revolving U.S. credit agreement dated December 4, 2009 was terminated.

Our total debt as a percentage of total capital attributable to Aon shareholders was 34.7% and 35.8% at September 30, 2012 and December 31, 2011, respectively.

Equity

Equity at September 30, 2012 was $8.4 billion, an increase of $241 million from December 31, 2011. The increase resulted primarily from Net income of $713 million, share-based compensation expense of $160 million and a decrease in Accumulated other comprehensive loss of $120 million. This increase in Equity was partially offset by share repurchases of $625 million and $153 million of dividends to shareholders.

Prior to the Redomestication, we accounted for purchases of our outstanding common stock using the treasury stock method included in U.S. GAAP. Under this method, we recorded purchases of our own outstanding common stock as a reduction to Additional paid-in capital based on the cost of the shares acquired. Under U.K. law, when we repurchase our outstanding shares, those shares are treated as cancelled. In April 2012, we constructively cancelled 60 million shares of treasury stock related to the Redomestication. The impact of the cancellation of all outstanding treasury shares was a decrease in Ordinary shares and Retained earnings of $60 million and $2.4 billion, respectively. The balance of Treasury stock at cost of $2.5 billion was also eliminated as part of the cancellation. Additionally, effective upon the completion of the Redomestication, the par value of our outstanding equity shares decreased from $1.00 to $0.01. The impact of this change was a decrease in Ordinary shares of $323 million, and an increase in Additional paid-in capital of $323 million.

The $120 million decrease in Accumulated other comprehensive loss from December 31, 2011, primarily reflects the following:

- positive net foreign currency translation adjustments of $71 million, which are attributable to the weakening of the U.S. dollar against foreign currencies,
- a decrease of $46 million in net post-retirement benefit obligations, and
- net derivative gains of $5 million.

REVIEW BY SEGMENT

General

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

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue	$ 1,778	$ 1,772	$ 5,582	$ 5,535
Operating income	309	311	1,059	1,036
Operating margin	17.4%	17.6%	19.0%	18.7%

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 the first nine months of 2012, we began to see some improvement in pricing; however, we would still consider this to be a soft market , which began in 2007. 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. In the first nine months of 2012, pricing showed continuing signs of stabilization and improvement in our retail brokerage business, and we expect this trend to slowly continue throughout the remainder of 2012.

Additionally, beginning in late 2008 and continuing into third quarter 2012, we faced difficult conditions as a result of unprecedented disruptions in the global economy, the repricing of credit risk and the deterioration of the financial markets. Weak global economic conditions 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 65% and 66% of our consolidated total revenues in the third quarter and first nine months of 2012, respectively. 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 products and services via GRIP Solutions; 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):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Retail brokerage:				
Americas	$ 743	$ 738	$ 2,188	$ 2,154
International (1)	647	654	2,207	2,224
Total retail brokerage	1,390	1,392	4,395	4,378
Reinsurance brokerage	377	365	1,156	1,119
Total	$ 1,767	$ 1,757	$ 5,551	$ 5,497

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

In the third quarter 2012, commissions, fees and other revenue increased $10 million, or 1%, versus the third quarter of 2011, due to 3% organic revenue growth and 2% growth related to acquisitions, partially offset by a 4% unfavorable impact from foreign exchange rates and a decline in investment income. For the first nine months 2012, Commissions, fees and other revenue increased $54 million, or 1%, from the first nine months 2011 due to 4% organic revenue growth, partially offset by a 3% unfavorable impact from foreign exchange rates.

Reconciliation of organic revenue growth to reported commissions, fees and other revenue growth for 2012 versus 2011 is as follows:

Three months ended September 30, 2012	**Percent Change**	**Less: Currency Impact**	**Less: Acquisitions, Divestitures & Other**	**Organic Revenue**
Retail brokerage:				
Americas	1	(2)	1	2
International (1)	(1)	(7)	3	3
Total retail brokerage		(4)	2	2
Reinsurance brokerage	3	(4)		7
Total	1	(4)	2	3

Nine months ended September 30, 2012	**Percent Change**	**Less: Currency Impact**	**Less: Acquisitions, Divestitures & Other**	**Organic Revenue**
Retail brokerage:				
Americas	2	(2)	1	3
International (1)	(1)	(5)	1	3
Total retail brokerage		(4)	1	3
Reinsurance brokerage	3	(3)		6
Total	1	(3)		4

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

Retail brokerage Commissions, fees and other revenue was flat in the third quarter as compared to the prior year quarter driven by a 4% unfavorable impact from foreign exchange rates, offset by 2% and 3% growth in organic revenue in the Americas and International operations, respectively, as well as 1% and 3% growth related to acquisitions in the Americas and International operations, respectively. For the first nine months 2012, revenue growth was flat, driven by 3% growth in organic revenue and 1% growth related to acquisitions across the Americas and International operations, offset by a 4% unfavorable impact from foreign exchange rates.

