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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2020
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-16503

WILLIS TOWERS WATSON PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

Ireland	**98-0352587**
(Jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
c/o Willis Group Limited **51 Lime Street, London EC3M 7DQ, England**	**(011) 44-20-3124-6000**
(Address of principal executive offices)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, nominal value $0.000304635 per share	**WLTW**	**NASDAQ Global Select Market**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted 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 ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of 'large accelerated filer', 'accelerated filer' and 'smaller reporting company' in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting common equity held by non-affiliates of the Registrant, computed by reference to the last reported price at which the Registrant's common equity was sold on June 30, 2020 (the last day of the Registrant's most recently completed second quarter) was $25,185,382,470.

As of February 18, 2021, there were outstanding 128,970,531 ordinary shares, nominal value $0.000304635 per share, of the Registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III will be incorporated by reference in accordance with Instruction G(3) to Form 10-K no later than 120 days after the end of the Company's fiscal year.

WILLIS TOWERS WATSON

INDEX TO FORM 10-K

For the year ended December 31, 2020

Certain Definitions

The following definitions apply throughout this annual report unless the context requires otherwise:

'We', 'Us', 'Company', 'Willis Towers Watson', 'Our', 'Willis Towers Watson plc' or 'WTW'	Willis Towers Watson Public Limited Company, a company organized under the laws of Ireland, and its subsidiaries
'shares'	The ordinary shares of Willis Towers Watson Public Limited Company, nominal value $0.000304635 per share
'Legacy Willis' or 'Willis'	Willis Group Holdings Public Limited Company and its subsidiaries, predecessor to Willis Towers Watson, prior to the Merger
'Legacy Towers Watson' or 'Towers Watson'	Towers Watson & Co. and its subsidiaries
'Merger'	Merger of Willis Group Holdings Public Limited Company and Towers Watson & Co. pursuant to the Agreement and Plan of Merger, dated June 29, 2015, as amended on November 19, 2015, and completed on January 4, 2016
'Gras Savoye'	GS & Cie Groupe SAS
'Miller'	Miller Insurance Services LLP and its subsidiaries
'TRANZACT'	CD&R TZ Holdings, Inc. and its subsidiaries, doing business as TRANZACT
'U.S.'	United States
'U.K.'	United Kingdom
'Brexit'	The United Kingdom's exit from the European Union, which occurred on January 31, 2020.
'E.U.'	European Union or European Union 27 (the number of member countries following the United Kingdom's exit)
'U.S. GAAP'	United States Generally Accepted Accounting Principles
'FASB'	Financial Accounting Standards Board
'ASU'	Accounting Standards Update
'ASC'	Accounting Standards Codification
'SEC'	United States Securities and Exchange Commission

Disclaimer Regarding Forward-looking Statements

We have included in this document 'forward-looking statements' within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. These forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, that address activities, events or developments that we expect or anticipate may occur in the future, including such things as our outlook, the impact of the COVID-19 pandemic on our business, our pending business combination with Aon plc, future capital expenditures, ongoing working capital efforts, future share repurchases, financial results (including our revenue), the impact of changes to tax laws on our financial results, existing and evolving business strategies and acquisitions and dispositions, demand for our services and competitive strengths, goals, the benefits of new initiatives, growth of our business and operations, our ability to successfully manage ongoing organizational and technology changes, including investments in improving systems and processes, and plans and references to future successes, including our future financial and operating results, plans, objectives, expectations and intentions are forward-looking statements. Also, when we use words such as 'may,' 'will,' 'would,' 'anticipate,' 'believe,' 'estimate,' 'expect,' 'intend,' 'plan,' 'probably,' or similar expressions, we are making forward-looking statements. Such statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. All forward-looking disclosure is speculative by its nature.

A number of risks and uncertainties that could cause actual results to differ materially from the results reflected in these forward-looking statements are identified under 'Risk Factors' in Item 1A of this Annual Report on Form 10-K. These statements are based on assumptions that may not come true and are subject to significant risks and uncertainties.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included in this Annual Report on Form 10-K, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved.

Our forward-looking statements speak only as of the date made and we will not update these forward-looking statements unless the securities laws require us to do so. With regard to these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur, and we caution you against unduly relying on these forward-looking statements.

PART I.

ITEM 1. BUSINESS

The discussion of the general development of our business in this Item 1 Business provides an update on the material changes to our business since our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 26, 2020 (the '2019 Form 10-K'), which included a complete description of our business as of December 31, 2019. We incorporate herein the description of our business, including as specified in the discussion in this Item 1 below, by reference to the 2019 Form 10-K, available at https://www.sec.gov/Archives/edgar/data/0001140536/000156459020006736/wltw-10k_20191231.htm#ITEM_1_BUSINESS

The Company

Willis Towers Watson is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. Willis Towers Watson has more than 46,000 employees and services clients in more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent and expand the power of capital to protect and strengthen institutions and individuals. We believe our unique perspective allows us to see the critical intersections between talent, assets and ideas - the dynamic formula that drives business performance.

Our clients operate on a global and local scale in a multitude of businesses and industries throughout the world and generally range in size from large, major multinational corporations to middle-market domestic and international companies. Our clients include many of the world's leading corporations, including approximately 93% of the FTSE 100, 91% of the Fortune 1000, and 91% of the Fortune Global 500 companies. We also advise the majority of the world's leading insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries, with many of our client relationships spanning decades. No one client accounted for a significant concentration of revenue in each of the years ended December 31, 2020, 2019 and 2018. We place insurance with more than 2,500 insurance carriers, none of which individually accounted for a significant concentration of the total premiums we placed on behalf of our clients in 2020, 2019 or 2018.

We provide a comprehensive offering of services and solutions to clients across four business segments: Human Capital and Benefits; Corporate Risk and Broking; Investment, Risk and Reinsurance; and Benefits Delivery and Administration.

On March 9, 2020, WTW and Aon plc ('Aon') issued an announcement disclosing that the respective boards of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon. Under the terms of the agreement each WTW shareholder will receive 1.08 Aon ordinary shares for each WTW ordinary share. At the time of the announcement, it was estimated that upon completion of the combination, existing Aon shareholders will own approximately 63% and existing WTW shareholders will own approximately 37% of the combined company on a fully diluted basis.

The transaction was approved by the shareholders of both WTW and Aon during meetings of the respective shareholders held on August 26, 2020 and remains subject to other customary closing conditions, including required regulatory approvals. The antitrust regulatory review of the transaction remains ongoing. In addition, there are numerous other regulatory approvals and other closing conditions that need to be met. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions.

Available Information

The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the 'SEC'). The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including Willis Towers Watson) file electronically with the SEC. The SEC's website is www.sec.gov.

The Company makes available, free of charge through our website, www.willistowerswatson.com, our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our proxy statement, current reports on Form 8-K and Forms 3, 4, and 5 filed on behalf of directors and executive officers, as well as any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934 (the 'Exchange Act') as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Unless specifically incorporated by reference, information on our website is not a part of this Form 10-K.

The Company's Corporate Governance Guidelines, Audit Committee Charter, Risk Committee Charter, Compensation Committee Charter, and Corporate Governance & Nominating Committee Charter are available on our website, www.willistowerswatson.com, in the Investor Relations section, or upon request. Requests for copies of these documents should be directed in writing to the Company Secretary c/o Office of General Counsel, Willis Towers Watson Public Limited Company, Brookfield Place, 200 Liberty Street, New York, NY 10281.

General Information

Willis Towers Watson offers its clients a broad range of services to help them to identify and control their risks, and to enhance business performance by improving their ability to attract, retain and engage a talented workforce. Our risk control services range from strategic risk consulting (including providing actuarial analysis), to a variety of due diligence services, to the provision of practical on-site risk control services (such as health and safety or property loss control consulting), as well as analytical and advisory services (such as hazard modeling and reinsurance optimization studies). We assist clients in planning how to manage incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans. We help our clients enhance their business performance by delivering consulting services, technology and solutions that help them anticipate, identify and capitalize on emerging opportunities in human capital management, as well as offer investment advice to help them develop disciplined and efficient strategies to meet their investment goals.

As an insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping them to determine the best means of managing risk and negotiating and placing insurance with insurance carriers through our global distribution network. We operate a private Medicare exchange in the U.S. Through this exchange and those for active employees, we help our clients move to a more sustainable economic model by capping and controlling the costs associated with healthcare benefits.

We are not an insurance company, and therefore we do not underwrite insurable risks for our own account.

We derive the majority of our revenue from either commissions or fees for brokerage or consulting services. We do not determine the insurance premiums on which our commissions are generally based. Commission levels generally follow the same trend as premium levels as they are derived from a percentage of the premiums paid by the insureds. Fluctuations in these premiums charged by the insurance carriers can therefore have a direct and potentially material impact on our results of operations. Our fees for consulting services are spread across a variety of complementary businesses that generally remain steady during times of uncertainty. We have some businesses, such as our health and benefits and administration businesses, which can be counter cyclical during the early period of a significant economic change.

Impact of COVID-19

The COVID-19 pandemic negatively affected our revenue and operating results during 2020, and we expect that it will continue to have an impact on our financial condition and results of operations in the near term and may have a substantial and negative impact on our financial condition, liquidity, and results of operations in future periods. For information regarding the impact of COVID-19 on our business and measures we have taken in response, see Item 7 'Management's Discussion and Analysis of Financial Condition and Results of Operations-Risks and Uncertainties of the COVID-19 Pandemic' and Item 1A 'Risk Factors-Strategic, Operational and Technology Risks-We have been impacted by the COVID-19 pandemic and may be substantially and negatively impacted by it in the future.'

Business Strategy

Willis Towers Watson is in the business of people, risk and capital. We believe that a unified approach to these areas can be a path to growth for our clients. Our integrated teams bring together our understanding of risk strategies and market analytics. This helps clients around the world to achieve their objectives.

We operate in attractive markets – both growing and mature – with a diversified platform across geographies, industries, segments and lines of business. We aim to be the premier advisory, broking and solutions company, creating a competitive advantage and delivering sustainable growth.

We believe we can achieve this by:

- Driving profitable organic growth in our current core businesses and geographies – each has a role to play in Willis Towers Watson's success;
- Delivering a winning client experience – we are committed to always bringing the best of Willis Towers Watson to our clients – with a consistent standard across all of our businesses and geographies; and
- Investing both organically and inorganically – with a focus on the most attractive markets for growth or where we can achieve a sustainable competitive advantage, including adjacencies, innovation and inorganic opportunities.

We care as much about how we work as we do about the impact that we make. This means commitment to shared values, a framework that guides how we run our business and serve clients.

Through these strategies we aim to accelerate revenue, cash flow, earnings before interest, taxes, depreciation and amortization (‘EBITDA’), and earnings growth, and to generate compelling returns for investors, by delivering tangible growth in revenue.

Principal Services

We manage our business across four integrated reportable operating segments: Human Capital and Benefits; Corporate Risk and Broking; Investment, Risk and Reinsurance; and Benefits Delivery and Administration. Below are the percentages of revenue generated by each segment for each of the years ended December 31, 2020, 2019 and 2018.

	Year ended December 31,		
	2020	2019	2018
Human Capital and Benefits	35%	37%	38%
Corporate Risk and Broking	32%	33%	34%
Investment, Risk and Reinsurance	18%	18%	19%
Benefits Delivery and Administration	15%	12%	9%

Human Capital and Benefits

For a description of our Human Capital and Benefits (‘HCB’) segment, see the link above to the 2019 Form 10-K, and see ‘Human Capital and Benefits’ within Part I, Item 1 Business in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 26, 2020. There have been no material updates to the description of our HCB segment since the 2019 Form 10-K.

Corporate Risk and Broking

The Willis Towers Watson Corporate Risk and Broking (‘CRB’) segment provides a broad range of risk advice, insurance brokerage and consulting services to clients worldwide ranging from small businesses to multinational corporations, and places more than $20 billion of premiums into the insurance markets on an annual basis. The segment delivers integrated global solutions tailored to client needs and underpinned by data and analytics through a balanced matrix of global lines of business across all of the Company’s regions. The global lines of business as of December 31, 2020 are:

Property and Casualty — Property and Casualty provides property and liability insurance brokerage services across a wide range of industries and segments including real estate, healthcare and retail. We also arrange insurance products and services for our affinity client partners to offer to their customers, employees, or members alongside, or in addition to, their principal business offerings.

Aerospace — Aerospace provides specialist expertise to the aerospace and space industries. Our aerospace business provides insurance broking, risk management services, contractual and technical advisory expertise to aerospace clients worldwide, including the world’s leading airlines, aircraft manufacturers, air cargo handlers and other airport and general aviation companies. The specialist InSpace team is also prominent in providing insurance and risk management services to the space industry.

Construction — Our Construction business provides services that include insurance broking, claims, loss control and specialized risk advice for a wide range of construction projects and activities. Clients include contractors, project owners, public entities, project managers, consultants and financiers, among others.

Facultative — Facultative capabilities exist for each of CRB’s offerings to serve as a broker or intermediary for insurance companies seeking to arrange reinsurance solutions across various classes of risk for their clients, some of which may also be broking clients of Willis Towers Watson. The Facultative team also works closely with our treaty reinsurance business to structure reinsurance solutions that deliver capital and strategic benefits to insurance company clients.

Financial, Executive and Professional Risks (‘FINEX’) — FINEX encompasses all financial and executive risks, delivering client solutions that range from management and professional liability, employment practices liability, crime, cyber and M&A-related insurances to risk consulting and advisory services. Specialist teams provide risk consulting and risk transfer solutions to a broad spectrum of clients across a multitude of industries, as well as the financial and professional service sectors.

Financial Solutions — Financial Solutions provides insurance broking services and specialized risk advice related to credit, surety, terrorism and political risk to clients that range from corporate to professional services firms and financial institutions including, but not limited to, banks, export credit agencies, multilaterals/development finance institutions, private equity funds and special purpose vehicles.

Marine — Marine provides specialist expertise to the maritime and logistics industries. Our Marine business provides insurance broking services related to hull and machinery, cargo, protection and indemnity, fine art and general marine liabilities, among others. Our Marine clients include, but are not limited to, ship owners and operators, shipbuilders, logistics operations, port authorities, traders, shippers, exhibitors and secure transport companies.

Natural Resources — Our Natural Resources practice encompasses the oil, gas and chemicals, mining and metals, power and utilities and renewable energy sectors. It provides sector-specific risk transfer solutions and insights, which include insurance broking, risk engineering, contractual reviews, wording analysis and claims management.

Investment, Risk and Reinsurance

For a description of our Investment, Risk and Reinsurance ('IRR') segment, see the link above to the 2019 Form 10-K, and see 'Investment, Risk and Reinsurance' within Part I, Item 1 Business in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 26, 2020. There have been no material updates to the description of our IRR segment since the 2019 Form 10-K other than the information provided below.

In September 2020, the Company sold its Max Matthiessen business, which was included within the IRR segment. See Note 3 — Acquisitions and Divestitures within Item 8 of this Annual Report on Form 10-K for further information.

Benefits Delivery and Administration

For a description of our Benefits Delivery and Administration ('BDA') segment, see the link above to the 2019 Form 10-K, and see 'Benefits Delivery and Administration' within Part I, Item 1 Business in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 26, 2020. There have been no material updates to the description of our BDA segment since the 2019 Form 10-K.

Human Capital

Our success depends on our ability to attract, retain and motivate qualified personnel. The number of employees by segment for the year ended December 31, 2020 is approximated below:

	December 31, 2020
Human Capital and Benefits	14,800
Corporate Risk and Broking	13,200
Investment, Risk and Reinsurance	4,100
Benefits Delivery and Administration	6,700
Corporate and Other	7,300
Total Employees	46,100

The number of employees by geography as of the year ended December 31, 2020 is approximated below:

	December 31, 2020
North America	16,700
Great Britain	8,200
Western Europe	7,700
International	13,500
Total Employees	46,100

At December 31, 2020, Willis Towers Watson's global workforce was 53.8% female and 46.2% male, and global and senior leadership was 27.7% female. Our Board of Directors was 33.3% female, including the Compensation Committee Chairman. Voluntary turnover (rolling 12-month attrition) was 11.3% in 2020 compared to 11.2% in 2019.

Inclusion and Diversity — We believe that a culture of inclusion and diversity ('I&D') is critical to our business. I&D has a direct impact on our ability to grow and excel.

Our enterprise-wide I&D priorities include the following:

- Build a robust pipeline for underrepresented talent;
- Meaningfully increase the level of overall diversity – including the number of women and underrepresented groups – in leadership; and
- Promote an inclusive culture, one that respects each other's differences and celebrates what's unique about each of us.

A key underlying theme of these priorities is a sharpened focus on our female talent and a goal to increase gender balance in leadership levels across the company. This focus directly supports the statement Willis Towers Watson made when we joined the Paradigm for Parity® (‘P4P’) coalition in 2016. P4P is committed to reaching gender parity in leadership by 2030.

Our Operating Committee members have I&D objectives as part of their individual performance component, comprising 20% of their short-term incentive awards. In 2020, we continued to make progress increasing female representation in leadership roles to 27.7% (26.5% in 2019). Furthermore, female representation in our global workforce increased from 53.3% in 2019 to 53.8% in 2020.

Each year our leaders cascade I&D-focused objectives throughout the organization, and we continue to look for ways to ensure an objective and fair process that mitigates human biases in all of our talent programs and processes. Examples of our I&D activities include:

- Our global I&D council*,* sponsored by our Chief Executive Officer and by our Chief Administrative Officer and Head of Human Resources, sets the standard for our I&D initiatives globally. It is driven by regional I&D councils that provide local perspectives and help to translate our global priorities into actions within each region
- Our inclusion networks are designed to engage our talent and better connect us to each other, our clients and the communities in which we work and live. Current inclusion networks include: Gender Equity, LGBT+, Multicultural, Workability (Asia, North America and the U.K.), and Young Professionals (Asia, the U.K. and Western Europe)

Total Rewards — Willis Towers Watson invests significant resources in our most important asset – our colleagues. Our aim is to provide colleagues with pay-for-performance, benefits that support good health and a balanced life, as well as the ability to plan for the future, and a range of opportunities for professional development and career growth.

Our Total Rewards program aims to ensure that colleagues are protected in the event of accident or illness, have sufficient paid time off and have the opportunity to accumulate capital for personal needs and retirement. We also aim to provide flexibility at work, including modified work arrangements and schedules (e.g. flex time, part-time, work-from-home) that enable and support colleagues to stay focused on their clients and business needs, while balancing personal commitments.

COVID-19 Response: Health, Safety and Wellbeing — We mobilized incident management teams to ensure employee safety and client service continuity in the early stage of the COVID-19 pandemic. Most of our colleagues began working remotely through technology enhancements, full access to flexible work-life arrangements and open communication. We continued to collect feedback and well-being ideas to help our colleagues adapt, and chartered a multi-faceted team to develop a structured approach to the ‘new normal.’ Recognizing colleagues’ varied situations, their feedback was sought on these efforts. The June all-colleague engagement survey, with high participation, showed strong support for our efforts, with over 90% of staff feeling connected to their teams, having adequate access to their managers and appreciating the flexibility. Work has since shifted to ‘reimagining the workplace,’ using lessons from the crisis to define the evolving role offices will play in how our work is done. For information regarding the impact of COVID-19 on our business and additional measures we have taken in response, see Item 7 ‘Management’s Discussion and Analysis of Financial Condition and Results of Operations-Risks and Uncertainties of the COVID-19 Pandemic.’ In addition, risks relating to COVID-19 and other human resources risks are discussed under Item 1A ‘Risk Factors’.

Competition

For a description of our competition, see the link above to the 2019 Form 10-K, and see ‘Competition’ within Part I, Item 1 Business in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 26, 2020.

Regulation

For a description of the regulations under which we operate, see the link above to the 2019 Form 10-K, and see ‘Regulation’ within Part I, Item 1 Business in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 26, 2020.

Information about Executive Officers of the Registrant

The executive officers of the Company as of February 23, 2021 were as follows:

Nicolas Aubert (age 55) - Mr. Aubert has served as Head of Great Britain at Willis Towers Watson since January 4, 2016, and as the CEO of Willis Limited, the Company's U.K. insurance and reinsurance broking subsidiary, since September 30, 2015. Since 2020, Mr. Aubert also has served as the UK Branch Director of Willis Towers Watson's Belgian entity, Willis Towers Watson SA/NV. Prior to his appointment as Head of Great Britain in January 2015, Mr. Aubert served as CEO of Willis GB, the operating segment of Willis Group Holdings that included Willis' London specialty businesses and facultative business, and the retail insurance business in Great Britain. Since 2016, Mr. Aubert has served as Chair and immediate Past Chair of the London Market Group ('LMG'), remaining a member of LMG's board, President and immediate Past President of the Insurance Institute of London. Mr. Aubert has also served on the Executive Committee of the London & International Brokers Association and is a member of TheCityUK's Advisory Council. Prior to joining Willis, Mr. Aubert served as the Chief Operating Officer of American International Group ('AIG') in Europe, the Middle East and Africa, and formerly as the Managing Director of AIG in the U.K. After joining AIG in June 2002 to lead AIG France, Mr. Aubert served in various other senior management positions, including Managing Director of Southern Europe, where he oversaw operations in 12 countries, including Israel. Prior to AIG, Mr. Aubert worked in various leadership positions at ACE, CIGNA, GAN and started his career at GENERALI. He holds specialized master's degrees in insurance law (DESS Assurances) from Pantheon-Sorbonne University of Paris and from Institut des Assurances de Paris (Université Paris-Dauphine) and an M.B.A. from the French High Insurance Studies Center.

Anne D. Bodnar (age 64) - Ms. Bodnar has served as Chief Administrative Officer and Head of Human Resources since May 31, 2019. Prior to that, she served as Chief Human Resources Officer at Willis Towers Watson since January 4, 2016. Previously, Ms. Bodnar served on Towers Watson's Management Committee since January 2015 and as Towers Watson's Chief Administrative Officer since January 1, 2010. Ms. Bodnar previously served as Managing Director of HR at Towers Perrin beginning in 2001. From 1995 to 2000, Ms. Bodnar led Towers Perrin's recruiting and learning and development efforts. Prior to that, she was a strategy consultant in Towers Perrin's Human Capital business. Earlier in her career, Ms. Bodnar held several operational and strategic planning roles at what is now JPMorgan Chase. Additionally, Ms. Bodnar published a chapter entitled 'HR as a Strategic Partner' in *Human Resources Leadership Strategies: Fifteen Ways to Enhance HR Value in Your Company*. She was elected to the YWCA's Academy of Women Achievers in 1999. Ms. Bodnar graduated cum laude and Phi Beta Kappa from Smith College and has an M.B.A. from Harvard Business School.

Michael J. Burwell (age 57) - Mr. Burwell has served as Chief Financial Officer of Willis Towers Watson since October 3, 2017. Before joining Willis Towers Watson, Mr. Burwell spent over 30 years at PricewaterhouseCoopers LLP ('PwC'), where he served in various senior leadership roles, including, most recently, as a Senior Partner driving transformation activities with various clients across industries since 2016. Prior to that, Mr. Burwell served as Vice Chairman, Global and US Transformation Leader from 2012 to 2016, as Vice Chairman, US Operations Leader, and Chief Financial Officer from 2007 to 2012, and as Leader of the Transaction Services practice from 2005 to 2007. During his initial time at PwC, Mr. Burwell served 11 years in the assurance practice working on numerous audit clients. He has a bachelor's degree in business administration from Michigan State University and is a certified public accountant. In 2010, he was named Michigan State University's Alumnus of the Year.

Matthew S. Furman (age 51) - Mr. Furman has served as General Counsel at Willis Towers Watson since January 4, 2016. Previously, Mr. Furman served as Executive Vice President and Group General Counsel at Willis Group Holdings, where he was a member of the Operating Committee since April 2015. From 2007 until March 2015, Mr. Furman was Senior Vice President, Group General Counsel-Corporate and Governance, and Corporate Secretary for The Travelers Companies, Inc. From 2000 until 2007, Mr. Furman was an attorney at Goldman, Sachs & Co. in New York, where he was Vice President and Associate General Counsel in the finance and corporate legal group. Prior to that, he was in private practice, with almost six years' experience at Simpson Thacher & Bartlett in New York. Mr. Furman also serves as a Trustee of the Jewish Theological Seminary and previously served as a Director of the Legal Aid Society and a member of the U.S. Securities and Exchange Commission's Investor Advisory Committee, where he served on the Executive Committee and chaired the Market Structure Subcommittee. He holds a bachelor's degree from Brown University and a law degree from Harvard Law School.

Adam L. Garrard (age 55) - Mr. Garrard has served as Head of Corporate Risk and Broking since August 14, 2019. Prior to that, he served as Head of International at Willis Towers Watson since January 4, 2016. Previously, Mr. Garrard served as Chief Executive Officer for Willis Group Holdings in Asia since September 2012. Prior to that, Mr. Garrard served as Chief Executive Officer for Willis in Europe since January 2009, Chief Executive Officer for Willis in Australasia since May 2005 and Chief Executive Officer for Asia since January 2002. Mr. Garrard has resided in Singapore, Shanghai, Sydney and London while undertaking his Chief Executive Officer roles. After graduating from De Montfort University with a bachelor's degree in Business Administration in 1992, Mr. Garrard joined SBJ Stephenson Insurance Brokers before joining Willis in 1994.

Julie J. Gebauer (age 59) - Ms. Gebauer has served as Head of Human Capital & Benefits at Willis Towers Watson since January 4, 2016. Previously, Ms. Gebauer served as Managing Director of Towers Watson's Talent and Rewards business segment since January 1, 2010. Beginning in 2002, Ms. Gebauer served as a Managing Director of Towers Perrin and led Towers Perrin's global Workforce Effectiveness practice and the global Towers Perrin-International Survey Research Corporation line of business. Ms. Gebauer was a member of Towers Perrin's Board of Directors from 2003 through 2006. She joined Towers Perrin in 1986 as a consultant and held several leadership positions at Towers Perrin, serving as the Managing Principal for the New York office from 1999 to 2001 and the U.S. East Region Leader for the Human Capital Group from 2002 to 2006. Ms. Gebauer is a Fellow of the Society of Actuaries. Ms. Gebauer graduated Phi Beta Kappa and with high distinction from the University of Nebraska-Lincoln with a bachelor's degree in mathematics and was designated a Chancellor's Scholar.

Joseph Gunn (age 50) - Mr. Gunn has served as Head of North America at Willis Towers Watson since October 27, 2016. Previously, Mr. Gunn served as the regional director for the Northeast region of Willis Towers Watson where he led the business in both Metro New York and New England since January 4, 2016. Prior to that, Mr. Gunn served as the National Partner for the Northeast Region at Willis North America since July 2009, and before that, as the Chief Growth Officer for Willis North America and regional executive officer for the South Central region of Willis North America since August 2006. Before joining Willis in 2004, Mr. Gunn led the Client Development team of Marsh & McLennan for the North Texas operations and served as a senior relationship officer on several large accounts. Mr. Gunn serves as a member of the board of trustees of Big Brothers Big Sisters of New York. He holds a bachelor's degree in political science from Florida State University.

John J. Haley (age 71) - Mr. Haley has served as Chief Executive Officer and Director at Willis Towers Watson since January 4, 2016. Previously, Mr. Haley served as the Chief Executive Officer and Chairman of the Board of Directors of Towers Watson since January 1, 2010, and as President since October 3, 2011. Prior to that, Mr. Haley served as President and Chief Executive Officer of Watson Wyatt beginning on January 1, 1999, as Chairman of the Board of Watson Wyatt beginning in 1999 and as a director of Watson Wyatt beginning in 1992. Mr. Haley joined Watson Wyatt in 1977. Prior to becoming President and Chief Executive Officer of Watson Wyatt, he was the Global Director of the Benefits group at Watson Wyatt. Mr. Haley is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and the Conference of Consulting Actuaries. He is also a co-author of *Fundamentals of Private Pensions* (University of Pennsylvania Press). Additionally, Mr. Haley serves on the board of MAXIMUS, Inc., a provider of health and human services program management, consulting services and system solutions, and previously served on the board of Hudson Global, Inc., an executive search, specialty staffing and related consulting services firm. He has an A.B. in mathematics from Rutgers College and studied under a fellowship at the Graduate School of Mathematics at Yale University.

Carl A. Hess (age 59) - Mr. Hess has served as Head of Investment, Risk and Reinsurance since October 27, 2016. Previously, Mr. Hess served as the Co-Head of North America at Willis Towers Watson since January 4, 2016. Prior to that, Mr. Hess served as Managing Director, The Americas of Towers Watson since February 1, 2014, and before that, he served as the Managing Director of Towers Watson's Investment business since January 1, 2010. Before his service at Towers Watson, Mr. Hess worked in a variety of roles for over 20 years at Watson Wyatt, lastly as Global Practice Director of Watson Wyatt's Investment business. Mr. Hess is a Fellow of the Society of Actuaries and the Conference of Consulting Actuaries and a Chartered Enterprise Risk Analyst. He has a bachelor's degree cum laude in logic and language from Yale University.

Anne Pullum (age 38) - Ms. Pullum has served as Head of Western Europe since May 31, 2019. Prior to that, she served as the Chief Administrative Officer and Head of Strategy and Innovation at Willis Towers Watson since October 27, 2016. Beginning on January 4, 2016, Ms. Pullum served as Willis Towers Watson's Head of Strategy, where she has played a key role in determining the Company's strategy and worked across all business segments and functional areas. Previously, Ms. Pullum served as the Head of Strategy for Willis Group since May 2014. Before joining Willis, Ms. Pullum worked at McKinsey & Company, where she served financial services and natural resource clients since October 2010. Prior to that, Ms. Pullum conducted economic research at Greenspan Associates in Washington, D.C. and served as an analyst in the Goldman Sachs Equities Division in London. Ms. Pullum holds an M.B.A. from INSEAD and a bachelor's degree in international economics from Georgetown University's School of Foreign Service.

Gene H. Wickes (age 68) - Mr. Wickes has served as the Head of Benefits Delivery and Administration at Willis Towers Watson since April 1, 2016. Prior to that, Mr. Wickes served as an Executive Sponsor of the combined Willis Towers Watson Merger integration team since January 4, 2016. Previously, he served as the Managing Director of the Benefits business segment of Towers Watson from January 1, 2010 until the closing of the Willis Towers Watson merger. Prior to that, he served as the Global Director of the Benefits practice of Watson Wyatt beginning in 2005 and as a member of Watson Wyatt's Board of Directors from 2002 to 2007. Mr. Wickes was Watson Wyatt's Global Retirement Practice Director in 2004 and the U.S. West Division's Retirement Practice Leader from 1997 to 2004. Mr. Wickes joined Watson Wyatt in 1996 as a senior consultant and consulting actuary. Prior to joining Watson Wyatt, he spent 18 years with Towers Perrin, where he assisted organizations with welfare, retirement, and executive benefit issues. Mr. Wickes is a Fellow of the Society of Actuaries and a member of the Conference of Consulting Actuaries, and he has a B.S. in mathematics and economics, an M.S. in mathematics and an M.S. in economics, all from Brigham Young University.

Board of Directors

A list of the members of the Board of Directors of the Company and their principal occupations is provided below:

John J. Haley	**Brendan R. O'Neill**	**Wilhelm Zeller**
Chief Executive Officer	Former CEO of Imperial Chemical Industries PLC	Former CEO of Hannover Re Group
Anna C. Catalano	**Jaymin B. Patel**	
Former Group Vice President, Marketing for BP plc	Executive Chairman, Cloud Agronomics Inc.	
Victor F. Ganzi	**Linda D. Rabbitt**	
Non-Executive Chairman of Willis Towers Watson, Former President & CEO of The Hearst Corporation	Founder and Chairman of Rand Construction Corporation	
Wendy E. Lane	**Paul D. Thomas**	
Chairman of Lane Holdings, Inc.	Former CEO of Reynolds Packaging Group	

ITEM 1A. RISK FACTORS

Executive Summary of Risk Factors

The following contains a summary of each of our risk factors. For the complete disclosure of each risk factor contained herein, please click on the respective summary.

Combination-Related Risks

- Our pending combination with Aon creates incremental business, regulatory and reputational risks.
- The combination is subject to customary closing conditions, including conditions related to required regulatory approvals, and may not be completed on a timely basis, or at all, or may be completed on a basis that has a material adverse impact on the value of the combined company.
- The combination subjects us to various significant restrictions on our operations between signing and closing.
- Failure to close the combination could negatively impact the share price and the future business and financial results of the Company.
- Litigation filed against us could prevent or delay the completion of the combination or result in the payment of damages following completion of the combination.

Strategic, Operational and Technology Risks

- Our success largely depends on our ability to achieve our global business strategy as it evolves, and our results of operations and financial condition could suffer if the Company were unable to successfully establish and execute on its strategy and generate anticipated revenue growth and cost savings and efficiencies.
- We have been impacted by the COVID-19 pandemic and may be substantially and negatively impacted by it in the future.
- Demand for our services could decrease for various reasons, including a general economic downturn, increased competition, or a decline in a client's or an industry's financial condition or prospects, all of which could materially adversely affect us.
- Data security breaches or improper disclosure of confidential company or personal data could result in material financial loss, regulatory actions, reputational harm or legal liability.
- We could be subject to claims and lawsuits arising from our work, which could materially adversely affect our reputation, business and financial condition.
- As a highly-regulated company, we are subject from time to time to inquiries or investigations by governmental agencies or regulators that could have a material adverse effect on our business or results of operations.
- Our growth strategy depends, in part, on our ability to make acquisitions. We face risks when we acquire or divest businesses, and we could have difficulty in acquiring, integrating or managing acquired businesses, or with effecting internal reorganizations, all of which could harm our business, financial condition, results of operations or reputation.
- Our ability to successfully manage ongoing organizational changes could impact our business results, where the level of costs and/or disruption may be significant and change over time, and the benefits may be less than we originally expect.
- Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.
- Interruption to or loss of our information processing capabilities or failure to effectively maintain and upgrade our information processing hardware or systems could cause material financial loss, regulatory actions, reputational harm or legal liability.
- The United Kingdom's exit from the European Union, which occurred on January 31, 2020, and the risk that other countries may follow, could adversely affect us.
- Allegations of conflicts of interest, including in connection with accepting market derived income ('MDI'), may have a material adverse effect on our business, financial condition, results of operation or reputation.
- Damage to our reputation, including due to the failure of third parties on whom we rely to perform services or public opinions of third parties with whom we associate, could adversely affect our businesses.
- The loss of key colleagues could damage or result in the loss of client relationships and could result in such colleagues competing against us.
- Our business performance and growth plans could be negatively affected if we are not able to effectively apply technology, data and analytics to drive value for our clients through technology-based solutions or gain internal efficiencies through the effective application of technology, analytics and related tools.

- Our business may be harmed by any negative developments that may occur in the insurance industry or if we fail to maintain good relationships with insurance carriers.

Legal, Non-Financial/Tax Regulatory and Compliance Risks

- Our inability to comply with complex and evolving laws and regulations related to data privacy and cyber security could result in material financial loss, regulatory actions, reputational harm or legal liability.
- In conducting our businesses around the world, we are subject to political, economic, legal, regulatory, cultural, market, operational and other risks that are inherent in operating in many countries.
- Sanctions imposed by governments, or changes to such sanction regulations, could have a material adverse impact on our operations or financial results.
- Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government laws or regulations, or if government laws or regulations decrease the need for our services or increase our costs.
- Our compliance systems and controls cannot guarantee that we comply with all applicable federal and state or foreign laws and regulations, and actions by regulatory authorities or changes in applicable laws and regulations in the jurisdictions in which we operate could have an adverse effect on our business.
- Changes and developments in the health insurance system in the United States could harm our business.
- Limited protection of our intellectual property could harm our business and our ability to compete effectively, and we face the risk that our services or products may infringe upon the intellectual property rights of others.
- The laws of Ireland differ from the laws in effect in the United States and may afford less protection to holders of our securities.

Financial and Related Regulatory, Including Tax, Risks

- We have material pension liabilities that can fluctuate significantly and adversely affect our financial position or net income or result in other financial impacts.
- Our outstanding debt could adversely affect our cash flows and financial flexibility, and we may not be able to obtain financing on favorable terms or at all.
- A downgrade to our corporate credit rating and the credit ratings of our outstanding debt may adversely affect our borrowing costs and financial flexibility and, under certain circumstances, may require us to offer to buy back some of our outstanding debt.
- If a U.S. person is treated as owning at least 10% of our shares, such a holder may be subject to adverse U.S. federal income tax consequences.
- Legislative or regulatory action in the U.S. or abroad could materially adversely affect our ability to maintain a competitive worldwide effective corporate tax rate.
- Our significant non-U.S. operations, particularly our London market operations, expose us to exchange rate fluctuations and various other risks that could impact our business.
- Changes in accounting principles or in our accounting estimates and assumptions could negatively affect our financial position and results of operations.
- Our quarterly revenue and cash flow could fluctuate, including as a result of factors outside of our control, while our expenses may remain relatively fixed or be higher than expected.
- It is unclear how increased regulatory oversight and changes in the method for determining the London Interbank Offered Rate (‘LIBOR’) may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition.
- We are a holding company and, therefore, may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.

Risk Factors

In addition to the factors discussed elsewhere in this Annual Report on Form 10-K, the following are some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements. These risk factors should be carefully considered in evaluating our business. The descriptions below are not the only risks and uncertainties that we face. Additional risks and uncertainties that are presently unknown to us could also impair our business operations, financial condition or results. If any of the risks and uncertainties below or other risks were to occur, our business operations, financial condition or results of operations could be materially and adversely impacted. **With respect to the tax-related consequences of acquisition, ownership and disposal of ordinary shares, you should consult with your own tax advisors.**

Combination-Related Risks

Our pending combination with Aon creates incremental business, regulatory and reputational risks.

On March 9, 2020, the Company announced that it had entered into a business combination agreement with Aon. The proposed transaction with Aon entails important risks, including, among others: the risk that we are unable to obtain the requisite regulatory approvals or satisfy all of the other conditions required to consummate the proposed transaction on the proposed terms and schedule, if at all; the risk that we and Aon are unable to successfully integrate our combined operations and employees and realize the proposed transaction's benefits, including potential synergies, or that we are unable to realize such benefits at the times and to the extent anticipated or that results are different from those contained in forecasts when made; the risk that transaction and/or integration costs or dis-synergies are greater than expected, including as a result of conditions regulators put on any approvals of the transaction; the impact of the announcement and/or the potential impact of the consummation of the proposed transaction on relationships, including with employees, suppliers, clients and competitors; the risk that we and/or the combined company will not have the ability to hire and retain key personnel; the risk that management's attention is diverted from other matters during the pendency of the combination; the risk that litigation associated with the proposed combination affects the combination or the business otherwise; the risk of disruptions from the proposed transaction that impact our and/or Aon's business, including current plans and operations; the risk posed by extensive government regulation on our business and/or the business of the combined company; the risk of adverse effects on the market price of Aon's and the Company's securities and on Aon's and the Company's operating results for any reason; and other risks described below and in the Company's other SEC filings.

The combination is subject to customary closing conditions, including conditions related to required regulatory approvals, and may not be completed on a timely basis, or at all, or may be completed on a basis that has a material adverse impact on the value of the combined company.

The closing of the combination is subject to a number of customary conditions, and there can be no assurance that all of the conditions to the closing of the combination will be satisfied or waived (to the extent applicable) in a timely manner or at all. The failure to satisfy the required conditions could delay the closing of the combination for a significant period of time or prevent the closing of the combination from occurring at all. These closing conditions include, among others, certain antitrust-related clearances, including under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, referred to as the 'HSR Act,' the European Commission Merger Regulation and the antitrust laws of the other required antitrust jurisdictions. These closing conditions also include certain other regulatory clearances.

The governmental agencies from which the parties are seeking certain approvals related to these conditions have broad discretion in administering the applicable governing regulations. As a condition to their approval of the combination, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business after the closing of the combination. Such requirements, limitations, costs or restrictions could delay or prevent the closing of the combination or have a material adverse effect on the combined company's business and results of operations following the closing of the combination.

In addition, the closing conditions include other legal and regulatory conditions, such as: (i) the sanction by the Irish High Court of the scheme and the delivery of the court order to the Irish Registrar of Companies; (ii) the approval by the NYSE of the listing of all of the Aon shares to be issued in connection with the scheme; and (iii) the absence of any law or order that restrains, enjoins, makes illegal or otherwise prohibits the closing of the combination.

The combination is also subject to other customary closing conditions, including: (i) the Business Combination Agreement not having been terminated in accordance with its terms; (ii) the accuracy of each party's representations and warranties made in the business combination agreement between the Company and Aon, subject to specified materiality standards; (iii) the absence of a material adverse effect with respect to each party since March 9, 2020; and (iv) the performance and compliance by each party of all of its obligations and compliance with all of its covenants under the business combination agreement in all material respects. There can be no assurance that the conditions to the closing of the combination will be satisfied or waived or that the combination will be completed within the expected time frame, or at all.

In addition, if the combination is not completed by March 9, 2021 (or June 9, 2021 or September 9, 2021, if automatically extended under the terms of the business combination agreement, if applicable, or such earlier date as may be specified by the Irish Takeover Panel), either Aon or the Company may choose not to proceed with the combination. The parties can mutually decide to terminate the business combination agreement at any time.

The combination subjects us to various significant restrictions on our operations between signing and closing.

The business combination agreement subjects the Company to various significant restrictions on its operations between signing and closing. Those include, among others, with respect to share repurchases, the incurrence of debt above thresholds or the acquisition or disposition of assets above specified thresholds, and specified changes to compensation and benefit programs. In addition, under Irish law, many of the same (and certain additional) actions occurring between signing and closing require the prior approval of the Irish Takeover Panel. If the Company desires to take any of the specified actions, and does not receive the consent of Aon and/or the Irish Takeover Panel, these restrictions may prevent the Company from pursuing otherwise attractive business opportunities or making changes to its business or operations prior to the closing of the combination or the termination of the business combination agreement, which in turn could materially impact the Company's financial condition and results of operation.

Failure to close the combination could negatively impact the share price and the future business and financial results of the Company.

If the combination is not completed for any reason, the Company's ongoing business may be adversely affected and, without realizing the potential benefits of the completion of the combination, the Company will be subject to a number of risks, including the following:

- the Company will be required to pay certain costs and expenses relating to the combination;
- if the business combination agreement is terminated under specified circumstances, the Company may be obligated to reimburse certain transaction expenses of Aon;
- the Company may experience negative reactions from the financial markets, including negative impacts on the market price of the Company's shares;
- the manner in which clients, vendors, business partners and other third parties perceive the Company may be negatively impacted, which in turn could affect the Company's ability to compete for new business or to obtain renewals in the marketplace;
- the time and resources expended by the Company's management on matters relating to the combination (including integration planning) could otherwise have been devoted to other opportunities that may have been beneficial to the Company; and
- the Company could be subject to litigation related to any failure to close the combination or related to any enforcement proceeding commenced against the Company to perform their respective obligations under the business combination agreement.

If the combination does not close, these risks may materialize and may adversely affect the Company's business, financial results and share price.

Litigation filed against us could prevent or delay the completion of the combination or result in the payment of damages following completion of the combination.

We and members of our board of directors have been and may in the future be parties, among others, to various claims and litigation related to the business combination agreement and the combination. The results of complex legal proceedings are difficult to predict, and could delay or prevent the completion of the combination in a timely manner or at all, and could result in substantial costs to us, including, but not limited to, costs associated with the indemnification of our directors and officers. Moreover, such litigation could be time consuming and expensive, and such litigation could divert our management's attention away from their regular businesses. Adverse rulings in any of these lawsuits could have a material adverse effect on our financial condition.

