

**Remarks by Steve McGill
Group President, Aon plc
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I have had the pleasure of working in London for over 25 years before moving to Chicago in 2006 with Aon. My return to London last summer coincided with Aon moving its corporate HQ from Chicago to London. For the last seven years I have been an outsider looking in and I have to tell you, the perspective you get is very different. Both with London as a City and the London market as an important business community.

In my seven years living in Chicago and being in the US marketplace that produces the biggest proportion of business to London (40%) and working for Aon which produces 23% of Lloyds premium volume worldwide, I could see first hand the incredible strength of London, the capability of London and the resilience of the marketplace that over many years has

sometimes been written off but has defied the skeptics and gone from strength to strength. Notwithstanding this, London still has a long way to go to realize its full potential as a marketplace.

The London market has a resilience and strength born out of its history, expertise and connectivity between brokers, underwriters and clients. It's a gateway to the world of insurance and risk management and this was a key reason why Aon took the historic move to switch our headquarters from one world class city - Chicago - to another - London. The move was an opportunity fundamentally driven by our view of how we can serve clients more effectively globally as well as drive our growth agenda. Financial benefits did also come into play, but being a part of this centre of excellence and driving our growth agenda for our clients were the primary reasons for our decision.

London is also an incredible talent base for the risk management industry. In the City of London alone, the

insurance industry employs over 40,000 professionals. There is no other city in the world, whether it be Singapore, Bermuda, Chicago or New York that has a higher concentration of talent for our industry than London.

That is reflected in the fact that there is also no other city in the world that has a higher concentration of carrier and broker representation. New York and Chicago combined cannot match the number of carriers that are available and accessible in London and are able to write a truly international portfolio of business. The reasons for London's leadership have been the evolution of Lloyd's and the historic competitive advantages of the Lloyd's market with its rich history of problem solving, innovation and expertise.

A great majority of complex risks are, in one way or another, marketed through London. World class corporations like IBM, Johnson & Johnson and Bechtel come to London to harness capacity for their insurance

programs and have been doing so for decades. And this pattern is now accelerating in emerging markets such as Asia, Eastern Europe, Africa and the Middle East. Even more relevant is the concentration of expertise in the reinsurance marketplace which represents over 60% of all the business written by Lloyd's. When you take into account the proportion of Aon's business in Lloyd's and the number of large insurance and reinsurance clients that transact their business via the London market, you will see why we felt that strengthening our presence in London would enable us to even more effectively serve our clients and help drive our growth agenda.

Looking to the future, it is important London continues to evolve. You cannot continue to live in the past and not be mindful of the future. London cannot continue to operate a model that was operating 300 years ago in the 21st century and expect to realize the full potential of the marketplace. The world is changing

at an incredible pace. For example, the Blackberry was an incredible innovation that came to market less than 10 years ago and is now in a fight to stay relevant. London must evolve with the rapidly changing landscape to maintain its competitive advantage globally.

As I look to the future, I would like to highlight two areas that London should fully embrace if it wants to remain the centre of gravity of the insurance and risk management world. One relates to data and technology and the other, which I will cover first, is on the subject of International Trade.

Trade

There is a profound shift taking place economically in the world today, the consequences of which are difficult to predict. They provide challenges that need to be managed and opportunities that need to be captured in order for London to remain a viable market.

The shift of trade from West to East is unstoppable and London must remain sensitive to this and reinforce its position as a “gateway to the world”. According to Citigroup, of 11 global growth economies 9 are already in Asia and in terms of financial centres, Asia has four significant global players; Singapore, Tokyo, Hong Kong and Shanghai. By 2027 China will have the largest economy in the world. By 2030, Asia’s GDP will likely exceed the GDP of the US and Europe combined. The implications for the West are profound and so too are the implications for London as a financial centre if we do not recognize this historic shift.

We simply cannot assume that insurance business from these rapidly developing global economies will naturally flow to London. Every player in the London market should proactively engage with the opportunity, develop relationships in each market, and establish the brand of London in the minds of this new world of clients. It’s great to see Lloyd’s building its links to Asia

for example. We at Aon have and will continue to invest substantially in this region, and we know that many other players are doing the same thing. While it is certain that these markets are going to be very significant for the world of risk and insurance, we cannot take it as read that London will be significant for them. It will take continued application by all parties to maintain London's central position and reputation in our industry as the world shifts from West to East.