Americas Commissions, fees and other revenue increased 1% in the third quarter reflecting 2% growth in organic revenue due to continued growth in Latin America and Affinity products and 1% growth related to acquisitions, partially offset by a 2% unfavorable impact from foreign exchange rates. For the first nine months 2012, revenue increased 2% as a result of 3% growth in organic revenue and 1% growth related to acquisitions, partially offset by a 2% unfavorable impact from foreign exchange rates. Organic revenue growth increased due to continued growth in Latin America and Affinity products, as well as strong management of the renewal book portfolio across all regions, partially offset by general weakness in the construction sector.

International Commissions, fees and other revenue decreased 1% in the third quarter driven by an unfavorable impact of 7% from foreign exchange rates, partially offset by 3% organic revenue growth and 3% growth related to acquisitions. The 3% organic revenue growth in the third quarter was driven by strong growth in emerging markets, health and benefits and solid management of the renewal book across continental Europe. For the first nine months 2012, International revenue decreased 1%, driven by an unfavorable impact of 5% from foreign exchange rates, partially offset by 3% organic revenue growth driven by strong growth in Asia, New Zealand and emerging markets, as well as sustained management of the renewal book despite macroeconomic challenges.

Reinsurance brokerage Commissions, fees and other revenue increased 3% in the third quarter compared to prior year, driven by a 7% increase in organic revenue growth, partially offset by an unfavorable impact of 4% from foreign exchange rates. The increase in organic revenue growth is due primarily to new business growth in treaty placements internationally, favorable near-term impact from market pricing, and growth in capital market transactions and facultative placements. For the first nine months 2012, revenue increased 3%, driven by a 6% increase in organic revenue growth, partially offset by an unfavorable impact of 3% from foreign exchange rates. The increase in organic revenue growth is due primarily to growth in treaty placements internationally and a favorable near-term impact from pricing.

Operating Income

Operating income for the third quarter 2012 decreased $2 million, or 1%, from 2011 to $309 million in 2012, and operating income margins decreased to 17.4% from 17.6% in 2011. For the first nine months ended 2012, Operating income increased $23 million, or 2%, from 2011 to $1.1 billion in 2012, and operating income margins increased to 19.0% from 18.7% in 2011. Operating margin improvement was driven by revenue growth, reduced costs of restructuring initiatives and realization of the benefits of those restructuring plans, which was partially offset by investments in key talent and GRIP Solutions and a decline in fiduciary investment income.

HR Solutions

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenue	$ 971	$ 957	$ 2,847	$ 2,778
Operating income	80	61	211	239
Operating margin	8.2%	6.4%	7.4%	8.6%

Our HR Solutions segment generated approximately 35% and 34% of our consolidated total revenues during the three and nine months ended September 30, 2012, respectively, and provides a broad range of human capital services, as follows:

- *Retirement* specializes in global actuarial services, defined contribution consulting, investment 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.

- *Benefits Administration* applies our HR 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.

- *Human Resource Business Processing Outsourcing (HR BPO)* provides market-leading solutions to manage employee data; administer benefits, payroll and other human resources processes; and record and manage talent, workforce and other core HR process transactions as well as other complementary services such as flexible spending, dependent audit and participant advocacy.

Beginning in late 2008, the disruption in the global credit markets and the deterioration of the financial markets created significant uncertainty in the marketplace. Weak economic conditions globally continued into third quarter 2012. The prolonged economic downturn is adversely impacting our clients financial condition and therefore the levels of business activities in the industries and geographies where we operate. While we believe that the majority of our practices are well positioned to manage through this time, these challenges are reducing demand for some of our services and putting continued pressure on the pricing of those services, which is having an adverse effect on our new business and results of operations.

Revenue

Commissions, fees and other revenue for HR Solutions increased $14 million, or 1%, in the third quarter 2012 from 2011, and $69 million, or 2%, on a year-to-date basis. The increase in revenue was driven by strong growth in HR BPO business, compensation consulting and investment consulting businesses, as well as strong growth in Asia, partially offset by anticipated pricing compression in our benefits administration business. Organic revenue growth was 4% for both the third quarter and first nine months of 2012.