One of the conditions to the closing of the combination is that no order (whether temporary or permanent) has been issued, promulgated, made, rendered or entered into by any court or other tribunal of competent jurisdiction which restrains, enjoins, makes illegal or otherwise prohibits the consummation of the combination (excluding certain laws and orders unrelated to the required antitrust clearances and the required regulatory clearances). Consequently, if any suits are brought and plaintiffs are successful in obtaining an injunction prohibiting the Company and Aon from completing the combination on the terms contemplated by the business combination agreement, such an injunction may delay the completion of the combination in the expected timeframe, or may prevent the combination from being completed altogether.

Strategic, Operational and Technology Risks

Our success largely depends on our ability to achieve our global business strategy as it evolves, and our results of operations and financial condition could suffer if the Company were unable to successfully establish and execute on its strategy and generate anticipated revenue growth and cost savings and efficiencies.

Our future growth, profitability and cash flows largely depend upon our ability to successfully establish and execute our global business strategy. As discussed under Item 1, 'Business - Business Strategy', we seek to be an advisory, broking and solutions provider of choice through an integrated global platform. While we have confidence that our strategic plan reflects opportunities that are appropriate and achievable, there is a possibility that our strategy may not deliver projected long-term growth in revenue and profitability due to inadequate execution, incorrect assumptions, global or local economic conditions, competition, changes in the industries in which we operate, sub-optimal resource allocation or any of the other risks described in this 'Risk Factors' section. In addition, our strategy continues to evolve, and it is possible that we will be unable to successfully execute the associated strategy changes, due to factors discussed above or elsewhere in this 'Risk Factors' section. In pursuit of our growth strategy, we may also invest significant time and resources into new product or service offerings, and there is the possibility that these offerings may fail to yield sufficient return to cover their investment. The failure to continually develop and execute optimally on our global business strategy could have a material adverse effect on our business, financial condition and results of operations.

We have been impacted by the COVID-19 pandemic and may be substantially and negatively impacted by it in the future.

The COVID-19 pandemic has had an adverse impact on global commercial activity, including the global supply chain, and has contributed to strain in financial markets, including, among other effects, significant volatility in equity markets, changes in interest rates and reduced liquidity on a global basis. It has also resulted in increased travel restrictions and extended shutdowns of businesses in various industries including, among others, travel, trade, tourism, health systems and food supply, and significantly reduced overall economic output. As such, there is a risk that COVID-19 could have a substantial negative impact on client demand and cash flow.

COVID-19 risks magnify other risks discussed in this report and any of our SEC filings. For example, the effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of COVID-19 could have a material impact on demand for our business. In addition, steps taken by market counterparties such as (re)insurance carriers to limit their exposures to COVID-19 and related risks could have an impact on their willingness to provide or renew coverage for our clients on historical terms and pricing, which could again impact demand for our business. Coverage disputes arising out of the pandemic could also increase our professional liability risk by increasing the frequency and severity of allegations by others that, in the course of providing services, we have committed errors or omissions for which we should have liability. Also, travel restrictions have caused the postponement, modification or cancellation of various conferences and meetings around the world and adversely impacted sales activity. The rapid development and fluidity of the COVID-19 pandemic, including the continued development, availability, distribution and acceptance of an effective vaccine, precludes any prediction as to the duration of the COVID-19 pandemic and the ultimate adverse impact of COVID-19 on our business. Nevertheless, COVID-19 continues to present material uncertainty and risk with respect to demand for our products and services.

In addition, COVID-19 has disrupted certain aspects of our business and could continue to disrupt, possibly materially, our own business operations and the services we provide, as well as the business operations of our clients, suppliers and other third parties with whom we interact. As an increasing percentage of our colleagues continue to work remotely, we face resiliency risks, such as the risk that our information technology platform could potentially be inadequate to support increasing demand, as well as the risk that unusual working arrangements could impact the effectiveness of our operations or controls. The economic disruption caused by COVID-19 has impacted the pace at which we have made information technology-based investments, and we may continue to make fewer information technology-based investments than previously anticipated, which could potentially create business operational risk. In addition, we depend on third-party platforms and other infrastructure to provide certain of our products and services, and such third-party infrastructures face similar resiliency risks. These factors have exposed us to increased phishing and other cybersecurity attacks as cybercriminals try to exploit the uncertainty surrounding the COVID-19 pandemic, as well as an increase in the number of points of potential attack, such as laptops and mobile devices (both of which are now being used in increased numbers as many of our employees work remotely), to be secured. A failure to effectively manage these risks, including to promptly identify and appropriately respond to any cyberattacks, may adversely affect our business.

Also, a potential COVID-19 infection of any of our key colleagues could substantially and negatively impact our operations. Further, it is possible that COVID-19 causes us to close down call centers and other processes on which we rely, or impacts processes of third-party vendors on whom we rely, which could also materially impact our operations. Resultant changes in financial markets could also have a material impact on our own hedging and other financial transactions, which could impact our liquidity. In addition, it is possible that COVID-19 restrictions could create difficulty for satisfying our legal or regulatory filing or other obligations, including with the SEC and other regulators.

All of the foregoing events or potential outcomes, including in combination with other risk factors included in this Annual Report on Form 10-K, could cause a substantial negative effect on our results of operations in any period and, depending on their severity, could also substantially and negatively affect our financial condition. Furthermore, such potential material adverse effects may lag behind the developments related to the COVID-19 pandemic. Such events and outcomes also could potentially impact our reputation with clients and regulators, among others.

Demand for our services could decrease for various reasons, including a general economic downturn, increased competition, or a decline in a client's or an industry's financial condition or prospects, all of which could materially adversely affect us.

We can give no assurance that the demand for our services will grow or be maintained, or that we will compete successfully with our existing competitors, new competitors or our clients' internal capabilities. Client demand for our services may change based on the clients' needs and financial conditions, among other factors.

Our results of operations are affected directly by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets that they serve. For example, any changes in U.S. trade policy (including any increases in tariffs that result in a trade war), ongoing stock market volatility or an increase in, or unmet market expectations with respect to, interest rates could adversely affect the general economy. As a result, global financial markets may continue to experience disruptions, including increased volatility and reduced credit availability, which could substantially impact our results. Likewise, COVID-19 and related economic disruption could have a material adverse impact on global demand from our clients, in addition to the potential impact of pandemics on our own operations discussed elsewhere in this report. While it is difficult to predict the consequences of any deterioration in global economic conditions on our business, any significant reduction or delay by our clients in purchasing our services or insurance or making payment of premiums could have a material adverse impact on our financial condition and results of operations. In addition, the potential for a significant insurer to fail, be downgraded or withdraw from writing certain lines of insurance coverages that we offer our clients could negatively impact overall capacity in the industry, which could then reduce the placement of certain lines and types of insurance and reduce our revenue and profitability. The potential for an insurer to fail or be downgraded could also result in errors and omissions claims by clients.

In addition, the markets for our principal services are highly competitive. Our competitors include other insurance brokerage (including direct-to-consumer Medicare brokerage), human capital and risk management consulting and actuarial firms, and the human capital and risk management divisions of diversified professional services, insurance, brokerage and accounting firms and specialty, regional and local firms.

Competition for business is intense in all of our business lines and in every insurance market, and some competitors have greater market share in certain lines of business than we do. Some of our competitors have greater financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. New competitors, as well as increasing and evolving consolidation or alliances among existing competitors, have created and could continue to create additional competition and could significantly reduce our market share, resulting in a loss of business for us and a corresponding decline in revenue and profit margin. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would also have an adverse effect on our revenue and profit margin.

In addition, existing and new competitors (whether traditional competitors or non-traditional competitors, such as technology companies) could develop competing technologies or product or service offerings that disrupt our industries. Any new technology or product or service offering (including insurance companies selling their products directly to consumers or other insureds) that reduces or eliminates the need for intermediaries in insurance or reinsurance sales transactions could have a material adverse effect on our business and results of operations. Further, the increasing willingness of clients to either self-insure or maintain a captive insurance company, and the development of capital markets-based solutions and other alternative capital sources for traditional insurance and reinsurance needs, could also materially adversely affect us and our results of operations.

An example of a business that may be significantly impacted by changes in customer demand is our retirement consulting and actuarial business, which comprises a substantial portion of our revenue and profit. We provide clients with actuarial and consulting services relating to both defined benefit and defined contribution pension plans. Defined benefit pension plans generally require more actuarial services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to match liabilities and assets over long periods of time. If organizations shift to defined contribution plans more rapidly than we anticipate, or if we are unable to otherwise compensate for the decline in our business that results from employers moving away from defined benefit plans, our business, financial condition and results of operations could be materially adversely affected. Furthermore, large and complex consulting projects, often involving dedicated personnel, resources and expenses, comprise a significant portion of this business, which are based on our clients' discretionary needs and may be reduced based on a decline in a client's or an industry's financial condition or prospects. We also face the risk that certain large and complex project contracts may be reduced or terminated based on dissatisfaction with service levels, which could result in reduced revenue, write-offs of assets associated with the project, and disputes over the contract, all of which may adversely impact our results and business.

In addition, the demand for many of our core benefit services, including compliance-related services, is affected by government regulation and taxation of employee benefit plans. Significant changes in tax or social welfare policy or other regulations could lead some employers to discontinue their employee benefit plans, including defined benefit pension plans, thereby reducing the demand for our services. A simplification of regulations or tax policy also could reduce the need for our services.

Data security breaches or improper disclosure of confidential company or personal data could result in material financial loss, regulatory actions, reputational harm or legal liability.

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners, insurance carriers/markets, clients and third-party vendors. Additionally, one of our significant responsibilities is to maintain the security and privacy of our clients' confidential and proprietary information and the personal data of their customers and employees. Our information systems, and those of our third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. We are the target of computer viruses, hackers, distributed denial of service attacks, malware infections, ransomware attacks, phishing and spear-phishing campaigns and/or other external hazards, as well as improper or inadvertent workforce behavior which, could expose confidential company and personal data systems and information to security breaches.

Many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. Our third-party applications include, but are not limited to, enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. These third-party applications store or may afford access to confidential and proprietary data of the Company, our employees and our clients. We have processes designed to require third-party vendors that provide IT outsourcing, offsite storage and other services to agree to maintain certain standards with respect to the storage, protection and transfer of confidential, personal and proprietary information. However, this data is at risk of compromise or unauthorized access or use in the event of a breakdown of a vendor's data protection processes, a data breach due to the intentional or unintentional non-compliance by a vendor's employee or agent, or as a result of a cyber-attack on the product, software or information systems of a vendor in our software supply chain. Any compromise of the product, software, data or infrastructure of a Company vendor, including a software or IT vendor in our supply chain, could in turn result in the compromise of Company data or infrastructure or result in material operational disruption. Further, the risk and potential impact of a data breach on our third-party vendors' products, software or systems increase as we move more of our data and our clients' data into our vendors' cloud storage, engage in IT outsourcing, and consolidate the group of third-party vendors that provide cloud storage or other IT services for the Company. Over time, the frequency, severity and sophistication of the attacks against us and our vendors have increased, including due to the use of artificial intelligence for purposes of cybercrime, and the broader range of threat actors, including state-sponsored actors and hacker activists.

We and our vendors regularly experience cybersecurity incidents, including successful attacks from time to time, and we expect that to continue going forward. Cybersecurity incidents include those resulting from human error or malfeasance, implantation of malware and viruses, phishing and spear-phishing attacks, unauthorized access to our information technology networks and systems, and unauthorized access to data or individual account funds through fraud or other means of deceiving our colleagues, third-party service providers and vendors. We have experienced successful attacks, by various types of hacking groups, in which personal and commercially sensitive information, belonging to the Company or its clients, has been compromised. However, none of these cybersecurity incidents or attacks to our knowledge have been material to our business or financial results. We cannot assure that such cybersecurity incidents or attacks will not have a material impact on our business or financial results in the future. When required by law, we have notified individuals and relevant regulatory authorities (such as insurance/financial services regulators and privacy regulators) of such cybersecurity incidents or attacks.

We maintain policies, procedures and administrative, physical and technological safeguards (such as, where in place, multifactor authentication and encryption of data in transit and at rest) designed to protect the security and privacy of the data in our custody and control. However, such safeguards are time-consuming and expensive to deploy broadly and are not necessarily always in place or effective, and we cannot entirely eliminate the risk of data security breaches, improper access to, takeover of or disclosure of

confidential company or personally identifiable information. We may not be able to detect and assess such issues, or implement appropriate remediation, in a timely manner. We are engaged in an ongoing effort to enhance our protections against such attacks; this effort will require significant expenditures and may not be successful. Our technology may fail to adequately secure the private information we hold and protect it from theft, computer viruses, hackers or inadvertent loss.

If any person, including any of our colleagues, intentionally or unintentionally fails to comply with, disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines, regulatory enforcement and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client, supplier or employee data, whether through systems failure, accident, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our colleagues or third parties, could result in significant additional expenses (including expenses relating to incident response and investigation, remediation work, notification of data security breaches and costs of credit monitoring services), negative publicity, operational disruption, legal liability and damage to our reputation, as well as require substantial resources and effort of management, thereby diverting management's focus and resources from business operations.

The methods used to obtain unauthorized access to, disable or degrade service or sabotage the Company's systems are also constantly evolving, are increasingly sophisticated, and may be difficult to anticipate or detect. For example, the U.S. Federal Bureau of Investigation ('FBI'), the Cybersecurity and Infrastructure Security Agency, and other U.S. federal agencies continue to issue warnings about trends in cybercriminal and nation-state activity and other threats that are consistent with some of the types of incidents we have experienced. To our knowledge, these incidents have not had a material impact on our business or operations thus far. However, our reputation could be harmed and our business and results of operations could be materially and adversely affected if we were to be the target of such attacks in the future, or if, despite our controls and efforts to detect breaches, we were to be the victim of an undetected breach.

We have implemented and regularly review and update processes and procedures to protect against fraud and unauthorized access to and use of secured data and to prevent data loss. The ever-evolving threats mean that we and our third-party service providers and vendors must continually evaluate, adapt, enhance and otherwise improve our respective systems and processes, especially as we grow our mobile, cloud and other internet-based services. There is no guarantee that such efforts will be adequate to safeguard against all fraud, data security breaches, unauthorized access, operational impacts or misuses of data. For example, our policies, employee training (including phishing prevention training), procedures and technical safeguards may be insufficient to prevent or detect improper access to confidential, personal or proprietary information by employees, vendors or other third parties with otherwise legitimate access to our systems. In addition, we may not be able to implement such efforts as quickly as desired if, for example, greater resources are required than originally expected or resources and management's focus are insufficient. Any future significant compromise or breach of our data security or fraud, whether external or internal, or misuse of client, colleague, supplier or company data, could result in additional significant costs, lost revenue opportunities, disruption of operations and service, fines, lawsuits, and damage to our reputation with our clients and in the broader market.

We could be subject to claims and lawsuits arising from our work, which could materially adversely affect our reputation, business and financial condition.

We depend in large part on our relationships with clients and our reputation for high-quality services to secure future engagements. Clients that become dissatisfied with our services may terminate their business relationships with us, and clients and third parties that claim they suffered damages caused by our services may bring lawsuits against us. We are subject to various actual and potential claims, lawsuits, investigations and other proceedings relating principally to alleged errors and omissions in connection with the provision of our services or the placement of insurance and reinsurance in the ordinary course of business. We are also subject to actual and potential claims, lawsuits, investigations and proceedings outside of errors and omissions claims. See Note 14 - Commitments and Contingencies in Item 8 in this Annual Report on Form 10-K for examples of claims to which we are subject.

Because we often assist our clients with matters involving substantial amounts of money and complex regulatory requirements, including actuarial services, asset management, technology solutions development and implementation and the placement of insurance coverage and the handling of related claims, errors and omissions claims against us may arise that allege our potential liability for all or part of the substantial amounts in question. The nature of our work, particularly our actuarial services, necessarily involves the use of assumptions and the preparation of estimates relating to future and contingent events, the actual outcome of which we cannot know in advance. Our actuarial and brokerage services also rely on substantial amounts of data provided by clients, the accuracy and quality of which we may not be able to ensure. In addition, we could make computational, software programming or data management errors in connection with the services we provide to clients.

Clients may seek to hold us responsible for alleged errors or omissions relating to any of the brokerage advice and services we provide, including when claims they submit to their insurance carriers are disputed or denied. This risk is likely to be higher in

circumstances, such as claims related to COVID-19, where there are significant disputes between clients and insurance carriers over coverage. Given that many of our clients have very high insurance policy limits to cover their risks, alleged errors and omissions claims against us arising from disputed or denied claims are often significant. Moreover, in certain circumstances, our brokerage, investment and certain other types of business may not limit the maximum liability to which we may be exposed for claims involving alleged errors or omissions; and as such, we do not have limited liability for the work we provide to the associated clients.

Further, given that we frequently work with large pension funds and insurance companies as well as other large clients, relatively small percentage errors or variances can create significant financial variances and result in significant claims for unintended or unfunded liabilities. The risks from such variances or errors could be aggravated in an environment of declining pension fund asset values and insurance company capital levels. In almost all cases, our exposure to liability with respect to a particular engagement is substantially greater than the revenue opportunity that the engagement generates for us.

Clients may seek to hold us responsible for the financial consequences of variances between assumptions and estimates and actual outcomes or for errors. For example, in the case of pension plan actuarial work, a client's claims might focus on the client's alleged reliance on actuarial assumptions that it believes were unreasonable and, based on such reliance, the client made benefit commitments that it may later claim are not affordable or funding decisions that result in plan underfunding if and when actual outcomes vary from actuarial assumptions.

We also continue to create new products and services (including increasingly complex technology solutions) and to grow the business of providing products and services to institutional investors, financial services companies and other clients. The risk of claims from these lines of business and related products and services may be greater than from our core products or services, and such claims may be for significant amounts as we take on increasingly complicated projects, including those with complex regulatory requirements.

We also provide advice on both asset allocation and selection of investment managers. Increasingly, for many clients, we are responsible for making decisions on both of these matters, or we may serve in a fiduciary capacity, either of which may increase liability exposure. In addition, the Company offers affiliated investment funds, including in the U.S. and Ireland, with plans to launch additional funds over time. Given that our Investment business may recommend affiliated investment funds or affirmatively invest such clients' assets in such funds under delegated authority, this may increase our liability exposure. We may also be liable for actions of managers or other service providers to the funds. Further, for certain clients, we are responsible for some portions of cash and investment management, including rebalancing of investment portfolios and guidance to third parties on the structure of derivatives and securities transactions. Asset classes may experience poor absolute performance, and investment managers may underperform their benchmarks; in both cases the investment return shortfall can be significant. Clients experiencing this underperformance, including from our affiliated investment funds, may assert claims against us, and such claims may be for significant amounts. In addition, our failure to properly execute our role can cause monetary damage to our clients or such third parties for which we might be found liable, and such claims may be for significant amounts. Our expected expansion of this business geographically and in new offerings will subject us to additional contractual exposures and obligations with investors, asset managers and third party service providers, as well as increased regulatory exposures. Overall, our ability to contractually limit our potential liability may be limited in certain jurisdictions or markets or in connection with claims involving breaches of fiduciary duties or other alleged errors or omissions.

The ultimate outcome of all of the above matters cannot be ascertained and liabilities in indeterminate amounts may be imposed on us. In addition, our insurance coverage may not be sufficient in type or amount to cover us against such liabilities. It is thus possible that future results of operations or cash flows for any particular quarterly or annual period could be materially adversely affected by an unfavorable resolution of these matters. In addition, these matters continue to divert management and personnel resources away from operating our business. Even if we do not experience significant monetary costs, there may be adverse publicity associated with these matters that could result in reputational harm to the industries we operate in or to us in particular that may adversely affect our business, client or employee relationships. In addition, defending against these claims can involve potentially significant costs, including legal defense costs.

As a highly-regulated company, we are subject from time to time to inquiries or investigations by governmental agencies or regulators that could have a material adverse effect on our business or results of operations.

We have also been and may continue to be subject to inquiries and investigations by federal, state or other governmental agencies regarding aspects of our clients' businesses or our own businesses, especially regulated businesses such as our insurance broker, securities broker-dealer and investment advisory services. Such inquiries or investigations may consume significant management time and result in regulatory sanctions, fines or other actions as well as significant legal fees, which could have a material adverse impact on our business, results of operations and liquidity. Also, we may face additional regulatory scrutiny as we expand our businesses geographically and in new products and services that we offer.

Examples of these inquiries or investigations are set forth in more detail in Note 14 — Commitments and Contingencies in Item 8 in this Annual Report on Form 10-K. These include various ongoing civil investigation proceedings in respect of alleged exchanges of commercially sensitive information among competitors in aviation and aerospace insurance and reinsurance broking.

All of these items reflect an increased focus by regulators (in the U.K., U.S. and elsewhere) on various aspects of the operations and affairs of our regulated businesses. We are unable to predict the outcome of these inquiries or investigations. Any proposed changes that result from these investigations and inquiries, or any other investigations, inquiries or regulatory developments, or any potential fines or enforcement action, could materially adversely affect our business and our results of operations.

Our growth strategy depends, in part, on our ability to make acquisitions. We face risks when we acquire or divest businesses, and we could have difficulty in acquiring, integrating or managing acquired businesses, or with effecting internal reorganizations, all of which could harm our business, financial condition, results of operations or reputation.

Our growth depends in part on our ability to make acquisitions. We may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms acceptable or favorable to us. We also face additional risks related to acquisitions, including that we could overpay for acquired businesses and that any acquired business could significantly underperform relative to our expectations. In addition, we may not repurchase as many of our outstanding shares as anticipated due to our acquisition activity or investment opportunities, as well as other market or business conditions. If we are unable to identify and successfully make, integrate and manage acquisitions, our business could be materially adversely affected. In addition, we face risks related to divesting businesses, including that we may not receive adequate consideration in return for the divested business, we may continue to be subject to the liabilities of the divested business after its divestiture (including with respect to work we might have performed on behalf of the divested business), and we may not be able to reduce overhead or redeploy assets or retain colleagues after the divestiture closes. For example, we recently announced that we have agreed to sell Miller, subject to closing conditions, and that transaction may give rise to a number of such risks.

In addition, we cannot be certain that our acquisitions will be accretive to earnings or that our acquisitions or divestitures will otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses, and acquired businesses may not achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if the operating performance of an acquired business deteriorates significantly, we may need to write down the value of the goodwill and other acquisition-related intangible assets recorded on our consolidated balance sheet.

We may be unable to effectively integrate an acquired business into our organization and may not succeed in managing such acquired businesses or the larger company that results from such acquisitions. The process of integrating an acquired business may subject us to a number of risks, including, without limitation, an inability to retain the management, key personnel and other employees of the acquired business; an inability to establish uniform standards, controls, systems, procedures and policies or to achieve anticipated savings; and exposure to legal claims for activities of the acquired business prior to acquisition.

Certain recently-completed or pending acquisitions, including the acquisition of TRANZACT, a U.S.-based direct-to-consumer health care organization that links individuals to U.S. insurance carriers, and the acquisition of Unity Group, an insurance broking business with operations in six Central American countries, entail important incremental risks in addition to those described above. With respect to both transactions, we face the risk related to the potential impacts of the transaction and integration on relationships, including with employees, correspondents, suppliers, clients and competitors, as well as the risk related to contingent liabilities (including litigation) potentially creating material liabilities for the Company. The following risks, in addition to those described above, may also adversely affect our ability to successfully implement and integrate these acquisitions: material changes in U.S. and foreign jurisdiction regulations (including those related to the healthcare system and Medicare and insurance brokerage services); changes in general economic, business and political conditions in relevant markets, including changes in the financial markets; significant competition in the marketplace; and compliance with extensive and evolving government regulations in the U.S. and in foreign jurisdictions.

If acquisitions are not successfully integrated and the intended benefits of the acquisitions are not achieved, our business, financial condition and results of operations could be materially adversely affected, as well as our professional reputation. We also own an interest in a number of associates and companies where we do not exercise management control and we are therefore limited in our ability to direct or manage the business to realize the anticipated benefits that we could achieve if we had full ownership.

Our ability to successfully manage ongoing organizational changes could impact our business results, where the level of costs and/or disruption may be significant and change over time, and the benefits may be less than we originally expect.

We have in the past few years undergone several significant business and organizational changes, including multi-year operational improvement programs, among others. In addition, the proposed Aon combination has and will continue to create significant post-closing integration planning initiatives. There are also a number of other initiatives planned or ongoing to transform and update our

systems and processes and gain efficiencies. In addition, our strategy continues to evolve, and such evolution may result in further organizational changes as we may decide, based on our perceived business needs, to make investments that may be greater than we currently anticipate. In connection with all these changes, we may manage a number of large-scale and complex projects. Such projects may include multiple and connected phases, many of which may be dependent on factors that are outside of our control. While we plan to undertake these types of large, complex projects based on our determination that each is necessary or desirable for the execution of the Company's business strategy, we cannot guarantee that the collective effect of all of these projects will not adversely impact our business or results of operations or that the benefits will be as we originally expect. Effectively managing these organizational changes (including ensuring that they are implemented on schedule, within budget and without interruption to the existing business or that transitions to new systems do not create significant control vulnerabilities during the period of transition) is critical to retaining talent, servicing clients and our business success overall. Many of the risks described herein increase during periods of significant organizational change. The failure to effectively manage such risks could adversely impact our resources or business or financial results.

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

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, including prolonged effects of the COVID-19 pandemic, security breach, ransomware or destructive malware attack, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, access to data, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience operational challenges with regard to our operations.

A disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability, particularly if any of these problems occur during peak times.

Interruption to or loss of our information processing capabilities or failure to effectively maintain and upgrade our information processing hardware or systems could cause material financial loss, regulatory actions, reputational harm or legal liability.

Our business depends significantly on effective information systems. Our capacity to service our clients relies on effective storage, retrieval, processing and management of information. Our information systems also rely on the commitment of significant financial and other resources to maintain and enhance existing systems, develop and create new systems and products in order to keep pace with continuing changes in information processing technology or evolving industry and regulatory standards. We rely on being at the forefront of a range of technology options relevant to our business, including by staying ahead of the technology offered by our competitors, and attracting, developing, and retaining skilled individuals in the cybersecurity space. The market for such qualified individuals is competitive and we may be unable to hire the necessary talent to mitigate the foregoing risks.

In addition, many of the software applications, including enterprise cloud storage and cloud computing application services, that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. We are significantly increasing our use of such cloud services and expect this to continue over time. These third-party applications store confidential and proprietary data of the Company, our clients and our employees. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruptions that could adversely impact our business. As a global organization, we occasionally acquire other companies or spin-off certain of our existing business lines. These strategic business decisions may require us to manage complex integrations or dissolutions of information systems, and we may fail to identify vulnerabilities in our targets' information systems or in integrated components of our respective information systems. These transactions may make us more susceptible to cyberattacks and could result in the theft of Company intellectual property, the compromise of Company, employee, and client data or operational disruption.

Any finding that the data we rely on to run our business is inaccurate or unreliable, that we fail to maintain effective and efficient systems (including through a telecommunications failure, failure to replace or update redundant or obsolete computer hardware, applications or software systems, or the loss of skilled people with the knowledge needed to operate older systems), or that we experience cost overruns, delays, or other disruptions, could result in material financial loss, regulatory action, reputational harm or legal liability.

The United Kingdom's exit from the European Union, which occurred on January 31, 2020, and the risk that other countries may follow, could adversely affect us.

In 2020, approximately 21% of our revenue was generated in the U.K., although only about 12% of revenue was denominated in Pounds sterling as much of the insurance business is transacted in U.S. dollars. Approximately 20% of our expenses were denominated in Pounds sterling. It remains difficult to predict with any level of certainty the impact that Brexit will have on the

economy; economic, regulatory and political stability; and market conditions in Europe, including in the U.K., or on the Pound sterling, Euro or other European currencies, but any such impacts and others we cannot currently anticipate could materially adversely affect us and our operations. Among other things, we could experience: lower growth in the region due to indecision by businesses holding off on generating new projects or due to adverse market conditions; and reduced reported revenue and earnings because foreign currencies may translate into fewer U.S. dollars due to the fact that we translate revenue denominated in non-U.S. currencies, such as Pounds sterling, into U.S. dollars for our financial statements. In addition, there can be no assurance that our hedging strategies will be effective.

On December 24, 2020, the E.U. and the U.K. agreed to the terms of a Trade and Cooperation Agreement (the 'TCA') that reflects certain matters agreed upon between the parties in relation to a broad range of separation issues. The TCA has been signed and ratified by the U.K. and signed by the E.U. The E.U. Parliament has until February 28, 2021 to ratify the TCA, subject to any agreed extension, though the TCA applies provisionally from January 1, 2021. While many separation issues have been resolved, some uncertainty remains in relation to the future regulation of financial services, among other matters. The TCA addresses issues related to financial services on a limited basis, and the E.U. and the U.K have separately agreed upon a Joint Declaration on Financial Services Regulatory Cooperation (the 'Joint Declaration') which among other things provides that the parties will by March 2021, agree to a Memorandum of Understanding establishing a framework for future regulatory cooperation. The British government and the E.U. will therefore continue over time to negotiate certain terms of the U.K.'s future relationship with the E.U. that are not addressed in the TCA. The Company is heavily invested in the U.K. through our businesses and activities. If the outcomes of Brexit and the TCA negatively impact the U.K., then it could have a material adverse impact on us. Brexit has resulted in greater restrictions on business conducted between the U.K. and E.U. countries and has increased regulatory complexities. There also remains uncertainty as to how changes to the U.K.'s access to the E.U. Single Market and the wider trading, legal, regulatory, tax, social and labor environments, especially in the U.K. and E.U., will be impacted over time, including the resulting impacts on our business and that of our clients. These changes may adversely affect our operations and financial results. For example, a loss of pre-Brexit passporting rights or other changed regulations relating to doing business in various E.U. countries by relying on a regulatory permission in the U.K. (or doing business in the U.K. by relying on a regulatory permission in an E.U. country) may over time increase our costs of doing business, or our ability to do so, and thereby adversely impact our operations and financial results.

We believe we have implemented appropriate arrangements for the continued servicing of client business in the countries most affected. These arrangements include the transaction of certain businesses and/or the movement of certain businesses outside of the U.K. However, various significant risks remain in relation to the effects of the post-Brexit arrangements between the E.U. and U.K. some of which have yet to be agreed upon, including the following, among others:

- the risk that our implemented business solutions could cost more than expected, or that regulators in the U.K. or E.U may issue amended guidance or regulations in relation to those solutions;
- the risk that we may require further changes to client contract terms and have to address additional regulatory requirements, including with respect to data protection and privacy standards;
- the risk over time of a loss of key talent, or an inability to hire sufficient and qualified talent, or the disruption due to client servicing as a result of equivalence not being granted on qualifications;
- the risk that the efforts and resources allocated to the post-Brexit evolution of regulations and laws, and associated changes to our operations, cause disruptions to our existing businesses, whether inside or outside the U.K., or both;
- the risk that the U.K. will continue to have in place a limited number of trade agreements with the E.U. member states and/or any non-E.U. states leading to potentially adverse trading conditions with other territories; and
- the risk that the way in which the U.K.-E.U. regulatory and legal environment evolves differs from current expectations, resulting in the need to quickly and materially change our plans, and the risks described above with respect to any associated changes in such plans.

There is also a risk that other countries may decide to leave the E.U. We cannot predict the impact that any additional countries leaving the E.U. will have on us, but any such impacts could materially adversely affect us.

Allegations of conflicts of interest, including in connection with accepting market derived income ('MDI'), may have a material adverse effect on our business, financial condition, results of operation or reputation.

We could suffer significant financial or reputational harm if we fail to properly identify and manage potential conflicts of interest. Conflicts of interest exist or could exist any time the Company or any of its employees have or may have an interest in a transaction or engagement that is inconsistent with our clients' interests. This could occur, for example, when the Company is providing services to

multiple parties in connection with a transaction. In addition, as we provide more solutions-based services, there is greater potential for conflicts with advisory services. Managing conflicts of interest is an important issue for the Company, but can be a challenge for a large and complex company such as ours. Due to the broad scope of our businesses and our client base, we regularly address potential conflicts of interest, including, without limitation, situations where our services to a particular client or our own investments or other interests conflict, or are perceived to conflict, with the interests of another client. If these are not carefully managed, this could then lead to failure or perceived failure to protect the client's interests, with attendant regulatory and reputational risks that could materially adversely affect us and our operations. There is no guarantee that all potential conflicts of interest will be identified, and undetected conflicts may result in damage to our professional reputation and result in legal liability which may have a material adverse effect on our business. Identifying conflicts of interest may also prove particularly difficult as we continue to bring systems and information together and integrate newly acquired businesses. In addition, we may not be able to adequately address such conflicts of interest.

In addition, insurance intermediaries have traditionally been remunerated by base commissions paid by insurance carriers in respect of placements we make for clients, or by fees paid by clients. Intermediaries also obtain other revenue from insurance carriers. This revenue, when derived from carriers in their capacity as insurance markets (as opposed to as corporate clients of the intermediaries where they may be purchasing insurance or reinsurance or other non-market-related services), is commonly known as market derived income or 'MDI'. MDI is another example of an area in which allegations of conflicts of interest may arise. MDI takes a variety of forms, including volume- or profit-based contingent commissions, facilities administration charges, business development agreements, and fees for providing certain data to carriers.

MDI creates various risks. Intermediaries in many markets have a duty to act in the best interests of their clients and payments from carriers can incentivize intermediaries to put carriers' or their own interests ahead of their clients. Accordingly, MDI may be subject to scrutiny by various regulators under conflict of interest, anti-trust, unfair competition, conduct and anti-bribery laws and regulations. While accepting MDI is a lawful and acceptable business practice, and while we have established systems and controls to manage these risks, we cannot predict whether our position will result in regulatory or other scrutiny and our controls may not be effective.

In addition, the Company offers affiliated investment funds, with plans to launch additional funds over time. Given that our Investment business may recommend affiliated investment funds or affirmatively invest such clients' assets in such funds under delegated authority, there may be a perceived conflict of interest. While the Company has processes, procedures and controls in place intended to mitigate potential conflicts, such perception could cause regulatory inquiries, or could impact client demand and the business' financial performance, and our controls may not be effective. In addition, underperformance by our affiliated investment funds could lead to lawsuits by clients that were invested in such funds.

The failure or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions. Conflicts of interest may also arise in the future that could cause material harm to us.

Damage to our reputation, including due to the failure of third parties on whom we rely to perform services or public opinions of third parties with whom we associate, could adversely affect our businesses.

Maintaining a positive reputation is critical to our ability to attract and maintain relationships with clients and colleagues. Damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including among others, employee misconduct, litigation or regulatory action, failure to deliver minimum standards of service and quality, compliance failures, allegations of conflicts of interest and unethical behavior. Such harm could also arise from negative public opinion or political conditions arising from our association with third parties in any number of activities or circumstances. Negative perceptions or publicity, whether or not true, may result in harm to our prospects. In addition, the failure to deliver satisfactory service and quality performance, on time and within budget, in one line of business could cause clients to terminate the services we provide to those clients in many other lines of business. This risk has increased as the Company has become larger and more complex and as we take on increasingly complicated projects for our clients (such as complex outsourcing engagements and technology solutions development/implementation projects that require a significant amount of dedicated personnel resources and expenses).

In addition, as part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer, or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our reputation as well as our business and results of operations.

The loss of key colleagues could damage or result in the loss of client relationships and could result in such colleagues competing against us.

Our success depends on our ability to attract, retain and motivate qualified personnel, including key managers and colleagues. In addition, our success largely depends upon our colleagues' abilities to generate business and provide quality services. In particular, our colleagues' business relationships with our clients are a critical element of obtaining and maintaining client engagements. Labor markets have continued to tighten globally, and we have experienced intense competition and increased costs for certain types of colleagues, especially as new entrants, in insurance and reinsurance businesses (among others), expend significant resources in hiring. Also, in the past and following the announcement of the proposed Aon combination, we have lost colleagues who manage substantial client relationships or possess substantial experience or expertise; if we lose additional colleagues such as those, it could result in such colleagues competing against us. The failure to successfully attract and retain qualified personnel could materially adversely affect our ability to secure and complete engagements or could disrupt our business, which would materially adversely affect our results of operations and prospects.

Our business performance and growth plans could be negatively affected if we are not able to effectively apply technology, data and analytics to drive value for our clients through technology-based solutions or gain internal efficiencies through the effective application of technology, analytics and related tools.

Our success depends, in part, on our ability to develop and implement technology, data and analytic solutions that anticipate, lead or keep pace with rapid and continuing changes in technology both for internal operations and for maintaining industry standards and meeting client preferences. We may not be successful in anticipating or responding to these developments in a timely and cost-effective manner or in attracting and maintaining personnel with the necessary skills in this area. Additionally, our ideas may not lead to the desired internal efficiencies or be accepted in the marketplace. In addition, we may not be able to implement technology-based solutions as quickly as desired if, for example, greater resources are required than originally expected or resources are otherwise needed elsewhere. The effort to gain technological and data expertise and develop new technologies or analytic techniques in our business requires us to incur significant cost and attract qualified technical talent who are in high demand. Our competitors are seeking to develop competing or new technologies, and their success in this space may impact our ability to differentiate our services to our clients through the use of unique technological solutions. In certain cases, we may decide, based on perceived business needs, to make investments that may be greater than we currently anticipate. If we cannot offer new technologies or data and analytic services or solutions as quickly or effectively as our competitors, or if our competitors develop more cost-effective technologies or analytic tools, it could have a material adverse effect on our ability to obtain and complete client engagements.

Our business may be harmed by any negative developments that may occur in the insurance industry or if we fail to maintain good relationships with insurance carriers.

Many of our businesses are heavily dependent on the insurance industry. Any negative developments that occur in the insurance industry may have a material adverse effect on our business and our results of operations. In addition, if we fail to maintain good relationships with insurance carriers, it may have a material adverse effect on our business and results of operations.

The private health insurance industry in the U.S. has experienced a substantial amount of consolidation over the past several years, resulting in a decrease in the number of insurance carriers. In the future, it may become necessary for us to offer insurance plans from a reduced number of insurance carriers or to derive a greater portion of our revenue from a more concentrated number of carriers as our business and the health insurance industry continue to evolve. The termination, amendment or consolidation of our relationships with our insurance carriers could harm our business, results of operations and financial condition.

Legal, Non-Financial/Tax Regulatory and Compliance Risks

Our inability to comply with complex and evolving laws and regulations related to data privacy and cyber security could result in material financial loss, regulatory actions, reputational harm or legal liability.

We are subject to numerous laws and regulations in the U.S. and foreign jurisdictions, only certain of which are named here, designed to protect the personally identifiable information of client and company constituents and suppliers, notably the European Union's General Data Protection Regulation ('GDPR') and the California Consumer Privacy Act and its implementing regulations ('CCPA'). We are also subject to regulations from other countries that prohibit or restrict the transmission of data outside of such countries' borders, and to various U.S. federal and state laws governing the protection of health, financial or other individually identifiable information. The GDPR, which became effective in May 2018, as well as other more recently-enacted privacy laws, significantly increased our responsibilities when handling personal data including, without limitation, requiring us to conduct privacy impact assessments, restricting the transmission of data, and requiring public disclosure of significant data breaches. Violations of the GDPR may result in possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher). A recent judgment by the Court of Justice of the European Union on *Schrems II* has made cross border data transfers to

organizations outside the European Economic Area more onerous and uncertain, pending definitive guidance by European Union authorities. Further, as a result of the U.K.'s withdrawal from the European Union ('Brexit'), the data transfer regime between the UK and the European Economic Area is governed by the EU-U.K Trade and Cooperation Agreement. While this agreement provides an interim data transfer regime that replicates the European Union's existing rules, there is still some uncertainty regarding applicable laws and regulations once the interim arrangement ends on May 1, 2021 or July 1, 2021, if extended. The Company is also subject to numerous U.S. and foreign marketing and telecommunications laws and regulations designed to protect consumers from unwanted or fraudulent communications. A violation of any such law may lead to litigation or regulatory liability, including substantial financial damages or fines.

Laws and regulations in this area are evolving and generally becoming more stringent, including, without limitation, the U.S. Health Insurance Portability and Accountability Act of 1996 ('HIPAA'), enforced by the Office for Civil Rights within the Department of Health and Human Services, and the New York State Department of Financial Services' cybersecurity regulations outlining required security measures for the protection of data. Certain U.S. states have also recently enacted laws requiring certain data security and privacy measures of regulated entities, notably the CCPA. We expect that both other U.S. states and other countries will follow in implementing their own data privacy and data security laws. For example, Brazil recently enacted the Lei Geral de Proteção de Dados Pessoais, a national data protection law modeled on the GDPR. The People's Republic of China and India, among other countries, are also expected to enact data protection laws that could, among other things, restrict data transfers out of each of those countries.

Each of these evolving laws and regulations, in the United States and abroad, as well as laws applicable to the Company that are not named here, may be subject to evolving and conflicting interpretations, restrict the manner in which we provide services to our clients, divert resources from other important initiatives, increase the risk of non-compliance, impose significant compliance and other costs that are likely to increase over time, and increase the risk of fines, lawsuits or other potential liability, all of which could have a material adverse effect on our business and results of operations. Our failure to adhere to or successfully develop processes in response to legal or regulatory requirements, including legal or regulatory requirements that may be developed or revised due to economic or geopolitical changes such as Brexit, and changing customer expectations in this area, could result in substantial legal liability and impairment to our reputation or business.

In conducting our businesses around the world, we are subject to political, economic, legal, regulatory, cultural, market, operational and other risks that are inherent in operating in many countries.

In conducting our businesses and maintaining and supporting our global operations, we are subject to political, economic, legal, regulatory, market, operational and other risks. Our businesses and operations continue to expand into new regions throughout the world, including emerging markets. The possible effects of political, economic, financial and climate change related disruptions throughout the world could have an adverse impact on our businesses and financial results. These risks include:

- the general economic and political conditions in the U.S. and foreign countries (including political and social unrest in certain regions);
- the imposition of controls or limitations on the conversion of foreign currencies or remittance of dividends and other payments by foreign subsidiaries;
- the imposition of sanctions by both the U.S. and foreign governments;
- the imposition of withholding and other taxes on remittances and other payments from subsidiaries;
- the imposition or increase of investment and other restrictions by foreign governments;
- fluctuations in currency exchange rates or our tax rates;
- difficulties in controlling operations and monitoring employees in geographically dispersed and culturally diverse locations; and
- the practical challenges and costs of complying, or monitoring compliance, with a wide variety of foreign laws (some of which are evolving or are not as well-developed as the laws of the U.S. or U.K. or which may conflict with U.S. or other sources of law), and regulations applicable to insurance brokers and other business operations abroad (in more than 140 countries, including many in Africa), including laws, rules and regulations relating to the conduct of business, trade sanction laws administered by the U.S. Office of Foreign Assets Control, the E.U., the U.K. and the United Nations ('U.N.'), and the requirements of the U.S. Foreign Corrupt Practices Act as well as other anti-bribery and corruption rules and requirements in all of the countries in which we operate.

Sanctions imposed by governments, or changes to such sanction regulations, could have a material adverse impact on our operations or financial results.

