AON’S PROFESSIONAL SERVICES PRACTICE
Unprecedented changes in the global business and risk environments are changing the way professional service firms operate and deliver their services.

Increasing digitalization, connectivity, and mobility of people and services are changing firms' exposure to well-established, new and emerging risks.

These industry trends are gaining momentum, and with the support of Aon’s Professional Services Practice, your firm will access actionable data-driven insights and tailored solutions that are global in scope.
Geopolitical tensions, expanding legal and regulatory obligations, increasing competition and rapid technological change are all contributing to a volatile global business environment. With new, emerging and existing risks changing in severity and velocity, navigating and managing risk volatility is increasingly challenging for professional service firms.

While operational risks are typically well known and managed, developments in the wider global business environment demand new solutions that address the scale of change and uncertainty.

Aon’s 2019 Global Risk Management Survey identifies risks concerning and affecting professional service firms:

<table>
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<th>Industry’s top ten risks</th>
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<tr>
<td>01 Damage to reputation / brand</td>
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<td>02 Cyber attacks / data breach</td>
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<tr>
<td>03 Failure to attract or retain top talent</td>
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<tr>
<td>04 Economic slowdown / slow recovery</td>
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<td>05 Increasing competition</td>
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<td>06 Business interruption</td>
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<td>07 Failure to innovate / meet customer needs</td>
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<tr>
<td>08 Accelerated rates of change in market factors</td>
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<td>09 Third-party liability</td>
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<td>10 Regulatory / legislative changes</td>
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We understand the current and developing risk challenges facing professional service firms. Our services and solutions are designed to support your risk management requirements, objectives, and ambitions.
HARNESSING AON’S CAPABILITIES

Our team’s expertise enables Aon to provide support in several key areas:

Our clients benefit from:

**Risk & insurance advisory services**
Our experience with professional service firms gives us access to knowledge and analytic capabilities that enable our teams to provide insights into risk profiles and insurance needs.

**Risk intelligence**
Our professionals provide risk intelligence to help you understand the risk climate and facilitate risk management responses.

**Insurance market placement**
Our broking experience, expertise and market relationships give us access to all major insurance markets. Our scale provides considerable leverage for our clients in market negotiations.

**Claim support**
Our teams advise on all aspects of the claims process. We have the resources, knowledge, and relationships in the market to advocate and obtain favourable resolutions on behalf of our clients.

**International programmes**
Global exposures must be reconciled with insurance regulation and company scope. Our teams work with Aon’s network to ensure responsive and compliant programs.

**Strategic management of client needs**
Aon harnesses individual experience, data and advisory resources across a multinational network to provide clients with strategic placement advice and execution, with a responsive ongoing service.
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Risks & Solutions

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1. Cyber events and data breaches
2. Third party liability
3. Business interruption
4. Intellectual property risk
5. People risk

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Risks in a changing business environment
6. Increasing competition
7. Risk transfer volatility

03

Risks to business growth
8. Attracting and retaining talent
9. Mergers and acquisitions

Contact
As the global risk environment continues to evolve, firms are exposed to a wider range of operational and reputational damage.

RISKS TO BUSINESS OPERATIONS & REPUTATION

1. Cyber events and data breaches
2. Third party liability
3. Business interruption
4. Intellectual property risk
5. People risk
The importance of client confidentiality and the sensitive nature of data held by professional service firms create vulnerabilities to cyber risks.

Proportionate safety measures (such as an effective cyber risk management framework with targeted controls and incident response mechanisms) can eliminate a substantial amount of cyber threats.

However, the development of new technologies, the increasing sophistication of cyber-criminal attacks, and regulatory changes mean that exposures are expanding.

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<th>AON SOLUTION</th>
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<td>Incident response is crucial in protecting clients’ trust and maintaining relationships. Commercial insurance protection can provide important value in managing cyber risks by ensuring cyber experts are immediately available to effectively and efficiently manage the situation. Expertise in identifying and assessing cyber threats is essential in managing unpredictable and escalating cyber risks. By using data-driven insights and leveraging Aon’s position in the insurance market, your firm can access comprehensive and cost-effective solutions.</td>
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Cyber is, therefore, widely considered to represent a potential enterprise threat.