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Consulting services	$ 394	$ 403	$ 1,140	$ 1,141
Outsourcing	585	558	1,723	1,655
Intrasegment	(8)	(4)	(16)	(18)
Total	$ 971	$ 957	$ 2,847	$ 2,778

Organic revenue growth for the third quarter and first nine months 2012 is detailed in the following reconciliation:

Three months ended September 30, 2012	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue
Consulting services	(2)	(2)	(5)	5
Outsourcing	5	(1)	2	4
Intrasegment	N/A	N/A	N/A	N/A
Total	1	(1)	(2)	4

Nine months ended September 30, 2012	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures & Other	Organic Revenue
Consulting services		(2)	(1)	3
Outsourcing	4	(1)	1	4
Intrasegment	N/A	N/A	N/A	N/A
Total	2	(1)	(1)	4

Consulting services revenue decreased $9 million, or 2%, for the third quarter due primarily to weak discretionary spend globally and continued economic pressure in continental Europe, offset by strong growth in businesses across Asia and in our investment consulting and pension administration services. Organic revenue growth of 5% was offset by an unfavorable impact of 2% from foreign exchange rates and a 5% unfavorable impact from acquisitions, net of divestitures. For the first nine months 2012, revenue decreased $1 million, essentially flat, as a result of 3% organic revenue growth, offset by an unfavorable impact of 2% from foreign exchange rates and a 1% unfavorable impact from acquisitions, net of divestitures.

Outsourcing revenue increased $27 million, or 5% for the third quarter due to organic revenue growth of 4% and 2% growth related to acquisitions, partially offset by an unfavorable impact of 1% from foreign exchange rates. Organic revenue growth was driven primarily by strong growth in the HR BPO business from new client wins and in discretionary products and services such as dependent eligibility audits, partially offset by anticipated price compression in the benefits administration business. For the first nine months 2012, revenue increased $68 million, or 4%, primarily driven organic revenue growth of 4% and 1% growth from acquisitions, partially offset by an unfavorable impact of 1% from foreign exchange rates.

Operating Income

Operating income was $80 million, an increase of $19 million, or 31%, from third quarter 2011. For the first nine months, operating income was $211 million, a decrease of $28 million, or 12%, from the prior year. The year-to-date decrease was principally driven by higher intangible asset amortization of $16 million and $46 million for the three and nine months ended September 30, 2012, respectively, as well as investments in new growth opportunities in health care exchanges and HR BPO, anticipated pricing compression in our benefits administration business, and an unfavorable revenue mix shift, offset by benefits from the Aon Hewitt Plan. Operating margin for this segment was 8.2% in the third quarter, which is an increase from 6.4% in 2011. For the first nine months 2012, the operating margin was 7.4%, a decrease from 8.6% in 2011.

Unallocated Income and Expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Operating income (loss):				
Risk Solutions	$ 309	$ 311	$ 1,059	$ 1,036
HR Solutions	80	61	211	239
Unallocated	(50)	(44)	(135)	(109)
Operating income	339	328	1,135	1,166
Interest income	1	4	6	14
Interest expense	(57)	(60)	(173)	(186)
Other (expense) income	(9)	20	3	6
Income from continuing operations before income taxes	$ 274	$ 292	$ 971	$ 1,000

Unallocated operating expense

Unallocated operating expense includes corporate governance costs not allocated to the operating segments. Net unallocated expenses increased $6 million to $50 million in the third quarter 2012 and increased $26 million to $135 million for the first nine months 2012. The increase in both periods is related to headquarters relocation costs of $4 million and $21 million in the three and nine months ended September 30, 2012.

Interest income

Interest income represents income earned on operating cash balances and other income-producing investments. It does not include interest earned on funds held on behalf of clients. For the third quarter 2012, Interest income decreased $3 million from the third quarter 2011. For the first nine months 2012, Interest income decreased $8 million from the comparable period in 2011 due to lower average interest rates globally.

Interest expense

Interest expense, which represents the cost of our worldwide debt obligations, decreased $3 million and $13 million from the third quarter and the first nine months of 2011, respectively. The decrease in interest expense reflects a decline in the average rate on total debt outstanding.