As described above, our businesses are subject to the risk of sanctions imposed by the U.S., the E.U., the U.K. and other governments. In 2020, there was an increase in U.S. designations in locations such as China, Russia and Venezuela. In recent years, there has also been an increased risk of counter-sanctions in some locations, such as Russia. In addition, the U.K. government is expected to bring in a new U.K. sanctions regime following Brexit under the Sanctions and Anti-Money Laundering Act 2018 (although it is expected that the new U.K. sanctions regulations will replicate the E.U. regulations through statutory instruments without significant changes). Nevertheless, it is not yet clear whether and how these sanctions or potential sanctions may impact our business. As a result, we cannot predict the impacts of any changes in the U.S., E.U., U.K. or other sanctions, and whether such changes could have a material adverse impact on our operations or financial results.

Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in government laws or regulations, or if government laws or regulations decrease the need for our services or increase our costs.

A material portion of our revenue is affected by statutory or regulatory changes. An example of a statutory or regulatory change that could materially impact us is any change to the U.S. Patient Protection and Affordable Care Act ('PPACA'), and the Healthcare and Education Reconciliation Act of 2010, ('HCERA'), which we refer to collectively as 'Healthcare Reform'. While the U.S. Congress has not passed legislation replacing or fundamentally amending Healthcare Reform (other than changes to the individual mandate), such legislation, or another version of Healthcare Reform, could be implemented in the future. In addition, some U.S. political candidates and representatives elected to office in the recent election have expressed a desire to amend all or a portion of Healthcare Reform or otherwise establish alternatives to employer-sponsored health insurance or replace it with government-sponsored health insurance, often referred to as 'Medicare for All'. Furthermore, various aspects of Healthcare Reform have been challenged in the judicial system with some success. The status of some of those challenges are in flux but could materially change U.S. healthcare. If we are unable to adapt our services to potential new laws and regulations, or judicial modifications, with respect to Healthcare Reform or otherwise, our ability to provide effective services in these areas may be substantially impacted. In addition, more restrictive rules or interpretations of the Centers for Medicare and Medicaid Services marketing rules, or judicial decisions that restrict or otherwise change existing provisions of U.S. healthcare regulation, could have a material adverse impact on our Benefits Delivery and Administration business, including our recently acquired TRANZACT business, which focuses on direct-to-consumer Medicare policy sales. As we implement and expand our direct-to-consumer sales and marketing solutions through our Benefits Delivery and Administration business, we are subject to various federal and state laws and regulations that prescribe when and how we may market to consumers (including, without limitation, the Telephone Consumer Protection Act and other telemarketing laws and the Medicare Communications and Marketing Guidelines issued by the Center for Medicare Services of the U.S. Department of Health and Human Service). Changes to these laws could negatively affect our ability to market directly to consumers or increase our costs or liabilities.

Many other areas in which we provide services are the subject of government regulation, which is constantly evolving. For example, our activities in connection with insurance brokerage services are subject to regulation and supervision by national, state or other authorities. Insurance laws in the markets in which we operate are often complex and generally grant broad discretion to supervisory authorities in adopting regulations and supervising regulated activities. That supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokerage in the markets in which we currently operate is dependent upon our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these locations.

Changes in government and accounting regulations in the U.S. and the U.K., two of our principal geographic markets, affecting the value, use or delivery of benefits and human capital programs, may materially adversely affect the demand for, or the profitability of, our various services. In addition, we have significant operations throughout the world, which further subject us to applicable laws and regulations of countries outside the U.S. and the U.K. Changes in legislation or regulations and actions by regulators in particular countries, including changes in administration and enforcement policies, could require operational improvements or modifications, which may result in higher costs or hinder our ability to operate our business in those countries.

Our compliance systems and controls cannot guarantee that we comply with all applicable federal and state or foreign laws and regulations, and actions by regulatory authorities or changes in applicable laws and regulations in the jurisdictions in which we operate could have an adverse effect on our business.

Our activities are subject to extensive regulation under the laws of the U.S., the U.K., the E.U. and its member states, and the other jurisdictions around the world in which we operate. In addition, we own an interest in a number of associates and companies where we do not exercise management control. Over the last few years, regulators across the world are increasingly seeking to regulate brokers who operate in their jurisdictions. The foreign and U.S. laws and regulations applicable to our operations are complex, continually evolving and may increase the costs of regulatory compliance, limit or restrict the products or services we sell or subject our business

to the possibility of regulatory actions or proceedings. These laws and regulations include insurance and financial industry regulations, antitrust and competition laws, economic and trade sanctions laws relating to countries in which certain subsidiaries do business or may do business ('Sanctioned Jurisdictions') such as Crimea, Cuba, Iran, Russia, Sudan, Syria and Venezuela, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and similar local laws prohibiting corrupt payments to governmental officials and the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act in the U.S., as well as laws and regulations related to data privacy, cyber security and telemarketing. Because of changes in regulation and company practice, our non-U.S. subsidiaries are providing more services with connections to various countries, including some Sanctioned Jurisdictions, that our U.S. subsidiaries are unable to perform.

In most jurisdictions, governmental and regulatory authorities have the ability to interpret and amend these laws and regulations and impose penalties for non-compliance, including sanctions, civil remedies, monetary fines, injunctions, revocation of licenses or approvals, suspension of individuals, limitations on business activities or redress to clients. While we believe that we have substantially increased our focus on the geographic breadth of regulations to which we are subject, maintain good relationships with our key regulators and our current systems and controls are adequate, we cannot assure that such systems and controls will prevent any violations of any applicable laws and regulations. While we strive to remain fully compliant with all applicable laws and regulations, we cannot guarantee that we will fully comply at all times with all laws and regulations, especially in countries with developing or evolving legal systems or with evolving or extra-territorial regulations. In particular, given the challenges of integrating operations, many of which are decentralized, we cannot assure that acquired or decentralized entities' business systems and controls have prevented or will prevent any and all violations of applicable laws or regulations.

Changes and developments in the health insurance system in the United States could harm our business.

In 2010, the Federal government enacted significant reforms to healthcare legislation through Healthcare Reform. Many of our lines of business depend upon the private sector of the U.S. insurance system, its role in financing health care delivery, and insurance carriers' use of, and payment of commissions to, agents, brokers and other organizations to market and sell individual and family health insurance plans. Healthcare Reform contains provisions that have changed and will continue to change the industry in which we operate in substantial ways. Any changes to the roles of the private and public sectors in the health insurance system could also substantially change the industry.

Certain key members of Congress have expressed a desire to replace or amend all or a portion of Healthcare Reform. In addition, various aspects of Healthcare Reform have been challenged in the judicial system with some success. Any partial or complete repeal or amendment, judicial modifications or implementation difficulties, or uncertainty regarding such events, could increase our costs of compliance, prevent or delay future adoption or revisions to our exchange platform, and adversely impact our results of operations and financial condition. In addition, other members of Congress have otherwise expressed a desire to establish alternatives to employer-sponsored health insurance or replace it with government-sponsored health insurance, often referred to as 'Medicare for All'. Given the uncertainties relating to the potential repeal and replacement of Healthcare Reform or other alternative proposals related to health insurance plans (especially from the new Presidential administration), the impact is difficult to determine, but it could have material negative effects on us, including:

- increasing our competition;
- reducing or eliminating the need for health insurance agents and brokers or demand for the health insurance that we sell;
- decreasing the number of types of health insurance plans that we sell, as well as the number of insurance carriers offering such plans;
- causing insurance carriers to change the benefits and/or premiums for the plans they sell;
- causing insurance carriers to reduce the amount they pay for our services or change our relationship with them in other ways; or
- materially restricting our call center operations.

Any of these effects could materially harm our business and results of operations. For example, the manner in which the Federal government and the states implement health insurance exchanges and the process for receiving subsidies and cost-sharing credits could substantially increase our competition and member turnover and substantially reduce the number of individuals who purchase insurance through us. Various aspects of Healthcare Reform could cause insurance carriers to limit the types of health insurance plans we are able to sell and the geographies in which we are able to sell them. In addition, the U.S. Congress may seek to find spending cuts, and such cuts may include Medicare. If cuts are made to Medicare, there may be substantial changes in the types of health insurance plans we are able to sell, especially through our recently acquired TRANZACT business, which focuses on direct-to-consumer Medicare policy sales. Changes in the law could also cause insurance carriers to exit the business of selling insurance plans

in a particular jurisdiction, to eliminate certain categories of products or to attempt to move members into new plans for which we receive lower commissions. If insurance carriers decide to limit our ability to sell their plans or determine not to sell individual health insurance plans altogether, our business, results of operations and financial condition would be materially harmed.

Limited protection of our intellectual property could harm our business and our ability to compete effectively, and we face the risk that our services or products may infringe upon the intellectual property rights of others.

We cannot guarantee that trade secret, trademark and copyright law protections, or our internal policies and procedures regarding our management of intellectual property, are adequate to deter misappropriation of our intellectual property (including our software, which may become an increasingly important part of our business). Existing laws of some countries in which we provide services or products may offer only limited protection of our intellectual property rights. Also, we may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights, which may have a material adverse impact on our business, financial condition or results of operations. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability, consume financial resources to pursue or defend, and prevent us from offering some services or products. In addition, these claims, whether with or without merit, could be expensive, take significant time and divert management's focus and resources from business operations. Successful challenges against us could require us to modify or discontinue our use of technology or business processes where such use is found to infringe or violate the rights of others, or require us to purchase licenses from third parties, any of which could adversely affect our business, financial condition and operating results.

The laws of Ireland differ from the laws in effect in the United States and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against us in Ireland, based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

As an Irish company, we are governed by the Irish Companies Act, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the United States.

Financial and Related Regulatory, Including Tax, Risks

We have material pension liabilities that can fluctuate significantly and adversely affect our financial position or net income or result in other financial impacts.

We have material pension liabilities, some of which represent unfunded and underfunded pension and postretirement liabilities. Movements in the interest rate environment, investment returns, inflation or changes in other assumptions that are used to estimate our benefit obligations and other factors could have a material effect on the level of liabilities in these plans at any given time. Most pension plans have minimum funding requirements that may require material amounts of periodic additional funding and accounting requirements that may result in increased pension expense. For example, in 2018 we were required to recognize a £31 million ($40 million) pension settlement expense related to the accelerated recognition of certain accumulated losses in one of our U.K. pension schemes following the transfer out of assets of certain plan participants. Depending on the above factors, among others, we could be required to recognize further pension expense in the future. Increased pension expense could adversely affect our earnings or cause earnings volatility. In addition, the need to make additional cash contributions may reduce our financial flexibility and increase liquidity risk by reducing the cash available to meet our other obligations, including the payment obligations under our credit facilities and other long-term debt, or other needs of our business.

Our outstanding debt could adversely affect our cash flows and financial flexibility, and we may not be able to obtain financing on favorable terms or at all.

Willis Towers Watson had total consolidated debt outstanding of approximately $5.6 billion as of December 31, 2020, and our interest expense was $244 million for the year ended December 31, 2020.

Although management believes that our cash flows will be sufficient to service this debt, there may be circumstances in which required payments of principal and/or interest on this debt could adversely affect our cash flows and this level of indebtedness may:

- require us to dedicate a significant portion of our cash flow from operations to payments on our debt, thereby reducing the availability of cash flow to fund capital expenditures, to pursue other acquisitions or investments, to pay dividends and for general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes or challenges relating to our business and industry; and
- put us at a competitive disadvantage against competitors who have less indebtedness or are in a more favorable position to access additional capital resources.

The terms of our current financings also include certain limitations. For example, the agreements relating to the debt arrangements and credit facilities contain numerous operating and financial covenants, including requirements to maintain minimum ratios of consolidated EBITDA to consolidated cash interest expense and maximum levels of consolidated funded indebtedness in relation to consolidated EBITDA, in each case subject to certain adjustments. The operating restrictions and financial covenants in our credit facilities do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities.

A failure to comply with the restrictions under our credit facilities and outstanding notes could result in a default or a cross-default under the financing obligations or could require us to obtain waivers from our lenders for failure to comply with these restrictions. The occurrence of a default that is not cured, or the inability to secure a necessary consent or waiver, could cause our obligations with respect to our debt to be accelerated and have a material adverse effect on our business, financial condition or results of operations.

The maintenance and growth of our business depends on our access to capital, which will depend in large part on cash flow generated by our business and the availability of equity and debt financing. Also, we could be at risk to rising interest rates in the future to the extent that we borrow at floating rates under our existing borrowing agreements or refinance existing debt at higher rates. There can be no assurance that our operations will generate sufficient positive cash flow to finance all of our capital needs or that we will be able to obtain equity or debt financing on favorable terms or at all, which could have a material adverse effect on us.

A downgrade to our corporate credit rating and the credit ratings of our outstanding debt may adversely affect our borrowing costs and financial flexibility and, under certain circumstances, may require us to offer to buy back some of our outstanding debt.

A downgrade in our corporate credit rating or the credit ratings of our debt would increase our borrowing costs including those under our credit facilities and reduce our financial flexibility. If we need to raise capital in the future, any credit rating downgrade could negatively affect our financing costs or access to financing sources.

In addition, under the indenture for our 3.600% senior notes due 2024, our 4.625% senior notes due 2023, our 6.125% senior notes due 2043, our 3.500% senior notes due 2021, our 4.400% senior notes due 2026, our 2.125% senior notes due 2022, our 4.500% senior notes due 2028, our 5.050% senior notes due 2048, our 2.950% senior notes due 2029, and our 3.875% senior notes due 2049, if we experience a ratings decline together with a change of control event, we would be required to offer to purchase these notes from holders unless we had previously redeemed those notes. We may not have sufficient funds available or access to funding to repurchase tendered notes in that event, which could result in a default under the notes. Any future debt that we incur may contain covenants regarding repurchases in the event of a change of control triggering event.

If a U.S. person is treated as owning at least 10% of our shares, such a holder may be subject to adverse U.S. federal income tax consequences.

As a result of U.S. Tax Reform, many of our non-U.S. subsidiaries are now classified as ‘controlled foreign corporations’ (‘CFCs’) for U.S. federal income tax purposes due to the expanded application of certain ownership attribution rules within a multinational corporate group. If a U.S. person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our shares, such a person may be treated as a U.S. shareholder with respect to one or more of our CFC subsidiaries. In addition, if our shares are treated as owned more than 50% by U.S. shareholders, we would be treated as a CFC. A U.S. shareholder of a CFC may be required to annually report and include in its U.S. taxable income, as ordinary income, its pro-rata share of Subpart F income, global intangible low-taxed income, and investments in U.S. property by CFCs, whether or not we make any distributions to such U.S. shareholder. An individual U.S. shareholder generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a corporate U.S. shareholder with respect to a CFC. A failure by a U.S. shareholder to comply with its reporting obligations may subject the U.S. shareholder to significant monetary penalties and may extend the statute of limitations with respect to the U.S. shareholder's U.S. federal income tax return for the year for which such reporting was due. We cannot provide any assurances that we will assist investors in determining whether we or any of our non-U.S. subsidiaries are CFCs or whether any investor is a U.S. shareholder with respect to any such CFCs. We also cannot guarantee that we will furnish to U.S. shareholders any or all of the information that may be necessary for them to comply with the aforementioned obligations. U.S. investors should consult their own advisors regarding the potential application of these rules to their investments in us.

Legislative or regulatory action in the U.S. or abroad could materially adversely affect our ability to maintain a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from expectations and that variance may be material. Additionally, the tax laws of Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

On December 22, 2017, the U.S. government enacted comprehensive tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the 'U.S. Tax Reform'), which generally became effective on January 1, 2018. The U.S. Tax Reform included numerous changes to existing tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. Among other things, U.S. Tax Reform could cause us to lose the benefit of certain tax credits and deductions, limit our ability to deduct interest incurred in the U.S. and potentially increase our income taxes due to the base erosion and anti-abuse tax ('BEAT'). The U.S. Treasury Department has issued a number of proposed regulations clarifying some of the provisions of the U.S. Tax Reform, many of which are still ongoing. We will continue to evaluate the overall impact of U.S. Tax Reform and related regulations on our operations and tax position over the next twelve months. The U.S. Tax Reform could have a material adverse effect on our financial results.

Further, the new Presidential administration may propose and implement significant changes to the U.S. tax policies and legislative action may be taken by the U.S. Congress which, if ultimately enacted, could limit the availability of tax benefits or deductions that we currently claim, override tax treaties upon which we rely, or otherwise affect the taxes that the U.S. imposes on our worldwide operations. Regulations or administrative guidance from the U.S. Treasury Department that are currently proposed or newly issued in the future could have similar consequences. Such changes could materially adversely affect our effective tax rate and/or require us to take further action, at potentially significant additional expense, to seek to preserve our effective tax rate. In addition, if proposals were enacted that have the effect of limiting our ability as an Irish company to take advantage of tax treaties with the U.S., we could incur additional tax expense and/or otherwise experience business detriment.

In addition, the U.S. Congress, the Organisation for Economic Co-operation and Development ('OECD'), the World Trade Organization and other government agencies in non-U.S. jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of base erosion and profit shifting, where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. In October 2015, the OECD released final reports addressing fifteen specific actions as part of a comprehensive plan to create an agreed set of international rules for fighting base erosion and profit shifting. Although the timing and methods of implementation vary, several jurisdictions have enacted legislation that is aligned with, and in some cases exceeds the scope of, the OECD's recommendations. As a result, the tax laws in the U.S., Ireland, and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

Our significant non-U.S. operations, particularly our London market operations, expose us to exchange rate fluctuations and various other risks that could impact our business.

A significant portion of our operations is conducted outside of the U.S. Accordingly, we are subject to legal, economic and market risks associated with operating in foreign countries, including devaluations and fluctuations in currency exchange rates; imposition of limitations on conversion of foreign currencies into Pounds sterling or U.S. dollars or remittance of dividends and other payments by foreign subsidiaries; hyperinflation in certain foreign countries; imposition or increase of investment and other restrictions by foreign governments; and the requirement of complying with a wide variety of foreign laws. Additionally, and as noted above, the unknown impacts of Brexit may expose us to additional exchange rate fluctuations in the Pounds sterling.

We report our operating results and financial condition in U.S. dollars. Our U.S. operations earn revenue and incur expenses primarily in U.S. dollars. In our London market operations however, we earn revenue in a number of different currencies, but expenses are almost entirely incurred in Pounds sterling. Outside of the U.S. and our London market operations, we predominantly generate revenue and expenses in local currencies.

Because of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into U.S. dollars, we are subject to currency translation exposure on the profits of our operations, in addition to economic exposure. Furthermore, the mismatch between Pounds sterling revenue and expenses, together with any net Pounds sterling balance sheet position we hold in our U.S. dollar-denominated London market operations, creates an exchange exposure. While we do utilize hedging strategies to attempt to reduce the impact of foreign currency fluctuations, there can be no assurance that our hedging strategies will be effective.

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

We prepare our financial statements in accordance with U.S. GAAP. Any change to accounting principles, particularly to U.S. GAAP, could have a material adverse effect on us or our results of operations.

U.S. GAAP accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenue and expenses during each reporting period. We periodically evaluate our estimates and assumptions, including those relating to revenue recognition, valuation of billed and unbilled receivables from clients, discretionary compensation, incurred-but-not-reported liabilities, restructuring, pensions, goodwill and other intangible assets, contingencies, share-based payments and income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates, and changes in accounting standards could have an adverse impact on our future financial position and results of operations.

In addition, we have a substantial amount of goodwill on our consolidated balance sheet as a result of acquisitions we have completed, and we significantly increased goodwill as a result of the Merger. We review goodwill for impairment annually or whenever events or circumstances indicate impairment may have occurred. Application of the impairment test requires judgment, including the identification of reporting units, assignment of assets, liabilities and goodwill to reporting units and the determination of the fair value of each reporting unit. A significant deterioration in a key estimate or assumption or a less significant deterioration to a combination of assumptions, or the sale of a part of a reporting unit, could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings.

Our quarterly revenue and cash flow could fluctuate, including as a result of factors outside of our control, while our expenses may remain relatively fixed or be higher than expected.

Quarterly variations in our revenue, cash flow and results of operations have occurred in the past and could occur as a result of a number of factors, such as: the significance of client engagements commenced and completed during a quarter; seasonality of certain types of services; the number of business days in a quarter; colleague hiring and utilization rates; our clients' ability to terminate engagements without penalty; the size and scope of assignments; our ability to enhance our billing, collection and working capital management efforts and general economic conditions.

We derive significant revenue from commissions for brokerage services, but do not determine the insurance premiums on which our commissions are generally based. Commission levels generally follow the same trend as premium levels, as they are a percentage of the premiums paid by the insureds. Fluctuations in the premiums charged by the insurance carriers can therefore have a direct and potentially material impact on our results of operations. Due to the cyclical nature of the insurance market and the impact of other market conditions on insurance premiums, commission levels may vary widely between accounting periods. A period of low or declining premium rates, generally known as a 'soft' or 'softening' market, generally leads to downward pressure on commission revenue and can have a material adverse impact on our commission revenue and operating margin. We could be negatively impacted by soft market conditions across certain sectors and geographic regions. In addition, insurance carriers may seek to reduce their expenses by reducing the commission rates payable to insurance agents or brokers such as us. The reduction of these commission rates, along with general volatility and/or declines in premiums, may significantly undermine our profitability.

A sizeable portion of our total operating expenses is relatively fixed or may even be higher than expected, encompassing the majority of administrative, occupancy, communications and other expenses, depreciation and amortization, and salaries and employee benefits excluding fiscal year-end incentive bonuses. Therefore, a variation in the number of client assignments and collection of accounts receivable, or in the timing of the initiation or the completion of client assignments, or our inability to forecast demand, can cause significant variations in quarterly operating results and could result in losses and volatility in our stock price.

It is unclear how increased regulatory oversight and changes in the method for determining the London Interbank Offered Rate ('LIBOR') may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition.

In the recent past, concerns have been publicized regarding the calculation of LIBOR, the London interbank offered rate, which present risks for the financial instruments that use LIBOR as a reference rate. LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally.

Accordingly, uncertainty as to the nature of such changes may affect the market for or pricing of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an impact on the market for or pricing of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us, including our revolving credit facility, or on our overall financial condition or results of operations. For example, on July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Currently, there is not an agreement on what rate or rates may become accepted alternatives to LIBOR; however, the Alternative Reference Rate Committee in the U.S., comprised of a group of large banks and other financial institutions, selected the Secured Overnight Finance Rate ('SOFR'), as an alternative to LIBOR. In May 2018, the Federal Reserve Bank of New York began to publish the alternative rate. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. Furthermore, as of April 23, 2018, the Bank of England has commenced publication of a reformed Sterling Overnight Index Average ('SONIA'), comprised of a broader set of overnight Sterling money market transactions. The SONIA has been recommended as the alternative to Sterling LIBOR by the U.K. Working Group on Sterling Risk-Free Reference Rates. At this time, it is not possible to predict whether and how these alternative reference rates will become accepted alternatives to LIBOR or any other reforms to LIBOR that may be enacted.

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

The Company is organized as a holding company, a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, we are dependent upon dividends and other payments from our operating subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, for paying dividends to shareholders, for repurchasing shares of common stock and for corporate expenses. Legal and regulatory restrictions, foreign exchange controls, as well as operating requirements of our subsidiaries, may limit our ability to obtain cash from these subsidiaries. For example, Willis Limited, our U.K. brokerage subsidiary regulated by the FCA, is currently required to maintain $140 million in unencumbered and available financial resources, of which at least $51 million must be in cash, for regulatory purposes. In the event our operating subsidiaries are unable to pay dividends and other payments to the Company, we may not be able to service debt, pay obligations or pay dividends on, or repurchase shares of, common stock.

In the event we are unable to generate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We operate offices in many countries throughout the world and believe that our properties are generally suitable and adequate for the purposes for which they are used. The principal properties are located in the United States and the United Kingdom. In addition, we have other offices in various locations, including among others, Europe, Asia, Australia and Latin America. Operations of each of our segments are carried out in owned or leased offices under operating leases that typically do not exceed 10 years in length except for certain properties in key locations. We do not anticipate difficulty in meeting our space needs at lease expiration.

The fixed assets owned by us represented approximately 3% of total assets as of December 31, 2020 and consisted primarily of furniture and equipment, leasehold improvements, computer software, internally-developed software and land and buildings.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are party to various lawsuits, arbitrations or mediations that arise in the ordinary course of business. The disclosure called for by Item 3 regarding our legal proceedings is incorporated by reference herein from Note 14 — Commitments and Contingencies, within Item 8 in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Share Data

Our ordinary shares began trading on the NASDAQ Global Select Market under the symbol ‘WLTW’ on January 5, 2016. As of February 18, 2021, there were 1,165 shareholders of record of our shares.

Dividends

We normally pay dividends on a quarterly basis to shareholders of record on March 31, June 30, September 30 and December 31. In February 2021, the board of directors is expected to approve a regular quarterly cash dividend of $0.71 per common share. The dividend is expected to be payable on or about April 15, 2021 to shareholders of record at the close of business on March 31, 2021.

There are no governmental laws, decrees or regulations in Ireland that restrict the remittance of dividends or other payments to non-resident holders of the Company’s shares.

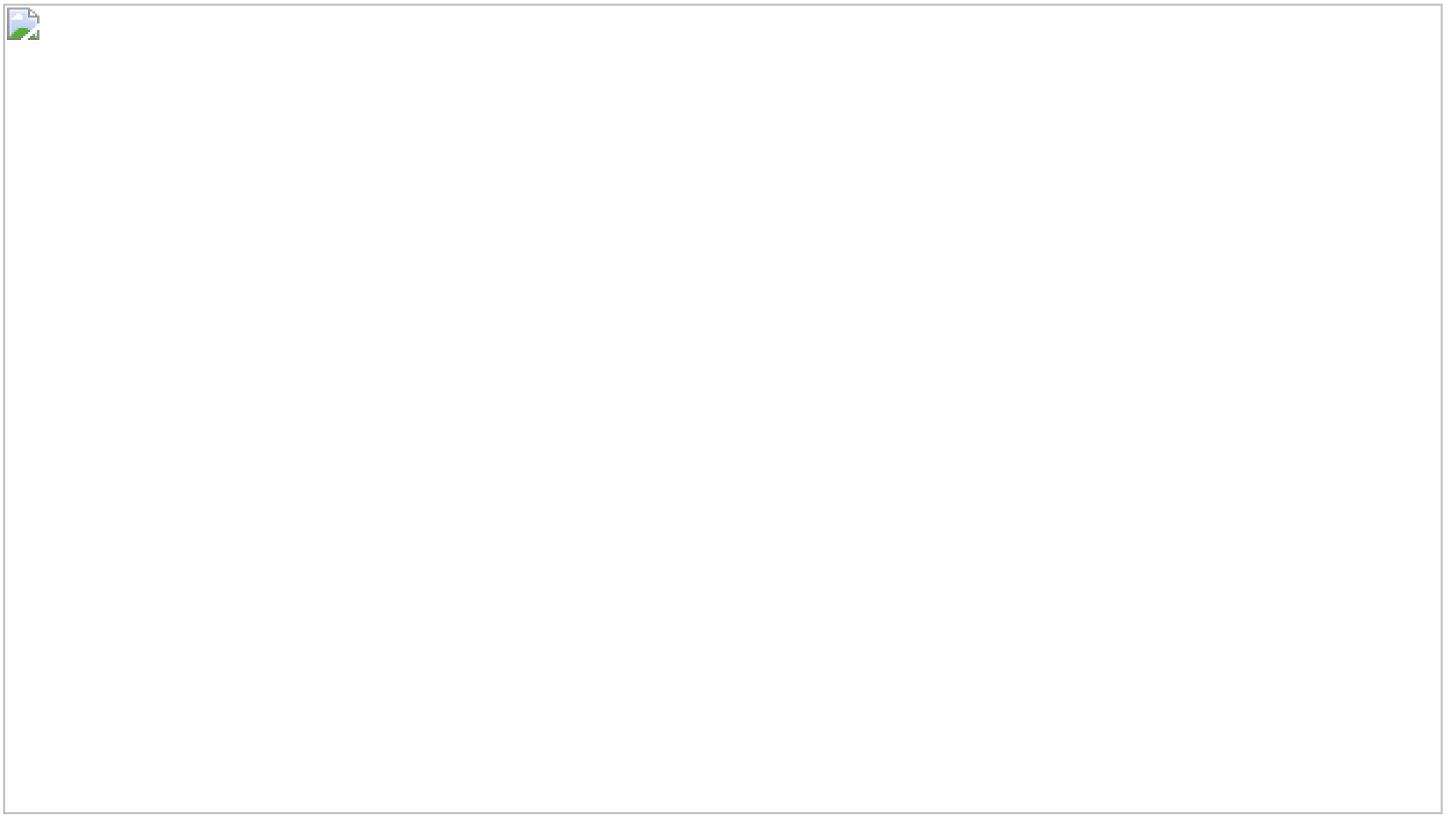
In circumstances where one of Ireland’s many exemptions from dividend withholding tax (‘DWT’) does not apply, dividends paid by the Company will be subject to Irish DWT (currently 20 percent). Residents of the United States should be exempt from Irish DWT provided relevant documentation supporting the exemption has been put in place. While the U.S.-Ireland Double Tax Treaty contains provisions reducing the rate of Irish DWT in prescribed circumstances, it should generally be unnecessary for U.S. residents to rely on the provisions of this treaty due to the wide scope of exemptions from Irish DWT available under Irish domestic law. Irish income tax may also arise in respect of dividends paid by the Company. However, U.S. residents entitled to an exemption from Irish DWT generally have no Irish income tax liability on dividends.

With respect to non-corporate U.S. shareholders, certain dividends from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares that are readily tradeable on an established securities market in the United States, such as our shares. Non-corporate U.S. shareholders that do not meet a minimum holding period requirement for our shares during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. U.S. shareholders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

Total Shareholder Return

The graph below depicts cumulative total shareholder returns for Willis Towers Watson for the period from January 5, 2016 through December 31, 2020.

The graph also depicts the total return for the S&P 500 and for a peer group for Willis Towers Watson comprised of Accenture plc, Aon plc, Arthur J. Gallagher & Co., Brown & Brown Inc., Cognizant Technology Solutions Corporation, Marsh & McLennan Companies, Inc. and Robert Half International Inc. The graph charts the performance of $100 invested on the initial date indicated, January 5, 2016, assuming full dividend reinvestment.



Unregistered Sales of Equity Securities and Use of Proceeds

During the year ended December 31, 2020 no shares were issued by the Company without registration under the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company is authorized to repurchase shares, by way of redemption, and will consider whether to do so from time to time, based on many factors, including market conditions. Since April 20, 2016, when the Willis Towers Watson board reconfirmed, reapproved and reauthorized the remaining $529 million portion of the Legacy Willis program to repurchase the Company’s ordinary shares on the open market or by way of redemption or otherwise, the following additional authorizations have occurred:

- November 10, 2016 — the Company announced that the board of directors approved an additional authorization of $1.0 billion.
- February 23, 2018 — the Company announced that the board of directors approved an additional authorization of $400 million.
- February 26, 2020 — the Company announced that the board of directors approved an additional authorization of $251 million.

There are no expiration dates for these repurchase plans or programs. With regard to certain prohibitions under the transaction agreement in connection with our pending business combination with Aon, during the year ended December 31, 2020, there was no share repurchase activity.

At December 31, 2020, the maximum number of shares that may be purchased under the existing stock repurchase program is 2,373,268, with approximately $500 million remaining on the current open-ended repurchase authority granted by the board. An estimate of the maximum number of shares under the existing authorities was determined using the closing price of our ordinary shares on December 31, 2020 of $210.68.

Securities Authorized for Issuance Under Equity Compensation Plans

For information on our securities authorized for issuance under our existing equity compensation plans, see ‘Securities Authorized for Issuance under Equity Compensation Plans’ in our proxy statement filed with the SEC.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The Company has elected to early-adopt, as permitted under the applicable SEC rules, certain amendments to ‘Management's Discussion and Analysis’ and the elimination of ‘Selected Financial Data’ and ‘Supplementary Financial Information’ adopted by the SEC on November 19, 2020. The final rule became effective on February 10, 2021 and must be applied in a registrant's first fiscal year ending on or after August 9, 2021, however, early adoption is permitted following the effective date on an item-by-item basis. Based on the final rule, we have excluded Item 6 Selected Consolidated Financial Data from this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion includes forward-looking statements. See 'Disclaimer Regarding Forward-looking Statements' for certain cautionary information regarding forward-looking statements and 'Risk Factors' in Item 1A for a list of factors that could cause actual results to differ materially from those predicted in those statements.

This discussion includes references to non-GAAP financial measures as defined in the rules of the SEC. We present such non-GAAP financial measures, specifically, adjusted, constant currency and organic non-GAAP financial measures, as we believe such information is of interest to the investment community because it provides additional meaningful methods of evaluating certain aspects of the Company's operating performance from period to period on a basis that may not be otherwise apparent under U.S. GAAP, and these provide a measure against which our businesses may be assessed in the future.

Our methods of calculating these measures may differ from those used by other companies and therefore comparability may be limited. These financial measures should be viewed in addition to, not in lieu of, the consolidated financial statements for the year ended December 31, 2020.

See 'Non-GAAP Financial Measures' below for further discussion of our adjusted, constant currency and organic non-GAAP financial measures.

Executive Overview

Market Conditions

Within our insurance and brokerage business, the cyclical nature of the insurance market and the impact of other market conditions on insurance premiums, commission revenue may vary widely between accounting periods. A period of low or declining premium rates, generally known as a 'soft' or 'softening' market, generally leads to downward pressure on commission revenue and can have a material adverse impact on our revenue and operating margin. A 'hard' or 'firming' market, during which premium rates rise, generally has a favorable impact on our revenue and operating margin. Rates, however, vary by geography, industry and client segment. As a result, and due to the global and diverse nature of our business, we view rates in the aggregate. Overall, we are currently seeing a modest but definite improvement with pricing in the market.

Market conditions in the broking industry in which we operate are generally defined by factors such as the strength of the economies in the various geographic regions in which we serve around the world, insurance rate movements, and insurance and reinsurance buying patterns of our clients.

The markets for our consulting, technology and solutions, and marketplace services are affected by economic, regulatory and legislative changes, technological developments, and increased competition from established and new competitors. We believe that the primary factors in selecting a human resources or risk management consulting firm include reputation, the ability to provide measurable increases to shareholder value and return on investment, global scale, quality of service and the ability to tailor services to clients' unique needs. In that regard, we are focused on developing and implementing technology, data and analytic solutions for both internal operations and for maintaining industry standards and meeting client preferences. We have made such investments from time to time and may decide, based on perceived business needs, to make investments in the future that may be greater than we currently anticipate. Conversely, particularly given the impact of the COVID-19 pandemic, we may make fewer information technology-based investments than previously anticipated, which could potentially create business operational risk.

With regard to the market for exchanges, we believe that clients base their decisions on a variety of factors that include the ability of the provider to deliver measurable cost savings for clients, a strong reputation for efficient execution and an innovative service delivery model and platform. Part of the employer-sponsored insurance market has matured and become more fragmented while other segments remain in the entry phase. As these market segments continue to evolve, we may experience growth in intervals, with periods of accelerated expansion balanced by periods of modest growth. In recent years, growth in the market for exchanges has slowed, and we expect this trend may continue.

Following the occurrence of Brexit and the end of the formal transition period on December 31, 2020, a trade agreement has been established between the U.K. and E.U. As expected, the agreement largely addresses goods and not services, and the Company has therefore completed the establishment of appropriate arrangements for the continued servicing of client business in all relevant E.U. countries. It is anticipated that further negotiations will ensue between the U.K. and E.U. in order to address matters related to services, including financial services, though the outcome of such discussions and potential impact on the Company are not yet known. For a further discussion of the risks of Brexit to the Company, see Part I, Item 1A Risk Factors within this Annual Report on Form 10-K.

Typically, our business benefits from regulatory change, political risk or economic uncertainty. Insurance broking generally tracks the economy, but demand for both insurance broking and consulting services usually remains steady during times of uncertainty. We have some businesses, such as our health and benefits and administration businesses, which can be counter cyclical during the early period of a significant economic change.

Although approximately 21% of our revenue is generated in the U.K. on an annual basis, about 12% of revenue is denominated in Pounds sterling, as much of the insurance business is transacted in U.S. dollars. Approximately 20% of our expenses is denominated in Pounds sterling, thus we generally benefit from a weakening Pound sterling in our income from operations. However, we have a Company hedging strategy for this aspect of our business, which is designed to mitigate significant fluctuations in currency.

See Part I, Item 1A Risk Factors in this Annual Report on Form 10-K for discussions of risks that may affect our ability to compete.

Proposed Combination with Aon plc

On March 9, 2020, the Company and Aon issued an announcement disclosing that they had signed a business combination agreement, pursuant to which the Company will be acquired by Aon. The transaction remains subject to various customary closing conditions, including required antitrust and other regulatory approvals. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions. The transaction also subjects the Company to various incremental risks, both before closing and after the transaction is potentially closed. See 'Business – The Company' and 'Risk Factors – Combination-Related Risks.'

Risks and Uncertainties of the COVID-19 Pandemic

The COVID-19 pandemic has had an adverse impact on global commercial activity, including the global supply chain, and has contributed to significant volatility in the global financial markets including, among other effects, occasional declines in the equity markets, changes in interest rates and reduced liquidity on a global basis. In light of the effects on our own business operations and those of our clients, suppliers and other third parties with whom we interact, the Company has regularly considered the impact of COVID-19 on our business, taking into account our business resilience and continuity plans, financial modeling and stress testing of liquidity and financial resources.

Generally, the COVID-19 pandemic did not have a material adverse impact on our overall financial results during 2020; however, during 2020, the COVID-19 pandemic negatively impacted our revenue growth, primarily in our businesses that are discretionary in nature. We believe such level of impact will continue through much of 2021, at least until a sufficient portion of the populations in jurisdictions where we do business have been vaccinated and social-distancing orders are lessened or lifted.

As part of the significant estimates and assumptions that are inherent in our financial statements, we have considered the impact COVID-19 will have on our client behavior and the economic environment looking forward to 2021 and throughout the geographies in which we operate. These estimates and assumptions include the collectability of billed and unbilled receivables, the estimation of revenue, and the fair value of our reporting units, tangible and intangible assets and contingent consideration. With regard to collectability of receivables, we believe we may continue to face atypical delays in client payments going forward. The demand for certain discretionary lines of business has decreased, and we believe that decrease may continue to impact our financial results in succeeding periods. Non-discretionary lines of business have also been, to some extent, adversely affected and may be adversely affected in the future. Further, reduced economic activity or disruption in insurance markets could reduce the demand for or the extent of insurance coverage. For example, we have seen instances where the reduced demand for air travel has reduced the extent of insurance coverage needed. Also, the increased frequency and severity of coverage disputes between our clients and (re)insurers arising out of the pandemic could increase our professional liability risk. We will continue to monitor the situation and assess any implications to our business and our stakeholders.

The extent to which COVID-19 impacts our business and financial position will depend on future developments, which are difficult to predict. These future developments may include the severity and scope of the COVID-19 outbreak, which may unexpectedly change or worsen, and the types and duration of measures imposed by governmental authorities to contain the virus or address its impact. We continue to expect that the COVID-19 pandemic will negatively impact our revenue and operating results in fiscal 2021. We believe that these trends and uncertainties are similar to those faced by other comparable registrants as a result of the pandemic. See also Part I, Item 1A Risk Factors for a discussion of actual and potential impacts of COVID-19 on our business, clients and operations.

Daily Operations - We continue to closely monitor the spread and impact of COVID-19 while adhering to government health directives, including the availability of vaccines. The Company continues to have restrictions on business travel, office access, meetings and events, but is actively developing its return-to-work plans with a focus on safe utilization based on appropriate social-distancing guidelines. We have thorough business continuity and incident management processes in place that have been activated, including split team operations and work-from-home protocols for essential workers which continue to be globally effective. We are communicating frequently with clients and critical vendors, while meeting our objectives via remote working capabilities, overseen

and coordinated by our incident management response team. While no contingency plan can eliminate all risk of temporary service interruption, we regularly assess and update our plans to help mitigate reasonable risks to the extent possible.

Financial Statement Overview

The tables below set forth our summarized consolidated statements of comprehensive income and data as a percentage of revenue for the periods indicated. For management's discussion of our results of operations for the year ended December 31, 2019 in comparison with the year ended December 31, 2018, please see our Annual Report on Form 10-K filed with the SEC on February 26, 2020.

Consolidated Statements of Comprehensive Income
($ in millions, except per share data)

	Years ended December 31,			
	2020		2019	
Revenue	$ 9,352	100%	$ 9,039	100%
Costs of providing services				
Salaries and benefits	5,507	59%	5,249	58%
Other operating expenses	1,758	19%	1,719	19%
Depreciation	308	3%	240	3%
Amortization	462	5%	489	5%
Restructuring costs	24	—%	—	—%
Transaction and integration expenses	110	1%	13	—%
Total costs of providing services	8,169		7,710	
Income from operations	1,183	13%	1,329	15%
Interest expense	(244)	(3)%	(234)	(3)%
Other income, net	399	4%	227	3%
Provision for income taxes	(318)	(3)%	(249)	(3)%
Income attributable to non-controlling interests	(24)	—%	(29)	—%
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 996	11%	$ 1,044	12%
Diluted earnings per share	$ 7.65		$ 8.02	

Consolidated Revenue

We derive the majority of our revenue from commissions from our brokerage services and fees for consulting and administration services. No single client represented a significant concentration of our consolidated revenue for any of our three most recent fiscal years.

The following table details our top five markets based on percentage of consolidated revenue (in U.S. dollars) from the countries where work was performed for the year ended December 31, 2020. These figures do not represent the currency of the related revenue, which is presented in the next table.

Geographic Region	% of Revenue
United States	50%
United Kingdom	21%
France	4%
Canada	3%
Germany	3%

The table below details the percentage of our revenue and expenses by transactional currency for the year ended December 31, 2020.

Transactional Currency	Revenue	Expenses (i)
U.S. dollars	58%	52%
Pounds sterling	12%	20%
Euro	15%	12%
Other currencies	15%	16%

(i) These percentages exclude certain expenses for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. These items include amortization of intangible assets and transaction and integration expenses.

The following table sets forth the total revenue for the years ended December 31, 2020 and 2019 and the components of the change in total revenue for the year ended December 31, 2020, as compared to the prior year:

	Years Ended December 31,			Components of Revenue Change (i)			
	2020	2019	As Reported Change	Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Revenue	$ 9,352	$ 9,039	3%	—%	4%	2%	2%

(i) Components of revenue change may not add due to rounding.

Revenue for the year ended December 31, 2020 was $9.4 billion, compared to $9.0 billion for the year ended December 31, 2019, an increase of $313 million, or 3%, on an as-reported basis. Adjusting for the impact of foreign currency and acquisitions and disposals, our organic revenue growth was 2% for the year ended December 31, 2020. The CRB, IRR and BDA segments had organic revenue growth during the year, while the HCB segment was flat, in part due to the impact of the COVID-19 reduction in demand for our discretionary services. The revenue from acquisitions related primarily to TRANZACT, which generated revenue of $557 million for the year ended December 31, 2020 as compared to $245 million for the year ended December 31, 2019, which represents revenue included from the date of the acquisition of July 30, 2019.

Our revenue can be materially impacted by changes in currency conversions, which can fluctuate significantly over the course of a calendar year. For the year ended December 31, 2020, currency translation decreased our consolidated revenue by $10 million. The primary currency driving this change was the Brazilian Real.

Definitions of Constant Currency Change and Organic Change are included in the section entitled 'Non-GAAP Financial Measures' elsewhere within this Form 10-K.

Segment Revenue

We manage our business across four reportable operating segments: Human Capital and Benefits; Corporate Risk and Broking; Investment, Risk and Reinsurance; and Benefits Delivery and Administration.