Trust and reputation are vital for professional service firms’ client relationships. Cyber incidents and data breaches can quickly and decisively erode that trust. Impairment of client confidence, alongside significant disruption to the delivery of services, can lead to immediate and ongoing loss of revenue.

| Assess | Identify critical assets, vulnerabilities and risks to assess organizational preparedness |
| Test | Uncover, test and remediate application, network and endpoint vulnerabilities |
| Improve | Prepare, optimize, and enhance security governance and incident detection protocols |
| Quantify | Quantify the financial impact from cyber risks to inform risk reduction and transfer strategies |
| Transfer | Explore risk transfer solutions to minimize balance sheet risk |
| Respond | Limit business disruption, minimize economic loss, and expedite the claims management process |
Professional service firms are increasingly using automation, artificial intelligence, and other advanced technologies to deliver solutions to clients. These developments are changing the types of risks faced by firms.

Increasing digitalization brings both opportunity and risk. While some sectors are broadening their scope of services, such as supplying software solutions, these changes in the nature and delivery of services can create risk exposures that fall outside of traditional professional liability policies (such as first party cyber events and reputational harm). New risks could also be economic, legal or ethical in nature.

**AON SOLUTION**

- The changing capabilities and risks of professional service firms demand expertise in varied and diverse aspects of risk assessment and mitigation. Although professional liability products are expected to be responsive to new and changing risks, the velocity of change may necessitate modification and improvement of existing solutions. Aon is focused on identifying new exposures and potential gaps in coverage, and deploying effective solutions.

- Aon understands the effects of digitalization and technology on professional service firms’ risk profiles. Using industry knowledge and access to benchmarking data, our team can help you to assess how your business is adapting, not only in terms of new services, but how those services are being delivered, to ensure that adequate protection is in place for your firm.

- By mapping risks against the cover in the professional liability policy and conducting a full review of the insurance portfolio where necessary, your Aon team ensures that your coverage evolves in line with changes in your practice and risk profile.
Increasing reliance on technology exposes professional service firms to non-material damage which may fall outside of the parameters of traditional business interruption (BI) coverage. With non-physical events such as cyber attacks increasingly impacting business around the world, appropriate and sufficient coverage is necessary to protect firms from the operational and reputational impacts of BI.

**AON SOLUTION**

An external and objective perspective is critical when identifying, assessing and managing BI risks. Your Aon team will assist in the identification of exposures and the forecasting of potential losses. In this process, we will ensure that the policy language is appropriate and that loss adjustment protocols are agreed at the inception of the policy:

1. What revenues are at risk and what extra costs might be incurred?
2. Over what period and from what type of events might revenues be affected?
3. What documentation should be presented to insurers to substantiate a loss?

Ongoing support from Aon ensures that policy cover adjusts to changing exposures over time, with agreements in place regarding loss adjustment.
Professional service firms are increasingly dependent on intangible assets in their own operations to deliver services and solutions to clients.

Some professional service firms are shifting from pure advice delivery to tool-based solutions. These offerings, which can involve the deployment of proprietary technology developed in-house or in collaboration with third party specialists, create the potential for intellectual property (IP) ownership and licensing disputes.

IP disputes involving professional service firms with competitors, business partners and clients are increasingly frequent.

While many of these disputes have centred on allegations of trade secret misappropriation, disputes involving allegations of patent and copyright infringement are also on the rise. With some exceptions, notably relating to copyright and trademark infringement, the liability insurances typically carried by professional service firms have not affirmatively addressed intellectual property claims. These industry trends are changing IP-related risk exposures.

Aon solution – a case study

The situation

A global professional service firm was expanding into new service areas and wanted to ensure its professional liability program affirmatively referenced coverage for IP liability risks.

The solution

Using technical knowledge, Aon’s Professional Services Practice was able to design and execute a tailored risk transfer solution (which included negotiating a new insuring agreement and supporting definitions).

The result

We enabled our client to understand their specific needs and secured appropriate coverage to financially protect the firm and allow it to satisfy its contractual obligations to clients.
Employers’ responsibility to provide a diverse and inclusive working environment has been increasingly scrutinized in recent years and claims for harassment, gender pay discrimination and wrongful termination have been steadily increasing. With a cultural shift in expectation being fuelled by widespread media coverage, the potential impact of reputational damage from workplace-related claims extends far beyond the direct costs associated with legal defence and settlement. This issue is undoubtedly moving up risk agendas.

Aon solution – a case study

**The situation**
In the #MeToo era, there is an increasing need to ensure employees are trained in responding to harassment claims, raising awareness of harassment and its consequences, sharing best practice and managing confidentiality.

**The solution**
Education and training of staff is a key element of a comprehensive risk management strategy. A large professional service client partnered with Aon to provide a compelling presentation on harassment risks and trends in the Employment Practices Liability insurance environment.

**The result**
Aon’s Loss Prevention team worked closely with senior staff in each of the organisation’s functional areas; IT, HR, accounting, and marketing. With a cross-departmental understanding of harassment-related risks and their consequences, the client effectively minimized its exposure.