Other (expense) income

Other (expense) income was $9 million expense and $3 million income, for the third quarter and first nine months 2012, respectively, as compared to Other (expense) income of $20 million income and $6 million income for the third quarter and first nine months 2011, respectively. Other (expense) income during the nine month period ended September 30, 2011 includes a $19 million loss on the extinguishment of debt obligations. The third quarter 2012 includes an $24 million loss on foreign currency remeasurement, partially offset by an $8 million hedging gain. The three and nine months ended September 30, 2011 included gains of $24 million and $18 million, respectively, related to foreign currency remeasurement, partially offset by hedging losses of $11 million and $13 million, respectively.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in our critical accounting policies, which include revenue recognition, restructuring, pensions, goodwill and other intangible assets, contingencies, share-based payments, and income taxes, as discussed in our 2011 Annual Report on Form 10-K.

NEW ACCOUNTING PRONOUNCEMENTS

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

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report 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 relate to expectations or forecasts of future events. They use words such as anticipate, believe, estimate, expect, forecast, projec intend, plan, potential, and other similar terms, and future or conditional tense verbs like could, may, might, should, will and woul 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; 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 that could impact results include:

- general economic conditions in different countries in which Aon does business around the world, including conditions in the European Union relating to sovereign debt and the continued viability of the Euro;
- changes in the competitive environment;
- changes in global equity and fixed income markets that could influence 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;
- rating agency actions that could affect our ability to borrow funds;
- fluctuations in exchange and interest rates that could impact revenue and expense;
- the impact of class actions and individual lawsuits including client class actions, securities class actions, derivative actions and ERISA class actions;
- the impact of any investigations brought by regulatory authorities in the U.S., U.K. and other countries;
- the cost of resolution of other contingent liabilities and loss contingencies, including potential liabilities arising from errors and omission claims against us;
- failure to retain and attract qualified personnel;

- 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 business and the possibility of conflicting regulatory requirements across jurisdictions in which we do business;

- the effect of the Redomestication on our operations and financial results, including the reaction of our clients, employees and other constituents, the effect of compliance with applicable U.K. regulatory regimes or the failure to realize some or all of the anticipated benefits;

- the extent to which we retain existing clients and attract new businesses and our ability to incentivize and retain key employees;

- the extent to which we manage certain risks created in connection with the various services, including fiduciary and advisory services, among others, that we currently provide, or will provide in the future, to clients;

- the possibility that the expected efficiencies and cost savings from the acquisition of Hewitt will not be realized, or will not be realized within the expected time period;

- the risk that the Hewitt businesses will not be integrated successfully;

- our ability to implement restructuring initiatives and other initiatives intended to yield cost savings, and the ability to achieve those cost savings;

- the potential of a system or network disruption resulting in operational interruption or improper disclosure of personal data;

- 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; and

- our ability to grow and develop companies that we acquire or new lines of business.

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 sections in each of Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011, Part II Item 1A of our Quarterly Report on Form 10-Q for the three months ended March 31, 2012, Part II Item 1A of our Quarterly Report on Form 10-Q for the three months ended June 30, 2012 and Part II Item 1A of this report below.

ITEM 3. 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 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.

We are subject to foreign exchange rate risk from translating the financial statements of our foreign subsidiaries into U.S. dollars. Our primary exposures are to the British pound, the Euro, the Canadian dollar, and the Australian dollar. We use over-the-counter (OTC) options and forward contracts to reduce the impact of foreign currency fluctuations on the translation of our foreign operations financial statements.

Additionally, some of our foreign brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. Our U.K. subsidiary earns a portion of its revenue in U.S. dollars and Euros, but most of its expenses are incurred in pounds sterling. Our policy is to convert into pounds sterling sufficient U.S. dollar and Euro revenue to fund the subsidiary s pound sterling expenses using OTC options and forward exchange contracts. At September 30, 2012, we have hedged approximately 81% of our U.K. subsidiaries expected U.S. dollar and Euro transaction exposures for the next twelve months, respectively. We do not generally hedge these exposures beyond three years.

The translated value of revenue and expense from our international brokerage operations are subject to fluctuations in foreign exchange rates. Diluted earnings per share were not impacted and negatively impacted by approximately $0.05 during the three and nine months ended September 30, 2012, respectively, related to net translation losses. Adjusted diluted earnings per share, a non-GAAP measure as defined under the caption Review of Consolidated Results , were not impacted and negatively impacted by approximately $0.03 during the three and nine months ended September 30, 2012, respectively, related to translation losses.

We also use forward contracts to offset foreign exchange risk associated with foreign denominated inter-company notes.