Segment revenue excludes amounts that were directly incurred on behalf of our clients and reimbursed by them (reimbursed expenses); however, these amounts are included in consolidated revenue.

The Company experiences seasonal fluctuations in its revenue. Revenue is typically higher during the Company's first and fourth quarters due primarily to the timing of broking-related activities.

Impact of the COVID-19 Pandemic on our Segments

The COVID-19 pandemic has had, and is projected to continue to have, an impact on certain of our service offerings. These impacts, which primarily affect our revenue, have been negative in some instances and positive in others and may in the future be material in either event. In addition, the potential negative impacts on our results may lag behind the developments to date related to the COVID-19 pandemic. We have thus far seen the impact of COVID-19 primarily on our business offerings that are discretionary in nature, such as consultative project work, which spans our segments, but primarily affected our HCB segment. However, most of the services we provide, including broking for various insurance products, compliance and valuation services, risk mitigation and outsourced administration for both pension and health and welfare plans are considered non-discretionary to our clients and recurring in nature. We have seen that these non-discretionary businesses are the least impacted of our offerings and while we expect that trend to continue, our non-discretionary businesses may be adversely affected due to changing demands in the market.

We expect to continue to experience unpredictable volatility in demand around our discretionary services and solutions. Clients may defer or delay decision-making or planned work or seek to terminate existing agreements for these discretionary services and solutions.

We recognize that the broad, global nature of the COVID-19 crisis has impacted the liquidity of our clients generally and caused us to not meet our original growth estimates for the year. We continue to monitor the global outbreak of the COVID-19 pandemic and take steps to mitigate the risks to us posed by its spread by working with our clients, colleagues, suppliers and other stakeholders. Due to the global breadth of the COVID-19 spread and the range of governmental and community reactions thereto, there is on-going uncertainty around its duration, severity, ultimate impact and the timing of recovery. We believe the pandemic will continue to cause an extended disruption on economic activity in 2021, and the impact on our consolidated results of operations, financial position and cash flows could be material. Meanwhile, although we cannot predict how long this situation will last, we continue to focus on maintaining a strong balance sheet, liquidity and financial flexibility.

Human Capital and Benefits

The HCB segment provides an array of advice, broking, solutions and software for our clients.

HCB is the largest segment of the Company, generating approximately 35% of our segment revenue for the year ended December 31, 2020. HCB is focused on addressing our clients' people and risk needs to help them take on the challenges of operating in a global marketplace. This segment is further strengthened with teams of international consultants who provide support through each of our business units to the global headquarters of multinational clients and their foreign subsidiaries.

The HCB segment provides services through four business units:

- *Retirement* — The Retirement business provides actuarial support, plan design, and administrative services for traditional pension and retirement savings plans. We help our clients assess the costs and risks of retirement plans on cash flow, earnings and the balance sheet, the effects of changing workforce demographics on their retirement plans and retiree benefit adequacy and security.
- *Health and Benefits* — The Health & Benefits business provides plan management consulting, broking and administration across the full spectrum of health and group benefit programs, including medical, dental, disability, life and other coverage.
- *Talent & Rewards* — Our Talent & Rewards business provides advice, data, software and products to address clients' total rewards and talent issues.
- *Technology and Administration Solutions* — Our Technology and Administration Solutions business provides benefits outsourcing services to clients outside of the U.S.

The following table sets forth HCB segment revenue for the years ended December 31, 2020 and 2019, and the components of the change in revenue for the year ended December 31, 2020 from the year ended December 31, 2019.

	Years Ended December 31,		As Reported Change	Components of Revenue Change (i)			
	2020	2019		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Segment revenue	$ 3,278	$ 3,298	(1)%	—%	(1)%	—%	—%

(i) Components of revenue change may not add due to rounding.

HCB segment revenue for both the years ended December 31, 2020 and 2019 was $3.3 billion. On an organic basis, the global impact of COVID-19 negatively impacted demand in our Talent and Rewards business. Health and Benefits delivered moderate revenue growth, driven by increased consulting and brokerage services and continued expansion of our client portfolio for both local and global benefit management appointments. In our Retirement and Technology and Administration Solutions businesses, revenue grew modestly as a result of increased project work in the first half of the year, primarily in Great Britain and Western Europe.

Corporate Risk and Broking

The CRB segment provides a broad range of risk advice, insurance brokerage and consulting services to our clients worldwide, ranging from small businesses to multinational corporations. The segment delivers integrated global solutions tailored to client needs and underpinned by data and analytics.

CRB generated approximately 32% of our segment revenue for the year ended December 31, 2020 and places more than $20 billion of premiums into the insurance markets on an annual basis.

CRB has eight global lines of business:

- *Property and Casualty* — Property and Casualty provides property and liability insurance brokerage services across a wide range of industries and segments, including real estate, healthcare and retail.
- *Aerospace* — Aerospace provides specialist expertise to the aerospace and space industries.
- *Construction* — Our Construction business provides services that include insurance broking, claims, loss control and specialized risk advice for a wide range of construction projects and activities.
- *Facultative* — Facultative capabilities exist for each of CRB's offerings to serve as a broker or intermediary for insurance companies seeking to arrange reinsurance solutions across various classes of risk.
- *Financial, Executive and Professional Risks ('FINEX')* — FINEX encompasses all financial and executive risks, delivering client solutions that range from management and professional liability, employment practices liability, crime, cyber and merger and acquisition-related insurances, to risk consulting and advisory services.
- *Financial Solutions* — Financial Solutions provides insurance broking services and specialized risk advice related to credit, surety, terrorism and political risk.
- *Marine* — Marine provides specialist expertise to the maritime and logistics industries.
- *Natural Resources* — Our Natural Resources practice encompasses the oil, gas and chemicals, mining and metals, power and utilities and renewable energy sectors.

The following table sets forth CRB segment revenue for the years ended December 31, 2020 and 2019, and the components of the change in revenue for the year ended December 31, 2020 from the year ended December 31, 2019.

	Years Ended December 31,		As Reported Change	Components of Revenue Change (i)			
	2020	2019		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Segment revenue	$ 2,977	$ 2,946	1%	—%	1%	—%	1%

(i) Components of revenue change may not add due to rounding.

CRB segment revenue for the years ended December 31, 2020 and 2019 was $3.0 billion and $2.9 billion, respectively. On an organic basis, North America led the segment, followed by Western Europe, primarily with new business generation along with strong renewals. The revenue increase was partially offset by a decline in Great Britain and International, due to a change in the remuneration model for certain lines of business. This change, which is neutral to operating income, results in lower revenue and an equal reduction to salaries and benefits expense. Absent this change, International revenue increased, led by growth in Latin America and Asia. Great Britain was additionally impacted by an internal transfer of a book of business to North America. Apart from these two structural changes, revenue increased modestly due to strong new business and renewals which were partially offset by the impact of COVID-19 on the construction and marine insurance lines.

Investment, Risk and Reinsurance

The IRR segment uses a sophisticated approach to risk, which helps our clients free up capital and manage investment complexity. This segment works closely with investors, reinsurers and insurers to manage the equation between risk and return. Blending advanced analytics with deep institutional knowledge, IRR identifies new opportunities to maximize performance. This segment provides investment consulting and discretionary management services and insurance-specific services and solutions through reserves opinions, software, ratemaking, risk underwriting and reinsurance broking.

This segment is our third largest segment and generated approximately 18% of segment revenue for the Company for the year ended December 31, 2020. With approximately 79% of the revenue for this segment split between North America and the U.K., IRR includes the following businesses and offerings:

- *Willis Re* — Willis Re provides reinsurance industry clients with an understanding of how risk affects capital and financial performance and advises on the best ways to manage related outcomes.
- *Insurance Consulting and Technology* — Insurance Consulting and Technology is a global business that provides advice and technology solutions to the insurance industry. We combine our consulting and technology solutions to provide guidance on risk and capital management, pricing and predictive modeling, financial and regulatory reporting, financial and capital modeling, M&A, outsourcing and business management.
- *Investments* — Investments provides advice and discretionary management solutions to improve investment outcomes for asset owners using a broad and sophisticated framework for managing risk.
- *Wholesale Insurance Broking* — Wholesale Insurance Broking provides specialist broking services primarily to retail and wholesale brokers.
- *Innovisk* — Innovisk brings together our set of managing general agent underwriting activities for the purposes of accelerating their future development using data and technology.
- *Willis Re Securities* — Willis Re Securities provides capital markets services and products to companies involved in the insurance and reinsurance industries.
- *Max Matthiessen* — Max Matthiessen is a leading advisor and broker for insurance, benefits, human resources and savings in the Nordic region. The business specializes in providing human capital and benefits administration together with providing market leading savings and insurance solutions.

The following table sets forth IRR segment revenue for the years ended December 31, 2020 and 2019, and the components of the change in revenue for the year ended December 31, 2020 from the year ended December 31, 2019. In September 2020, the Company sold its Max Matthiessen business, and the sale of Miller, its wholesale insurance broking subsidiary, is expected to be completed during the first quarter of 2021 (see Note 3 — Acquisitions and Divestitures within Item 8 of this Annual Report on Form 10-K for further information). The revenue and operating income attributed to these two businesses was $296 million and $80 million, respectively, for the year ended December 31, 2020.

	Years Ended December 31,		As Reported Change	Components of Revenue Change (i)			
	2020	2019		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Segment revenue	$ 1,651	$ 1,637	1%	—%	1%	(3)%	4%

(i) Components of revenue change may not add due to rounding.

IRR segment revenue for the years ended December 31, 2020 and 2019 was $1.7 billion and $1.6 billion, respectively. On an organic basis, most lines of business contributed to the growth. Reinsurance growth was driven by new business wins and favorable renewal factors while Insurance Consulting and Technology revenue grew from strong technology sales. Max Matthiessen revenue increased as a result of overall growth in net commissions. Revenue growth in the Investment businesses resulted from client wins.

Benefit Delivery and Administration

The BDA segment provides primary medical and ancillary benefit exchange and outsourcing services to active employees and retirees across both the group and individual markets. A significant portion of the revenue in this segment is recurring in nature, driven by either the commissions from the policies we sell in our employer-based Medicare broking business, or from long-term service contracts with our clients that typically range from three to five years. Revenue across this segment may be seasonal, driven by the magnitude and timing of client enrollment activities, which often occur during the fourth quarter, with increased membership levels typically effective January 1, after calendar year-end benefits elections. On July 30, 2019, the Company acquired TRANZACT, which operates as part of the BDA segment. TRANZACT experiences seasonally higher revenue during the fourth quarter due primarily to the timing of the Federal Medicare Open Enrollment window.

BDA generated approximately 15% of our segment revenue for the year ended December 31, 2020. BDA provides services via three related offerings to customers primarily in the U.S.:

- *Benefits Outsourcing* — This service line is focused on serving active employee groups for clients across the U.S. We use our proprietary technology to provide a broad suite of health and welfare and pension administration outsourcing services, including tools to enable benefit modeling, decision support, enrollment and benefit choice.
- *Individual Marketplace* — This service line offers decision support processes and tools to connect consumers with insurance carriers in private individual and Medicare markets. Individual Marketplace serves both employer-based and direct-to-consumer populations through its end-to-end consumer acquisition and engagement platforms, which tightly integrate call routing technology, an efficient quoting and enrollment engine, a customer relations management system and deep links with insurance carriers.
- *Benefits Accounts* — This service line delivers consumer-driven healthcare and reimbursement accounts, including health savings accounts, health reimbursement arrangements and other consumer-directed accounts to our benefits outsourcing, individual marketplace and employer clients.

The following table sets forth BDA segment revenue for the years ended December 31, 2020 and 2019, and the components of the change in revenue for the year ended December 31, 2020 from the year ended December 31, 2019.

	Years Ended December 31, 2020 ($ in millions)	Years Ended December 31, 2019 ($ in millions)	As Reported Change	Components of Revenue Change (i): Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
Segment revenue	$ 1,359	$ 1,035	31%	—%	31%	21%	10%

(i) Components of revenue change may not add due to rounding.

BDA segment revenue for the years ended December 31, 2020 and 2019 was $1.4 billion and $1.0 billion, respectively. BDA's organic revenue increase was led by Individual Marketplace, primarily by TRANZACT, with growth across all products. Benefits Outsourcing revenue also grew, driven by its expanded client base. For the year ended December 31, 2020, TRANZACT generated revenue of $557 million as compared to $245 million for the year ended December 31, 2019, in which it was partially included from the date of the acquisition of July 30, 2019.

Costs of Providing Services

Total costs of providing services for the year ended December 31, 2020 were $8.2 billion, compared to $7.7 billion for the year ended December 31, 2019, an increase of $459 million, or 6%. See the following discussion for further details.

Salaries and Benefits

Salaries and benefits for the year ended December 31, 2020 were $5.5 billion, compared to $5.2 billion for the year ended December 31, 2019, an increase of $258 million, or 5%. The increase was primarily a result of higher salaries and incentive accruals along with the full year inclusion of TRANZACT's compensation costs. Salaries and benefits, as a percentage of revenue, represented 59% and 58% for the years ended December 31, 2020 and 2019, respectively.

Other Operating Expenses

Other operating expenses include occupancy, legal, marketing, licenses, royalties, supplies, technology, printing and telephone costs, as well as insurance, including premiums on excess insurance and losses on professional liability claims, travel by colleagues, publications, professional subscriptions and development, recruitment, other professional fees and irrecoverable value added and sales taxes.

Other operating expenses for the year ended December 31, 2020 were $1.8 billion, compared to $1.7 billion for the year ended December 31, 2019, an increase of $39 million, or 2%. The increase was primarily due to the full year inclusion of TRANZACT's operating expenses as well as the settlement of two shareholder litigation suits net of insurance and other recovery receivables (see

Note 14 — Commitments and Contingencies, within Item 8 in this Annual Report on Form 10-K), partially offset by lower travel and entertainment, marketing and occupancy costs during the year.

Depreciation

Depreciation represents the expense incurred over the useful lives of our tangible fixed assets and internally-developed software. Depreciation for the year ended December 31, 2020 was $308 million, compared to $240 million for the year ended December 31, 2019, an increase of $68 million, or 28%. The increase was due to a higher depreciable base of assets resulting from additional assets placed in service during 2019. Also contributing to the year-over-year increase was an additional charge of $35 million which we recognized in the first quarter of 2020 as an acceleration of depreciation related to the abandonment of an internally-developed software asset.

Amortization

Amortization represents the amortization of acquired intangible assets, including acquired internally-developed software. Amortization for the year ended December 31, 2020 was $462 million, compared to $489 million for the year ended December 31, 2019, a decrease of $27 million, or 6%. Our intangible amortization is more heavily weighted to the initial years of the useful lives of the related intangibles, and therefore amortization related to intangible assets purchased prior to our acquisition of TRANZACT will continue to decrease over time. This decrease was partially offset by the additional amortization resulting from the intangible assets related to the TRANZACT acquisition.

Restructuring Costs

Restructuring costs for the year ended December 31, 2020 were $24 million, all of which related to minor restructuring activities carried out by various business lines throughout the Company. There were no restructuring costs incurred for the year ended December 31, 2019.

Transaction and integration expenses

Transaction and integration expenses for the year ended December 31, 2020 were comprised of $110 million of mostly transaction costs, consisting primarily of legal fees related to our proposed combination with Aon and integration expenses related to the acquisition of TRANZACT in 2019, compared to $13 million of transaction costs, primarily related to the acquisition of TRANZACT, for the year ended December 31, 2019. There were no integration costs incurred during 2019 due to the completion of all integration activities in 2018 related to the Merger.

Income from Operations

Income from operations for the year ended December 31, 2020 was $1.2 billion, compared to $1.3 billion for the year ended December 31, 2019, a decrease of $146 million. This decrease resulted mostly from higher salaries and benefits and transaction and integration expenses as well as the additional depreciation related to the asset abandonment noted above, partially offset by higher revenue year over year.

Interest Expense

Interest expense for the years ended December 31, 2020 and 2019 was $244 million and $234 million, respectively. Interest expense is comprised primarily of interest associated with our senior notes. Interest expense increased by $10 million for the year ended December 31, 2020, which was primarily due to our additional senior notes offerings during the second half of 2019 and the first half of 2020, and additional indebtedness associated with the TRANZACT acquisition.

Other Income, Net

Other income, net for the year ended December 31, 2020 was $399 million, compared to $227 million for the year ended December 31, 2019, an increase of $172 million. The increase resulted from the net gains on disposals of operations, primarily due to the disposal of our Max Matthiessen business (see Note 3 – Acquisitions and Divestitures within Item 8 in this Annual Report on Form 10-K), and higher pension income in the current year.

Provision for Income Taxes

Provision for income taxes for the year ended December 31, 2020 was $318 million, compared with $249 million for the year ended December 31, 2019. The effective tax rates for the years ended December 31, 2020 and 2019 were 23.8% and 18.8%, respectively. These effective tax rates are calculated using extended values from our consolidated statements of comprehensive income and are therefore more precise tax rates than can be calculated from rounded values. The current year effective tax rate is higher primarily due

to additional tax expense of $61 million in connection with the temporary income tax provisions of the CARES Act. During 2020 the Company elected to utilize the higher section 163(j) 50 percent business interest limitation for tax years 2019 and 2020, which allows the Company to utilize additional interest expense. The utilization of additional interest expense reduces our regular tax liability and reduces our ability to utilize foreign tax credits, however, it creates a base erosion minimum tax expense for these tax years. The Base Erosion and Anti-Abuse Tax ('BEAT') effectively applies a 10 percent minimum tax if modified taxable income, as adjusted for base erosion payments, is greater than the regular tax liability for a year.

Net income attributable to Willis Towers Watson

Net income attributable to Willis Towers Watson for both the years ended December 31, 2020 and 2019 was $1.0 billion, a decrease of $48 million, or 5%. This decrease resulted primarily from higher salaries and benefits, tax expense and transaction and integration expenses, partially offset by higher revenue year over year and the net gains on disposals of operations noted above.

Liquidity and Capital Resources

Executive Summary

Our principal sources of liquidity are funds generated by operating activities, available cash and cash equivalents and amounts available under our revolving credit facilities and any new debt offerings, subject to the limitations set forth in the Aon combination agreement. These sources of liquidity will fund our short-term and long-term obligations at December 31, 2020. Our most significant long-term obligations include mandatory debt and related interest, operating leases, and pension obligations and contributions to our qualified pension plans.

During 2020, the COVID-19 pandemic contributed to significant volatility in financial markets, including occasional declines in equity markets, changes in interest rates and reduced liquidity on a global basis. Specific to Willis Towers Watson, the COVID-19 pandemic has had, and we believe will continue to have, a negative impact on discretionary work we perform for our clients. We also believe this may continue to impact future cash collections from clients, particularly those in certain harder-hit industries. We have also reduced our spending on travel and associated expenses and third-party contractors, and we have the ability to reduce spending on discretionary projects and certain capital expenditures.

Based on our current balance sheet and cash flows, current market conditions and information available to us at this time, we believe that Willis Towers Watson has access to sufficient liquidity, which includes all of the borrowing capacity available to draw against our $1.25 billion revolving credit facility, to meet our cash needs for the next twelve months, including investing in the business for growth, scheduled debt repayments and dividend payments. In early 2021, we settled $210 million of obligations related to the Stanford and Willis Towers Watson merger-related securities litigations, and we currently anticipate that the $500 million of 5.750% senior notes maturing in the first quarter of 2021 and related interest will be repaid in full using our current cash and cash equivalents balances.

During the year ended December 31, 2020, the Company, together with its wholly-owned subsidiary, Willis North America Inc., as issuer, completed an offering of an additional $275 million aggregate principal amount of 2.950% senior notes due 2029. Willis North America Inc. previously issued $450 million aggregate principal amount in September 2019, all of which remains outstanding. Net proceeds of $280 million (excluding accrued interest on this recent offering from March 15, 2020 to, but not including, May 29, 2020, of $2 million payable to us on such date) were used to repay $175 million of the full principal amount and related accrued interest under our term loan facility, which was set to expire in July 2020, as well as repay $105 million of borrowings outstanding under our $1.25 billion revolving credit facility and related accrued interest.

Events that could change the historical cash flow dynamics discussed above include significant changes in operating results, potential future acquisitions or divestitures, material changes in geographic sources of cash, unexpected adverse impacts from litigation or regulatory matters, or future pension funding during periods of severe downturn in the capital markets.

Tax considerations - The Company recognizes deferred tax balances related to the undistributed earnings of subsidiaries when it expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. We continue to have certain subsidiaries whose earnings have not been deemed permanently reinvested, for which we have been accruing estimates of the tax effects of such repatriation. Excluding these certain subsidiaries, we continue to assert that the historical cumulative earnings for the remainder of our subsidiaries have been reinvested indefinitely, and therefore do not provide deferred taxes on these amounts. If future events, including material changes in estimates of cash, working capital, long-term investment requirements or additional legislation relating to U.S. Tax Reform, necessitate that these earnings be distributed, an additional provision for income and foreign withholding taxes, net of credits, may be necessary. Other potential sources of cash may be through the settlement of intercompany loans or return of capital distributions in a tax-efficient manner.

Cash and Cash Equivalents

Our cash and cash equivalents at December 31, 2020 and 2019 totaled $2.1 billion and $887 million, respectively.

Additionally, we had all of the borrowing capacity available to draw against our $1.25 billion revolving credit facility at both December 31, 2020 and 2019.

Included within cash and cash equivalents at December 31, 2020 and 2019 are amounts held for regulatory capital adequacy requirements, including $88 million and $114 million, respectively, held within our regulated U.K. entities at December 31, 2020 and 2019.

Summarized Consolidated Cash Flows

The following table presents the summarized consolidated cash flow information for the years ended:

	Years ended December 31, 2020	Years ended December 31, 2019
	(in millions)	
Net cash from/(used in):		
Operating activities	$ 1,774	$ 1,081
Investing activities	(160)	(1,614)
Financing activities	(434)	397
INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,180	(136)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	21	(2)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR (i)	895	1,033
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR (i)	$ 2,096	$ 895

(i) As a result of the acquired TRANZACT collateralized facility (see Item 8, Note 10 — Debt within this filing on Form 10-K), cash, cash equivalents and restricted cash included $7 million and $8 million of restricted cash at December 31, 2020 and 2019, respectively, which is included within prepaid and other current assets on our consolidated balance sheets. There was no restricted cash amount held at December 31, 2018.

Cash Flows From Operating Activities

Cash flows from operating activities were $1.8 billion for 2020, compared to cash flows from operating activities of $1.1 billion for 2019. The $1.8 billion net cash from operating activities for 2020 included net income of $1.0 billion and $810 million of non-cash adjustments, partially offset by unfavorable changes in operating assets and liabilities of $56 million. The $810 million of non-cash adjustments primarily includes depreciation, amortization and non-cash lease expense. This increase in cash flows from operations as compared to the prior year was primarily due to positive cash flows from our improved working capital position driven by effective management of discretionary spending for the year ended December 31, 2020 as compared to December 31, 2019.

The $1.1 billion net cash from operating activities for 2019 included net income of $1.1 billion, adjusted for $798 million of non-cash adjustments, mostly offset by unfavorable changes in operating assets and liabilities of $790 million. The $798 million of non-cash adjustments primarily included depreciation, amortization and non-cash lease expense.

Cash Flows Used In Investing Activities

Cash flows used in investing activities for 2020 and 2019 were $160 million and $1.6 billion, respectively, with the current year primarily driven by capital expenditures and capitalized software additions and an acquisition during the first quarter of 2020. These outflows were partially offset by proceeds from the sale of operations, primarily resulting from the disposal of our Max Matthiessen business. Cash flows in the prior year were primarily driven by the acquisition of TRANZACT during the third quarter of 2019, coupled with capital expenditures and capitalized software additions.

Cash Flows (Used In)/From Financing Activities

Cash flows used in financing activities for 2020 were $434 million. The significant financing activities included dividend payments of $346 million and net debt-related payments of $47 million.

Cash flows from financing activities for 2019 were $397 million. The most significant financing activities included net debt-related proceeds of $958 million, which were partially offset by dividend payments of $329 million and share repurchases of $150 million.

Indebtedness

Total debt, total equity, and the capitalization ratio at December 31, 2020 and December 31, 2019 were as follows:

	December 31,	
	2020	2019
	(in millions)	
Long-term debt	$ 4,664	$ 5,301
Current debt	971	316
Total debt	$ 5,635	$ 5,617
Total Willis Towers Watson shareholders' equity	$ 10,820	$ 10,249
Capitalization ratio	34.2%	35.4%

At December 31, 2020, our mandatory debt repayments over the next twelve months include $500 million outstanding on our 5.750% senior notes due 2021, $450 million outstanding on our 3.500% senior notes due 2021 and $22 million outstanding on our collateralized facility assumed as part of our acquisition of TRANZACT.

At December 31, 2020 and 2019, we were in compliance with all financial covenants.

Fiduciary Funds

As an intermediary, we hold funds, generally in a fiduciary capacity, for the account of third parties, typically as the result of premiums received from clients that are in transit to insurers and claims due to clients that are in transit from insurers. We report premiums, which are held on account of, or due from, clients, as assets with a corresponding liability due to the insurers. Claims held by or due to us, which are due to clients, are also shown as both Fiduciary assets and Fiduciary liabilities on our consolidated balance sheets.

Fiduciary funds are generally required to be kept in regulated bank accounts subject to guidelines which emphasize capital preservation and liquidity; such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with clients and insurers, the Company is entitled to retain investment income earned on fiduciary funds in accordance with industry custom and practice and, in some cases, as supported by agreements with insureds.

At December 31, 2020 and 2019, we had fiduciary funds of $4.3 billion and $3.4 billion, respectively.

Share Repurchase Program

The Company is authorized to repurchase shares, by way of redemption, and will consider whether to do so from time to time, based on many factors, including market conditions. There are no expiration dates for our repurchase plans or programs.

On February 26, 2020, the board of directors approved a $251 million increase to the existing share repurchase program, increasing the total remaining authorization to $500 million. See Part II, Item 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities in this Annual Report on Form 10-K for further information regarding the Company's share repurchase program.

With regard to certain prohibitions under the transaction agreement in connection with our pending business combination with Aon, during the year ended December 31, 2020 the Company had no share repurchase activity.

At December 31, 2020, approximately $500 million remained on the current repurchase authority. The maximum number of shares that could be repurchased based on the closing price of our ordinary shares on December 31, 2020 of $210.68 was 2,373,268.

Capital Commitments

The Company has no material commitments for capital expenditures. Our capital expenditures for fixed assets and software for internal use were $223 million for the year ended December 31, 2020. Expected capital expenditures for fixed assets and software for internal use are approximately $200 million for the year ended December 31, 2021. We expect cash from operations to adequately provide for these cash needs.

Dividends

Total cash dividends of $346 million were paid during the year ended December 31, 2020. In February 2021, the board of directors approved a quarterly cash dividend of $0.71 per share ($2.84 per share annualized rate), which will be paid on or about April 15, 2021 to shareholders of record as of March 31, 2021.

Supplemental Guarantor Financial Information

As of December 31, 2020, Willis Towers Watson has issued the following debt securities (the ‘notes’):

a) Willis Towers Watson plc (the ‘parent company’) has $500 million senior notes outstanding, which were issued on March 17, 2011;

b) Willis North America Inc. (‘Willis North America’) has approximately $2.9 billion senior notes outstanding, of which $650 million were issued on May 16, 2017, $1.0 billion were issued on September 10, 2018, $1.0 billion were issued on September 10, 2019, and $275 million were issued on May 29, 2020; and

c) Trinity Acquisition plc has approximately $2.1 billion senior notes outstanding, of which $525 million were issued on August 15, 2013, $1.0 billion were issued on March 22, 2016 and €540 million ($609 million) were issued on May 26, 2016, and a $1.25 billion revolving credit facility established on March 7, 2017, on which no balance is currently outstanding.

The following table presents a summary of the entities that issue each note and those wholly owned subsidiaries of the Company that guarantee each respective note on a joint and several basis. These subsidiaries are all consolidated by the parent company and together with the parent company comprise the ‘Obligor group’.

Entity	Willis Towers Watson plc Notes	Trinity Acquisition plc Notes	Willis North America Inc. Notes
Willis Towers Watson plc	Issuer	Guarantor	Guarantor
Trinity Acquisition plc	Guarantor	Issuer	Guarantor
Willis North America Inc.	Guarantor	Guarantor	Issuer
Willis Netherlands Holdings B.V.	Guarantor	Guarantor	Guarantor
Willis Investment UK Holdings Limited	Guarantor	Guarantor	Guarantor
TA I Limited	Guarantor	Guarantor	Guarantor
Willis Group Limited	Guarantor	Guarantor	Guarantor
Willis Towers Watson Sub Holdings Unlimited Company	Guarantor	Guarantor	Guarantor
Willis Towers Watson UK Holdings Limited	Guarantor	Guarantor	Guarantor

The notes issued by the parent company, Willis North America and Trinity Acquisition plc:

- rank equally with all of the issuer’s existing and future unsubordinated and unsecured debt;
- rank equally with the issuer’s guarantee of all of the existing senior debt of the Company and the other guarantors, including any debt under the Revolving Credit Facility;
- are senior in right of payment to all of the issuer’s future subordinated debt; and
- are effectively subordinated to all of the issuer’s secured debt to the extent of the value of the assets securing such debt.

All other subsidiaries of the parent company are non-guarantor subsidiaries (‘the non-guarantor subsidiaries’).

Each member of the Obligor group has only a stockholder’s claim on the assets of the non-guarantor subsidiaries. This stockholder’s claim is junior to the claims that creditors have against those non-guarantor subsidiaries. Holders of the notes will only be creditors of the Obligor group and not creditors of the non-guarantor subsidiaries. As a result, all of the existing and future liabilities of the non-guarantor subsidiaries, including any claims of trade creditors and preferred stockholders, will be structurally senior to the notes. As of and for the periods ended December 31, 2020 and 2019, the non-guarantor subsidiaries represented substantially all of the total assets and accounted for substantially all of the total revenue of the Company prior to consolidating adjustments. The non-guarantor subsidiaries have other liabilities, including contingent liabilities that may be significant. Each indenture does not contain any limitations on the amount of additional debt that the Obligor group and the non-guarantor subsidiaries may incur. The amounts of this debt could be substantial, and this debt may be debt of the non-guarantor subsidiaries, in which case this debt would be effectively senior in right of payment to the notes.

The notes are obligations exclusively of the Obligor group. Substantially all of the Obligor group’s operations are conducted through its non-guarantor subsidiaries. Therefore, the Obligor group’s ability to service its debt, including the notes, is dependent upon the net cash flows of its non-guarantor subsidiaries and their ability to distribute those net cash flows as dividends, loans or other payments to

the Obligor group. Certain laws restrict the ability of these non-guarantor subsidiaries to pay dividends and make loans and advances to the Obligor group. In addition, such non-guarantor subsidiaries may enter into contractual arrangements that limit their ability to pay dividends and make loans and advances to the Obligor group.

Intercompany balances and transactions between members of the Obligor group have been eliminated. All intercompany balances and transactions between the Obligor group and the non-guarantor subsidiaries have been presented in the disclosures below on a net presentation basis, rather than a gross basis, as this better reflects the nature of the intercompany positions and presents the funding or funded position that is to be received or owed. The intercompany balances and transactions between the Obligor group and non-guarantor subsidiaries, presented below, relate to a number of items including loan funding for acquisitions and other purposes, transfers of surplus cash between subsidiary companies, funding provided for working capital purposes, settlement of expense accounts, transactions related to share-based payment arrangements and share issuances, intercompany royalty arrangements, intercompany dividends and intercompany interest. At December 31, 2020 and 2019, the intercompany balances of the Obligor group with non-guarantor subsidiaries were net receivables of $500 million and $4.3 billion, respectively, and net payables of $7.6 billion and $3.5 billion, respectively.

No balances or transactions of non-guarantor subsidiaries are presented in the disclosures other than the intercompany items noted above.

Presented below is certain summarized financial information for the Obligor group.

	As of December 31, 2020	As of December 31, 2019
	(in millions)	
Total current assets	$ 161	$ 1,210
Total non-current assets	671	3,436
Total current liabilities	5,116	3,993
Total non-current liabilities	8,434	5,387

	Year ended December 31, 2020
	(in millions)
Revenue	$ 281
Loss from operations	(23)
Loss from operations before income taxes (i)	(505)
Net loss	(404)
Net loss attributable to Willis Towers Watson	(404)

(i) Includes intercompany expense, net of the Obligor group from non-guarantor subsidiaries of $18 million for the year ended December 31, 2020.

Non-GAAP Financial Measures

In order to assist readers of our consolidated financial statements in understanding the core operating results that Willis Towers Watson's management uses to evaluate the business and for financial planning purposes, we present the following non-GAAP measures and their most directly comparable U.S. GAAP measure:

Most Directly Comparable U.S. GAAP Measure	**Non-GAAP Measure**
As reported change	Constant currency change
As reported change	Organic change
Income from operations/margin	Adjusted operating income/margin
Net income/margin	Adjusted EBITDA/margin
Net income attributable to Willis Towers Watson	Adjusted net income
Diluted earnings per share	Adjusted diluted earnings per share
Income from operations before income taxes	Adjusted income before taxes
Provision for income taxes/U.S. GAAP tax rate	Adjusted income taxes/tax rate
Net cash from operating activities	Free cash flow

Management believes that these measures are relevant and provide useful information widely used by analysts, investors and other interested parties in our industry to provide a baseline for evaluating and comparing our operating performance, and in the case of free cash flow, our liquidity results.

Within the measures referred to as 'adjusted', we adjust for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. These items include the following:

- Restructuring costs and transaction and integration expenses - Management believes it is appropriate to adjust for restructuring costs and transaction and integration expenses when they relate to a specific significant program with a defined set of activities and costs that are not expected to continue beyond a defined period of time, or significant acquisition-related transaction expenses. We believe the adjustment is necessary to present how the Company is performing, both now and in the future when the incurrence of these costs will have concluded.

- Gains and losses on disposals of operations - Adjustment to remove the gain or loss resulting from disposed operations.

- Pension settlement and curtailment gains and losses - Adjustment to remove significant pension settlement and curtailment gains and losses to better present how the Company is performing.

- Abandonment of long-lived asset - Adjustment to remove the depreciation expense resulting from internally-developed software that was abandoned prior to being placed into service.

- Provisions for significant litigation - We will include provisions for litigation matters which we believe are not representative of our core business operations. These amounts are presented net of insurance and other recovery receivables.

- Tax effect of the CARES Act - Relates to the incremental tax expense impact, primarily from the BEAT, generated from electing certain income tax provisions of the CARES Act.

- Tax effects of internal reorganizations - Relates to the U.S. income tax expense resulting from the completion of internal reorganizations of the ownership of certain businesses that reduced the investments held by our U.S.-controlled subsidiaries.

These non-GAAP measures are not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-GAAP measures should be considered in addition to, and not as a substitute for, the information contained within our consolidated financial statements.

Constant Currency Change and Organic Change

We evaluate our revenue on an as reported (U.S. GAAP), constant currency and organic basis. We believe presenting constant currency and organic information provides valuable supplemental information regarding our comparable results, consistent with how we evaluate our performance internally.

- *Constant Currency Change* - Represents the year-over-year change in revenue excluding the impact of foreign currency fluctuations. To calculate this impact, the prior year local currency results are first translated using the current year monthly average exchange rates. The change is calculated by comparing the prior year revenue, translated at the current year monthly average exchange rates, to the current year as reported revenue, for the same period. We believe constant currency measures provide useful information to investors because they provide transparency to performance by excluding the effects that foreign currency exchange rate fluctuations have on period-over-period comparability given volatility in foreign currency exchange markets.

- *Organic Change* - Excludes the impact of fluctuations in foreign currency exchange rates as described above and the period-over-period impact of acquisitions and divestitures on current-year revenue. We believe that excluding transaction-related items from our U.S. GAAP financial measures provides useful supplemental information to our investors, and it is important in illustrating what our core operating results would have been had we not included these transaction-related items, since the nature, size and number of these transaction-related items can vary from period to period.

The constant currency and organic change results, and a reconciliation from the reported results for consolidated revenue, are included in the 'Consolidated Revenue' section within this Form 10-K. These measures are also reported by segment in the 'Segment Revenue' section within this Form 10-K.

A reconciliation of the reported change to the constant currency and organic change for the year ended December 31, 2020 from the year ended December 31, 2019 is as follows:

	Years ended December 31,		As Reported Change	Components of Revenue Change (i)			
	2020	2019		Currency Impact	Constant Currency Change	Acquisitions/ Divestitures	Organic Change
	($ in millions)						
Revenue	$ 9,352	$ 9,039	3%	—%	4%	2%	2%

(i) Components of revenue change may not add due to rounding.

Adjusting for the impacts of foreign currency and acquisitions and disposals in the calculation of our organic activity, our revenue grew by 2% for the year ended December 31, 2020. The CRB, IRR and BDA segments had organic revenue growth during the year, while the HCB segment was flat, in part due to the impact of the COVID-19 reduction in demand for our discretionary services.

Adjusted Operating Income/Margin

We consider adjusted operating income/margin to be important financial measures, which are used to internally evaluate and assess our core operations and to benchmark our operating results against our competitors.

Adjusted operating income is defined as income from operations adjusted for amortization, restructuring costs, transaction and integration expenses and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted operating income margin is calculated by dividing adjusted operating income by revenue.

Reconciliations of income from operations to adjusted operating income for the years ended December 31, 2020 and 2019 are as follows:

	Years Ended December 31,	
	2020	2019
	(in millions)	
Income from operations	$ 1,183	$ 1,329
Adjusted for certain items:		
Abandonment of long-lived asset	35	—
Amortization	462	489
Restructuring costs	24	—
Transaction and integration expenses	110	13
Provision for significant litigation (i)	65	—
Adjusted operating income	$ 1,879	$ 1,831
Income from operations margin	12.6%	14.7%
Adjusted operating income margin	20.1%	20.3%

(i) For additional information, see the disclosure under *Willis Towers Watson Merger-Related Securities Litigation* in Note 14 — Commitments and Contingencies in Item 8 in this Annual Report on Form 10-K.

Adjusted operating income increased for the year ended December 31, 2020 to $1.9 billion, from $1.8 billion for the year ended December 31, 2019. This increase resulted primarily from higher revenue, partially offset by higher salaries and benefits expense.

Adjusted EBITDA/Margin

We consider adjusted EBITDA/margin to be important financial measures, which are used to internally evaluate and assess our core operations, to benchmark our operating results against our competitors and to evaluate and measure our performance-based compensation plans.

Adjusted EBITDA is defined as net income adjusted for provision for income taxes, interest expense, depreciation and amortization, restructuring costs, transaction and integration expenses, gains and losses on disposals of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

Reconciliations of net income to adjusted EBITDA for the years ended December 31, 2020 and 2019 are as follows:

	Years Ended December 31, 2020	Years Ended December 31, 2019
	(in millions)	
NET INCOME	$ 1,020	$ 1,073
Provision for income taxes	318	249
Interest expense	244	234
Depreciation (i)	308	240
Amortization	462	489
Restructuring costs	24	—
Transaction and integration expenses	110	13
Provision for significant litigation (ii)	65	—
(Gain)/loss on disposal of operations	(81)	2
Adjusted EBITDA	$ 2,470	$ 2,300
Net income margin	10.9%	11.9%
Adjusted EBITDA margin	26.4%	25.4%

(i) Includes abandonment of long-lived asset of $35 million for the year ended December 31, 2020.

(ii) For additional information, see the disclosure under *Willis Towers Watson Merger-Related Securities Litigation* in Note 14 — Commitments and Contingencies in Item 8 in this Annual Report on Form 10-K.

Adjusted EBITDA for the year ended December 31, 2020 was $2.5 billion, compared to $2.3 billion for the year ended December 31, 2019. This increase resulted primarily from higher revenue and pension income, partially offset by higher salaries and benefits expense.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

Adjusted net income is defined as net income attributable to Willis Towers Watson adjusted for amortization, restructuring costs, transaction and integration expenses, gains and losses on disposals of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results and the related tax effect of those adjustments, the tax effect of the CARES Act and the tax effects of internal reorganizations. This measure is used solely for the purpose of calculating adjusted diluted earnings per share.

Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted-average number of shares of common stock, diluted. Adjusted diluted earnings per share is used to internally evaluate and assess our core operations and to benchmark our operating results against our competitors.

Reconciliations of net income attributable to Willis Towers Watson to adjusted diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

	Years Ended December 31,	
	2020	2019
	($ and weighted-average shares in millions)	
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 996	$ 1,044
Adjusted for certain items:		
Abandonment of long-lived asset	35	—
Amortization	462	489
Restructuring costs	24	—
Transaction and integration expenses	110	13
Provision for significant litigation (i)	65	—
(Gain)/loss on disposal of operations	(81)	2
Tax effect on certain items listed above (ii)	(149)	(121)
Tax effect of the CARES Act	61	—
Adjusted net income	$ 1,523	$ 1,427
Weighted-average shares of common stock — diluted	130	130
Diluted earnings per share	$ 7.65	$ 8.02
Adjusted for certain items (iii):		
Abandonment of long-lived asset	0.27	—
Amortization	3.55	3.75
Restructuring costs	0.18	—
Transaction and integration expenses	0.84	0.10
Provision for significant litigation (i)	0.50	—
(Gain)/loss on disposal of operations	(0.62)	0.02
Tax effect on certain items listed above (ii)	(1.14)	(0.93)
Tax effect of the CARES Act	0.47	—
Adjusted diluted earnings per share	$ 11.70	$ 10.96

(i) For additional information, see the disclosure under *Willis Towers Watson Merger-Related Securities Litigation* in Note 14 — Commitments and Contingencies in Item 8 in this Annual Report on Form 10-K.
(ii) The tax effect was calculated using an effective tax rate for each item.
(iii) Per share values and totals may differ due to rounding.

Our adjusted diluted earnings per share increased for the year ended December 31, 2020 as compared to the year ended December 31, 2019 primarily due to higher revenue and pension income, partially offset by higher salaries and benefits expense.

Adjusted Income Before Taxes and Adjusted Income Taxes/Tax Rate

Adjusted income before taxes is defined as income from operations before income taxes adjusted for amortization, restructuring costs, transaction and integration expenses, gains and losses on disposals of operations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results. Adjusted income before taxes is used solely for the purpose of calculating the adjusted income tax rate.

Adjusted income taxes/tax rate is defined as the provision for income taxes adjusted for taxes on certain items of amortization, restructuring costs, transaction and integration expenses, gains and losses on disposals of operations, the tax effect of the CARES Act, the tax effects of internal reorganizations and non-recurring items that, in management's judgment, significantly affect the period-over-period assessment of operating results, divided by adjusted income before taxes. Adjusted income taxes is used solely for the purpose of calculating the adjusted income tax rate.

Management believes that the adjusted income tax rate presents a rate that is more closely aligned to the rate that we would incur if not for the reduction of pre-tax income for the adjusted items and the tax effects of our internal reorganizations, which are not core to our current and future operations.

Reconciliations of income from operations before income taxes to adjusted income before taxes and provision for/(benefit from) income taxes to adjusted income taxes for the years ended December 31, 2020 and 2019 are as follows:

	Years Ended December 31, 2020	Years Ended December 31, 2019
	($ in millions)	
INCOME FROM OPERATIONS BEFORE INCOME TAXES	$ 1,338	$ 1,322
Adjusted for certain items:		
Abandonment of long-lived asset	35	—
Amortization	462	489
Restructuring costs	24	—
Transaction and integration expenses	110	13
Provision for significant litigation (i)	65	—
(Gain)/loss on disposal of operations	(81)	2
Adjusted income before taxes	$ 1,953	$ 1,826
Provision for income taxes	$ 318	$ 249
Tax effect on certain items listed above (ii)	149	121
Tax effect of the CARES Act	(61)	—
Adjusted income taxes	$ 406	$ 370
U.S. GAAP tax rate	23.8%	18.8%
Adjusted income tax rate	20.8%	20.3%

(i) For additional information, see the disclosure under *Willis Towers Watson Merger-Related Securities Litigation* in Note 14 — Commitments and Contingencies in Item 8 in this Annual Report on Form 10-K.