**AON SOLUTIONS**
By enabling clients to secure optimal insurance coverage, workplace incidents can be resolved efficiently and sensitively to limit the financial impact and reputational damage. By harnessing data, Aon identifies problematic characteristics to facilitate the refinement of hiring and performance management processes, as well as the targeting and content of training initiatives.
Professional service firms and their clients face changing and complex challenges from increasing levels of competition (driven, for example, by disruptive challengers), risk transfer volatility, and new pressures in the global business environment.

6. Increasing competition
7. Risk transfer volatility
Clients are increasingly demanding efficiency, quality, transparency and value for money from their service providers. In response, digitally capable challengers are emerging, disrupting service delivery models. Recruitment and retention of talent and skills shortages in some fields are also adding additional complexity to the challenges of increasing competition.

**AON SOLUTION**

There’s no single solution to combat the challenges of increasing competition. By leveraging our capabilities in risk and human capital, your team can access commercial risk, reinsurance, retirement, talent and health & benefits advice and solutions. Aon equips you with actionable insights and value-added services that help you to identify, understand, and address human capital issues in a way that is aligned with your firm’s unique requirements and objectives.
In a time of unprecedented change and volatility, the risk profiles of professional service firms continue to be impacted in unpredictable ways. Driven by a need to meet organizational objectives and reduce the total cost of risk, firms are focusing on new ways to gather insights to make informed decisions about risk transfer.

AON SOLUTIONS

Professional service firms are now more focused than ever on data-driven decision making to help reduce their total cost of risk and meet organizational objectives. This necessitates reducing volatility. In this context, insurance can be a third source of capital, alongside debt/equity, designed to protect against volatility and mitigate the organization’s risk profile.

Aon’s Risk Finance Decision Platform (RFDP) quantifies the insurable risk profile, measuring its volatility and ensuring that the mitigation arrangements in place are economically efficient, and aligned to your risk appetite.

RFDP is a systematic tool for assessing current and alternative risk financing options, and testing the ‘efficiency boundary’ for single or multiple risks.

HOW IT WORKS

The key elements of our RFDP platform are:

1. **Assessing** the ability to retain risk through a risk appetite/tolerance evaluation – aligned to financials, strategies, targets and covenants.
2. **Enhancing** the understanding of specific risks through volatility modelling and forecasting of major insurable risks.
3. **Providing** alternative risk financing strategies to reduce the cost of risk for a given level of volatility.
The service delivery models and operations of professional service firms are evolving to meet changing client demands. While these changes enable firms to pursue new opportunities, change can bring exposure to new risks.

8. Attracting and retaining talent
9. Mergers and acquisitions
Professional service firms are operating in a rapidly evolving human capital environment. Attracting and retaining top talent remains a key priority. However, the traditional means of achieving this objective (for example, higher cash compensation compared to other sectors) have seen diminishing returns. Employers today are expected to offer greater flexibility for multi-generational employees, as well as implement innovative wellbeing programs to ensure a healthy and diverse workforce. The need to deliver a reward structure that provides meaningful and engaging benefits for a multi-generational workforce has, for many, become an organisational imperative.

**AON SOLUTION**

While there is no single solution for attracting and retaining top talent, taking a holistic approach will enable your firm to understand and implement comprehensive risk management strategies.

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**Risk financing**

Is traditional insurance the right long-term approach to managing employee benefits risk? Approaches such as multinational pooling provide greater ability to secure coverage at an appropriate cost, through greater leverage with insurance providers.

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**Flexibility**

Allowing employees to choose their own benefits is fundamental when addressing the multi-generational engagement challenge. Using a single enabling technology across countries is also important to reinforce brand and culture.
Aon solutions – unite our capabilities

People risk is not one dimensional. As a leading provider of human capital and management consulting, we support clients in attracting and retaining top talent with:

Aon solution

**Aon Active Health Exchange Case Study**

**The situation**

**Rising healthcare costs**
With healthcare costs rising, this organization was looking to find a cost-saving solution that provided more predictable healthcare costs.

**Diverse workforce**
A partner who could serve multiple employee demographics was critical; with associates all over the country, a “one-size-fits-all” approach to benefits was no longer working.

**The solution**

**Private health exchange**
After looking at a number of solutions, the organization chose the Aon Active Health Exchange and moved from a self-insured platform to fully-insured.

**More choice**
Now using a private health exchange, employees could shop different coverage “levels” and determine which plans and carriers worked best for their specific lifestyles and budgets.

**The result**

**Less volatility**
By moving to a fully-insured, multi-carrier platform, the company was able to reduce cost and better predict those costs throughout the year.