Data Technology

I would now like to turn to data and technology. If you go back 325 years to Edward Lloyd's coffee shop in Tower Street and the start of Lloyds in 1688 there were some interesting trends. In fact, I would argue that Lloyd's was the first example of using social media to generate business benefits and indeed profits, something that some of the more recent social media firms are still struggling with.

At that time coffee shops were emerging in London and this coincided with the growth of shipping. Edward Lloyd encouraged a clientele of ships captains/ship owners and others with strong interests in international trade. As a consequence of establishing a social environment (coffee shop), he was able to gain data and insights which enabled him to develop shipping news and intelligence that underpinned the ability to syndicate risk for marine insurance and thus established Lloyd's.

So while the technology Edward Lloyd used was much more primitive than today, the principle was the same – connecting people and capturing the data and insights that they generated enabled Lloyd's in 1688 to develop an ability to underwrite risks.

Fast forward to today and data today is being captured on a scale which is unprecedented and has the potential to change our industry and fuel innovation in a manner never seen before.

This isn't just true in our own industry, it's the case across the business world. How many of you have heard of Jeffrey Sprecher? He is a man virtually unknown outside financial circles, but he is poised to purchase the New York Stock Exchange. Jeff's \$8.2 billion purchase of the NYSE will close later this year, and with that 221 years of Wall Street history will end and New York will no longer be the master of the NYSE, instead it will be managed 750 miles away in Atlanta by the Intercontinental Exchange, the company Jeff founded less than 10 years ago. This is a great example of the power of technology and innovation so rapid that the company run by Jeff that did not even exist 10 years ago now runs exchanges on three continents and whether you want to trade stocks, wheat, coffee or oil, you're probably going to do it through one of his exchanges. ICE has used computers, data and technology to do things faster, cheaper and give his customers the data insights they want.

But here's the point of the story: even that rate of change is going to be dwarfed by what's coming.

Take an interesting fact: From the beginning of time to 2003 humankind has created in aggregate 5 exabytes of data. An Exabyte is like a trillion terabytes. In 2011, this same amount of data was created every two days and by the end of this year, the same amount of data will be created every 10 minutes. That's going to bring an incredible change in the amount of data available, the number of sources it comes from and the level of detail it provides. Making sense of that amount of data is going to be a challenge, but it's one we need to master if we want to understand the rapidly evolving world around us,

In Aon we have invested hundreds of millions of dollars in data/analytics and insights and have built the largest proprietary database of risk information in the world because we don't want to ignore this kind of trend, we want to embrace it and build this into the

DNA of our firm and help define our future for us and our clients.

There are a number of other firms not only in London, but around the world that are on the same journey to embrace data and analytics, but in order for the London market to stay relevant and maintain its position as the insurance capital of the world, we as an industry must continue to work together to address the challenge of how we use data and analytics as a competitive advantage not only for our own business but to benefit the London market.

As more and more people hear about breaking news through social media outlets like facebook and twitter, more companies are trying to find ways to tap into that network of connections to get customer insight to add to the other data they collect electronically. The way people interact and how companies sell products and services to customers is fundamentally changing with social media and technology. As people become

more comfortable building relationships and transacting business online, the way we are all used to working needs to change –we can no longer assume that most transactions we do will take place face to face in an underwriting box in Lloyd’s of London.

So as we look at these trends, I believe that the continuing shift of trade from west to east, and the growth in the importance of data and analytics are two very significant challenges we face as an industry. The good news is that they also represent a massive opportunity for London and the London market to maintain its leadership position going forward. We must embrace the fact that technology will help us interact better with our clients and work more efficiently with growth markets like Asia, and that data will give us clearer insights into the business world our clients are operating in, and the products and services that are most relevant to our clients.

For Aon, moving our headquarters to London last year was a big change for our firm, but it is reflective of the importance of this great city to the global marketplace and I hope it made a statement about the relevance of London and the London marketplace in our industry.

London is one of the greatest cities in the world and one of the key centers for our business. I am incredibly proud to be back in this great City as our industry continues to innovate and evolve with the needs of our customers to retain our leadership position in the world.