(ii) The tax effect was calculated using an effective tax rate for each item.

Our U.S. GAAP tax rates were 23.8% and 18.8% for the years ended December 31, 2020 and 2019, respectively. The current year effective tax rate is higher primarily due to tax expense of $61 million recognized in connection with the temporary income tax provisions of the CARES Act. During 2020 the Company elected to utilize the higher section 163(j) 50 percent business interest limitation for tax years 2019 and 2020, which allows the Company to utilize additional interest expense. The utilization of additional interest expense reduces our regular tax liability and reduces our ability to utilize foreign tax credits, however, it creates a base erosion minimum tax expense for these tax years. The BEAT effectively applies a 10 percent minimum tax if modified taxable income, as adjusted for base erosion payments, is greater than the regular tax liability for a year.

Our adjusted income tax rates were 20.8% and 20.3% for the years ended December 31, 2020 and 2019, respectively. The current year adjusted income tax rate is higher than the prior year due to an enacted statutory tax rate change in the U.K., requiring us to remeasure our U.K. deferred tax liabilities and recognize a deferred tax expense of $11 million.

Free Cash Flow

Free cash flow is defined as cash flows from operating activities less cash used to purchase fixed assets and software for internal use. Free cash flow is a liquidity measure and is not meant to represent residual cash flow available for discretionary expenditures.

Management believes that free cash flow presents the core operating performance and cash generating capabilities of our business operations.

Reconciliations of cash flows from operating activities to free cash flow for the years ended December 31, 2020 and 2019 are as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
	(in millions)	
Cash flows from operating activities	$ 1,774	$ 1,081
Less: Additions to fixed assets and software for internal use	(223)	(246)
Free cash flow	$ 1,551	$ 835

The favorable movement in free cash flows in 2020 was primarily due to positive cash flows from our improved working capital position driven by effective management of discretionary spending for the year ended December 31, 2020. Our free cash flows in 2020 were partially offset by transaction and integration expenses, primarily related to the combination with Aon.

Critical Accounting Policies and Estimates

These consolidated financial statements conform to U.S. GAAP, which 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 revenue and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. The areas that we believe include critical accounting policies are revenue recognition, costs to fulfill broking contracts, valuation of billed and unbilled receivables from clients, discretionary compensation, income taxes, commitments, contingencies and accrued liabilities, pension assumptions, and goodwill and intangible assets. The critical accounting policies discussed below involve making difficult, subjective or complex accounting estimates that could have a material effect on our financial condition and results of operations. These critical accounting policies require us to make assumptions about matters that are highly uncertain at the time of the estimate or assumption. Different estimates that we could have used, or changes in estimates that are reasonably likely to occur, may have a material effect on our results of operations and financial condition.

Revenue Recognition

We use significant estimates related to revenue recognition most commonly during our estimation of the transaction prices or where we recognize revenue over time on a proportional performance basis. A brief description of these policies and estimates is included below:

Estimation of transaction prices — This process occurs most frequently in certain broking transactions. In situations in which our fees are not fixed but are variable, we must estimate the likely commission per policy, taking into account the likelihood of cancellation before the end of the policy. For Medicare broking, Affinity arrangements and proportional treaty reinsurance broking, the commissions to which we will be entitled can vary based on the underlying individual insurance policies that are placed. For Medicare broking and proportional treaty reinsurance in particular, we base the estimates of transaction prices on supportable evidence from an analysis of past transactions, and only include amounts that are probable of being received or not refunded (referred to as applying 'constraint' under ASC 606, *Revenue From Contracts With Customers*). In our direct-to-consumer Medicare broking arrangements, the estimate of the total renewal commissions that will be received over the lifetime of the policy requires significant judgment, and will vary based on product type, estimated commission rates, the expected lives of the respective policies and other factors. The Company has applied an actuarial model to account for these uncertainties, which is updated periodically based on actual experience. Each of these processes result in us estimating a transaction price that may be significantly lower than the ultimate amount of commissions we may collect. The transaction price is then adjusted over time as we receive confirmation of our remuneration through receipt of commissions, or as other information becomes available.

Proportional performance basis over time recognition — Where we recognize revenue on a proportional performance basis, primarily in our consulting and outsourced administration arrangements, the amount we recognize is affected by a number of factors that can change the estimated amount of work required to complete the project, such as the staffing on the engagement and/or the level of client participation. Our periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stages of project completion that, in turn, affect how we recognize revenue. We recognize a loss on an engagement when estimated revenue to be received for that engagement is less than the total estimated costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable.

Costs to Fulfill Broking Contracts

For our broking business, the Company must estimate the fulfillment costs incurred during the pre-placement of the broking contracts. These judgments include the following:

- which activities in the pre-placement process should be eligible for capitalization;
- the amount of time and effort expended on those pre-placement activities;
- the amount of payroll and related costs eligible for capitalization; and,
- the monthly or quarterly timing of underlying insurance and reinsurance policy inception dates.

Valuation of Billed and Unbilled Receivables from Clients

We maintain allowances for doubtful accounts to reflect estimated losses resulting from a client's failure to pay for the services after the services have been rendered, which are recorded in other operating expenses. We also maintain allowances related to our unbilled receivables for such items as expected realization or client disputes, the related provision for which is recorded as a reduction to revenue. Our allowance policy is based in part on the aging of the billed and unbilled client receivables and has been developed based on our write-off history. However, facts and circumstances, such as the average length of time the receivables are past due, general market conditions at the time we perform the work, current economic trends and our clients' ability to pay, may cause fluctuations in our valuation of billed and unbilled receivables.

Discretionary Compensation

Our compensation program includes a discretionary bonus that is determined by management and has historically been paid once per fiscal year after our annual operating results are finalized.

An estimated annual bonus amount is initially developed at the beginning of each fiscal year in conjunction with our budgeting process. Estimated annual operating performance is reviewed quarterly and the discretionary annual bonus amount is then adjusted, if necessary, by management to reflect changes in the forecast of pre-bonus profitability for the year. Our estimated annual profitability, coupled with the projected seasonality inherent in our business, represent significant estimates during our interim quarterly close process.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of comprehensive income in the period in which the change is enacted. Deferred tax assets are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized. The Company adjusts valuation allowances to measure deferred tax assets at the amounts considered realizable in future periods when the Company's facts and assumptions change. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operating results. We place more reliance on evidence that is objectively verifiable.

Commitments, Contingencies and Accrued Liabilities

We have established provisions against various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance and the provision of consulting services in the ordinary course of business. Such provisions cover claims that have been reported but not paid and also claims that have been incurred but not reported. These provisions are established based on actuarial estimates together with individual case reviews and are believed to be adequate in the light of current information and legal advice. In certain cases, where a range of loss exists, we accrue the minimum amount in the range if no amount within the range is a better estimate than any other amount.

See Note 14 — Commitments and Contingencies in Item 8 within this Annual Report on Form 10-K.

Pension Assumptions

We maintain defined benefit pension plans for employees in several countries, with the most significant defined benefit plans offered in the U.S. and U.K. Our disclosures in Note 12 — Retirement Benefits contain additional information about our other less significant but material retirement plans. Within our critical accounting policy discussion, we have excluded analysis for plans outside of those noted in the description below, as any variance of recorded information based on management's estimates would be immaterial.

Descriptions of our U.S. and U.K. plans, which comprise 90% of our projected benefit obligations and 93% of our plan assets, are below:

United States

Legacy Willis – This plan was frozen in 2009. Approximately one-quarter of the Legacy Willis employees in the United States have a frozen accrued benefit under this plan.

Willis Towers Watson Plan – Substantially all U.S. employees are eligible to participate in this plan. Benefits are provided under a stable value pension plan design. The original stable value design came into effect on January 1, 2012. Existing plan participants prior to July 1, 2017 earn benefits without having to make employee contributions, and all newly eligible employees after that date are required to contribute 2% of pay on an after-tax basis to participate in the plan.

United Kingdom

Legacy Willis – This plan covers approximately one-quarter of the Legacy Willis employees in the United Kingdom. The plan is now closed to new entrants. New employees in the United Kingdom are offered the opportunity to join a defined contribution plan.

Legacy Towers Watson – Benefit accruals earned under the Legacy Watson Wyatt defined benefit plan (predominantly pension benefits) ceased on February 28, 2015, although benefits earned prior to January 1, 2008 retain a link to salary until the employee leaves the Company. Benefit accruals earned under the legacy Towers Perrin defined benefit plan (predominantly lump sum benefits) were frozen on March 31, 2008. All participants now accrue defined contribution benefits.

Legacy Miller – The plan provides retirement benefits based on members' salaries at the point at which they ceased to accrue benefits under the scheme.

The determination of the Company's obligations and annual expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on our projected benefit obligation. However, certain of these changes, such as changes in the discount rates and other actuarial assumptions, are not recognized immediately in net income, but are instead recorded in other comprehensive income. The accumulated gains and losses not yet recognized in net income are amortized into net income as a component of the net periodic benefit cost/(income) over the average remaining service period or average remaining life expectancy, as appropriate, of the plan's participants to the extent that the net gains or losses as of the beginning of the year exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation.

Willis Towers Watson considers several factors prior to the start of each fiscal year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer company comparisons. These assumptions, used to determine our pension liabilities and pension expense, are reviewed annually by senior management and changed when appropriate. A discount rate will be changed annually if underlying rates have moved, whereas an expected long-term return on assets will be changed less frequently as longer-term trends in asset returns emerge or long-term target asset allocations are revised. To calculate the discount rate, we use the granular approach to determining service cost and interest cost. The expected rate of return assumptions for all plans are supported by an analysis of the weighted-average yield expected to be achieved with the anticipated makeup of investments. Other material assumptions include rates of participant mortality, and the expected long-term rates of compensation and pension increases.

Funding is based on actuarially determined contributions and is limited to amounts that are currently deductible for tax purposes, or as agreed to with the plan trustees for the U.K. plans. Since funding calculations are based on different measurements than those used for accounting purposes, pension contributions are not equal to net periodic benefit cost.

We recorded a combined $201 million net periodic benefit income for our U.S. and U.K. plans for the year ended December 31, 2020. For the U.S. and U.K. plans, the following table presents our estimated net periodic benefit income for 2021 and the impact to both plans of a 0.25% increase and decrease to both the expected return on assets ('EROA') and the discount rate assumptions; and the projected benefit obligations as of December 31, 2020 and the impact of a 0.25% increase and decrease to the discount rates:

	Totals - current estimates	Impact of 0.25% change to EROA		Impact of 0.25% change to discount rate	
		Increase	Decrease	Increase	Decrease
Estimated 2021 (income):					
U.S. Plans	$ (91)	$ (11)	$ 11	$ (9)	$ 9
U.K. Plans	$ (95)	$ (14)	$ 14	$ —	$ —
Projected benefit obligation at December 31, 2020:					
U.S. Plans	$ 5,291	N/A	N/A	$ (163)	$ 171
U.K. Plans	$ 4,843	N/A	N/A	$ (215)	$ 230

Economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

Goodwill and Intangible Assets — Impairment Review

In applying the acquisition method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of October 1, and whenever indicators of impairment arise. The fair value of the intangible assets is compared with their carrying value and an impairment loss would be recognized for the amount by which the carrying amount exceeds the fair value. Goodwill is tested for impairment annually as of October 1, and whenever indicators of impairment arise.

Goodwill is tested at the reporting unit level, and the Company had eight reporting units as of October 1, 2020.

During fiscal year 2020, the Company performed the impairment test for all reporting units. Each of the reporting unit's estimated fair values were in excess of their carrying values, and we did not record any impairment losses of goodwill. To perform the test, we used valuation techniques to estimate the fair value of a reporting unit that are under the income and/or market approaches of valuation methods. Under the discounted cash flow method, an income approach, the business enterprise value is determined by discounting to present value the terminal value which is calculated using debt-free after-tax cash flows for a finite period of years. Key estimates in this approach were internal financial projection estimates prepared by management, assessment of business risk, and expected rates of return on capital. The guideline company method, a market approach, develops valuation multiples by comparing our reporting units to similar publicly traded companies. Key estimates and determination of valuation multiples rely on the selection of similar companies, obtaining forecast revenue and EBITDA estimates for the similar companies and selection of valuation multiples as they apply to the reporting unit characteristics. Under the similar transactions method, a market approach, actual transaction prices and operating data from companies deemed reasonably similar to the reporting units are used to develop valuation multiples as an indication of how much a knowledgeable investor in the marketplace would be willing to pay for the business units.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

We are exposed to market risk from changes in foreign currency exchange rates. In order to manage the risk arising from these exposures, we enter into a variety of foreign currency derivatives. We do not hold financial or derivative instruments for trading purposes.

A discussion of our accounting policies for financial and derivative instruments is included in Note 2 — Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements and Note 9 — Derivative Financial Instruments within Item 8 of this Annual Report on Form 10-K.

Foreign Exchange Risk

Because of the large number of countries and currencies we operate in, movements in currency exchange rates may affect our results.

We report our operating results and financial condition in U.S. dollars. Our U.S. operations earn revenue and incur expenses primarily in U.S. dollars. Outside the U.S., we predominantly generate revenue and expenses in the local currency with the exception of our London market operations which earn revenue in several currencies but incur expenses predominantly in Pounds sterling.

The table below gives an approximate analysis of revenue and expenses by currency in 2020.

	U.S. dollars	Pounds sterling	Euro	Other currencies
Revenue	58%	12%	15%	15%
Expenses [(i)]	52%	20%	12%	16%

(i) These percentages exclude certain expenses for significant items which will not be settled in cash, or which we believe to be items that are not core to our current or future operations. These items include amortization of intangible assets and transaction and integration expenses.

Our principal exposures to foreign exchange risk arise from:

- our London market operations;
- intercompany lending between subsidiaries; and
- translation.

London market operations

The Company's primary foreign exchange risks in its London market operations arise from changes in the exchange rate between the U.S. dollar and Pound sterling as its London market operations earn the majority of its revenue in U.S. dollars but incur expenses predominantly in Pounds sterling, and may also hold significant foreign currency asset or liability positions on its consolidated balance sheet. In addition, the London market operations earn significant revenue in Euro and Japanese yen.

The foreign exchange risks in our London market operations are hedged to the extent that:

- forecasted Pounds sterling expenses exceed Pounds sterling revenue, in which case the Company limits its exposure to this exchange rate risk by the use of forward contracts matched to a portion of the forecasted Pounds sterling outflows arising in the ordinary course of business. In addition, we are also exposed to foreign exchange risk on any net Pounds sterling asset or liability position in our London market operations;
- the U.K. operations also earn significant revenue in Euro and Japanese yen. The Company limits its exposure to changes in the exchange rates between the U.S. dollar and these currencies by the use of foreign exchange contracts matched to a proportion of forecast cash inflows in these specific currencies and periods; and
- Miller Insurance Services LLP, which is a Pound sterling functional entity, earns significant non-functional currency revenue, in which case the Company limits its exposure to exchange rate changes by the use of foreign exchange contracts matched to a proportion of forecast cash inflows in specific currencies and periods. The sale of our Miller business is expected to close during the first quarter of 2021, and as such, the foreign exchange contracts entered into by Miller will be part of the transaction.

Intercompany lending between subsidiaries

The Company engages in intercompany borrowing and lending between subsidiaries, primarily through our in-house banking operations which give rise to foreign exchange exposures. The Company mitigates these risks through the use of short-term foreign currency forward and swap transactions that offset the underlying exposure created when the borrower and lender have different functional currencies. These derivatives are not generally designated as hedging instruments and at December 31, 2020 we had notional amounts of $1.5 billion (denominated primarily in U.S. dollars, Pound sterling, Euro and Australian dollars), with net fair value assets of $15 million. Such derivatives typically mature within three months.

Translation risk

Outside our U.S. and London market operations, we predominantly earn revenue and incur expenses in the local currency. When we translate the results and net assets of these operations into U.S. dollars for reporting purposes, movements in exchange rates will affect reported results and net assets. For example, if the U.S. dollar strengthens against the Euro, the reported results of our Eurozone operations in U.S. dollar terms will be lower.

The table below provides information about our foreign currency forward exchange contracts, which are sensitive to exchange rate risk. The table summarizes the U.S. dollar equivalent amounts of each currency bought and sold forward and the weighted-average contractual exchange rates. All forward exchange contracts mature within two years.

	Settlement date before December 31,			
	2021		2022	
December 31, 2020	Contract amount (millions)	Average contractual exchange rate	Contract amount (millions)	Average contractual exchange rate
Foreign currency sold				
U.S. dollars sold for Pounds sterling	$ 158	$1.29 = £1	$ 55	$1.30 = £1
Euros sold for U.S. dollars	70	€1 = $1.15	26	€1 = $1.16
Japanese yen sold for U.S. dollars	17	¥104.80 = $1	7	¥104.05 = $1
Euros sold for Pounds sterling	7	€1 = £1.13	—	
Total	$ 252		$ 88	
Fair value (i)	$ 5		$ -	

(i) Represents the difference between the contract amount and the cash flow in U.S. dollars which would have been receivable had the foreign currency forward exchange contracts been entered into on December 31, 2020 at the forward exchange rates prevailing at that date.

Income earned within foreign subsidiaries outside of the U.K. is generally offset by expenses in the same local currency, however the Company does have exposure to foreign exchange movements on the net income of these entities.

Interest Rate Risk

The Company has access to $1.25 billion under a revolving credit facility expiring March 7, 2022. As of December 31, 2020, no amount was drawn on this facility. We are also subject to market risk from exposure to changes in interest rates based on our investing activities where our primary interest rate risk arises from changes in short-term interest rates in U.S. dollars, Pounds sterling and Euros.

The table below provides information about our financial instruments that are sensitive to changes in interest rates.

	Expected to mature before December 31,							
	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value (i)
				($ in millions)				
Fixed rate debt								
Principal	$ 950	660	$ 250	$ 650	$ —	$ 3,100	$ 5,610	$ 6,418
Fixed rate payable	4.684%	2.125%	4.625%	3.600%	—	4.224%	4.000%	
Floating rate debt								
Principal	$ 22	$ 17	$ 13	$ 3	$ —	$ —	$ 55	$ 55
Variable rate payable (ii)	5.448%	5.448%	5.530%	5.595%	—	—	5.475%	

(i) Represents the net present value of the expected cash flows discounted at current market rates of interest or quoted market rates as appropriate.

(ii) Represents the estimated interest rate payable.

Interest Income on Fiduciary Funds

As a result of our operating activities, we receive cash for premiums and claims which we deposit in short-term investments denominated in U.S. dollars and other currencies. We earn interest on these funds, which is included in our consolidated financial statements as interest income. These funds are regulated in terms of access and the instruments in which they may be invested, most of which are short-term in maturity. At December 31, 2020, we held $2.2 billion of fiduciary funds invested in interest-bearing accounts. If short-term interest rates increased or decreased by 25 basis points, interest earned on these invested fiduciary funds, and therefore our interest income recognized, would increase or decrease by approximately $6 million on an annualized basis.

LIBOR-Related Debt Instruments

In July 2017, the Financial Conduct Authority, the authority that regulates LIBOR, announced its intention to phase out LIBOR as a benchmark rate by the end of 2021. The Alternative Reference Rates Committee (‘ARRC’), a group of private-market participants convened by the Federal Reserve Board and the Federal Reserve Bank of New York to help ensure a successful transition from U.S. dollar LIBOR (‘USD-LIBOR’) to a more robust reference rate, has proposed that the Secured Overnight Financing Rate (‘SOFR’) represents the best alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a transition plan with specific steps and timelines designed to encourage the adoption of SOFR and guide the transition to SOFR from USD-LIBOR. Organizations are currently working on industry-wide and company-specific transition plans related to derivatives and cash markets exposed to USD-LIBOR. Similar efforts are underway to identify suitable replacement reference rates for LIBOR in other major currencies.

As of December 31, 2020, the Company’s primary exposure is its $1.25 billion revolving credit facility maturing in 2022 and its collateralized facility assumed as part of its acquisition of TRANZACT, which are both priced using rates tied to LIBOR. We anticipate renegotiating the revolving credit facility prior to the potential LIBOR quotation termination date and will renegotiate, or repay, the collateralized facility prior to the end of 2021. In addition, the Company and its subsidiaries have entered into various intercompany notes indexed to LIBOR. The Company, in preparation for a December 31, 2021 deadline, expects to amend or replace the LIBOR-based intercompany notes as necessary to reflect new market benchmarks for the relevant loan currencies.

We are currently evaluating the LIBOR-related risks that may be inherent in our Treasury workstation software and elsewhere in our business and are monitoring for further proposals and guidance from the ARRC and other alternative-rate initiatives. While it is currently uncertain whether SOFR or another reference rate will be selected as the alternative to LIBOR, or whether other reforms will be enacted in response to the planned transition, we will make the appropriate changes when necessary.

Credit Risk and Concentrations of Credit Risk

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Company currently does not anticipate non-performance by its counterparties. The Company generally does not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, fiduciary funds, accounts receivable and derivatives which are recorded at fair value.

The Company maintains a policy of providing for the diversification of cash and cash equivalent investments and places such investments in an extensive number of financial institutions to limit the amount of credit risk exposure. These financial institutions are monitored on an ongoing basis for credit quality predominantly using information provided by credit agencies.

Concentrations of credit risk with respect to receivables are limited due to the large number of clients and markets in which the Company does business, as well as the dispersion across many geographic areas. Management does not believe that significant risk exists in connection with the Company’s concentrations of credit as of December 31, 2020.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WILLIS TOWERS WATSON

INDEX TO FORM 10-K

For the year ended December 31, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Willis Towers Watson Public Limited Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Willis Towers Watson Public Limited Company and subsidiaries (the 'Company') as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, changes in equity and cash flows, for the three years then ended, and the related notes (collectively referred to as the 'financial statements'). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the three years then ended, in conformity with accounting principles generally accepted in the United States of America ('US GAAP').

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ('PCAOB'), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Errors and Omissions Reserve — Refer to Notes 2, 14 and 15 to the financial statements

Critical Audit Matter Description

The Company has established provisions against various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions ('E&O') which arise in connection with the placement of insurance and reinsurance and provision of broking, consulting and outsourcing services in the ordinary course of business. Such provisions cover claims that have been reported but not paid and also claims that have been incurred but not reported ('IBNR'). These provisions are established based on actuarial estimates together with individual case reviews. Significant management judgment is required to estimate the amounts of such claims.

Auditing management's judgments related to its E&O provision, and in particular the broking, consulting and outsourcing business provisions related to the IBNR, and the provisions related to significant claims reported but not paid, involved especially complex and subjective judgment and an increased extent of effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

We tested the effectiveness of controls over the Company's estimation of the E&O provisions, including controls over the underlying historical claims data, the actuarial methodology used, the assumptions selected by management that are used to calculate the broking, consulting and outsourcing business IBNR provisions, and the establishment and quarterly evaluation of provisions for reported claims, including significant claims.

For the IBNR provisions, we evaluated the appropriateness of the IBNR models, including evaluating changes needed or warranted given changes in the business and trends emerging from the COVID-19 pandemic, and evaluated the consistency of the model with prior years in order to challenge the methodology used to estimate the provisions. With the assistance of our actuarial specialists, we assessed the methodology and models used, including key inputs and assumptions used in, and arithmetical accuracy of, the models used. We also performed retrospective reviews of management's estimated claims emergence in comparison to actual results and evaluated the provisions set by management in comparison to a range of independent estimates that we developed.

We evaluated the E&O matters and the appropriateness of their projected settlement values through inquiries of, and confirmations from, in-house counsel and external lawyers handling those matters for the Company.

/s/ Deloitte & Touche LLP
Philadelphia, PA
February 23, 2021

We have served as the Company's auditor since 2017.

WILLIS TOWERS WATSON
Consolidated Statements of Comprehensive Income
(In millions of U.S. dollars, except per share data)

	Years ended December 31, 2020	2019	2018
Revenue	$ 9,352	$ 9,039	$ 8,513
Costs of providing services			
Salaries and benefits	5,507	5,249	5,123
Other operating expenses	1,758	1,719	1,637
Depreciation	308	240	208
Amortization	462	489	534
Restructuring costs	24	—	—
Transaction and integration expenses	110	13	202
Total costs of providing services	8,169	7,710	7,704
Income from operations	1,183	1,329	809
Interest expense	(244)	(234)	(208)
Other income, net	399	227	250
INCOME FROM OPERATIONS BEFORE INCOME TAXES	1,338	1,322	851
Provision for income taxes	(318)	(249)	(136)
NET INCOME	1,020	1,073	715
Income attributable to non-controlling interests	(24)	(29)	(20)
NET INCOME ATTRIBUTABLE TO WILLIS TOWERS WATSON	$ 996	$ 1,044	$ 695
EARNINGS PER SHARE			
Basic earnings per share	$ 7.68	$ 8.05	$ 5.29
Diluted earnings per share	$ 7.65	$ 8.02	$ 5.27
NET INCOME	$ 1,020	$ 1,073	$ 715
Other comprehensive income/(loss), net of tax:			
Foreign currency translation	$ 139	$ 78	$ (251)
Defined pension and post-retirement benefits	(266)	(329)	(199)
Derivative instruments	(4)	21	2
Other comprehensive income/(loss), net of tax, before non-controlling interests	(131)	(230)	(448)
Comprehensive income before non-controlling interests	889	843	267
Comprehensive income attributable to non-controlling interests	(25)	(29)	(20)
Comprehensive income attributable to Willis Towers Watson	$ 864	$ 814	$ 247

See accompanying notes to the consolidated financial statements

WILLIS TOWERS WATSON
Consolidated Balance Sheets
(In millions of U.S. dollars, except share data)

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 2,089	$ 887
Fiduciary assets	15,160	13,004
Accounts receivable, net	2,555	2,621
Prepaid and other current assets	497	525
Total current assets	20,301	17,037
Fixed assets, net	1,014	1,046
Goodwill	11,204	11,194
Other intangible assets, net	3,043	3,478
Right-of-use assets	902	968
Pension benefits assets	971	868
Other non-current assets	1,096	835
Total non-current assets	18,230	18,389
TOTAL ASSETS	$ 38,531	$ 35,426
LIABILITIES AND EQUITY		
Fiduciary liabilities	$ 15,160	$ 13,004
Deferred revenue and accrued expenses	2,161	1,784
Current debt	971	316
Current lease liabilities	152	164
Other current liabilities	888	802
Total current liabilities	19,332	16,070
Long-term debt	4,664	5,301
Liability for pension benefits	1,405	1,324
Deferred tax liabilities	561	526
Provision for liabilities	407	537
Long-term lease liabilities	918	964
Other non-current liabilities	312	335
Total non-current liabilities	8,267	8,987
TOTAL LIABILITIES	27,599	25,057
COMMITMENTS AND CONTINGENCIES		
EQUITY (i)		
Additional paid-in capital	10,748	10,687
Retained earnings	2,434	1,792
Accumulated other comprehensive loss, net of tax	(2,359)	(2,227)
Treasury shares, at cost, 17,519 in 2020 and 2019 and 40,000 shares, €1 nominal value, in 2019	(3)	(3)
Total Willis Towers Watson shareholders' equity	10,820	10,249
Non-controlling interests	112	120
Total equity	10,932	10,369
TOTAL LIABILITIES AND EQUITY	$ 38,531	$ 35,426

(i) Equity includes (a) Ordinary shares $0.000304635 nominal value; Authorized 1,510,003,775; Issued 128,964,579 (2020) and 128,689,930 (2019); Outstanding 128,964,579 (2020) and 128,689,930 (2019); (b) Ordinary shares, €1 nominal value; Authorized and Issued 40,000 shares in 2019; and (c) Preference shares, $0.000115 nominal value; Authorized 1,000,000,000 and Issued none in 2020 and 2019.

See accompanying notes to the consolidated financial statements

WILLIS TOWERS WATSON
Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	Years ended December 31, 2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
NET INCOME	$ 1,020	$ 1,073	$ 715
Adjustments to reconcile net income to total net cash from operating activities:			
Depreciation	308	240	213
Amortization	462	489	534
Non-cash lease expense	146	148	—
Net periodic benefit of defined benefit pension plans	(196)	(135)	(163)
Provision for doubtful receivables from clients	29	9	8
Provision for/(benefit from) deferred income taxes	99	(72)	(115)
Share-based compensation	90	74	50
Net (gain)/loss on disposal of operations	(81)	2	9
Non-cash foreign exchange (gain)/loss	(6)	26	26
Other, net	(41)	17	8
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:			
Accounts receivable	72	(261)	68
Fiduciary assets	(1,774)	(365)	(839)
Fiduciary liabilities	1,774	365	839
Other assets	(205)	(269)	(22)
Other liabilities	215	(264)	(20)
Provisions	(138)	4	(23)
Net cash from operating activities	1,774	1,081	1,288
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to fixed assets and software for internal use	(223)	(246)	(268)
Capitalized software costs	(63)	(59)	(54)
Acquisitions of operations, net of cash acquired	(69)	(1,329)	(36)
Net proceeds from sale of operations	212	17	4
Other, net	(17)	3	13
Net cash used in investing activities	(160)	(1,614)	(341)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Net payments on revolving credit facility	—	(131)	(754)
Senior notes issued	282	997	998
Proceeds from issuance of other debt	—	1,100	—
Debt issuance costs	(2)	(13)	(8)
Repayments of debt	(327)	(995)	(170)
Repurchase of shares	—	(150)	(602)
Proceeds from issuance of shares	16	45	45
Payments of deferred and contingent consideration related to acquisitions	(12)	(57)	(50)
Cash paid for employee taxes on withholding shares	(14)	(15)	(30)
Dividends paid	(346)	(329)	(306)
Acquisitions of and dividends paid to non-controlling interests	(28)	(55)	(26)
Other, net	(3)	—	—
Net cash (used in)/from financing activities	(434)	397	(903)
INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,180	(136)	44
Effect of exchange rate changes on cash, cash equivalents and restricted cash	21	(2)	(41)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR (i)	895	1,033	1,030
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR (i)	$ 2,096	$ 895	$ 1,033

(i) As a result of the acquired TRANZACT collateralized facility (see Note 10 — Debt), cash, cash equivalents and restricted cash included $7 million and $8 million of restricted cash at December 31, 2020 and 2019, respectively, which is included within prepaid and other current assets on our consolidated balance sheets. There were no restricted cash amounts held at December 31, 2018 and 2017.

See accompanying notes to the consolidated financial statements

WILLIS TOWERS WATSON
Consolidated Statements of Changes in Equity
(In millions of U.S. dollars and number of shares in thousands)

	Shares outstanding	Additional paid-in capital	Retained earnings	Treasury shares	AOCL (i)	Total WTW shareholders' equity	Non-controlling interests	Total equity	Redeemable Non-controlling interest (ii)	Total
Balance as of January 1, 2018	132,140	$ 10,538	$ 1,104	$ (3)	$ (1,513)	$ 10,126	$ 123	$ 10,249	$ 28	
Adoption of ASC 606	—	—	317	—	—	317	—	317	—	
Shares repurchased	(3,919)	—	(602)	—	—	(602)	—	(602)	—	
Net income	—	—	695	—	—	695	18	713	2	$ 715
Dividends declared ($2.40 per share)	—	—	(313)	—	—	(313)	—	(313)	—	
Dividends attributable to non-controlling interests	—	—	—	—	—	—	(24)	(24)	(2)	
Other comprehensive (loss)/income	—	—	—	—	(448)	(448)	2	(446)	(2)	$ (448)
Issuance of shares under employee stock compensation plans	701	45	—	—	—	45	—	45	—	
Share-based compensation and net settlements	—	27	—	—	—	27	—	27	—	
Foreign currency translation	—	5	—	—	—	5	—	5	—	
Balance as of December 31, 2018	128,922	$ 10,615	$ 1,201	$ (3)	$ (1,961)	$ 9,852	$ 119	$ 9,971	$ 26	
Adoption of ASU 2018-02	—	—	36	—	(36)	—	—	—	—	
Shares repurchased	(788)	—	(150)	—	—	(150)	—	(150)	—	
Net income	—	—	1,044	—	—	1,044	23	1,067	6	$ 1,073
Dividends declared ($2.60 per share)	—	—	(339)	—	—	(339)	—	(339)	—	
Dividends attributable to non-controlling interests	—	—	—	—	—	—	(21)	(21)	(2)	
Other comprehensive loss	—	—	—	—	(230)	(230)	—	(230)	—	$ (230)
Issuance of shares under employee stock compensation plans	556	45	—	—	—	45	—	45	—	
Share-based compensation and net settlements	—	32	—	—	—	32	—	32	—	
Acquisition of non-controlling interests	—	(6)	—	—	—	(6)	(1)	(7)	(30)	
Foreign currency translation	—	1	—	—	—	1	—	1	—	
Balance as of December 31, 2019	128,690	$ 10,687	$ 1,792	$ (3)	$ (2,227)	$ 10,249	$ 120	$ 10,369	$ —	
Net income	—	—	996	—	—	996	24	1,020	—	$ 1,020
Dividends declared ($2.75 per share)	—	—	(354)	—	—	(354)	—	(354)	—	
Dividends attributable to non-controlling interests	—	—	—	—	—	—	(22)	(22)	—	
Other comprehensive (loss)/income	—	—	—	—	(132)	(132)	1	(131)	—	$ (131)
Issuance of shares under employee stock compensation plans	275	16	—	—	—	16	—	16	—	
Share-based compensation and net settlements	—	46	—	—	—	46	—	46	—	
Reduction of non-controlling interests (iii)	—	9	—	—	—	9	(11)	(2)	—	
Other	—	(3)	—	—	—	(3)	—	(3)	—	
Foreign currency translation	—	(7)	—	—	—	(7)	—	(7)	—	
Balance as of December 31, 2020	128,965	$ 10,748	$ 2,434	$ (3)	$ (2,359)	$ 10,820	$ 112	$ 10,932	$ —	

(i) Accumulated other comprehensive loss, net of tax ('AOCL').
(ii) The redeemable non-controlling interest was related to Max Matthiessen Holding AB. The Company purchased the remaining non-controlling interest of Max Matthiessen Holding AB during the year ended December 31, 2019.
(iii) Attributable to the divestiture of businesses that are less than wholly-owned or the acquisition of shares previously owned by minority interest holders.

See accompanying notes to the consolidated financial statements

Note 1 — Nature of Operations

Willis Towers Watson plc is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. The Company has more than 46,000 employees and services clients in more than 140 countries.

We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals.

Our risk management services include strategic risk consulting (including providing actuarial analysis), a variety of due diligence services, the provision of practical on-site risk control services (such as health and safety and property loss control consulting), and analytical and advisory services (such as hazard modeling and reinsurance optimization studies). We also assist our clients with planning for addressing incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans.

We help our clients enhance business performance by delivering consulting services, technology and solutions that optimize benefits and cultivate talent. Our services and solutions encompass such areas as employee benefits, total rewards, talent and benefits outsourcing. In addition, we provide investment advice to help our clients develop disciplined and efficient strategies to meet their investment goals and expand the power of capital.

As an insurance broker, we act as an intermediary between our clients and insurance carriers by advising on their risk management requirements, helping them to determine the best means of managing risk and negotiating and placing insurance with insurance carriers through our global distribution network.

We operate a private Medicare marketplace in the U.S. through which, along with our active employee marketplace, we help our clients move to a more sustainable economic model by capping and controlling the costs associated with healthcare benefits. Additionally, with the acquisition of TRANZACT in July 2019 (see Note 3 – Acquisitions and Divestitures), we also provide direct-to-consumer sales of Medicare coverage.

We are not an insurance company, and therefore we do not underwrite insurable risks for our own account. We believe our broad perspective allows us to see the critical intersections between talent, assets and ideas - the dynamic formula that drives business performance.

Proposed Combination with Aon plc

On March 9, 2020, WTW and Aon plc (‘Aon’) issued an announcement disclosing that the respective boards of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon. Under the terms of the agreement each WTW shareholder will receive 1.08 Aon ordinary shares for each WTW ordinary share. At the time of the announcement, it was estimated that upon completion of the combination, existing Aon shareholders will own approximately 63% and existing WTW shareholders will own approximately 37% of the combined company on a fully diluted basis.

The transaction was approved by the shareholders of both WTW and Aon during meetings of the respective shareholders held on August 26, 2020 and remains subject to other customary closing conditions, including required regulatory approvals. The antitrust regulatory review of the transaction remains ongoing. In addition, there are numerous other regulatory approvals and other closing conditions that need to be met. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions.

Note 2 — Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements

Basis of Presentation

The accompanying audited consolidated financial statements of Willis Towers Watson and our subsidiaries are presented in accordance with the rules and regulations of the SEC for annual reports on Form 10-K and are prepared in accordance with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation.

Risks and Uncertainties Related to the COVID-19 Pandemic

The COVID-19 pandemic has had an adverse impact on global commercial activity, including the global supply chain, and has contributed to significant volatility in the global financial markets including, among other effects, occasional declines in the equity markets, changes in interest rates and reduced liquidity on a global basis. In light of the effects on our own business operations and those of our clients, suppliers and other third parties with whom we interact, the Company has regularly considered the impact of COVID-19 on our business, taking into account our business resilience and continuity plans, financial modeling and stress testing of liquidity and financial resources.

Generally, the COVID-19 pandemic did not have a material adverse impact on our overall financial results during 2020; however, during 2020, the COVID-19 pandemic negatively impacted our revenue growth, primarily in our businesses that are discretionary in nature. We believe such level of impact will continue through much of 2021, at least until a sufficient portion of the populations in jurisdictions where we do business have been vaccinated and social-distancing orders are lessened or lifted.

As part of the significant estimates and assumptions that are inherent in our financial statements, we have considered the impact COVID-19 will have on our client behavior and the economic environment looking forward to 2021 and throughout the geographies in which we operate. These estimates and assumptions include the collectability of billed and unbilled receivables, the estimation of revenue, and the fair value of our reporting units, tangible and intangible assets and contingent consideration. With regard to collectability of receivables, we believe we may continue to face atypical delays in client payments going forward. The demand for certain discretionary lines of business has decreased, and we believe that decrease may continue to impact our financial results in succeeding periods. Non-discretionary lines of business have also been, to some extent, adversely affected and may be adversely affected in the future. Further, reduced economic activity or disruption in insurance markets could reduce the demand for or the extent of insurance coverage. For example, we have seen instances where the reduced demand for air travel has reduced the extent of insurance coverage needed. Also, the increased frequency and severity of coverage disputes between our clients and (re)insurers arising out of the pandemic could increase our professional liability risk. We will continue to monitor the situation and assess any implications to our business and our stakeholders.

The extent to which COVID-19 impacts our business and financial position will depend on future developments, which are difficult to predict. These future developments may include the severity and scope of the COVID-19 outbreak, which may unexpectedly change or worsen, and the types and duration of measures imposed by governmental authorities to contain the virus or address its impact. We continue to expect that the COVID-19 pandemic will negatively impact our revenue and operating results in fiscal 2021. We believe that these trends and uncertainties are similar to those faced by other comparable registrants as a result of the pandemic.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ('CARES') Act was enacted in the U.S. to provide relief to companies in the midst of the COVID-19 pandemic and to stimulate the economy. The assistance includes temporary tax relief and government loans, grants and investments for entities in affected industries.

With regard to the income tax provisions of the CARES Act, the Company has reviewed its eligibility requirements, including if and how they apply and how they will affect the Company, particularly provisions that (i) eliminate the taxable income limit for certain net operating losses ('NOLs') and allow businesses to carry back NOLs arising in 2018, 2019 and 2020 to the five prior tax years; (ii) generally relaxed the business interest limitation under section 163(j) from 30 percent to 50 percent; and (iii) fix the 'retail glitch' for qualified improvement property.

During the three months ended June 30, 2020, the Company elected to use the section 163(j) 50 percent business interest limitation for tax years 2019 and 2020. Utilizing this temporary provision, the Company realized a cash tax benefit in 2020 of approximately $38 million for tax years 2019 and 2020. The Company recognized tax expense of approximately $29 million and $32 million for the 2019 and 2020 tax years, respectively, primarily related to an incremental Base Erosion and Anti-Abuse Tax ('BEAT').

Additionally, the CARES Act offers an employee retention credit to encourage employers to maintain headcounts even if employees cannot report to work because of issues related to COVID-19 as well as a temporary provision allowing companies to defer remitting the employer share of some payroll taxes to the government. The payroll tax provisions of the CARES Act were not material for 2020.

Significant Accounting Policies

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Willis Towers Watson and those of our majority-owned and controlled subsidiaries. Intercompany accounts and transactions have been eliminated.

We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ('VIE'). Variable interest entities are entities that lack one or more of the characteristics of a voting interest entity and therefore require a different approach in determining which party involved with the VIE should consolidate the entity. With a VIE, either the entity does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties, or the equity holders, as a group, do not have the power to direct the activities that most significantly impact its financial performance, the obligation to absorb expected losses of the entity, or the right to receive the expected residual returns of the entity. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE.

Voting interest entities are entities that have sufficient equity and provide equity investors voting rights that give them the power to make significant decisions related to the entity's operations. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. Accordingly, we consolidate our voting interest entity investments in which we hold, directly or indirectly, more than 50% of the voting rights.

<u>Use of Estimates</u> — These consolidated financial statements conform to U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Estimates are used when accounting for revenue recognition and related costs, the selection of useful lives of fixed and intangible assets, impairment testing, valuation of billed and unbilled receivables from clients, discretionary compensation, income taxes, pension assumptions, incurred but not reported claims, legal reserves and goodwill and intangible assets.

<u>Going Concern</u> — Management evaluates at each annual and interim period whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. Management's evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the consolidated financial statements are issued. Management has concluded that there are no conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date of these financial statements.

<u>Fair Value of Financial Instruments</u> — The carrying values of our cash, cash equivalents and restricted cash, accounts receivable, accrued expenses, revolving lines of credit and term loans approximate their fair values because of the short maturity and liquidity of those instruments. We consider the difference between carrying value and fair value to be immaterial for our senior notes. The fair value of our senior notes and note receivable are considered Level 2 financial instruments as they are corroborated by observable market data. See Note 11 — Fair Value Measurements for additional information about our measurements of fair value.

<u>Investments in Associates</u> — Investments are accounted for using the equity method of accounting, included within other non-current assets in the consolidated balance sheets, if the Company has the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an equity ownership in the voting stock of the investee between 20 and 50 percent, although other factors, such as representation on the board of directors, the existence of substantive participation rights, and the impact of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment is carried at the cost of acquisition, plus the Company's equity in undistributed net income since acquisition, less any dividends received since acquisition.

The Company periodically reviews its investments in associates for which fair value is less than cost to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the investment is written down to fair value. The amount of any write-down is included in the consolidated statements of comprehensive income.

<u>Cash and Cash Equivalents</u> — Cash and cash equivalents primarily consist of time deposits with original maturities of 90 days or less. In certain of the countries in which we conduct business, we are subject to capital adequacy requirements. Most significantly, Willis Limited, our U.K. brokerage subsidiary regulated by the Financial Conduct Authority, is currently required to maintain $140 million in unencumbered and available financial resources, of which at least $51 million must be in cash, for regulatory purposes. Term deposits and certificates of deposits with original maturities greater than 90 days are considered to be short-term investments. As a result of the acquired TRANZACT collateralized facility (see Note 10 — Debt), we had $7 million and $8 million of restricted cash at December 31, 2020 and 2019, respectively, which is included within prepaid and other current assets on our consolidated balance sheet.