**Positive employee feedback**
Based on employee reviews, the company received overwhelmingly positive feedback regarding the number of plans, the ability to choose their own carrier and the decision support tools available to help navigate those options.
Mergers and acquisitions are not without risk. Miscalculation or misrepresentation of assets, legislative obligations, tax obligations, misalignment of objectives and conflicting cultures can all affect the success of a deal. Concern about these risks can prevent a deal from coming to fruition, or leave buyers with unwanted liabilities, placing both sellers and buyers at the risk of not realising their desired objectives.

**AON SOLUTIONS**

M&A insurance can help buyers and sellers transfer these exposures to a third-party insurer, thereby reducing the execution risk and increasing both parties’ confidence that a deal is protected and returns maximized.

The suite of insurance solutions includes:

- **Tax Credit Insurance**: protection for tax equity investors from the numerous tax risks to which they are exposed from tax credit investments.

- **Human Capital Diligence**: helps evaluate a target company’s benefits and compensation plans, employment policies and culture and leadership teams to help plan for integration and quantify financial liabilities and compliance risks.

- **Risk and Insurance Diligence**: highlights the quality of earnings and balance sheet decision points as well as retained and transferred risks and identifies options so clients can understand and quantify the risks that they are assuming as they negotiate the deal.

- **Reps and Warranties Insurance**: protects buyers from losses resulting from a breach of sellers’ representation in a purchase agreement and eliminating the need for a robust indemnity, allowing sellers to walk away with all or substantially all of the sale proceeds and providing buyers with peace of mind that the value of the deal will not be eroded post-closing.

- **Tax Opinion Insurance**: protection if a transaction fails to qualify for its intended tax treatment and, in the context of M&A deal, provides an alternative to special indemnities for known tax risks. Tax opinion insurance may be used outside the context of a deal as a risk management tool for clients to manage their contingent tax exposures.

- **Litigation/Contingent Risk Insurance**: customized insurance to address exposure to potential significant loss resulting from pending or possible litigation, helping to reduce or eliminate substantial escrow requirements in an M&A deal and allowing buyers to transfer the risk to an insurance policy to ring fence the exposure to damages from an adverse judgment.
Our M&A and Transaction Solutions team truly understands the importance of client trust and works to align your objectives with available solutions. With a team including former lawyers, accountants and M&A professionals, knowledge of the deal cycle and deal timing allows us to deliver solutions which help to identify, quantify and manage a wide range of pre and post-transaction risks.
The Aon difference

While traditional exposures continue to exist, the changing risk environment presents new threats to future growth. Partnering with a firm that delivers innovative solutions will help you optimize your risk management decision-making and actions.

As a leading broker and risk advisor to professional service firms across sectors and geographies, our clients benefit from:

**Global scope**
Based in diverse geographies around the world, our team leverage Aon’s position in the insurance market and global resources, to deliver relevant insights and tailored solutions anywhere in the world.

**Expert team**
Our global team of professionals have industry-specific expertise and established relationships within the insurance market to tailor solutions to your firm.

**Tailored & cost effective solutions**
Our expert teams tailor solutions by negotiating and securing the right products and monitoring programs over time to meet client needs.

**Data & analytics**
Aon’s client portfolio enables our team to gather market data and benchmark your metrics against industry trends. With these insights, you’ll be able to make informed decisions about improving your program.

**United capabilities**
Aon’s established solution lines enable clients to manage existing and emerging commercial challenges across insurable and people risks: Commercial Risk, Retirement & Investment, and Health & Benefits Solutions.

Our capabilities and commitments are at the very core of our client promise. We continue to innovate solutions and services to address risks in a changing global business environment and help our clients pursue commercial growth opportunities with confidence.
EXECUTIVE LEADERSHIP

Gerard R. Guterl II
Chief Executive Officer Global Professional Services Specialty and Co-Lead Global Specialties
New York
+1 (212) 441-1715
gerard.guterl@aon.com

Barry Mathews
Senior Managing Director and North American Professional Services Leader
Montreal
+1.514.982.5110
barry.mathews@aon.com

LAW FIRMS

Ian Hutchinson
Senior Managing Director and Law Firm Co-Practice Leader
Chicago
+1.312.381.4192
ian.hutchinson@aon.com

ACCOUNTING & CONSULTING FIRMS

John Dorf
Managing Director and Accounting & Consulting Firm Practice Leader
New York
+1.212.441.1778
john.dorf@aon.com

DESIGN FIRMS

Mark J. Peterson
Managing Director and Design Firm Practice Leader
Omaha
+1.402.203.5396
mark.peterson1@aon.com
About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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