Our 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 U.S. and Europe. A decrease in global short-term interest rates adversely affects our income.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this quarterly report of September 30, 2012. Based on this evaluation, our chief executive officer and chief financial officer concluded as of September 30, 2012 that our disclosure controls and procedures were effective such that the information relating to Aon, including our consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission (SEC) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to Aon s management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. During the third quarter 2011, the Company upgraded its financial systems relating to the Order-To-Cash PeopleSoft platform used by HR Solutions North American Operations. In connection with this upgrade, the Company has implemented additional compensating controls to mitigate internal control risks and performed testing to ensure data integrity. Other than this change, no changes in Aon s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, Aon s internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 15 (Commitments and Contingencies) to the Condensed Consolidated Financial Statements contained in Part I, Item 1, which is incorporated by reference herein.

ITEM 1A. RISK FACTORS.

The risk factors set forth in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, Part II, Item 1A, Risk Factors in our Quarterly Report on Form 10-Q for the three months ended March 31, 2012 and Item 1A, Risk Factors in our Quarterly Report on Form 10-Q for the three months ended June 30, 2012 reflect certain risks associated with existing and potential lines of business and contain forward-looking statements as discussed in Part I, Item 2 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 actually occur.

The following risk factor supplements the risk factors set forth in the 10-K and 10-Qs.

We may in the future be subject to the UK Takeover Code, which may deter potential acquirers from proceeding with a takeover offer that could be beneficial to shareholders.

In the United Kingdom, takeover offers for certain public companies are regulated by the UK City Code on Takeovers and Mergers, or the Takeover Code, which is administered by the Takeover Panel. Currently, the Takeover Code applies to public companies that have their registered offices in the United Kingdom, the Channel Islands or the Isle of Man if their securities are admitted to trading on a regulated market in the United Kingdom or on a stock exchange in the Channel Islands or the Isle of Man. The Takeover Code also applies to public companies that have their registered office in the United Kingdom, the Channel Islands or the Isle of Man but whose securities are not admitted to trading on one of the markets mentioned above if the Takeover Panel determines, generally based on the residency of the company s directors the so-called residency test that the company has its place of central management and control in the UK, the Channel Islands or the Isle of Man. In connection with our redomestication, the Takeover Panel confirmed that based on the residency test and on the expected residence of our directors and management, the Takeover Code would not apply to us.

In July 2012, the Takeover Panel published a consultation paper setting out proposed amendments to the Takeover Code, including a proposal to eliminate the residency test. If this proposal is adopted, we would likely become subject to the Takeover Code.

In summary, the Takeover Code sets out binding rules that provide a framework within which takeovers are required to be conducted and its approach differs from, and in some cases conflicts with, the approach set forth under the rules of the Securities and Exchange Commission to which we will remain subject in any event. If we become subject to the Takeover Code, we will be required to comply with these additional controls with respect to the conduct of any takeover offer for our ordinary shares, and these additional controls may create uncertainty in the process by which a takeover offer must be executed. These additional controls and attendant uncertainty may affect the willingness of potential acquirers to proceed with a takeover offer that may otherwise be beneficial to shareholders.

The following risk factor supersedes the similarly captioned risk factor set forth in the 10-K and supplements the other risk factors in the 10-K and the 10-Qs. It reflects modifications to the nature of the risk that have developed since the date on which the 10-K was filed.

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 federal, state and foreign governmental regulation and supervision, which could reduce our profitability or limit our growth by increasing the costs of regulatory compliance, limiting or restricting the products or services we sell or the methods by which we sell our products and services, or subjecting our businesses to the possibility of regulatory actions or proceedings.

With respect to our Risk Solutions segment, this supervision generally includes the licensing of insurance brokers and agents 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 brokering and third party administration in the jurisdictions in which we currently 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. Further, regulation affecting the insurance companies with whom our brokers place business can affect how we conduct those operations.

Although the federal government does not directly regulate the insurance industry, federal legislation and administrative policies in several areas, including employee benefit plan regulation, Medicare, age, race, disability and sex discrimination, investment company regulation, financial services regulation, securities laws and federal taxation, trade sanctions regulation and the Foreign Corrupt Practices Act (FCPA), do affect the insurance industry generally. For instance, several laws and regulations adopted, or proposed to be adopted, by the federal government, including the Gramm Leach Bliley Act, the Health Insurance Portability and Accountability Act of 1996, and the Foreign Account Tax Compliance Act have created additional administrative and compliance requirements for us.