<u>Fiduciary Assets and Liabilities</u> — The Company collects premiums from insureds and, after deducting commissions, remits the premiums to the respective insurers. The Company also collects claims or refunds from insurers on behalf of insureds. Certain of our health and welfare benefits administration outsourcing agreements require us to hold funds on behalf of clients to pay obligations on

their behalf. Each of these transactions is reported on our consolidated balance sheet as assets and corresponding liabilities unless such balances are due to or from the same party and a right of offset exists, in which case the balances are recorded net.

Fiduciary assets on the consolidated balance sheets are comprised of both fiduciary funds and fiduciary receivables:

Fiduciary Funds – Unremitted insurance premiums and claims are recorded within fiduciary assets on the consolidated balance sheets. Fiduciary funds are generally required to be kept in certain regulated bank accounts subject to guidelines which emphasize capital preservation and liquidity. Such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with insureds and insurers, the Company is entitled to retain investment income earned on fiduciary funds in accordance with industry custom and practice and, in some cases, as supported by agreements with insureds. The period for which the Company holds such funds is dependent upon the date the insured remits the payment of the premium to the Company, or the date the Company receives refunds from the insurers, and the date the Company is required to forward such payments to the insurer or insured, respectively.

Fiduciary receivables – Uncollected premiums from insureds and uncollected claims or refunds from insurers are recorded as fiduciary assets on the consolidated balance sheets. In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insureds prior to collection. Such advances are made from fiduciary funds and are reflected in the consolidated balance sheets as fiduciary assets.

Fiduciary liabilities on the consolidated balance sheets represent the obligations to remit all fiduciary funds and fiduciary receivables to insurers or insureds.

<u>Accounts Receivable</u> — Accounts receivable includes both billed and unbilled receivables and is stated at estimated net realizable values. Provision for billed receivables is recorded, when necessary, in an amount considered by management to be sufficient to meet probable future losses related to uncollectible accounts. Accrued and unbilled receivables are stated at net realizable value which includes an allowance for accrued and unbillable amounts. See Note 4 — Revenue for additional information about our accounts receivable.

<u>Acquired Accounts Receivable</u> — As part of the acquisition accounting for the TRANZACT business (see Note 3 – Acquisitions and Divestitures), the acquired accounts receivable arising from direct-to-consumer Medicare broking sales were present-valued at the acquisition date in accordance with ASC 805, *Business Combinations* ('ASC 805'). Cash collections for these receivables are expected to occur over a period of several years. Due to the provisions of ASC 606, *Revenue From Contracts With Customers* ('ASC 606'), these receivables are not discounted for a significant financing component when initially recognized. The acquired renewal commissions receivables will be accounted for prospectively using the cost-recovery method in which future cash receipts will initially be applied against the acquisition date fair value until the value reaches zero. Any cash received in excess of the fair value determined at acquisition will be recorded to earnings when it is received at a future date. The adjusted values of these acquired renewal commissions receivables will be included in prepaid and other current assets or other non-current assets, as appropriate, on the consolidated balance sheets.

<u>Income Taxes</u> — The Company recognizes deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the consolidated statement of comprehensive income in the period in which the change is enacted. Deferred tax assets are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized. The Company adjusts valuation allowances to measure deferred tax assets at the amounts considered realizable in future periods when the Company's facts and assumptions change. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operating results. We place more reliance on evidence that is objectively verifiable.

Positions taken in the Company's tax returns may be subject to challenge by the taxing authorities upon examination. The Company recognizes the benefits of uncertain tax positions in the financial statements when it is more likely than not that a position will be sustained on the basis of the technical merits of the position assuming the tax authorities have full knowledge of the position and all relevant facts. Recognition also occurs upon either the lapse of the relevant statute of limitations or when positions are effectively settled. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely to be realized on settlement with the tax authority. The Company adjusts its recognition of uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax positions. Such adjustments are reflected as increases or decreases to income taxes in the period in which they are determined.

The Company recognizes interest and penalties relating to unrecognized tax benefits within income taxes. See Note 6 — Income Taxes for additional information regarding the Company's income taxes.

Foreign Currency — Transactions in currencies other than the functional currency of the entity are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported as income or expense in the consolidated statements of comprehensive income. Certain intercompany loans are determined to be of a long-term investment nature. The Company records transaction gains and losses from re-measuring such loans as other comprehensive income in the consolidated statements of comprehensive income.

Upon consolidation, the results of operations of subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the average exchange rates, and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate component of other comprehensive income in the financial statements and are included in net income only upon sale or liquidation of the underlying foreign subsidiary or associated company.

Derivatives — The Company uses derivative financial instruments to alter the risk profile of an existing underlying exposure. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income and expenses and to offset balance sheet exposures in currencies other than the functional currency of an entity. We do not hold any derivatives for trading purposes. The fair values of derivative contracts are recorded in other assets and other liabilities in the consolidated balance sheets. The effective portions of changes in the fair value of derivatives that qualify for hedge accounting as cash flow hedges are recorded in other comprehensive income. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. If the derivative is designated and qualifies as an effective fair value hedge, the changes in the fair value of the derivative and of the hedged item associated with the hedged risk are both recognized in earnings. The amount of hedge ineffectiveness recognized in earnings is based on the extent to which an offset between the fair value of the derivative and hedged item is not achieved. Changes in the fair value of derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness on those that do qualify, are recorded in other income, net or interest expense as appropriate.

The Company evaluates whether its contracts include clauses or conditions which would be required to be separately accounted for at fair value as embedded derivatives. See Note 9 — Derivative Financial Instruments for additional information about the Company's derivatives.

Commitments, Contingencies and Provisions for Liabilities — The Company establishes provisions against various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in the ordinary course of business. Such provisions cover claims that have been reported but not paid and also unasserted claims and related legal fees. These provisions are established based on actuarial estimates together with individual case reviews and are believed to be adequate in light of current information and legal advice. In certain cases, where a range of loss exists, we accrue the minimum amount in the range if no amount within the range is a better estimate than any other amount. To the extent such losses can be recovered under the Company's insurance programs, estimated recoveries are recorded when losses for insured events are recognized and the recoveries are likely to be realized. Significant management judgment is required to estimate the amounts of such unasserted claims and the related insurance recoveries. The Company analyzes its litigation exposure based on available information, including consultation with outside counsel handling the defense of these matters, to assess its potential liability. These contingent liabilities are not discounted. See Note 14 — Commitments and Contingencies and Note 15 — Supplementary Information for Certain Balance Sheet Accounts for additional information about our commitments, contingencies and provisions for liabilities.

Share-Based Compensation — The Company has equity-based compensation plans that provide for grants of restricted stock units and stock options to employees and non-employee directors of the Company. Additionally, the Company has cash-settled share-based compensation plans that provide for grants to employees.

The Company expenses equity-based compensation, which is included in Salaries and benefits in the consolidated statements of comprehensive income, primarily on a straight-line basis over the requisite service period. The significant assumptions underlying our expense calculations include the fair value of the award on the date of grant, the estimated achievement of any performance targets and estimated forfeiture rates. The awards under equity-based compensation are classified as equity and are included as a component of equity on the Company's consolidated balance sheets, as the ultimate payment of such awards will not be achieved through use of the Company's cash or other assets.

For the cash-settled share-based compensation, the Company recognizes a liability for the fair-value of the awards as of each reporting date. The liability for these awards is included within other current liabilities or other non-current liabilities in the consolidated balance sheets depending when the amounts are payable. Expense is recognized over the service period, and as the liability is remeasured at the end of each reporting period, changes in fair value are recognized as compensation cost within Salaries and benefits in the consolidated statements of comprehensive income. The significant assumptions underlying our expense calculations include the estimated achievement of any performance targets and estimated forfeiture rates.

See Note 18 — Share-based Compensation for additional information about the Company's share-based compensation.

Fixed Assets — Fixed assets are stated at cost less accumulated depreciation. Expenditures for improvements are capitalized; repairs and maintenance are charged to expense as incurred. Depreciation is computed primarily using the straight-line method based on the estimated useful lives of assets.

Depreciation on internally-developed software is amortized over the estimated useful life of the asset ranging from 3 to 10 years. Buildings include assets held under finance leases and are depreciated over the lesser of 50 years, the asset lives or the lease terms. Depreciation on leasehold improvements is calculated over the lesser of the useful lives of the assets or the remaining lease terms. Depreciation on furniture and equipment is calculated based on a range of 3 to 10 years. Land is not depreciated.

Long-lived assets are tested for recoverability whenever events or changes in circumstance indicate that their carrying amounts may not be recoverable. An impairment loss is recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Recoverability is determined based on the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. See Note 7 — Fixed Assets for additional information about our fixed assets.

Leases (effective from January 1, 2019) — The following policies were effective beginning with the 2019 fiscal year as a result of the adoption, on January 1, 2019, of ASC 842, *Leases* ('ASC 842'). The lease policies in effect prior to 2019 are reflected in the next section.

As an advisory, broking and solutions company providing services to clients in more than 140 countries, we enter into lease agreements from time to time, primarily for the use of real estate for our office space. We determine if an arrangement is a lease at the inception of the contract, and the nature of our operations is such that it is generally clear whether an arrangement contains a lease and what underlying asset is being leased. The majority of the leases into which we enter are operating leases. Upon entering into leases, we obtain the right to control the use of an identified space for a lease term and recognize these right-of-use ('ROU') assets on our consolidated balance sheets with corresponding lease liabilities reflecting our obligation to make the related lease payments. ROU assets are amortized over the term of the lease.

Our real estate leases are generally long-term in nature, with terms that typically range from 5 to 15 years. Our most significant lease supports our London market operations with a lease term through 2032. Our real estate leases often contain options to renew the lease, either through exercise of the option or through automatic renewal. Additionally, certain leases have options to cancel the lease with appropriate notice to the landlord prior to the end of the stated lease term. As we enter into new leases after the adoption of ASC 842, we consider these options as we assess lease terms in our recognized ROU assets and lease liabilities. If we are reasonably certain to exercise an option to renew a lease, we include this period in our lease term. To the extent that we have the option to cancel a lease, we recognize our ROU assets and lease liabilities using the term that would result from using this earlier date. If a significant penalty is required to cancel the lease at an earlier date, we assess our lease term as ending at the point when no significant penalty would be due.

In addition to payments for previously-agreed base rent, many of our lease agreements are subject to variable and unknown future payments, typically in the form of common area maintenance charges (a non-lease component as defined by ASC 842) or real estate taxes. These variable payments are excluded from our lease liabilities and ROU assets, and instead are recognized as lease expense within other operating expenses on the consolidated statement of comprehensive income as the amounts are incurred. To the extent that we have agreed to fixed charges for common area maintenance or other non-lease components, or our base rent increases by an index or rate (most commonly an inflation rate), these amounts are included in the measurement of our lease liabilities and ROU assets. We have elected the practical expedient under ASC 842 which allows the lease and non-lease components to be combined in our measurement of lease liabilities and ROU assets.

From time to time we may enter into subleases if we are unable to cancel or fully occupy a space and are able to find an appropriate subtenant. However, entering subleases is not a primary objective of our business operations and these arrangements represent an immaterial amount of cash flows.

We are required to use judgment in the determination of the incremental borrowing rates to calculate the present values of our future lease payments. Since the majority of our debt is publicly traded, our real estate function is centralized, and our treasury function is centralized and generally prohibits our subsidiaries from borrowing externally, we have determined it appropriate to use the Company's consolidated unsecured borrowing rate, and we adjust for collateralization in accordance with ASC 842. Using the resulting interest rate curves from publicly traded debt at this collateralized borrowing rate, we select the interest rate at lease inception by reference to the lease term and lease currency. Over 90% of our leases are denominated in U.S. dollars, Pounds sterling or Euros.

Our leases generally do not subject us to restrictive covenants and contain no residual value guarantees.

See Note 13 — Leases for additional information about our operating leases.

Operating Leases (effective before January 1, 2019) — Rentals payable on operating leases were charged on a straight-line basis to other operating expenses in the consolidated statements of comprehensive income over the lease terms prior to the implementation of ASC 842.

Goodwill and Other Intangible Assets — In applying the acquisition method of accounting for business combinations, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment annually as of October 1, and whenever indicators of impairment exist. The fair values of intangible assets are compared with their carrying values, and an impairment loss would be recognized for the amount by which a carrying amount exceeds its fair value.

Acquired intangible assets are amortized over the following periods:

	Amortization basis	Expected life (years)
Client relationships	In line with underlying cash flows	5 to 20
Software	In line with underlying cash flows or straight-line basis	4 to 7
Trademark and trade name	Straight-line basis	14 to 25
Other	In line with underlying cash flows or straight-line basis	3 to 20

Prior to the adoption of ASC 842, favorable and unfavorable acquired lease agreement intangible assets and liabilities were amortized straight-line over the remaining terms of the leases. These amounts have been subsumed into the ROU assets upon adoption of ASC 842.

Goodwill is tested for impairment annually as of October 1, and whenever indicators of impairment exist. Goodwill is tested at the reporting unit level, and the Company had eight reporting units as of October 1, 2020. In the impairment test, the fair value of each reporting unit is compared with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, the difference is recognized as an impairment loss. The Company's goodwill impairment tests for the years ended December 31, 2020 and 2019 have not resulted in any impairment charges. See Note 8 — Goodwill and Other Intangible Assets for additional information about our goodwill and other intangible assets.

Pensions — The Company has multiple defined benefit pension and defined contribution plans. The net periodic cost of the Company's defined benefit plans is measured on an actuarial basis using various methods and actuarial assumptions. The most significant assumptions are the discount rates (calculated using the granular approach to calculating service and interest cost) and the expected long-term rates of return on plan assets. Other material assumptions include rates of participant mortality, the expected long-term rates of compensation and pension increases and rates of employee termination. Gains and losses occur when actual experience differs from actuarial assumptions. If such gains or losses exceed ten percent of the greater of the market-related value of plan assets or the projected benefit obligation, the Company amortizes those gains or losses over the average remaining service period or average remaining life expectancy, as appropriate, of the plan participants. In accordance with U.S. GAAP, the Company records the funded status of its pension plans based on the projected benefit obligation on its consolidated balance sheets.

Contributions to the Company's defined contribution plans are recognized as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either other assets or other liabilities in the consolidated balance sheets. See Note 12 — Retirement Benefits for additional information about our pensions.

Revenue Recognition — We recognize revenue from a variety of services, with broking, consulting and outsourced administration representing our most significant offerings. All other revenue streams, which can be recognized at either a point in time or over time, are individually less significant and are grouped in Other in our revenue disaggregation disclosures in Note 4 **—** Revenue. These Other revenue streams represent approximately 5% of customer contract revenue for the years ended December 31, 2020, 2019 and 2018.

Broking — Representing approximately 52%, 50% and 48% of customer contract revenue for the years ended December 31, 2020, 2019 and 2018, respectively, in our broking arrangements, we earn revenue by acting as an intermediary in the placement of effective insurance policies. Generally, we act as an agent and view our client to be the party looking to obtain insurance coverage for various risks, or an employer or sponsoring organization looking to obtain insurance coverage for its employees or members. Also, we act as an agent in reinsurance broking arrangements where our client is the party looking to cede risks to the reinsurance markets. Our primary performance obligation under the majority of these arrangements is to place an effective insurance or reinsurance policy, but there can also be significant post-placement obligations in certain contracts to which we need to allocate revenue. The most common of these is for claims handling or call center support. The revenue recognition method for these, after the relative fair value allocation, is described further as part of the 'Outsourced Administration' description below.

Due to the nature of the majority of our broking arrangements, no single document constitutes the contract for ASC 606 purposes. Our services may be governed by a mixture of different types of contractual arrangements depending on the jurisdiction or type of coverage, including terms of business agreements, broker-of-record letters, statements of work or local custom and practice. This is then confirmed by the client's acceptance of the underlying insurance contract. Prior to the policy inception date, the client has not accepted nor formally committed to perform under the arrangement (i.e. pay for the insurance coverage in place). Therefore in the majority of broking arrangements, the contract date is the date the insurance policy incepts. However, in certain instances such as employer-sponsored Medicare broking or Affinity arrangements, where the employer or sponsoring organization is our customer, client acceptance of underlying individual policy placements is not required, and therefore the date at which we have a contract with a customer is not dependent upon placement.

As noted, our primary performance obligations typically consist of only the placement of an effective insurance policy which precedes the inception date of the policy. Therefore, most of our fulfillment costs are incurred before we can recognize revenue, and are thus deferred during the pre-placement process. Where we have material post-placement services obligations, we estimate the relative fair value of the post-placement services using either the expected cost-plus-margin or the market assessment approach.

Revenue from our broking services consists of commissions or fees negotiated in lieu of commissions. At times, we may receive additional income for performing these services from the insurance and reinsurance carriers' markets, which is collectively referred to as 'market derived income'. In situations in which our fees are not fixed but are variable, we must estimate the likely commission per policy, taking into account the likelihood of cancellation before the end of the policy term. For employer-sponsored Medicare broking, Affinity arrangements and proportional treaty reinsurance broking, the commissions to which we will be entitled can vary based on the underlying individual insurance policies that are placed. For employer-sponsored Medicare broking and proportional treaty reinsurance broking in particular, we base the estimates of transaction prices on supportable evidence from an analysis of past transactions, and only include amounts that are probable of being received or not refunded (referred to as applying 'constraint' under ASC 606). This is an area requiring significant judgment and results in us estimating a transaction price that may be significantly lower than the ultimate amount of commissions we may collect. The transaction price is then adjusted over time as we receive confirmation of our remuneration through receipt of treaty statements, or as other information becomes available.

We recognize revenue for most broking arrangements as of a point in time at the later of the policy inception date or when the policy placement is complete, because this is viewed as the date when control is transferred to the client. For employer-sponsored Medicare broking, we recognize revenue over time, as we stand ready under our agreements to place retiree Medicare coverage. For this type of broking arrangement, we recognize the majority of our placement revenue in the fourth quarter of the calendar year when most of the placement or renewal activity occurs.

Beginning on July 30, 2019 with the acquisition of TRANZACT (see Note 3 — Acquisitions and Divestitures), we have a direct-to-consumer Medicare broking offering. The contractual arrangements in this offering differ from our previously existing employer-sponsored Medicare broking offering described above. The governing contracts in our direct-to-consumer Medicare broking offering are the contractual arrangements with insurance carriers, for whom we act as an agent, that provide compensation in return for issued policies. Once an application is submitted to a carrier, our obligation is complete, and we have no ongoing fulfilment obligations. We receive compensation from carriers in the form of commissions, administrative fees and marketing fees in the first year, and depending on the type of policy issued, we may receive renewal commissions for up to 25 years, provided the policies are renewed for such periods of time.

Because our obligation is complete upon application submission to the carrier, we recognize revenue at that date, which includes both compensation due to us in the first year as well as an estimate of the total renewal commissions that will be received over the lifetime of the policy. This variable consideration estimate requires significant judgment, and will vary based on product type, estimated commission rates, the expected lives of the respective policies and other factors. The Company has applied an actuarial model to account for these uncertainties, which is updated periodically based on actual experience, and includes an element of 'constraint' as defined by ASC 606 such that no significant reversal is expected to occur in the future. Actual results will differ from these estimates.

The timing of renewal payments in our direct-to-consumer Medicare broking offering is reflective of regulatory restrictions and insurance carriers' protection for cancellations and varies based on policy holder decisions that are outside of the control of both the

Company and the insurance carriers. As such, the estimate of these renewal commissions receivables has not been discounted to reflect a significant financing component.

Consulting — We earn revenue for advisory and consulting work that may be structured as different types of service offerings, including annual recurring projects, projects of a short duration or stand-ready obligations. Collectively, our consulting arrangements represent approximately 30%, 32% and 34% of customer contract revenue for the years ended December 31, 2020, 2019 and 2018, respectively.

We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based. These terms and conditions can only be changed upon agreement by both parties.

In assessing our performance obligations, our consulting work is typically highly integrated, with the various promised services representing inputs of the combined overall output. We view these arrangements as representing a single performance obligation. To the extent we do not integrate our services, as is the case with unrelated services that may be sourced from different areas of our business, we consider these separate performance obligations.

Fee terms can be in the form of fixed-fees (including fixed-fees offset by commissions), time-and-expense fees, commissions, per-participant fees, or fees based on assets under management. Payment is typically due on a monthly basis as we perform under the contract, and we are entitled to be reimbursed for work performed to date in the event of termination.

The majority of our revenue from these consulting engagements is recognized over time, either because our clients are simultaneously receiving and consuming the benefits of our services, or because we have an enforceable right to payment for performance rendered to date. Additionally, from time to time, we may be entitled to an additional fee based on achieving certain performance criteria. To the extent that we cannot estimate with reasonable assurance the likelihood that we will achieve the performance target, we will 'constrain' this portion of the transaction price and recognize it when or as the uncertainty is resolved.

We use different progress measures to determine our revenue depending on the nature of the engagement:

- *Annual recurring projects* and *projects of short duration.* These projects are typically straightforward and highly predictable in nature with either time-and-expense or fixed fee terms. Time-and-expense fees are recognized as hours or expenses are incurred using the 'right to invoice' practical expedient allowed under ASC 606. For fixed-fee arrangements, to the extent estimates can be made of the remaining work required under the arrangement, revenue is based upon the proportional performance method, using the value of labor hours spent to date compared to the estimated total value of labor hours for the entire engagement. We believe that cost represents a faithful depiction of the transfer of value because the completion of these performance obligations is based upon the professional services of employees of differing experience levels and thereby costs. It is appropriate that satisfaction of these performance obligations considers both the number of hours incurred by each employee and the value of each labor hour worked (as opposed to simply the hours worked).
- *Stand-ready obligations.* These projects consist of repetitive monthly or quarterly services performed consistently each period. As none of the activities provided under these services are performed at specified times and quantities, but at the discretion of each customer, our obligation is to stand ready to perform these services on an as-needed basis. These arrangements represent a 'series' performance obligation in accordance with ASC 606. Each time increment (i.e., each month or quarter) of standing ready to provide the overall services is distinct and the customer obtains value from each period of service independent of the other periods of service.

Where we recognize revenue on a proportional performance basis, the amount we recognize is affected by a number of factors that can change the estimated amount of work required to complete the project such as the staffing on the engagement and/or the level of client participation. Our periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect how we recognize revenue. We recognize a loss on an engagement when estimated revenue to be received for that engagement is less than the total estimated costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable.

Outsourced Administration — We provide customized benefits outsourcing and co-sourcing solutions services in relation to the administration of defined benefit, defined contribution, and health and welfare plans. These plans are sponsored by our clients to provide benefits to their active or retired employees. Additionally, these services include operating call centers and may include providing access to, and managing, a variety of consumer-directed savings accounts. The operation of call centers and consumer-directed accounts can be provisioned as part of an ongoing administration or solutions service, or separately as part of a broking arrangement. The products and services available to all clients are the same, but the selections by a client can vary and portray customized products and services based on the customer's specific needs. Our services often include the use of proprietary systems that are configured for each of our clients' needs. In total, our outsourced administration services represent approximately 12% of customer contract revenue for the years ended December 31, 2020, 2019 and 2018.

These contracts typically consist of an implementation phase and an ongoing administration phase:

- *Implementation phase.* Work performed during the implementation phase is considered a set-up activity because it does not transfer a service to the customer, and therefore costs are deferred during this phase of the arrangement. Since these arrangements are longer term in nature and subject to more changes in scope as the project progresses, our contracts generally provide that if the client terminates a contract, we are entitled to an additional payment for services performed through the termination date designed to recover our up-front costs of implementation.
- *Ongoing administration phase.* The ongoing administration phase includes a variety of plan administration services, system hosting and support services. More specifically, these services include data management, calculations, reporting, fulfillment/communications, compliance services, call center support, and in our health and welfare arrangements, annual onboarding and enrollment support. While there are a variety of activities performed, the overall nature of the obligation is to provide an integrated outsourcing solution to the customer. The arrangement represents a stand-ready obligation to perform these activities on an as-needed basis. The customer obtains value from each period of service, and each time increment (i.e., each month, or each benefits cycle in our health and welfare arrangements) is distinct and substantially the same. Accordingly, the ongoing administration services represent a 'series' in accordance with ASC 606 and are deemed one performance obligation.

We have engagement letters with our clients that specify the terms and conditions upon which the engagements are based. These terms and conditions can only be changed upon agreement by both parties. Fees for these arrangements can be fixed, per-participant-per-month, or in the case of call center services, provided in conjunction with our broking services, with an allocation based on commissions. Our fees are not typically payable until the commencement of the ongoing administration phase. However, in our health and welfare arrangements, we begin transferring services to our customers approximately four months prior to payments being due as part of our annual onboarding and enrollment work. Although our per-participant-per-month and commission-based fees are considered variable, they are typically predictable in nature, and therefore we generally do not 'constrain' any portion of our transaction price estimates. Once fees become payable, payment is typically due on a monthly basis as we perform under the contract, and we are entitled to be reimbursed for work performed to date in the event of termination.

Revenue is recognized over time as the services are performed because our clients are simultaneously receiving and consuming the benefits of our services. For our health and welfare arrangements where each benefits cycle represents a time increment under the series guidance, revenue is recognized based on proportional performance. We use an input measure (value of labor hours worked) as the measure of progress. Given that the service is stand-ready in nature, it can be difficult to predict the remaining obligation under the benefits cycle. Therefore, the input measure is based on the historical effort expended each month, which is measured as labor cost. This results in slightly more revenue being recognized during periods of annual onboarding since we are performing both our normal monthly services and our annual services during this portion of the benefits cycle.

For all other outsourced administration arrangements where a month represents our time increment under the series guidance, we allocate transaction price to the month we are performing our services. Therefore, the amount recognized each month is the variable consideration related to that month plus the fixed monthly or annual fee. The fixed monthly or annual fee is recognized on a straight-line basis. Revenue recognition for these types of arrangements is therefore more consistent throughout the year.

Reimbursed expenses — Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses is included in other operating expenses as a cost of revenue as incurred. Reimbursed expenses represented approximately 1% of customer contract revenue for the years ended December 31, 2020, 2019 and 2018. Taxes collected from customers and remitted to government authorities are recorded net and are excluded from revenue.

Interest income — Interest income is recognized as earned.

Other income — Other income includes gains on disposal of intangible assets, which primarily arise from settlements through enforcing non-compete agreements in the event of losing accounts through producer defection or the disposal of books of business.

Cost to obtain or fulfill contracts — Costs to obtain customers include commissions for brokers under specific agreements that would not be incurred without a contract being signed and executed. The Company has elected to apply the ASC 606 'practical expedient' which allows us to expense these costs as incurred if the amortization period related to the resulting asset would be one year or less. The Company has no significant instances of contracts that would be amortized for a period greater than a year, and therefore has no contract costs capitalized for these arrangements.

Costs to fulfill include costs incurred by the Company that are expected to be recovered within the expected contract period. The costs associated with our system implementation activities and consulting contracts are recorded through time entry.

For our broking business, the Company must estimate the fulfillment costs incurred during the pre-placement of the broking contracts. These judgments include:

- which activities in the pre-placement process should be eligible for capitalization;
- the amount of time and effort expended on those pre-placement activities;
- the amount of payroll and related costs eligible for capitalization; and,
- the monthly or quarterly timing of underlying insurance and reinsurance policy inception dates.

We amortize costs to fulfill over the period we receive the related benefits. For broking pre-placement costs, this is typically less than a year. In our system implementation and consulting arrangements, we include the likelihood of contract renewals in our estimate of the amortization period, resulting in most costs being amortized for a greater length of time than the initial contract term.

Recent Accounting Pronouncements

Not adopted for 2020

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, which clarifies and amends existing guidance, including removing certain exceptions to the general principles of accounting for income taxes. This ASU becomes effective for the Company on January 1, 2021. Some of the changes must be applied on a retrospective or modified retrospective basis while others must be applied on a prospective basis. Early adoption is permitted. The Company does not plan to adopt this ASU early and does not expect it to have a material impact on our consolidated financial statements.

Adopted for 2020

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments,* which amended the guidance on the impairment of financial instruments. The ASU added an impairment model (known as the current expected credit loss ('CECL') model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of lifetime expected credit losses on assets measured at amortized cost, which is intended to result in more timely recognition of such losses. The ASU was also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. Further, the ASU made targeted changes to the impairment model for available-for-sale debt securities. Additional ASUs were subsequently issued which provided amended and additional guidance for the implementation of ASU No. 2016-13. All related guidance has been codified into, and is now known as, ASC 326, *Financial Instruments—Credit Losses* ('ASC 326'). ASC 326 became effective for the Company on January 1, 2020, at which time we adopted it. This ASU did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, previous U.S. GAAP required the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that is required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU became effective for the Company on January 1, 2020, at which time we adopted it. The amendments in this ASU are applied on a prospective basis. There was no immediate impact to our consolidated financial statements upon adopting this ASU, and the most recent goodwill impairment test resulted in fair values in excess of carrying values for all reporting units at October 1, 2020.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* as part of its disclosure framework project. The focus of this project is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of an entity's financial statements. This ASU removes certain disclosure requirements and adds or modifies other requirements. This ASU was effective for the Company on January 1, 2020, at which time we adopted it. Certain provisions of the ASU were required to be adopted retrospectively, while others were required to be adopted prospectively. This ASU did not have a material impact on the notes to our consolidated financial statements.

In March 2020, the SEC issued a final rule that amends the disclosure requirements related to certain registered securities under SEC Regulation S-X, Rules 3-10 and 3-16 which currently require separate financial statements for subsidiary issuers and guarantors of registered debt securities unless certain exceptions are met, and affiliates that collateralize registered securities offerings if the affiliates' securities are a substantial portion of the collateral. The final rule is generally effective for filings on or after January 4, 2021, however early application is permitted. The most pertinent portions of the final rule that are currently applicable to the Company include: (i) replacing the previous requirement under Rule 3-10 to provide condensed consolidating financial information in the registrant's financial statements with a requirement to provide alternative financial disclosures (which include summarized financial information of the parent and any issuers and guarantors, as well as other qualitative disclosures) in either the registrant's Management's Discussion & Analysis section or its financial statements; and, (ii) reducing the periods for which summarized financial information is required to the most recent annual period and year-to-date interim period. The Company elected to early-adopt the provisions of the final rule during the three months ended March 31, 2020. Further, the new reduced quantitative disclosures and accompanying qualitative disclosures as required by this final rule are included within Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations on this Form 10-K.

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for accounting for contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This ASU became effective for the Company on March 12, 2020. The Company may apply the changes relating to contracts from January 1, 2020 or from a later date. The Company has made no contract modifications thus far to transition to a different reference rate, however, it will consider this guidance as future modifications are made.

In August 2020, the SEC issued amendments to its disclosure rules to modernize the requirements in Regulation S-K, Item 101 'Business', Item 103 'Legal Proceedings', and Item 105 'Risk Factors'. These amendments are intended to improve the readability of disclosures, reduce repetition, and eliminate immaterial information, thereby simplifying compliance for registrants and making disclosures more meaningful for investors. The amendments to the disclosure requirements related to a registrant's description of its business and risk factors are intended to expand the use of a principles-based approach that gives registrants more flexibility to tailor disclosures. The amendments to the disclosure requirements related to legal proceedings continue to reflect the current, more prescriptive approach because those requirements depend less on a registrant's specific characteristics. Further, additional human capital disclosures are required as part of the amendments to the description of the business. The final rule became effective on November 9, 2020, and the Company has incorporated these changes as part of this Form 10-K.

In November 2020, the SEC issued amendments to its disclosure rules to modernize the requirements in Regulation S-K, Item 301 'Selected Financial Data', Item 302 'Supplementary Financial Information' and Item 303 'Management's Discussion and Analysis of Financial Condition and Results of Operations'. Like the previous modernization amendments to Regulation S-K, the amendments are intended to eliminate duplicative disclosures and enhance management's discussion and analysis for the benefit of investors, while simplifying compliance efforts for registrants. Certain amendments codified interpretive guidance released by the SEC historically, and as such, these amendments were already reflected in the Company's Form 10-K. The most impactful of these amendments to the disclosure requirements include the following: registrants are no longer required to provide selected financial data for each of the last five fiscal years; registrants are generally not required to disclose selected quarterly financial data for each of the most recent two fiscal years, unless there is a material retrospective change to any of these quarters; and the removal of the requirement for separate sections and certain tabular disclosures of future obligations, off-balance sheet obligations and material commitments for capital expenditures, and instead emphasizes that these obligations should be discussed as part of the results of operations and liquidity discussions of cash requirements in the next fiscal year and beyond. The final rule became effective on February 10, 2021 and must be applied in a registrant's Annual Report on Form 10-K for its first fiscal year ending on or after August 9, 2021, however early adoption is allowed on an item-by-item basis. The Company has incorporated these changes as part of this Form 10-K.

Note 3 — Acquisitions and Divestitures

The following disclosures discuss significant transactions during the three-year period ended December 31, 2020.

Acquisitions

TRANZACT Acquisition

On July 30, 2019, the Company acquired TRANZACT, a U.S.-based provider of comprehensive, direct-to-consumer sales and marketing solutions for leading insurance carriers in the U.S. TRANZACT leverages digital, data and direct marketing solutions to deliver qualified leads, fully-provisioned sales and robust customer management systems to brands seeking to acquire and manage large numbers of consumers. Pursuant to the terms of the acquisition agreement, subject to certain adjustments, the consideration consisted of $1.3 billion paid in cash at closing. Additional contingent consideration in the form of a potential earn-out of up to $17 million is to be paid in cash in 2021 based on the achievement of certain financial targets. The acquisition was initially funded in part with a $1.1 billion one-year term loan (see Note 10 — Debt for a description of the term loan and its repayment), with the remainder being funded from the Company's existing revolving credit facility. TRANZACT operates as part of our Benefits Delivery and Administration segment and enhances the Company's existing Medicare broking offering, while also adding significant direct-to-consumer marketing experience.

A summary of the fair values of the identifiable assets acquired, and liabilities assumed, of TRANZACT at July 30, 2019 are summarized in the following table.

Cash and cash equivalents	$	7
Restricted cash		2
Accounts receivable, net		3
Renewal commissions receivable, current (i)		36
Prepaid and other current assets		22
Renewal commissions receivable, non-current (i)		130
Fixed assets		9
Intangible assets		646
Goodwill		718
Right-of-use assets		19
Other non-current assets		2
Collateralized facility (ii)		(91)
Other current liabilities		(55)
Deferred tax liabilities, net		(100)
Lease liabilities		(19)
Net assets acquired	$	1,329

(i) Renewal commissions receivables arise from direct-to-consumer Medicare broking sales. Cash collections for these receivables are expected to occur over a period of several years. Due to the provisions of ASC 606, these receivables are not discounted for a significant financing component when initially recognized (see Note 2 – Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements). However, as a result of recognizing the fair value of these receivables in accordance with ASC 805, these receivables have now been present-valued at the acquisition date. Prior to this fair value adjustment, the carrying value of these receivables was $231 million. The adjusted values of these acquired renewal commissions receivables will be included in prepaid and other current assets or other non-current assets, as appropriate, on the consolidated balance sheets. The acquired renewal commissions receivables will be accounted for prospectively using the cost-recovery method in which future cash receipts will initially be applied against the acquisition date fair value until the value reaches zero. Any cash received in excess of the fair value determined at acquisition will be recorded to earnings when it is received at a future date.

(ii) See Note 10 — Debt for a description of the acquired collateralized facility debt.

Intangible assets consist primarily of $612 million of customer relationships, with an expected life of 15.4 years. Additional intangibles acquired consist of domain names.

Goodwill is calculated as the difference between the aggregate consideration and the acquisition date fair value of the net assets acquired, including the intangible assets acquired, and represents the value of TRANZACT's assembled workforce and the future economic benefits that we expect to achieve as a result of the acquisition. None of the goodwill recognized on the transaction is tax deductible, however there is tax deductible goodwill that will be carried forward from previous acquisitions by TRANZACT.

During the year ended December 31, 2020, purchase price allocation adjustments were made primarily to adjust the deferred tax liabilities. The purchase price allocation as of the acquisition date is now complete.

Alston Gayler Acquisition

On December 21, 2018, the Company, through its majority-owned subsidiary, Miller, completed the transaction to acquire Alston Gayler, a U.K.-based insurance and reinsurance broker, for total consideration of $67 million. Cash consideration of $35 million was paid upon completion of the acquisition, with the remaining $32 million deferred consideration to be paid in equal installments on the first, second and third anniversaries of the date of acquisition. As part of our forthcoming Miller divestiture (see discussion below), the Alston Gayler business is expected to be divested during the first quarter of 2021.

The Company has recognized $36 million of intangible assets, primarily arising from client relationships, and $24 million of goodwill. The purchase price allocation for this transaction is complete.

Other Acquisitions

Other acquisitions were completed during the year ended December 31, 2020 for combined cash payments of $79 million and contingent consideration fair valued at $9 million.

Max Matthiessen Divestiture

In September 2020, the Company completed the transaction to sell its Swedish majority-owned subsidiary MM Holding AB (‘Max Matthiessen’) for total consideration of SEK 2.3 billion ($262 million) plus certain other adjustments, resulting in a tax-exempt gain on the sale of $86 million, which is included in Other income, net in the consolidated statement of operations. Of the total consideration, the Company financed a SEK 600 million ($68 million) note repayable by the purchaser. The note has no fixed term but is repayable subject to certain terms and conditions and bears an interest rate that could range from 5% to 10%, increasing the longer the note remains outstanding. This note receivable is included in Other non-current assets in the consolidated balance sheet. The Company entered into certain foreign currency transactions to hedge the consideration to be received against fluctuations in foreign exchange rates (see Note 9 — Derivative Financial Instruments). Prior to disposal, Max Matthiessen was included within the Investment, Risk and Reinsurance segment.

Miller Divestiture

In November 2020, the Company entered into an agreement to sell its majority-owned subsidiary Miller for total consideration of GBP 591 million ($808 million at December 31, 2020) plus certain other adjustments. The divestiture is expected to close during the first quarter of 2021. Miller provides wholesale insurance services to its clients and is included in the Investment, Risk and Reinsurance segment.

As of December 31, 2020, the net assets of Miller are approximately $350 million notwithstanding intercompany debt. The actual amounts disposed of will be determined at the date of closing and will depend upon foreign exchange rates and intercompany transactions in effect at the time, among other factors.

Note 4 — Revenue

Disaggregation of Revenue

The Company reports revenue by segment in Note 5 — Segment Information. The following table presents revenue by service offering and segment, as well as a reconciliation to total revenue for the years ended December 31, 2020, 2019 and 2018. Along with reimbursable expenses and other, total revenue by service offering represents our revenue from customer contracts.

Year Ended December 31,	Broking	Consulting	Outsourced Administration	Other	*Total revenue by service offering*	Reimbursable expenses and other (i)	*Total revenue from customer contracts*	Interest and other income (ii)	*Total revenue*
HCB									
2020	$ 302	$ 2,215	$ 503	$ 241	$ 3,261	$ 50	$ 3,311	$ 17	$ 3,328
2019	278	2,269	466	262	3,275	61	3,336	23	3,359
2018	266	2,224	484	235	3,209	62	3,271	24	3,295
CRB									
2020	2,707	154	66	11	2,938	2	2,940	39	2,979
2019	2,692	132	71	5	2,900	1	2,901	46	2,947
2018	2,578	163	65	9	2,815	—	2,815	37	2,852
IRR									
2020	1,006	393	15	231	1,645	8	1,653	6	1,659
2019	975	421	10	205	1,611	9	1,620	26	1,646
2018	905	430	—	185	1,520	8	1,528	36	1,564
BDA									
2020	834	—	525	—	1,359	12	1,371	—	1,371
2019	514	—	521	—	1,035	12	1,047	—	1,047
2018	272	—	486	—	758	7	765	—	765
Corporate (i)									
2020	1	5	—	3	9	2	11	4	15
2019	—	11	—	4	15	22	37	3	40
2018	—	13	—	4	17	17	34	3	37
Total									
2020	$ 4,850	$ 2,767	$ 1,109	$ 486	$ 9,212	$ 74	$ 9,286	$ 66	$ 9,352
2019	$ 4,459	$ 2,833	$ 1,068	$ 476	$ 8,836	$ 105	$ 8,941	$ 98	$ 9,039
2018	$ 4,021	$ 2,830	$ 1,035	$ 433	$ 8,319	$ 94	$ 8,413	$ 100	$ 8,513

(i) Reimbursable expenses and other, as well as Corporate revenue, are excluded from segment revenue, but included in total revenue on the consolidated statements of comprehensive income.

(ii) Interest and other income is included in segment revenue and total revenue, however it has been presented separately in the above tables because it does not arise directly from contracts with customers.

Individual revenue streams aggregating to 5% of total revenue for the years ended December 31, 2020, 2019 and 2018 have been included within the Other column in the table above.

The following table presents revenue by the geography where our work was performed for the years ended December 31, 2020, 2019 and 2018. The reconciliation to total revenue on our consolidated statements of comprehensive income and to segment revenue is shown in the table above.

Year Ended December 31,	North America	Great Britain	Western Europe	International	Total revenue by geography
HCB					
2020	$ 1,859	$ 491	$ 584	$ 327	$ 3,261
2019	1,901	475	566	333	3,275
2018	1,849	481	562	317	3,209
CRB					
2020	1,176	630	679	453	2,938
2019	1,112	656	661	471	2,900
2018	1,044	648	631	492	2,815
IRR					
2020	474	824	193	154	1,645
2019	449	788	216	158	1,611
2018	416	732	218	154	1,520
BDA					
2020	1,351	—	—	8	1,359
2019	1,033	—	—	2	1,035
2018	758	—	—	—	758
Corporate					
2020	7	—	2	—	9
2019	13	—	1	1	15
2018	16	—	1	—	17
Total					
2020	$ 4,867	$ 1,945	$ 1,458	$ 942	$ 9,212
2019	$ 4,508	$ 1,919	$ 1,444	$ 965	$ 8,836
2018	$ 4,083	$ 1,861	$ 1,412	$ 963	$ 8,319

Contract Balances

The Company reports accounts receivable, net on the consolidated balance sheet, which includes billed and unbilled receivables and current contract assets. In addition to accounts receivable, net, the Company had the following non-current contract assets and deferred revenue balances at December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Billed receivables, net of allowance for doubtful accounts of $41 million and $37 million	$ 1,697	$ 1,831
Unbilled receivables	445	434
Current contract assets	413	356
Accounts receivable, net	$ 2,555	$ 2,621
Non-current accounts receivable, net	$ 34	$ 30
Non-current contract assets	$ 329	$ 105
Deferred revenue	$ 549	$ 538

The Company receives payments from customers based on billing schedules or terms as written in our contracts. Those balances denoted as contract assets relate to situations where we have completed some or all performance under the contract, however our right to consideration is conditional. Contract assets result most materially in our Medicare broking and proportional treaty broking businesses. The significant increases in both current and non-current contract assets for the year ended December 31, 2020 relate to our direct-to-consumer Medicare broking business. Billed and unbilled receivables are recorded when the right to consideration becomes unconditional. Deferred revenue relates to payments received in advance of performance under the contract and is recognized as revenue as (or when) we perform under the contract.

Accounts receivable are stated at estimated net realizable values. The following table presents the changes in our allowance for doubtful accounts for the years ended December 31, 2020, 2019 and 2018.

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at beginning of year	$ 37	$ 40	$ 45
Additions charged to costs and expenses	29	9	9
Deductions/other movements	(29)	(10)	(15)
Foreign exchange	4	(2)	1
Balance at end of year	$ 41	$ 37	$ 40

During the year ended December 31, 2020, revenue of approximately $497 million was recognized that was reflected as deferred revenue at December 31, 2019.

During the year ended December 31, 2020, the Company recognized revenue of approximately $37 million related to performance obligations satisfied in a prior period.

Performance Obligations

The Company has contracts for which performance obligations have not been satisfied as of December 31, 2020 or have been partially satisfied as of this date. The following table shows the expected timing for the satisfaction of the remaining performance obligations. This table does not include contract renewals or variable consideration, which was excluded from the transaction prices in accordance with the guidance on constraining estimates of variable consideration.

In addition, in accordance with ASC 606, the Company has elected not to disclose the remaining performance obligations when one or both of the following circumstances apply:

- Performance obligations which are part of a contract that has an original expected duration of less than one year, and
- Performance obligations satisfied in accordance with ASC 606-10-55-18 ('right to invoice').

	2021	2022	2023 onward	Total
Revenue expected to be recognized on contracts as of December 31, 2020	$ 540	$ 392	$ 497	$ 1,429

Since most of the Company's contracts are cancellable with less than one year's notice and have no substantive penalty for cancellation, the majority of the Company's remaining performance obligations as of December 31, 2020 have been excluded from the table above.

Costs to obtain or fulfill a contract

The Company incurs costs to obtain or fulfill contracts which it would not incur if a contract with a customer was not executed.

The following table shows the categories of costs that are capitalized and deferred over the expected life of a contract.

	Costs to fulfill		
	December 31, 2020	December 31, 2019	December 31, 2018
Balance at beginning of the year	$ 177	$ 148	$ 126
New capitalized costs	493	488	465
Amortization	(465)	(460)	(442)
Impairments	(1)	—	—
Foreign currency translation	2	1	(1)
Balance at end of the year	$ 206	$ 177	$ 148

Note 5 — Segment Information

Willis Towers Watson has four reportable operating segments or business areas:

- Human Capital and Benefits ('HCB')
- Corporate Risk and Broking ('CRB')
- Investment, Risk and Reinsurance ('IRR')
- Benefits Delivery and Administration ('BDA')

Willis Towers Watson's chief operating decision maker is its Chief Executive Officer. We determined that the operational data used by the chief operating decision maker is at the segment level. Management bases strategic goals and decisions on these segments and the data presented below is used to assess the adequacy of strategic decisions and the method of achieving these strategies and related financial results. Management evaluates the performance of its segments and allocates resources to them based on net operating income on a pre-tax basis.

The Company experiences seasonal fluctuations of its revenue. Revenue is typically higher during the Company's first and fourth quarters due primarily to the timing of broking-related activities.

Under the segment structure and for internal and segment reporting, Willis Towers Watson segment revenue includes commissions and fees, interest and other income. U.S. GAAP revenue also includes amounts that were directly incurred on behalf of our clients and reimbursed by them (reimbursable expenses), which are removed from segment revenue. Segment operating income excludes certain costs, including (i) amortization of intangibles; (ii) restructuring costs; (iii) certain transaction and integration expenses; (iv) certain litigation provisions; and (v) to the extent that the actual expense based upon which allocations are made differs from the forecast/budget amount, a reconciling item will be created between internally-allocated expenses and the actual expenses that we report for U.S. GAAP purposes.

The following table presents segment revenue and segment operating income for our reportable segments for the years ended December 31, 2020, 2019 and 2018.

	Segment revenue Years ended December 31			Segment operating income Years ended December 31		
	2020	2019	2018	2020	2019	2018
HCB	$ 3,278	$ 3,298	$ 3,233	$ 853	$ 848	$ 789
CRB	2,977	2,946	2,852	630	578	528
IRR	1,651	1,637	1,556	457	420	384
BDA	1,359	1,035	758	320	244	144
Total	$ 9,265	$ 8,916	$ 8,399	$ 2,260	$ 2,090	$ 1,845

The following table presents reconciliations of the information reported by segment to the Company's consolidated amounts reported for the years ended December 31, 2020, 2019 and 2018.

	Years ended December 31,		
	2020	2019	2018
Revenue:			
Total segment revenue	$ 9,265	$ 8,916	$ 8,399
Reimbursable expenses and other	87	123	114
Revenue	$ 9,352	$ 9,039	$ 8,513
Total segment operating income	$ 2,260	$ 2,090	$ 1,845
Amortization	(462)	(489)	(534)
Restructuring costs (i)	(24)	—	—
Transaction and integration expenses (ii)	(110)	(13)	(202)
Provision for significant litigation (iii)	(65)	—	—
Unallocated, net (iv)	(416)	(259)	(300)
Income from operations	1,183	1,329	809
Interest expense	(244)	(234)	(208)
Other income, net	399	227	250
Income from operations before income taxes	$ 1,338	$ 1,322	$ 851

(i) Restructuring costs relate to minor restructuring activities carried out by various business lines throughout the Company.
(ii) Includes transaction costs related to the proposed Aon combination in 2020, the TRANZACT acquisition in 2019, and transaction and integration expenses related to the Merger and the acquisition of Gras Savoye in 2018.
(iii) For additional information, see the disclosure under *Willis Towers Watson Merger-Related Securities Litigation* in Note 14 — Commitments and Contingencies.
(iv) Includes certain costs, primarily related to corporate functions which are not directly related to the segments, and certain differences between budgeted expenses determined at the beginning of the year and actual expenses that we report for U.S. GAAP purposes.

The Company does not currently provide asset information by reportable segment as it does not routinely evaluate the total asset position by segment.

None of the Company's customers represented a significant amount of its consolidated revenue for the years ended December 31, 2020, 2019 and 2018.

Below are our revenue and long-lived assets for Ireland, our country of domicile, countries with significant concentrations, and all other foreign countries for each of the years ended December 31, 2020, 2019 and 2018:

	Revenue			Long-Lived Assets (i)		
	2020	2019	2018	2020	2019	2018
Ireland	$ 157	$ 144	$ 138	$ 110	$ 103	$ 78
United States	4,650	4,370	3,970	12,652	12,786	11,068
United Kingdom	1,920	1,934	1,926	2,840	2,901	2,349
Rest of World	2,625	2,591	2,479	2,533	2,527	2,411
Total Foreign Countries	9,195	8,895	8,375	18,025	18,214	15,828
	$ 9,352	$ 9,039	$ 8,513	$ 18,135	$ 18,317	$ 15,906

(i) Long-lived assets do not include deferred tax assets.

Note 6 — Income Taxes

Provision for income taxes

An analysis of income from operations before income taxes by taxing jurisdiction is shown below:

	Years ended December 31,		
	2020	2019	2018
Ireland	$ (5)	$ (11)	$ (16)
U.S.	25	178	(101)
U.K.	332	337	182
Rest of World	986	818	786
Total	$ 1,338	$ 1,322	$ 851

The components of the provision for income taxes include:

	Years ended December 31,		
	2020	2019	2018
Current tax expense:			
U.S. federal taxes	$ (27)	$ (108)	$ (98)
U.S. state and local taxes	(5)	(43)	(25)
U.K. corporation tax	(45)	(43)	(16)
Other jurisdictions	(142)	(127)	(112)
Total current tax expense	(219)	(321)	(251)
Deferred tax (expense)/benefit:			
U.S. federal taxes	(78)	56	79
U.S. state and local taxes	1	14	12
U.K. corporation tax	(48)	(15)	(6)
Other jurisdictions	26	17	30
Total deferred tax (expense)/benefit	(99)	72	115
Total provision for income taxes	$ (318)	$ (249)	$ (136)

Effective tax rate reconciliation

The reported provision for income taxes differs from the amounts that would have resulted had the reported income before income taxes been taxed at the U.S. federal statutory rate. The principal reasons for the differences between the amounts provided and those that would have resulted from the application of the U.S. federal statutory tax rate are as follows:

	Years ended December 31,		
	2020	**2019**	**2018**
INCOME FROM OPERATIONS BEFORE INCOME TAXES	$ 1,338	$ 1,322	$ 851
U.S. federal statutory income tax rate	21%	21%	21%
Income tax expense at U.S. federal tax rate	(281)	(278)	(179)
Adjustments to derive effective tax rate:			
Non-deductible expenses and dividends	(20)	(34)	(44)
Non-deductible acquisition costs	(15)	(2)	(2)
Disposal of non-deductible goodwill	—	—	1
Impact of change in rate on deferred tax balances	(7)	—	7
Effect of foreign exchange and other differences	(3)	1	1
Changes in valuation allowances	(8)	6	80
Net tax effect of intra-group items	90	93	99
Tax on disposal of operations	16	—	—
Tax differentials of non-U.S. jurisdictions	3	(2)	(2)
Tax differentials of U.S. state taxes and local taxes	(3)	(21)	(77)
Global Intangible Low-Taxed Income (GILTI)	(3)	(7)	(15)
Base Erosion Anti-Abuse Tax (BEAT)	(81)	—	—
Other items, net	(6)	(5)	(5)
Provision for income taxes	$ (318)	$ (249)	$ (136)

Included in the BEAT expense for 2020 is an approximate $29 million true-up related to the 2019 tax year as a result of certain elections of the CARES Act. The BEAT effectively applies a 10 percent minimum tax if modified taxable income, as adjusted for base erosion payments, is greater than the regular tax liability for a year. Included in the changes in valuation allowance for 2018, the Company recorded a deferred income tax benefit for approximately $71 million related to the valuation allowance release of certain state deferred tax assets.

Willis Towers Watson plc is a non-trading holding company tax resident in Ireland where it is taxed at the statutory rate of 25%. The provisions for income tax on operations have been reconciled above to the U.S. federal statutory tax rate of 21% due to significant operations in the U.S.

Deferred income taxes

Deferred income tax assets and liabilities reflect the effect of temporary differences between the assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. We recognize deferred tax assets if it is more likely than not that a benefit will be realized.

Deferred income tax assets and liabilities included in the consolidated balance sheets at December 31, 2020 and 2019 are comprised of the following:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Accrued expenses not currently deductible	$ 212	$ 201
Net operating losses	92	116
Capital loss carryforwards	40	33
Accrued retirement benefits	334	326
Operating lease liabilities	165	181
Deferred compensation	90	86
Stock options	25	18
Financial derivative transactions	1	—
Gross deferred tax assets	959	961
Less: valuation allowance	(84)	(76)
Net deferred tax assets	$ 875	$ 885
Deferred tax liabilities:		
Cost of intangible assets, net of related amortization	$ 788	$ 865
Operating lease right-of-use assets	159	177
Cost of tangible assets, net of related depreciation	78	53
Prepaid retirement benefits	152	121
Financial derivative transactions	1	3
Accrued revenue not currently taxable	163	120
Deferred tax liabilities	$ 1,341	$ 1,339
Net deferred tax liabilities	$ 466	$ 454

The net deferred income tax assets are included in other non-current assets and the net deferred tax liabilities are included in deferred tax liabilities in our consolidated balance sheets.

	December 31, 2020	December 31, 2019
Balance sheet classifications:		
Other non-current assets	$ 95	$ 72
Deferred tax liabilities	561	526
Net deferred tax liability	$ 466	$ 454

At December 31, 2020, we had U.S. federal and non-U.S. net operating loss carryforwards amounting to $258 million of which $209 million can be indefinitely carried forward under local statutes. The remaining $49 million of net operating loss carryforwards will expire, if unused, in varying amounts from 2021 through 2040. In addition, we had U.S. state net operating loss carryforwards of $621 million, of which $97 million can be indefinitely carried forward, while the remaining $524 million will expire in varying amounts from 2021 to 2040.

Management believes, based on the evaluation of positive and negative evidence, including the future reversal of existing taxable temporary differences, it is more likely than not that the Company will realize the benefits of net deferred tax assets of $875 million, net of the valuation allowance. During 2020, the Company increased its valuation allowance by $8 million, primarily related to non-U.S. deferred tax assets. During 2019, the Company decreased its valuation allowance by $5 million, primarily related to non-U.S. deferred tax assets now considered realizable. During 2018, the Company decreased its valuation allowance by $81 million primarily related to the completion of an internal U.S. restructuring. The U.S. restructuring provided a source of positive evidence and enabled the Company to release its valuation allowance on certain state deferred tax assets now considered realizable. In addition, the Company reassessed certain state net operating losses and determined certain losses and the related valuation allowance would never be realized.

At December 31, 2020 and 2019, the Company had valuation allowances of $84 million and $76 million, respectively, to reduce its deferred tax assets to their estimated realizable values. The valuation allowance at December 31, 2020 primarily relates to deferred tax assets for U.K. capital loss carryforwards of $39 million, which have an unlimited carryforward period but can only be utilized against U.K. capital gains and U.S. state and non-U.S. net operating losses of $26 million and $19 million, respectively.

An analysis of our valuation allowance is shown below.

	Years ended December 31,		
	2020	2019	2018
Balance at beginning of year	$ 76	$ 81	$ 162
Additions charged to costs and expenses	17	7	18
Deductions	(9)	(12)	(99)
Balance at end of year	$ 84	$ 76	$ 81

In 2020, the net change in valuation allowance was an $8 million increase, primarily related to non-U.S. deferred tax assets. In 2019, the net change in valuation allowance was a $5 million decrease, primarily related to non-U.S. deferred tax assets now considered realizable. This amount differs from the 2019 rate reconciliation due to changes in foreign currency translation. In 2018, the net change in valuation allowance was an $81 million decrease, of which $80 million was a reduction to tax expense primarily related to an internal U.S. restructuring.

The Company recognizes deferred tax balances related to the undistributed earnings of subsidiaries when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments.

At December 31, 2018, as a result of an international restructuring, we determined that we may repatriate $2.1 billion, which was previously deemed indefinitely reinvested. Of the original $2.1 billion under consideration, $1.4 billion remains permanently reinvested at December 31, 2020. The cumulative earnings related to amounts reinvested indefinitely as of December 31, 2020 were approximately $8.9 billion, the majority of which are non-U.S. earnings not subject to U.S. tax. It is not practicable to calculate the tax cost of repatriating these unremitted earnings. If future events, including material changes in estimates of cash, working capital, long-term investment requirements or additional guidance relating to U.S. Tax Reform necessitate that these earnings be distributed, an additional provision for income and foreign withholding taxes, net of credits, may be necessary.

Uncertain tax positions

At December 31, 2020, the amount of unrecognized tax benefits associated with uncertain tax positions, determined in accordance with ASC 740-10, excluding interest and penalties, was $50 million. A reconciliation of the beginning and ending balances of the liability for unrecognized tax benefits is as follows:

	2020	2019	2018
Balance at beginning of year	$ 49	$ 49	$ 59
Increases related to acquisitions	4	—	—
Increases related to tax positions in prior years	1	2	2
Decreases related to tax positions in prior years	—	(1)	(4)
Decreases related to settlements	(3)	—	(4)
Decreases related to lapse in statute of limitations	(2)	(1)	(5)
Increases related to current year tax positions	—	—	3
Cumulative translation adjustment and other adjustments	1	—	(2)
Balance at end of year	$ 50	$ 49	$ 49

The liability for unrecognized tax benefits for the years ended December 31, 2020, 2019 and 2018 can be reduced by $3 million, $3 million and $2 million, respectively, of offsetting deferred tax benefits associated with timing differences, foreign tax credits and the federal tax benefit of state income taxes. If these offsetting deferred tax benefits were recognized, there would be a favorable impact on our effective tax rate. There are no material balances that would result in adjustments to other tax accounts.

Interest and penalties related to unrecognized tax benefits are included as a component of income tax expense. At December 31, 2020, we had cumulative accrued interest of $5 million. At December 31, 2019, the cumulative accrued interest was $4 million. Accrued penalties were immaterial in both 2020 and 2019.

Tax expense for both the years ended December 31, 2020 and 2019 includes $1 million of interest expense.

The Company believes that the outcomes which are reasonably possible within the next 12 months may result in a reduction in the liability for unrecognized tax benefits in the range of $4 million to $8 million, excluding interest and penalties.

The Company and its subsidiaries file income tax returns in various tax jurisdictions in which it operates.

Willis North America Inc. and subsidiaries' federal income tax filings for the tax years ended December 31, 2017 and December 31, 2018 are currently under examination by the Internal Revenue Service ('IRS'). As of December 31, 2020, the IRS has not advised the Company of any proposed changes.

We have ongoing state income tax examinations in certain states for tax years ranging from calendar years ended December 31, 2014 through December 31, 2018. The statute of limitations in certain states remains open back to calendar year 2014.

All U.K. tax returns have been filed timely and are in the normal process of being reviewed by Her Majesty's Revenue & Customs. The Company is not currently subject to any material examinations in other jurisdictions. A summary of the tax years that remain open to tax examination in our major tax jurisdictions are as follows:

	Open Tax Years (fiscal year ending in)
U.S. — federal	2017 and forward
U.S. — various states	2014 and forward
U.K.	2010 and forward
Ireland	2016 and forward
France	2010 and forward
Germany	2010 and forward
Canada - federal	2013 and forward

Note 7 — Fixed Assets

The following table reflects changes in the net carrying amount of the components of fixed assets for the years ended December 31, 2020 and 2019:

	Furniture, equipment and software	Leasehold improvements	Land and buildings	Total
Cost: at January 1, 2019	$ 1,130	$ 488	$ 92	$ 1,710
Additions	268	68	—	336
Acquisitions	7	3	—	10
Disposals	(117)	(15)	—	(132)
Reclassification due to ASC 842 (i)	—	—	(3)	(3)
Foreign exchange	14	6	1	21
Cost: at December 31, 2019	1,302	550	90	1,942
Additions	238	31	—	269
Acquisitions	1	—	—	1
Disposals	(64)	(12)	(1)	(77)
Abandonment of long-lived asset (ii)	(35)	—	—	(35)
Foreign exchange	31	9	1	41
Cost: at December 31, 2020	$ 1,473	$ 578	$ 90	$ 2,141
Depreciation: at January 1, 2019	$ (519)	$ (197)	$ (52)	$ (768)
Depreciation expense	(179)	(57)	(4)	(240)
Disposals	109	11	—	120
Foreign exchange	(5)	(2)	(1)	(8)
Depreciation: at December 31, 2019	(594)	(245)	(57)	(896)
Depreciation expense (ii)	(214)	(55)	(4)	(273)
Disposals	56	10	—	66
Foreign exchange	(17)	(6)	(1)	(24)
Depreciation: at December 31, 2020	$ (769)	$ (296)	$ (62)	$ (1,127)
Net book value:				
At December 31, 2019	$ 708	$ 305	$ 33	$ 1,046
At December 31, 2020	$ 704	$ 282	$ 28	$ 1,014

(i) Pertains to certain lease incentives which have been included within right-of-use assets upon the adoption of ASC 842. See Note 2 — Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements for further information.

(ii) Depreciation expense on the statement of comprehensive income for the year ended December 31, 2020 includes both the depreciation expense presented here as well as the abandonment of an internally-developed software asset of $35 million prior to being placed in service.

Included within land and buildings are the following assets held under finance leases:

	December 31, 2020	December 31, 2019
Finance leases	$ 28	$ 29
Accumulated depreciation	(20)	(19)
	$ 8	$ 10

Note 8 — Goodwill and Other Intangible Assets

Goodwill

The components of goodwill are outlined below for the years ended December 31, 2020 and 2019:

	HCB	CRB	IRR	BDA	Total
Balance at December 31, 2018					
Goodwill, gross	$ 4,300	$ 2,308	$ 1,792	$ 2,557	$ 10,957
Accumulated impairment losses	(130)	(362)	—	—	(492)
Goodwill, net - December 31, 2018	4,170	1,946	1,792	2,557	10,465
Goodwill acquired	—	10	—	727	737
Goodwill disposals	—	(6)	—	—	(6)
Foreign exchange	(2)	(3)	3	—	(2)
Balance at December 31, 2019					
Goodwill, gross	4,298	2,309	1,795	3,284	11,686
Accumulated impairment losses	(130)	(362)	—	—	(492)
Goodwill, net - December 31, 2019	4,168	1,947	1,795	3,284	11,194
Goodwill acquired	15	30	2	3	50
Goodwill disposals	(12)	(1)	(117)	—	(130)
Acquisition accounting adjustment	—	—	—	(9)	(9)
Foreign exchange	45	40	14	—	99
Balance at December 31, 2020					
Goodwill, gross	4,346	2,378	1,694	3,278	11,696
Accumulated impairment losses	(130)	(362)	—	—	(492)
Goodwill, net - December 31, 2020	$ 4,216	$ 2,016	$ 1,694	$ 3,278	$ 11,204

Other Intangible Assets

The following table reflects changes in the net carrying amounts of the components of finite-lived intangible assets for the year ended December 31, 2020 and 2019:

	Client relationships	Software	Trademark and trade name	Favorable agreements (i)	Other	Total
Balance at December 31, 2018:						
Intangible assets, gross	$ 3,401	$ 749	$ 1,052	$ 14	$ 102	$ 5,318
Accumulated amortization	(1,415)	(421)	(132)	(5)	(27)	(2,000)
Intangible assets, net - December 31, 2018	1,986	328	920	9	75	3,318
ASC 842 reclassification (i)	—	—	—	(9)	—	(9)
Intangible assets acquired (ii)	626	—	—	—	34	660
Intangible asset disposals	(9)	(1)	—	—	—	(10)
Amortization	(313)	(125)	(45)	—	(6)	(489)
Foreign exchange	8	—	—	—	—	8
Balance at December 31, 2019:						
Intangible assets, gross	4,029	753	1,051	—	134	5,967
Accumulated amortization	(1,731)	(551)	(176)	—	(31)	(2,489)
Intangible assets, net - December 31, 2019	2,298	202	875	—	103	3,478
Intangible assets acquired	30	—	—	—	32	62
Intangible asset disposals	(19)	—	—	—	(48)	(67)
Amortization	(301)	(103)	(43)	—	(15)	(462)
Foreign exchange	26	3	2	—	1	32
Balance at December 31, 2020:						
Intangible assets, gross	4,065	761	1,054	—	108	5,988
Accumulated amortization	(2,031)	(659)	(220)	—	(35)	(2,945)
Intangible assets, net - December 31, 2020	$ 2,034	$ 102	$ 834	$ —	$ 73	$ 3,043

(i) On January 1, 2019, in accordance with ASC 842, we reclassified our favorable lease agreement assets to right-of-use assets within our consolidated balance sheet.
(ii) Includes $612 million and $34 million of client relationship and domain name intangible assets, respectively, associated with our acquisition of TRANZACT.

For the year ended December 31, 2018, we recorded amortization related to our finite-lived intangible assets, exclusive of the amortization of our favorable lease agreements, of $534 million.

Our acquired unfavorable lease agreement liabilities were $21 million at December 31, 2018 and were recorded in other non-current liabilities in the consolidated balance sheet. On January 1, 2019, in accordance with ASC 842, we reclassified our unfavorable lease liabilities as a reduction to our right-of-use assets within our consolidated balance sheet.

The weighted-average remaining life of amortizable intangible assets and liabilities at December 31, 2020 was 13.3 years.

The table below reflects the future estimated amortization expense for amortizable intangible assets for the next five years and thereafter:

Years ended December 31,	Amortization
2021	$ 389
2022	328
2023	274
2024	239
2025	217
Thereafter	1,596
Total	$ 3,043

Note 9 — Derivative Financial Instruments

We are exposed to certain foreign currency risks. Where possible, we identify exposures in our business that can be offset internally. Where no natural offset is identified, we may choose to enter into various derivative transactions. These instruments have the effect of reducing our exposure to unfavorable changes in foreign currency rates. The Company's board of directors reviews and approves policies for managing this risk as summarized below. Additional information regarding our derivative financial instruments can be found in Note 2 — Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements, Note 11 — Fair Value Measurements and Note 17 — Accumulated Other Comprehensive Loss.

Foreign Currency Risk

Certain non-U.S. subsidiaries receive revenue and incur expenses in currencies other than their functional currency, and as a result, the foreign subsidiary's functional currency revenue and/or expenses will fluctuate as the currency rates change. Additionally, the forecasted Pounds sterling expenses of our London brokerage market operations may exceed their Pounds sterling revenue, and the entity with such operations may also hold significant foreign currency asset or liability positions in the consolidated balance sheet. To reduce such variability, we use foreign exchange contracts to hedge against this currency risk.

These derivatives were designated as hedging instruments and at December 31, 2020 and December 31, 2019 had total notional amounts of $340 million and $499 million, respectively, and represented net fair value assets of $5 million and $8 million, respectively.

At December 31, 2020, the Company estimates, based on current exchange rates, there will be $3 million of net derivative gains on forward exchange rates reclassified from accumulated other comprehensive loss into earnings within the next twelve months as the forecasted transactions affect earnings. These amounts include gains for contracts held by Miller, which is expected to be sold in the first quarter of 2021 (see Note 3 — Acquisitions and Divestitures). At December 31, 2020, our longest outstanding maturity was 1.7 years.

The effects of the material derivative instruments that are designated as hedging instruments on the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 are below. Amounts pertaining to the ineffective portion of hedging instruments and those excluded from effectiveness testing were immaterial for the years ended December 31, 2020, 2019 and 2018.

	Loss/(gain) recognized in OCI (effective element)		
	2020	2019	2018
Foreign exchange contracts	$ (13)	$ 15	$ (22)

Location of loss reclassified from Accumulated OCL into income (effective element)	Loss reclassified from Accumulated OCL into income (effective element)		
	2020	2019	2018
Revenue	$ (5)	$ (5)	$ —
Salaries and benefits	(4)	(4)	—
Other income, net	—	—	(28)
	$ (9)	$ (9)	$ (28)

We also enter into foreign currency transactions, primarily to hedge certain intercompany loans and other balance sheet exposures in currencies other than the functional currency of a given entity. These derivatives are not generally designated as hedging instruments, and at December 31, 2020 and December 31, 2019, had notional amounts of $1.5 billion and $931 million, respectively, and represented net fair value assets of $15 million and $21 million, respectively.

The effects of derivatives that have not been designated as hedging instruments on the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 are as follows:

Derivatives not designated as hedging instruments:	Location of (loss)/gain recognized in income	(Loss)/gain recognized in income		
		2020	2019	2018
Foreign exchange contracts	Other income, net	$ (3)	$ 18	$ —

On June 10, 2020, we entered into certain foreign currency transactions to hedge the consideration to be received from the then-pending divestiture of our Max Matthiessen business (see Note 3 — Acquisitions and Divestitures) against fluctuations in foreign exchange rates. The notional value of these contracts was approximately $273 million, of which approximately $181 million had been designated as a hedge of net investment, on an after-tax basis, against the carrying value of the net assets of Max Matthiessen. The settlement of the hedging instruments resulted in a $1 million loss during the year ended December 31, 2020, which was included in the net gain on disposal.

Note 10 — Debt

Current debt consists of the following:

	December 31, 2020	December 31, 2019
5.750% senior notes due 2021	$ 500	$ —
3.500% senior notes due 2021	449	—
Current portion of collateralized facility	22	24
Term loan due 2020	—	292
	$ 971	$ 316

Long-term debt consists of the following:

	December 31, 2020	December 31, 2019
Revolving $1.25 billion credit facility	$ —	$ —
Collateralized facility (i)	33	60
5.750% senior notes due 2021	—	499
3.500% senior notes due 2021	—	448
2.125% senior notes due 2022 (ii)	659	604
4.625% senior notes due 2023	249	249
3.600% senior notes due 2024	647	646
4.400% senior notes due 2026	546	546
4.500% senior notes due 2028	596	595
2.950% senior notes due 2029	726	446
6.125% senior notes due 2043	271	271
5.050% senior notes due 2048	395	395
3.875% senior notes due 2049	542	542
	$ 4,664	$ 5,301

(i) At December 31, 2020 and 2019, the Company had $98 million and $127 million, respectively, of renewal commissions receivables pledged as collateral for this facility (see below for additional information).

(ii) Notes issued in Euro (€540 million).

Guarantees

All direct obligations under the 5.750% senior notes are issued by Willis Towers Watson and guaranteed by Willis Netherlands Holdings B.V., Willis Investment UK Holdings Limited, TA I Limited, Trinity Acquisition plc, Willis Group Limited, Willis North America Inc., Willis Towers Watson Sub Holdings Unlimited Company and Willis Towers Watson U.K. Holdings Limited.

All direct obligations under the 3.600%, 4.500%, 2.950%, 5.050% and 3.875% senior notes are issued by Willis North America Inc. and guaranteed by Willis Towers Watson and each of the subsidiaries that guarantees the Company notes, except for Willis North America Inc. itself.

All direct obligations under the 4.625%, 6.125%, 3.500%, 4.400% and 2.125% senior notes are issued by Trinity Acquisition plc and guaranteed by Willis Towers Watson and each of the subsidiaries that guarantees the Company notes, except for Trinity Acquisition plc itself.

Revolving Credit Facility

$1.25 billion revolving credit facility

On March 7, 2017, Trinity Acquisition plc entered into a $1.25 billion amended and restated revolving credit facility (the 'RCF'), that will mature on March 7, 2022. The RCF replaced the previous revolving credit facility. Amounts outstanding under the RCF shall bear interest at LIBOR plus a margin of 1.00% to 1.75%, or alternatively, the base rate plus a margin of 0.00% to 0.75%, based upon the Company's guaranteed senior unsecured long-term debt rating.

Senior Notes

2.950% senior notes due 2029 and 3.875% senior notes due 2049

On September 10, 2019, the Company, together with its wholly-owned subsidiary, Willis North America Inc., as issuer, completed an offering of $450 million aggregate principal amount of 2.950% senior notes due 2029 (the 'initial 2029 senior notes') and $550 million aggregate principal amount of 3.875% senior notes due 2049 ('2049 senior notes'; collectively, the '2019 senior notes offering'). On May 29, 2020, the Company, together with its wholly-owned subsidiary, Willis North America Inc., as issuer, completed an offering of an additional $275 million aggregate principal amount of 2.950% senior notes due 2029 (the 'additional 2029 senior notes'). The additional 2029 senior notes will be treated as a single class with, and otherwise identical to, the initial 2029 senior notes other than with respect to the date of issuance, the issue price and the amounts paid to holders for each class of note on the first interest payment date. The effective interest rates of the initial 2029 senior notes and 2049 senior notes are 2.971% and 3.898%, respectively, which include the impact of the discount upon issuance. The effective interest rate of the additional 2029 senior notes is 2.697%, which includes the impact of the premium upon issuance. Both 2029 senior notes offerings will mature on September 15, 2029, and the 2049 senior notes will mature on September 15, 2049. Interest on the 2019 senior notes offering has accrued from September 10, 2019 and is paid in cash on March 15 and September 15 of each year. Interest on the additional 2029 senior notes has accrued from March 15, 2020 and is paid in cash on March 15 and September 15 of each year. The net proceeds from the 2019 senior notes offering, after deducting underwriter discounts and commissions and estimated offering expenses, were approximately $988 million and were used to prepay a portion of the amount outstanding under the Company's one-year term loan commitment (described below) and to repay borrowings under the Company's $1.25 billion revolving credit facility. The net proceeds from the additional 2029 senior notes offering were used to repay $175 million of the full principal amount and related accrued interest under the term loan facility, which was set to expire in July 2020, as well as repay $105 million of borrowings outstanding under the Company's $1.25 billion revolving credit facility and related accrued interest.

4.500% senior notes due 2028 and 5.050% senior notes due 2048

On September 10, 2018, the Company, together with its wholly-owned subsidiary, Willis North America Inc. as issuer, completed an offering of $600 million of 4.500% senior notes due 2028 ('2028 senior notes') and $400 million of 5.050% senior notes due 2048 ('2048 senior notes'). The effective interest rates of the 2028 senior notes and 2048 senior notes are 4.504% and 5.073%, respectively, which include the impact of the discount upon issuance. The 2028 senior notes will mature on September 15, 2028 and the 2048 senior notes will mature on September 15, 2048. Interest has accrued on both the 2028 senior notes and 2048 senior notes from September 10, 2018 and is paid in cash on March 15 and September 15 of each year. The net proceeds from this offering, after deducting underwriter discounts and commissions and estimated offering expenses, were $989 million and were used to prepay in full $127 million outstanding under the Company's term loan due December 2019 and to repay a portion of the amount outstanding under the Company's RCF.

3.600% senior notes due 2024

On May 16, 2017, Willis North America Inc. issued $650 million of 3.600% senior notes due 2024 ('2024 senior notes'). The effective interest rate of the 2024 senior notes is 3.614%, which includes the impact of the discount upon issuance. The 2024 senior notes will mature on May 15, 2024, and interest has accrued on the 2024 senior notes from May 16, 2017 and is paid in cash on May 15 and November 15 of each year. The net proceeds from this offering, after deducting underwriter discounts and commissions and estimated offering expenses, were $644 million and were used to pay down amounts outstanding under the RCF and for general corporate purposes.

2.125% senior notes due 2022

On May 26, 2016, Trinity Acquisition plc issued €540 million ($609 million) of 2.125% senior notes due 2022 ('2022 senior notes'). The effective interest rate of these senior notes is 2.154%, which includes the impact of the discount upon issuance. The 2022 senior notes will mature on May 26, 2022. Interest has accrued on the notes from May 26, 2016 and will be paid in cash on May 26 of each year. The net proceeds from this offering, after deducting underwriter discounts and commissions and estimated offering expenses, were €535 million ($600 million). We used the net proceeds of this offering to repay a portion of the previous 1-year term loan facility, which matured in 2016, and related accrued interest.

3.500% senior notes due 2021 and 4.400% senior notes due 2026

On March 22, 2016, Trinity Acquisition plc issued $450 million of 3.500% senior notes due 2021 ('2021 senior notes') and $550 million of 4.400% senior notes due 2026 ('2026 senior notes'). The effective interest rates of these senior notes are 3.707% and 4.572%, respectively, which include the impact of the discount upon issuance. The 2021 senior notes and the 2026 senior notes will mature on September 15, 2021 and March 15, 2026, respectively. Interest has accrued on the notes from March 22, 2016 and will be paid in cash on March 15 and September 15 of each year. The net proceeds from these offerings, after deducting underwriter discounts and commissions and estimated offering expenses, were $988 million. We used the net proceeds of these offerings to: (i) repay $300 million principal under the prior $800 million revolving credit facility and related accrued interest, which was drawn to repay our previously-issued 4.125% senior notes on March 15, 2016; (ii) repay $400 million principal on another portion of the previous 1-year term loan facility and related accrued interest; and (iii) pay down a portion of the remaining principal amount outstanding under the previous revolving credit facility and related accrued interest.

4.625% senior notes due 2023 and 6.125% senior notes due 2043

On August 15, 2013, Trinity Acquisition plc issued $250 million of 4.625% senior notes due 2023 ('2023 senior notes') and $275 million of 6.125% senior notes due 2043 ('2043 senior notes'). The effective interest rates of these senior notes are 4.696% and 6.154%, respectively, which include the impact of the discount upon issuance. The proceeds were used to repurchase other previously issued senior notes. The 2023 senior notes will mature on August 15, 2023 and the 2043 senior notes will mature on August 15, 2043.

5.750% senior notes due 2021

In March 2011, the Company issued $500 million of 5.750% senior notes due 2021. The effective interest rate of these senior notes is 5.871%, which includes the impact of the discount upon issuance. The proceeds were used to repurchase and redeem other previously-issued senior notes. The notes will mature on March 15, 2021.

Collateralized Facility

As part of the acquisition of TRANZACT, the Company assumed debt of $91 million related to borrowings by TRANZACT whereby certain renewal commissions receivables were pledged as collateral. The Company is required to remit cash received from these pledged renewal commissions receivables on a quarterly basis to the lenders until the borrowings and related interest are repaid, after the payment of certain fees and other permitted distributions. No borrowings have been made against this collateralized facility since the acquisition.

The maturity date of the borrowing is in January 2033, at which time all remaining outstanding principal and unpaid accrued interest will be payable. The collateralization facility may be prepaid in November 2021 or earlier if approval is obtained from at least half of the lenders. Loans under the agreement bear interest at LIBOR plus an applicable margin of 3.95%. The collateralization facility contains financial covenants, including requirements to separately and securely maintain the collateral. As cash is received for these pledged assets, it is classified as restricted cash within prepaid and other current assets on our accompanying consolidated balance sheet. Accumulated cash receipts are applied against the principal and interest on a quarterly basis.

Additional Information Regarding Fully Repaid Senior Notes and Term Loan Facilities

7.000% senior notes due 2019

In September 2009, Willis North America Inc. issued $300 million of 7.000% senior notes due 2019. The effective interest rate of these senior notes was 7.081%, which included the impact of the discount upon issuance. A portion of the proceeds was used to repurchase and redeem other previously issued senior notes. In August 2013, $113 million of the 7.000% senior notes due 2019 were repurchased. In September 2019, the Company repaid in full the remaining $187 million outstanding on the 7.000% senior notes due 2019 with borrowings against its revolving credit facility.

Term loan due December 2019

On January 4, 2016, we acquired a $340 million term loan in connection with the Merger. On November 20, 2015, Towers Watson Delaware Inc. entered into a 4-year amortizing term loan agreement for up to $340 million with a consortium of banks to help fund the pre-Merger special dividend. On December 28, 2015, Towers Watson Delaware Inc. borrowed the full $340 million. During 2018, we prepaid the remaining $127 million outstanding under the term loan with proceeds from the issuance of the 2028 senior notes and 2048 senior notes discussed above.

One-year Term Loan Commitment

As part of the acquisition of TRANZACT, the Company secured financing of up to $1.1 billion in the form of a one-year unsecured term loan. Borrowing occurred in conjunction with the closing of the acquisition on July 30, 2019.

Amounts outstanding under the term loan bore interest, at the option of the borrowers, at a rate equal to (a) LIBOR plus 0.75% to 1.375% for Eurocurrency Rate Loans or (b) the highest of (i) the Federal Funds Rate plus 0.5%, (ii) the 'prime rate' quoted by Bank of America, N.A., and (iii) LIBOR plus 1.00%, plus 0.00% to 0.375%, in each case, based upon the Company's guaranteed senior-unsecured long-term debt rating. In addition, the Company paid a commitment fee in an amount equal to 0.15% per annum on the undrawn portion of the commitments in respect of the term loan, which we had accrued from May 29, 2019 until the closing date of the acquisition.

The term loan was pre-payable in part or in full prior to the maturity date at the Company's discretion. Covenants and events of default were substantively the same as in our existing revolving credit facility. The remaining outstanding balance on the term loan was repaid in full upon issuance of the additional 2029 senior notes discussed above.

Covenants

The terms of our current financings also include certain limitations. For example, the agreements relating to the debt arrangements and credit facilities generally contain numerous operating and financial covenants, including requirements to maintain minimum ratios of consolidated EBITDA to consolidated cash interest expense and maximum levels of consolidated funded indebtedness in relation to consolidated EBITDA, in each case subject to certain adjustments. The operating restrictions and financial covenants in our current credit facilities do, and any future financing agreements may, limit our ability to finance future operations or capital needs or to engage in other business activities. At December 31, 2020 and 2019, we were in compliance with all financial covenants.

Debt Maturity

The following table summarizes the maturity of our debt and interest on senior notes and excludes any reduction for debt issuance costs:

	2021	2022	2023	2024	2025	Thereafter	Total
Senior notes	$ 950	$ 660	$ 250	$ 650	$ —	$ 3,100	$ 5,610
Interest on senior notes	197	171	162	140	131	1,418	2,219
RCF	—	—	—	—	—	—	—
Collateralized facility	22	17	13	3	—	—	55
Total	$ 1,169	$ 848	$ 425	$ 793	$ 131	$ 4,518	$ 7,884

Interest Expense

The following table shows an analysis of the interest expense for the years ended December 31, 2020, 2019 and 2018:

	Years ended December 31,		
	2020	2019	2018
Senior notes	$ 227	$ 206	$ 166
Term loans	6	9	4
RCF	4	8	26
Collateralized facility	3	1	—
Other (i)	4	10	12
Total interest expense	$ 244	$ 234	$ 208

(i) Other primarily includes debt issuance costs, interest expense on financing leases and accretion on deferred and contingent consideration.

Note 11 — Fair Value Measurements

The Company has categorized its assets and liabilities that are measured at fair value on a recurring and non-recurring basis into a three-level fair value hierarchy, based on the reliability of the inputs used to determine fair value as follows:

- Level 1: refers to fair values determined based on quoted market prices in active markets for identical assets;
- Level 2: refers to fair values estimated using observable market-based inputs or unobservable inputs that are corroborated by market data; and
- Level 3: includes fair values estimated using unobservable inputs that are not corroborated by market data.

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments:

- Available-for-sale securities are classified as Level 1 because we use quoted market prices in determining the fair value of these securities.
- Market values for our derivative instruments have been used to determine the fair values of forward foreign exchange contracts based on estimated amounts the Company would receive or have to pay to terminate the agreements, taking into account observable information about the current foreign currency forward rates. Such financial instruments are classified as Level 2 in the fair value hierarchy.
- Contingent consideration payable is classified as Level 3, and we estimate fair value based on the likelihood and timing of achieving the relevant milestones of each arrangement, applying a probability assessment to each of the potential outcomes, which at times includes the use of a Monte Carlo simulation and discounting the probability-weighted payout. Typically, milestones are based on revenue or earnings growth for the acquired business.

The following tables present our assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and December 31, 2019:

		Fair Value Measurements on a Recurring Basis at December 31, 2020			
	Balance Sheet Location	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:					
Available-for-sale securities:					
Mutual funds / exchange traded funds	Prepaid and other current assets and other non-current assets	$ 8	$ —	$ —	$ 8
Derivatives:					
Derivative financial instruments (i)	Prepaid and other current assets and other non-current assets	$ —	$ 27	$ —	$ 27
Liabilities:					
Contingent consideration:					
Contingent consideration (ii)	Other current liabilities and other non-current liabilities	$ —	$ —	$ 45	$ 45
Derivatives:					
Derivative financial instruments (i)	Other current liabilities and other non-current liabilities	$ —	$ 7	$ —	$ 7

	Balance Sheet Location	Fair Value Measurements on a Recurring Basis at December 31, 2019 Level 1	Level 2	Level 3	Total
Assets:					
Available-for-sale securities:					
Mutual funds / exchange traded funds	Prepaid and other current assets and other non-current assets	$ 20	$ —	$ —	$ 20
Derivatives:					
Derivative financial instruments (i)	Prepaid and other current assets and other non-current assets	$ —	$ 32	$ —	$ 32
Liabilities:					
Contingent consideration:					
Contingent consideration (ii)	Other current liabilities and other non-current liabilities	$ —	$ —	$ 17	$ 17
Derivatives:					
Derivative financial instruments (i)	Other current liabilities and other non-current liabilities	$ —	$ 3	$ —	$ 3

(i) See Note 9 — Derivative Financial Instruments for further information on our derivative instruments.
(ii) Probability weightings are based on our knowledge of the past and planned performance of the acquired entity to which the contingent consideration applies. The weighted-average discount rates used on our material contingent consideration calculations were 9.46% and 10.16% at December 31, 2020 and December 31, 2019, respectively. The range of these discount rates was 3.53% - 13.00% at December 31, 2020. Using different probability weightings and discount rates could result in an increase or decrease of the contingent consideration payable.

The following table summarizes the change in fair value of the Level 3 liabilities:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	December 31, 2020
Balance at December 31, 2019	$ 17
Obligations assumed	9
Payments	—
Realized and unrealized gains	18
Foreign exchange	1
Balance at December 31, 2020	$ 45

There were no significant transfers between Levels 1, 2 or 3 during the years ended December 31, 2020 and 2019.