The areas in which we provide outsourcing and consulting services are also the subject of government regulation, which is constantly evolving. Changes in government regulations in the United States affecting the value, use or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare (such as medical) plans, defined contribution (such as 401(k)) plans, defined benefit (such as pension) plans or payroll delivery, may adversely affect the demand for, or profitability of, our services. Recently, we have seen regulatory initiatives result in companies either discontinuing their defined benefit programs or de-emphasizing the importance such programs play in the overall mix of their benefit programs with a trend toward increased use of defined contribution plans. If organizations discontinue or de-emphasize defined benefit plans more rapidly than we anticipate, the results of our business could be adversely affected.

In June 2012, the U.S. Supreme Court upheld the constitutionality of portions of the U.S. government enacted health care reform legislation, including portions that will impact how our clients offer health care to their employees. We have made significant investments in product development to assist clients in de-risking their health benefits and migrate then towards a defined contribution versus a defined benefit. Depending on future changes to health legislation, these investments may not yield returns. In addition, if we are unable to adapt our services to changes resulting from these laws and any subsequent regulations, our ability to grow our business or to provide effective services, particularly in the HR Solutions segment, could be negatively impacted. Furthermore, if our clients reduce the role or extent of employer-sponsored health care in response to the newly enacted legislation, our results of operations could be adversely impacted.

With respect to our international operations, we are subject to various regulations relating to, among other things, licensing, currency, policy language and terms, reserves and the amount of local investment. These various regulations also add to our cost of doing business through increased compliance expenses and increased training and employee expenses. In connection with our proposed reorganization under a newly formed holding company incorporated in the U.K. for example, we may incur increased costs from complying with additional local regulations and requirements such as those arising under the U.K. Companies Act. Furthermore, the loss of a license in a particular jurisdiction could restrict or eliminate our ability to conduct business in that jurisdiction.

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 be precluded or temporarily suspended from carrying on some or all of our activities or otherwise fined or penalized in a given jurisdiction. No assurances can be given that our business can 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 plans or defined benefit plans; or
- additional regulations promulgated by the FSA in the U.K., or other regulatory bodies in jurisdictions in which we operate.

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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None.

(b) None.

(c) Issuer Purchases of Equity Securities.

The following information relates to the repurchase of equity securities by Aon or any affiliated purchaser during each month within the third quarter of 2012:

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	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
7/1/12	7/31/12		$		$ 4,750,046,975
8/1/12	8/31/12	5,350,671	51.37	5,350,671	4,475,157,471
9/1/12	9/30/12				4,475,157,471
Total		5,350,671	$ 51.37	5,350,671	4,475,157,471

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

(2) In January 2010, our Board of Directors authorized a new share repurchase program under which up to $2 billion of common stock were authorized to be repurchased from time to time depending on market conditions or other factors through open market or privately negotiated transactions. During the first quarter of 2012, we repurchased 2.1 million shares through this program through the open market or in privately negotiated transactions. As a result of the Redomestication, the 2010 share Repurchase Plan, which related to common stock of Aon Corporation, was no longer of effect. 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. Under this 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 the third quarter of 2012, we repurchased 5.4 million shares through this program through the open market or in privately negotiated transactions.

ITEM 6. EXHIBITS

Exhibits The exhibits filed with this report are listed on the attached Exhibit Index.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Aon plc (Registrant)	
October 31, 2012	By:	/s/ Laurel Meissner
	LAUREL MEISSNER SENIOR VICE PRESIDENT AND GLOBAL CONTROLLER (Principal Accounting Officer and duly authorized officer of Registrant)	

Exhibit Index

Exhibit Number	Description of Exhibit
12.1	Statement regarding Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of CEO.
31.2	Certification of CFO.
32.1	Certification of CEO Pursuant to section 1350 of Title 18 of the United States Code.
32.2	Certification of CFO Pursuant to section 1350 of Title 18 of the United States Code.
101	Interactive Data Files. The following materials are filed electronically with this Quarterly Report on Form 10-Q:
	101.INS XBRL Report Instance Document
	101.SCH XBRL Taxonomy Extension Schema Document
	101.CAL XBRL Taxonomy Calculation Linkbase Document
	101.DEF XBRL Taxonomy Definition Linkbase Document
	101.PRE XBRL Taxonomy Presentation Linkbase Document
	101.LAB XBRL Taxonomy Calculation Linkbase Document