Fair value information about financial instruments not measured at fair value

The following tables present our assets and liabilities not measured at fair value on a recurring basis at December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Long-term note receivable	$ 71	$ 73	$ —	$ —
Liabilities:				
Current debt	$ 971	$ 985	$ 316	$ 319
Long-term debt	$ 4,664	$ 5,488	$ 5,301	$ 5,694

The carrying values of our revolving credit facility and collateralized facility approximate their fair values. The fair values above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instruments. The fair values of our respective senior notes and long-term note receivable are considered Level 2 financial instruments as they are corroborated by observable market data.

Note 12 — Retirement Benefits

Defined Benefit Plans and Post-retirement Welfare Plans

Willis Towers Watson sponsors both qualified and non-qualified defined benefit pension plans and other post-retirement welfare ('PRW') plans throughout the world. The majority of our plan assets and obligations are in the U.S. and the U.K. We have also included disclosures related to defined benefit plans in certain other countries, including Canada, France, Germany and Ireland. Together, these disclosed funded and unfunded plans represent 99% of Willis Towers Watson's pension and PRW obligations and are presented herein.

As part of these obligations, in the U.S., the U.K. and Canada, we have non-qualified plans that provide for the additional pension benefits that would be covered under the qualified plan in the respective country were it not for statutory maximums. The non-qualified plans are unfunded.

The significant plans within each grouping are described below:

United States

Legacy Willis – This plan was frozen in 2009. Approximately one-quarter of the Legacy Willis employees in the United States have a frozen accrued benefit under this plan.

Willis Towers Watson Plan – Substantially all U.S. employees are eligible to participate in this plan. Benefits are provided under a stable value pension plan design. The original stable value design came into effect on January 1, 2012. Plan participants prior to July 1, 2017 earn benefits without having to make employee contributions, and all newly eligible employees after that date are required to contribute 2% of pay on an after-tax basis to participate in the plan.

United Kingdom

Legacy Willis – This plan covers approximately one-quarter of the Legacy Willis employees in the United Kingdom. The plan is now closed to new entrants.

Legacy Towers Watson – Benefit accruals earned under the Legacy Watson Wyatt defined benefit plan (predominantly pension benefits) ceased on February 28, 2015, although benefits earned prior to January 1, 2008 retain a link to salary until the employee leaves the Company. Benefit accruals earned under the legacy Towers Perrin defined benefit plan (predominantly lump sum benefits) were frozen on March 31, 2008.

Legacy Miller – The plan provides retirement benefits based on members' salaries at the point at which they ceased to accrue benefits under the scheme.

Other

Canada (Legacy Willis and Legacy Towers Watson) – Participants accrue qualified and non-qualified benefits based on a career-average benefit formula. Additionally, participants can choose to make voluntary contributions to purchase enhancements to their pension.

France (Legacy Gras Savoye) – The mandatory retirement indemnity plan is a termination benefit which provides lump sum benefits at retirement. There is no vesting before the retirement date, and the benefit formula is determined through the collective bargaining agreement and the labor code. All employees with permanent employment contracts are eligible.

Germany (Legacy Willis and Legacy Towers Watson) – The defined benefit plans are closed to new entrants and include certain legacy employee populations hired before 2011. These benefits are primarily account-based, with some long-service participants continuing to accrue benefits according to grandfathered final-average-pay formulas.

Ireland (Legacy Willis) – The defined benefit plans provided pension benefits for approximately one-third of legacy Willis employees in Ireland and were closed to new entrants. Benefit accruals ceased effective from December 31, 2019; however accrued benefits for active employees are indexed to salary increases (to a maximum annual salary of €150,000) until the member leaves the Company. A future service retirement provision is being provided on a defined contribution basis.

Ireland (Legacy Towers Watson) – Benefit accruals earned under the scheme's defined benefit plan ceased on May 1, 2015. Benefits earned prior to this date retain a link to salary until the employee leaves the Company.

Post-retirement Welfare Plan

We provide certain healthcare and life insurance benefits for retired participants. The principal plan disclosed herein covers participants in the U.S. who have met certain eligibility requirements. This post-retirement benefit plan was primarily unfunded, with the remaining assets being paid out during the year ended December 31, 2019. Retiree medical benefits provided under our U.S. post-retirement benefit plan were closed to new hires effective January 1, 2011. Life insurance benefits under the plan were frozen with respect to service, eligibility and amounts as of January 1, 2012 for active participants.

Amounts Recognized in our Consolidated Financial Statements

The following schedules provide information concerning the defined benefit pension plans and PRW plan as of and for the years ended December 31, 2020 and 2019:

	2020				2019			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Change in Benefit Obligation								
Benefit obligation, beginning of year	$ 4,768	$ 4,259	$ 842	$ 90	$ 4,187	$ 3,666	$ 728	$ 87
Service cost	72	15	21	1	65	14	20	1
Interest cost	131	73	15	2	157	93	18	3
Employee contributions	15	—	—	3	15	—	—	6
Actuarial losses	509	494	65	5	535	472	88	5
Settlements	(10)	(27)	(4)	—	(6)	(8)	(3)	—
Benefits paid	(194)	(146)	(32)	(10)	(185)	(140)	(26)	(12)
Plan amendments	—	9	—	—	—	—	—	—
Business disposal	—	—	(1)	—	—	—	—	—
Transfers in	—	—	—	—	—	—	2	—
Other	—	—	1	—	—	—	—	—
Foreign currency changes	—	166	48	—	—	162	15	—
Benefit obligation, end of year	$ 5,291	$ 4,843	$ 955	$ 91	$ 4,768	$ 4,259	$ 842	$ 90
Change in Plan Assets								
Fair value of plan assets, beginning of year	$ 3,873	$ 5,086	$ 588	$ —	$ 3,403	$ 4,402	$ 486	$ 1
Actual return on plan assets	602	590	64	—	557	561	85	—
Employer contributions	71	66	35	7	89	77	31	5
Employee contributions	15	—	—	3	15	—	—	6
Settlements	(10)	(27)	(4)	—	(6)	(8)	(3)	—
Benefits paid	(194)	(146)	(32)	(10)	(185)	(140)	(26)	(12)
Transfers in	—	—	—	—	—	—	2	—
Other	—	—	1	—	—	—	—	—
Foreign currency adjustment	—	198	32	—	—	194	13	—
Fair value of plan assets, end of year	$ 4,357	$ 5,767	$ 684	$ —	$ 3,873	$ 5,086	$ 588	$ —
Funded status at end of year	$ (934)	$ 924	$ (271)	$ (91)	$ (895)	$ 827	$ (254)	$ (90)
Accumulated Benefit Obligation	$ 5,291	$ 4,841	$ 918	$ 91	$ 4,768	$ 4,259	$ 810	$ 90
Components on the Consolidated Balance Sheet								
Pension benefits assets	$ —	$ 932	$ 28	$ —	$ —	$ 835	$ 22	$ —
Current liability for pension benefits	$ (31)	$ (1)	$ (5)	$ (6)	$ (33)	$ (1)	$ (6)	$ (6)
Non-current liability for pension benefits	$ (903)	$ (7)	$ (294)	$ (85)	$ (862)	$ (7)	$ (270)	$ (84)
	$ (934)	$ 924	$ (271)	$ (91)	$ (895)	$ 827	$ (254)	$ (90)

For both the years ended December 31, 2020 and 2019, bond yields continued to decline, which drove a decrease in the discount rates. This reduction, coupled with unfavorable foreign exchange effects for the U.K. and Other plans, was the most significant driver of the increase in benefit obligations for the plans. Additionally in 2019, the actuarial loss in the PRW plan driven by the discount rate reduction was partially offset by gains due to fewer retirees enrolling in medical coverage than had been assumed.

Amounts recognized in accumulated other comprehensive loss as of December 31, 2020 and 2019 consist of:

	2020				2019			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Net actuarial loss	$ 1,143	$ 1,304	$ 169	$ 24	$ 982	$ 1,133	$ 128	$ 20
Net prior service gain	—	(37)	—	(23)	—	(61)	—	(27)
Accumulated other comprehensive loss/(income)	$ 1,143	$ 1,267	$ 169	$ 1	$ 982	$ 1,072	$ 128	$ (7)

The following table presents the projected benefit obligation and fair value of plan assets for our plans that have a projected benefit obligation in excess of plan assets as of December 31, 2020 and 2019:

	2020			2019		
	U.S.	U.K.	Other	U.S.	U.K.	Other
Projected benefit obligation at end of year	$ 5,291	$ 8	$ 891	$ 4,768	$ 7	$ 784
Fair value of plan assets at end of year	$ 4,357	$ —	$ 593	$ 3,873	$ —	$ 509

The following table presents the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for our plans that have an accumulated benefit obligation in excess of plan assets as of December 31, 2020 and 2019.

	2020			2019		
	U.S.	U.K.	Other	U.S.	U.K.	Other
Projected benefit obligation at end of year	$ 5,291	$ 8	$ 477	$ 4,768	$ 7	$ 784
Accumulated benefit obligation at end of year	$ 5,291	$ 8	$ 457	$ 4,768	$ 7	$ 752
Fair value of plan assets at end of year	$ 4,357	$ —	$ 193	$ 3,873	$ —	$ 509

The components of the net periodic benefit income and other amounts recognized in other comprehensive (income)/loss for the years ended December 31, 2020, 2019 and 2018 for the defined benefit pension and PRW plans are as follows:

	2020				2019				2018			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Components of net periodic benefit (income)/cost:												
Service cost	$ 72	$ 15	$ 21	$ 1	$ 65	$ 14	$ 20	$ 1	$ 66	$ 18	$ 21	$ 1
Interest cost	131	73	15	2	157	93	18	3	140	95	18	4
Expected return on plan assets	(291)	(247)	(34)	—	(254)	(246)	(29)	—	(273)	(298)	(31)	—
Amortization of unrecognized prior service credit	—	(17)	—	(4)	—	(16)	—	(4)	—	(19)	—	—
Amortization of unrecognized actuarial loss	35	23	3	1	19	21	2	1	11	45	2	—
Settlement	2	3	1	—	—	—	1	—	1	41	2	—
Curtailment gain	—	—	—	—	—	—	—	—	—	—	(16)	—
Net periodic benefit (income)/cost	$ (51)	$ (150)	$ 6	$ —	$ (13)	$ (134)	$ 12	$ 1	$ (55)	$ (118)	$ (4)	$ 5
Other changes in plan assets and benefit obligations recognized in other comprehensive loss/(income):												
Net actuarial loss/(gain)	$ 198	$ 151	$ 35	$ 5	$ 232	$ 157	$ 32	$ 5	$ 117	$ 191	$ 13	$ (3)
Amortization of unrecognized actuarial loss	(35)	(23)	(3)	(1)	(19)	(21)	(2)	(1)	(11)	(45)	(2)	—
Prior service cost/(credit)	—	9	—	—	—	—	—	—	—	40	—	(31)
Amortization of unrecognized prior service credit	—	17	—	4	—	16	—	4	—	19	—	—
Settlement	(2)	(3)	(1)	—	—	—	(1)	—	(1)	(41)	(2)	—
Curtailment gain	—	—	—	—	—	—	—	—	—	—	16	—
Total recognized in other comprehensive loss/(income)	161	151	31	8	213	152	29	8	105	164	25	(34)
Total recognized in net periodic benefit (income)/cost and other comprehensive loss/(income)	$ 110	$ 1	$ 37	$ 8	$ 200	$ 18	$ 41	$ 9	$ 50	$ 46	$ 21	$ (29)

During the year ended December 31, 2018, the Company terminated its Netherlands-based defined benefit plan, resulting in the recognition of a non-cash curtailment gain of $16 million.

During the year ended December 31, 2018, as a result of past changes in U.K. legislation and the low interest rate environment, the amount of transfer payments from the Legacy Willis U.K. pension plan exceeded the plan's service and interest costs. This triggered settlement accounting which required immediate recognition of a portion of the obligations associated with the plan transfers. Consequently, the Company recognized a non-cash expense of $40 million for the year ended December 31, 2018.

Assumptions Used in the Valuations of the Defined Benefit Pension Plans and PRW Plan

The determination of the Company's obligations and annual expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on our projected benefit obligation. However, certain of these changes, such as changes in the discount rate and actuarial assumptions, are not recognized immediately in net income, but are instead recorded in other comprehensive income. The accumulated gains and losses not yet recognized in net income are amortized into net income as a component of the net periodic benefit cost/(income) generally based on the average working life expectancy of each of the plan's active participants to the extent that the net gains or losses as of the beginning of the year exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation. The average remaining service period of participants for the PRW plan is approximately 8.7 years.

The Company considers several factors prior to the start of each fiscal year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer company comparisons. These assumptions, used to determine our pension liabilities and pension expense, are reviewed annually by senior management and changed when appropriate. A discount rate will be changed annually if underlying rates have moved, whereas an expected long-term return on assets will be changed less frequently as longer-term trends in asset returns emerge or long-term target asset allocations are revised. To calculate the discount rate, we use the granular approach to determining service and interest costs. The expected rate of return assumptions for all plans are supported by an analysis of the weighted-average yield expected to be achieved based upon the anticipated makeup of the plans' investments. Other material assumptions include rates of participant mortality, and the expected long-term rate of compensation and pension increases.

The following assumptions were used in the valuations of Willis Towers Watson's defined benefit pension plans and PRW plan. The assumptions presented for the U.S. plans represent the weighted-average of rates for all U.S. plans. The assumptions presented for the U.K. plans represent the weighted-average of rates for the U.K. plans. The assumptions presented for the Other plans represent the weighted-average of rates for the Canada, France, Germany and Ireland plans.

The assumptions used to determine net periodic benefit cost for the fiscal years ended December 31, 2020, 2019 and 2018 were as follows:

	Years ended December 31,											
	2020				2019				2018			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Discount rate - PBO	3.3%	2.0%	2.1%	3.2%	4.2%	2.8%	2.8%	4.2%	3.6%	2.6%	2.6%	3.5%
Discount rate - service cost	3.4%	2.1%	2.5%	3.3%	4.3%	2.9%	3.0%	4.2%	3.5%	2.7%	2.9%	3.5%
Discount rate - interest cost on service cost	2.8%	1.9%	2.4%	2.8%	3.8%	2.8%	2.9%	3.9%	3.1%	2.5%	2.7%	3.2%
Discount rate - interest cost on PBO	2.8%	1.8%	1.9%	2.8%	3.9%	2.6%	2.5%	3.9%	3.2%	2.3%	2.3%	3.1%
Expected long-term rate of return on assets	7.7%	5.0%	5.9%	N/A	7.6%	5.6%	6.0%	2.0%	7.6%	6.2%	5.7%	2.0%
Rate of increase in compensation levels	4.3%	3.0%	2.3%	N/A	4.3%	3.0%	2.3%	N/A	4.3%	3.0%	2.3%	N/A
Healthcare cost trend												
Initial rate				6.5%				6.0%				6.5%
Ultimate rate				5.0%				5.0%				5.0%
Year reaching ultimate rate				2027				2022				2022

The following tables present the assumptions used in the valuation to determine the projected benefit obligation for the fiscal years ended December 31, 2020 and 2019:

	December 31, 2020				December 31, 2019			
	U.S.	U.K.	Other	PRW	U.S.	U.K.	Other	PRW
Discount rate	2.5%	1.5%	1.7%	2.4%	3.3%	2.0%	2.1%	3.2%
Rate of increase in compensation levels	4.3%	3.0%	2.3%	N/A	4.3%	3.0%	2.3%	N/A

The expected return on plan assets was determined on the basis of the weighted-average of the expected future returns of the various asset classes, using the target allocations shown below. The Company's pension plan asset target allocations as of December 31, 2020 were as follows:

	U.S.		U.K.			Canada	Germany	Ireland	
Asset Category	**Willis**	**Willis Towers Watson**	**Willis**	**Towers Watson**	**Miller**	**Towers Watson**	**Towers Watson**	**Willis**	**Towers Watson**
Equity securities	30%	23%	—%	1%	19%	40%	36%	29%	40%
Debt securities	33%	33%	30%	24%	21%	50%	57%	29%	30%
Real estate	11%	6%	—%	2%	—%	5%	—%	3%	—%
Other	26%	38%	70%	73%	60%	5%	7%	39%	30%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

The Willis plan in Germany is invested in insurance contracts. Consequently, the asset allocations of the plans are managed by the respective insurer. The Gras Savoye plan in France is unfunded.

Our investment strategy is designed to generate returns that will reduce the interest rate risk inherent in each of the plan's benefit obligations and enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the life expectancy of the plan participants and salary inflation. The obligations are estimated using actuarial assumptions based on the current economic environment.

Each pension plan seeks to achieve total returns sufficient to meet expected future obligations when considered in conjunction with expected future contributions and prudent levels of investment risk and diversification. Each plan's targeted asset allocation is generally determined through a plan-specific asset-liability modeling study. These comprehensive studies provide an evaluation of the projected status of asset and benefit obligation measures for each plan under a range of both positive and negative factors. The studies include a number of different asset mixes, spanning a range of diversification and potential equity exposures.

In evaluating the strategic asset allocation choices, an emphasis is placed on the long-term characteristics of each individual asset class, such as expected return, volatility of returns and correlations with other asset classes within the portfolios. Consideration is also given to the proper long-term level of risk for each plan, the impact of the volatility and magnitude of plan contributions and costs, and the impact that certain actuarial techniques may have on the plan's recognition of investment experience.

We monitor investment performance and portfolio characteristics on a quarterly basis to ensure that managers are meeting expectations with respect to their investment approach. There are also various restrictions and controls placed on managers, including prohibition from investing in our stock.

Fair Value of Plan Assets

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value:

- Level 1: refers to fair values determined based on quoted market prices in active markets for identical assets;
- Level 2: refers to fair values estimated using observable market-based inputs or unobservable inputs that are corroborated by market data; and
- Level 3: includes fair values estimated using unobservable inputs that are not corroborated by market data.

The fair values of our U.S. plan assets by asset category at December 31, 2020 and 2019 are as follows:

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category:								
Cash (i)	$ 3	$ —	$ —	$ 3	$ 172	$ —	$ —	$ 172
Short-term securities	—	106	—	106	—	99	—	99
Government bonds	—	—	—	—	4	—	—	4
Pooled / commingled funds	—	—	—	2,599	—	—	—	2,033
Private equity	—	—	—	415	—	—	—	487
Hedge funds	—	—	—	1,234	—	—	—	1,084
Total assets	$ 3	$ 106	$ —	$ 4,357	$ 176	$ 99	$ —	$ 3,879

(i) At December 31, 2019, consists primarily of cash on deposit with the managers of the hedge funds due to the timing of purchases of units in the funds.

The fair values of our U.K. plan assets by asset category at December 31, 2020 and 2019 are as follows:

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category:								
Cash	$ 366	$ —	$ —	$ 366	$ 253	$ —	$ —	$ 253
Government bonds	2,684	—	—	2,684	1,865	—	—	1,865
Corporate bonds	—	898	—	898	—	741	—	741
Other fixed income	—	458	—	458	—	350	—	350
Pooled / commingled funds	—	—	—	1,237	—	—	—	1,828
Mutual funds	—	—	—	59	—	—	—	34
Private equity	—	—	—	31	—	—	—	34
Derivatives	—	376	—	376	—	246	—	246
Real estate	—	—	—	159	—	—	—	161
Hedge funds	—	—	—	—	—	—	—	54
Insurance contracts	—	—	71	71	—	—	—	—
Total assets	$ 3,050	$ 1,732	$ 71	$ 6,339	$ 2,118	$ 1,337	$ —	$ 5,566
Liability category:								
Repurchase agreements	—	572	—	572	—	480	—	480
Net assets/(liabilities)	$ 3,050	$ 1,160	$ 71	$ 5,767	$ 2,118	$ 857	$ —	$ 5,086

The fair values of our Other plan assets by asset category at December 31, 2020 and 2019 are as follows:

	December 31, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset category:								
Cash	$ 2	$ —	$ —	$ 2	$ 2	$ —	$ —	$ 2
Pooled / commingled funds	—	—	—	635	—	—	—	444
Mutual funds	—	—	—	—	—	—	—	106
Hedge funds	—	—	—	39	—	—	—	34
Insurance contracts	—	—	8	8	—	—	2	2
Total assets	$ 2	$ —	$ 8	$ 684	$ 2	$ —	$ 2	$ 588

We evaluate the need to transfer between levels based upon the nature of the financial instrument and size of the transfer relative to the total net assets of the plans. There were no significant transfers between Levels 1, 2 or 3 in the fiscal years ended December 31, 2020 and 2019.

In accordance with Subtopic 820-10, *Fair Value Measurement and Disclosures*, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets.

Following is a description of the valuation methodologies used for investments at fair value:

Short-term securities: Valued at the net value of shares held by the Company at year end as reported by the sponsor of the funds.

Equity securities and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded. Exchange-traded mutual funds are included as Level 1 above.

Government bonds: Valued at the closing price reported in the active market in which the bond is traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

Other fixed income: Foreign and municipal bonds are valued using pricing models maximizing the use of observable inputs for similar securities.

Pooled / commingled funds and mutual funds: Valued at the net value of shares held by the Company at year end as reported by the manager of the funds. These funds are not exchange-traded and are not reported by level in the tables above.

Derivative investments: Valued at the closing level of the relevant index or security and interest accrual through the valuation date.

Private equity funds, real estate funds, hedge funds: The fair values for these investments are estimated based on the net asset values derived from the latest audited financial statements or most recent capital account statements provided by the private equity fund's investment manager or third-party administrator.

Insurance contracts: The fair values are determined using model-based techniques that include option-pricing models, discounted cash flow models and similar techniques.

Repurchase agreements: Valued as the repurchase obligation which includes an interest rate linked to the underlying fixed interest government bond portfolio. These agreements are short-term in nature (less than one year) and were entered into for the purpose of purchasing additional government bonds.

The following table reconciles the net plan investments to the total fair value of the plan assets:

	December 31,	
	2020	2019
Net assets held in investments	$ 10,808	$ 9,553
Net receivable/(payable) for investments purchased	—	(7)
Dividend and interest receivable	—	1
Fair value of plan assets	$ 10,808	$ 9,547

Level 3 investments

As a result of the inherent limitations related to the valuations of the Level 3 investments, due to the unobservable inputs of the underlying funds, the estimated fair values may differ significantly from the values that would have been used had a market for those investments existed.

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the fiscal year ended December 31, 2020:

	Level 3 Roll Forward
Beginning balance at December 31, 2019	$ 2
Purchases	64
Unrealized gains	7
Foreign exchange	6
Ending balance at December 31, 2020	$ 79

Contributions and Benefit Payments

Funding is based on actuarially-determined contributions and is limited to amounts that are currently deductible for tax purposes. Since funding calculations are based on different measurements than those used for accounting purposes, pension contributions are not equal to net periodic pension costs.

The following table sets forth our projected pension contributions to our qualified plans for fiscal year 2020, as well as the pension contributions to our qualified plans in fiscal years 2020 and 2019:

	2021 (Projected)	2020 (Actual)	2019 (Actual)
U.S.	$ 60	$ 40	$ 60
U.K.	$ 47	$ 65	$ 76
Other	$ 25	$ 24	$ 22

Expected benefit payments from our defined benefit pension plans to current plan participants, including the effects of their expected future service, as appropriate, are as follows:

	Benefit Payments				
Fiscal Year	**U.S.**	**U.K.**	**Other**	**PRW**	**Total**
2021	$ 248	$ 128	$ 32	$ 10	$ 418
2022	275	122	28	10	435
2023	265	131	29	10	435
2024	274	139	31	11	455
2025	277	143	32	11	463
Years 2026 – 2029	1,421	808	187	58	2,474
	$ 2,760	$ 1,471	$ 339	$ 110	$ 4,680

Defined Contribution Plans

We have defined contribution plans covering eligible employees in many countries. The most significant plans are in the U.S. and U.K. and are described here.

We have a U.S. defined contribution plan (the 'Plan') covering all eligible employees of Willis Towers Watson. The Plan allows participants to make pre-tax and Roth after-tax contributions, and the Company provides a 100% match on the first 1% of employee contributions and a 50% match on the next 5% of employee contributions. Employees vest in the Company match upon 2 years of service. All investment assets of the plan are held in a trust account administered by independent trustees.

Our Legacy Towers Watson U.K. and Legacy Willis U.K. pension plans provide for a defined contribution component as part of a master trust. We make contributions to the plan, a portion of which represents matching contributions made by the participants up to a maximum rate.

We had defined contribution plan expense for the years ended December 31, 2020, 2019 and 2018 amounting to $160 million, $150 million and $150 million, respectively.

Note 13 — Leases

The following tables present amounts recorded on our consolidated balance sheets at December 31, 2020 and 2019, classified as either operating or finance leases. Operating leases are presented separately on our consolidated balance sheets. For the finance leases, the right-of-use ('ROU') assets are included in fixed assets, net, and the liabilities are classified within other current liabilities or other non-current liabilities.

	December 31, 2020			December 31, 2019		
	Operating Leases	Finance Leases	Total Leases	Operating Leases	Finance Leases	Total Leases
Right-of-use assets	$ 902	$ 8	$ 910	$ 968	$ 10	$ 978
Current lease liabilities	152	3	155	164	3	167
Long-term lease liabilities	918	19	937	964	22	986

The following tables present amounts recorded on our consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019:

	Years ended December 31,	
	2020	2019
Finance lease cost:		
Amortization of right-of-use assets	$ 2	$ 2
Interest on lease liabilities	3	3
Operating lease cost	181	191
Short-term lease cost	1	2
Variable lease cost	53	51
Sublease income	(21)	(16)
Total lease cost, net	$ 219	$ 233

The total lease cost is recognized in different locations in our consolidated statements of comprehensive income. Amortization of the finance lease ROU assets is included in depreciation, while the interest cost component of these finance leases is included in interest expense. All other costs are included in other operating expenses. The Company had rent expense for the year ended December 31, 2018 of $243 million, net of sublease income, related to operating leases classified within other operating expenses on our consolidated statement of comprehensive income.

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31, 2020 and 2019, as well as its location in the consolidated statements of cash flows, is as follows:

	Years ended December 31,	
	2020	2019
Cash flows from operating activities:		
Operating leases	$ 190	$ 205
Finance leases	3	3
Cash flows used in financing activities:		
Finance leases	3	2
Total lease payments	$ 196	$ 210

Non-cash additions to our operating lease ROU assets were $70 million and $124 million during the years ended December 31, 2020 and 2019, respectively.

Our operating and finance leases have the following weighted-average terms and discount rates as of December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average term (in years)	8.3	5.2	8.8	6.0
Weighted-average discount rate	3.4%	12.9%	3.6%	12.9%

The maturity of our lease liabilities on an undiscounted basis, including a reconciliation to the total lease liabilities reported on the consolidated balance sheet as of December 31, 2020, is as follows:

	Operating Leases	Finance Leases	Total Leases
2021	$ 185	$ 6	$ 191
2022	172	6	178
2023	157	6	163
2024	138	6	144
2025	123	6	129
Thereafter	458	1	459
Total future lease payments	1,233	31	1,264
Interest	(163)	(9)	(172)
Total lease liabilities	$ 1,070	$ 22	$ 1,092

Note 14 — Commitments and Contingencies

Guarantees

Guarantees issued by certain of Willis Towers Watson's subsidiaries with respect to the senior notes and credit facilities are discussed in Note 10 — Debt.

Certain of Willis Towers Watson's subsidiaries in the U.S. and the U.K. have given the landlords of some leased properties occupied by the Company guarantees with respect to the repayment of the lease obligations. The operating lease obligations subject to such guarantees amounted to $566 million and $536 million at December 31, 2020 and 2019, respectively. The capital lease obligations subject to such guarantees amounted to $5 million and $6 million at December 31, 2020 and 2019, respectively.

Acquisition liabilities

The Company has deferred and contingent consideration related to acquisition due to be paid until 2024 totaling $55 million at December 31, 2020. Total deferred and contingent consideration paid during the year ended December 31, 2020 was $12 million.

Other contractual obligations

For certain subsidiaries and associates, the Company has the right to purchase shares (a call option) from co-shareholders at various dates in the future. In addition, the co-shareholders of certain subsidiaries and associates have the right to sell their shares (a put option) to the Company at various dates in the future. Generally, the exercise price of such put options and call options is formula-based (using revenue and earnings) and is designed to reflect fair value. Based on current projections of profitability and exchange rates, and assuming the put options are exercised, the potential amount payable from these options is not expected to exceed $38 million.

Additionally, the Company has capital commitments with Trident V Parallel Fund, LP, an investment fund managed by Stone Point Capital, and Dowling Capital Partners I, LP. At December 31, 2020, the Company is obligated to make capital contributions of approximately $2 million, collectively, to these funds.

Indemnification Agreements

Willis Towers Watson has various agreements which provide that it may be obligated to indemnify the other party to the agreement with respect to certain matters. Generally, these indemnification provisions are included in contracts arising in the normal course of business and in connection with the purchase and sale of certain businesses. It is not possible to predict the maximum potential amount of future payments that may become due under these indemnification agreements because of the conditional nature of the Company's obligations and the unique facts of each particular agreement. However, we do not believe that any potential liability that may arise from such indemnity provisions is probable or material.

Legal Proceedings

In the ordinary course of business, the Company is subject to various actual and potential claims, lawsuits and other proceedings. Some of the claims, lawsuits and other proceedings seek damages in amounts which could, if assessed, be significant. We expect the impact of claims or demands not described below to be immaterial to the Company's consolidated financial statements. The Company also receives subpoenas in the ordinary course of business and, from time to time, receives requests for information in connection with governmental investigations.

Errors and omissions claims, lawsuits, and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year. Regarding self-insured risks, the Company has established provisions which are believed to be adequate in light of current information and legal advice, or, in certain cases, where a range of loss exists, the Company accrues the minimum amount in the range if no amount within the range is a better estimate than any other amount. The Company adjusts such provisions from time to time according to developments. See Note 15 — Supplementary Information for Certain Balance Sheet Accounts for the amounts accrued at December 31, 2020 and 2019 in the consolidated balance sheets.

On the basis of current information, the Company does not expect that the actual claims, lawsuits and other proceedings to which it is subject, or potential claims, lawsuits, and other proceedings relating to matters of which it is aware, will ultimately have a material adverse effect on its financial condition, results of operations or liquidity. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation and disputes with insurance companies, it is possible that an adverse outcome or settlement in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods. In addition, given the early stages of some litigation or regulatory proceedings described below, it may not be possible to predict their outcomes or resolutions, and it is possible that any one or more of these events may have a material adverse effect on the Company.

The Company provides for contingent liabilities based on ASC 450, *Contingencies,* when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. The contingent liabilities recorded are primarily developed actuarially. Litigation is subject to many factors which are difficult to predict so there can be no assurance that in the event of a material unfavorable result in one or more claims, we will not incur material costs.

Litigation Relating to the Proposed Combination with Aon plc

On May 11, 2020, a purported stockholder of the Company filed a complaint in the United States District Court for the Southern District of New York against the Company and the members of the Company's board of directors, captioned *Stein v. Willis Towers Watson Public Limited Company*, *et al.*, Case No. 1:20-cv-03656 (S.D.N.Y.), referred to as the '*Stein* Complaint.' On May 14, 2020, a purported stockholder of the Company filed a putative class action in the United States District Court for the District of Delaware against the Company, the members of the Company's board of directors, and Aon plc ('Aon'), captioned *Kent v. Willis Towers Watson Public Limited Company*, *et al.*, Case No. 1:20-cv-00641 (D. Del.), referred to as the '*Kent* Complaint.' On May 19, 2020, a purported stockholder of the Company filed a putative class action in the United States District Court for the Southern District of New York against the Company and the members of the Company's board of directors, captioned *Carter v. Willis Towers Watson Public Limited Company*, *et al.*, Case No. 1:20-cv-03865 (S.D.N.Y.), referred to as the '*Carter* Complaint.' On May 28, 2020, a purported stockholder of the Company filed a complaint in the United States District Court for the Southern District of California against the Company and the members of the Company's board of directors, captioned *Tang v. Willis Towers Watson Public Limited Company*, *et al.*, Case No. 3:20-cv-00986 (S.D. Cal.), referred to as the '*Tang* Complaint.' On June 17, 2020, a purported stockholder of the Company filed a complaint in the United States District Court for the Southern District of California against the Company and the members of the Company's board of directors, captioned *Kuznik v. Willis Towers Watson Public Limited Company, et al*., Case No. 3:20-cv-01097 (S.D. Cal.), referred to as the '*Kuznik* Complaint,' and together with the *Stein* Complaint, the *Kent* Complaint, the *Carter* Complaint, and the *Tang* Complaint, referred to as the 'Complaints.'

The Complaints assert claims against certain defendants under Section 14(a) of the Securities Exchange Act of 1934 (the 'Exchange Act') for allegedly false and misleading statements in the proxy statement; and against certain defendants under Section 20(a) of the Exchange Act for alleged 'control person' liability with respect to such allegedly false and misleading statements. The *Stein* Complaint, the *Carter* Complaint, and the *Tang* Complaint each seek, among other relief, an order enjoining the proposed combination with Aon unless and until corrective disclosures are made. The *Kuznik* Complaint and the *Kent* Complaint each seek, among other relief, an order enjoining the proposed combination with Aon and an order directing certain defendants to issue corrective disclosures. The *Stein* Complaint and the *Carter* Complaint also seek damages in an unspecified amount. The Company believes the allegations in the Complaints are without merit.

On August 4, 2020, certain plaintiffs voluntarily dismissed without prejudice the *Kent* Complaint, the *Carter* Complaint, and the *Stein* Complaint. On September 15, 2020, certain plaintiffs voluntarily dismissed without prejudice the *Tang* Complaint and the *Kuznik* Complaint.

Willis Towers Watson Merger-Related Securities Litigation

On November 21, 2017, a purported former stockholder of Legacy Towers Watson filed a putative class action complaint on behalf of a putative class consisting of all Legacy Towers Watson stockholders as of October 2, 2015 against the Company, Legacy Towers Watson, Legacy Willis, ValueAct Capital Management ('ValueAct'), and certain current and former directors and officers of Legacy Towers Watson and Legacy Willis (John Haley, Dominic Casserley, and Jeffrey Ubben), in the United States District Court for the Eastern District of Virginia. The complaint asserted claims against certain defendants under Section 14(a) of the Securities Exchange Act of 1934 (the 'Exchange Act') for allegedly false and misleading statements in the proxy statement for the Merger; and against other defendants under Section 20(a) of the Exchange Act for alleged 'control person' liability with respect to such allegedly false and misleading statements. The complaint further contended that the allegedly false and misleading statements caused stockholders of Legacy Towers Watson to accept inadequate Merger consideration. The complaint sought damages in an unspecified amount. On February 20, 2018, the court appointed the Regents of the University of California ('Regents') as Lead Plaintiff and Bernstein Litowitz Berger & Grossman LLP ('Bernstein') as Lead Counsel for the putative class, consolidated all subsequently filed, removed, or transferred actions, and captioned the consolidated action 'In re Willis Towers Watson plc Proxy Litigation,' Master File No. 1:17-cv-1338-AJT-JFA (the 'Federal Action'). On March 9, 2018, Lead Plaintiff filed an Amended Complaint. On April 13, 2018, the defendants filed motions to dismiss the Amended Complaint, and, on July 11, 2018, following briefing and argument, the court granted the motions and dismissed the Amended Complaint in its entirety. On July 30, 2018, Lead Plaintiff filed a notice of appeal from the court's July 11, 2018 dismissal order to the United States Court of Appeals for the Fourth Circuit (the 'Fourth Circuit'), and, on December 6, 2018, the parties completed briefing on the appeal. On May 8, 2019, the parties argued the appeal, and on August 30, 2019, the Fourth Circuit vacated the dismissal order and remanded the case to the Eastern District of Virginia for further proceedings consistent with its decision. On September 13, 2019, the defendants filed a petition for rehearing by the Fourth Circuit *en banc*, which the Fourth Circuit denied on September 27, 2019. On November 8, 2019, the defendants filed renewed motions to dismiss in the Eastern District of Virginia based upon certain arguments that were advanced in their original motions to dismiss, but undecided by both the district court and the Fourth Circuit. On December 18, 2019, the parties completed briefing on the defendants' renewed motions, and, on December 20, 2019, the court heard argument on the motions. On January 31, 2020, the court denied the motions. On June 12, 2020, Lead Plaintiff filed a motion for class certification, in connection with which it indicated that it is seeking class-wide damages of approximately $456 million. On September 4, 2020, the court granted Lead Plaintiff's motion for class certification, certified the putative class, and appointed Lead Plaintiff as the Class Representative for the certified class. On October 16, 2020, the defendants filed motions for summary judgment and to exclude Lead Plaintiff's proposed experts. Also on October 16, 2020, Lead Plaintiff filed a motion to exclude certain of the defendants' proposed experts.

On February 27, 2018 and March 8, 2018, two additional purported former stockholders of Legacy Towers Watson, City of Fort Myers General Employees' Pension Fund ('Fort Myers') and Alaska Laborers-Employers Retirement Trust ('Alaska'), filed putative class action complaints on behalf of a putative class of Legacy Towers Watson stockholders against the former members of the Legacy Towers Watson board of directors, Legacy Towers Watson, Legacy Willis and ValueAct, in the Delaware Court of Chancery, captioned City of Fort Myers General Employees' Pension Fund v. Towers Watson & Co., et al., C.A. No. 2018-0132, and Alaska Laborers-Employers Retirement Trust v. Victor F. Ganzi, et al., C.A. No. 2018-0155, respectively. Based on similar allegations as the Eastern District of Virginia action described above, the complaints assert claims against the former directors of Legacy Towers Watson for breach of fiduciary duty and against Legacy Willis and ValueAct for aiding and abetting breach of fiduciary duty.

On March 9, 2018, Regents filed a putative class action complaint on behalf of a putative class of Legacy Towers Watson stockholders against the Company, Legacy Willis, ValueAct, and Messrs. Haley, Casserley, and Ubben, in the Delaware Court of Chancery, captioned The Regents of the University of California v. John J. Haley, et al., C.A. No. 2018-0166. Based on similar allegations as the Eastern District of Virginia action described above, the complaint asserts claims against Mr. Haley for breach of fiduciary duty and against all other defendants for aiding and abetting breach of fiduciary duty. Also on March 9, 2018, Regents filed a motion for consolidation of all pending and subsequently filed Delaware Court of Chancery actions, and for appointment as Lead Plaintiff and for the appointment of Bernstein as Lead Counsel for the putative class. On March 29, 2018, Fort Myers and Alaska responded to Regents' motion and cross-moved for appointment as Co-Lead Plaintiffs and for the appointment of their counsel, Grant & Eisenhofer P.A. and Kessler Topaz Meltzer & Check, LLP as Co-Lead Counsel. On April 2, 2018, the court consolidated the Delaware Court of Chancery actions and all related actions subsequently filed in or transferred to the Delaware Court of Chancery. On June 5, 2018, the court denied Regents' motion for appointment of Lead Plaintiff and Lead Counsel and granted Fort Myers' and Alaska's cross-motion. On June 20, 2018, Fort Myers and Alaska designated the complaint previously filed by Alaska (the 'Alaska Complaint') as the operative complaint in the consolidated action (the 'Delaware Action'). On September 14, 2018, the defendants filed motions to dismiss the Alaska Complaint. On October 31, 2018, Fort Myers and Alaska filed an amended complaint, which, based on similar allegations, asserts claims against the former directors of legacy Towers Watson for breach of fiduciary duty and

against ValueAct and Mr. Ubben for aiding and abetting breach of fiduciary duty. On January 11, 2019, the defendants filed motions to dismiss the amended complaint, and on March 29, 2019, the parties completed briefing on the motions. The court heard argument on the motions on April 11, 2019 and, on July 25, 2019, dismissed the amended complaint in its entirety. On August 22, 2019, Fort Myers and Alaska filed a notice of appeal (only with respect to Messrs. Haley and Ubben and ValueAct) from the court's July 25, 2019 dismissal order to the Supreme Court of the State of Delaware. On November 22, 2019, the parties completed briefing on the appeal, which was submitted on April 22, 2020 for decision in lieu of argument. On June 30, 2020, the Supreme Court of the State of Delaware reversed and remanded the case to the Court of Chancery for further proceedings consistent with its decision. On July 27, 2020, Fort Myers and Alaska filed a motion for class certification, which is currently pending. On September 14, 2020, Mr. Haley answered the amended complaint.

On October 18, 2018, three additional purported former stockholders of Legacy Towers Watson, Naya Master Fund LP, Naya 174 Fund Limited and Naya Lincoln Park Master Fund Limited (collectively, 'Naya'), filed a complaint against the Company, Legacy Towers Watson, Legacy Willis and John Haley, in the Supreme Court of the State of New York, County of New York, captioned Naya Master Fund LP, et al. v. John J. Haley, et al., Index No. 654968/2018. Based on similar allegations as the Eastern District of Virginia and Delaware actions described above, the complaint asserts claims for common law fraud and negligent misrepresentation. On December 18, 2018, the defendants filed a motion to dismiss the complaint, and on March 21, 2019, the parties completed briefing on the motion. On April 23, 2019, the parties filed a Stipulation and Proposed Order Voluntarily Discontinuing Action providing for the dismissal of the action with prejudice, which the court entered on April 29, 2019.

On or about November 19, 2020, the parties to the Federal Action and the Delaware Action reached an agreement in principle to resolve the Federal Action and the Delaware Action for $75 million and $15 million, respectively. The Company agreed to the settlement and the payment of the settlement amounts to eliminate the distraction, burden, expense and uncertainty of further litigation. Further, in reaching the settlement, the parties understood and agreed that there is no admission of liability or wrongdoing by the Company or any of the other defendants in either the Federal Action or the Delaware Action. The Company and the other defendants expressly deny any liability or wrongdoing with respect to the matters alleged in the Federal Action and the Delaware Action.

On January 15, 2021, the parties to the Federal Action and the Delaware Action signed formal stipulations of settlement, which memorialized the terms of the agreement in principle, and which the plaintiffs in the Federal Action and the Delaware Action then filed with each of the respective courts. Also on January 15, 2021, the plaintiff in the Federal Action filed a motion to preliminarily approve the settlement. On January 21, 2021, the court in the Federal Action preliminarily approved the settlement, approved the form of notice to be disseminated to class members, and scheduled a final fairness hearing on the settlement for May 21, 2021. On January 25, 2021, the court in the Delaware Action approved the form of notice to be disseminated to class members and scheduled a final fairness hearing on the settlement for May 25, 2021. The settlement remains subject to notice to class members in the two actions. The settlement is contingent upon final approval by the courts in both the Federal Action and the Delaware Action. The Company will make the $90 million aggregate settlement payment in February 2021, but it will not be distributed to class members unless and until the settlement is finally approved by the courts in both the Federal Action and the Delaware Action and not subject to any further appeal.

During the three and twelve months ended December 31, 2020, the Company recognized $50 million and $65 million respectively, of expense, net of $25 million of insurance and other recoveries. Additional insurance recoveries are possible.

Stanford Financial Group

The Company was named as a defendant in 15 similar lawsuits relating to the collapse of The Stanford Financial Group ('Stanford'), for which Willis of Colorado, Inc. acted as broker of record on certain lines of insurance. The complaints in these actions generally alleged that the defendants actively and materially aided Stanford's alleged fraud by providing Stanford with certain letters regarding coverage that they knew would be used to help retain or attract actual or prospective Stanford client investors. The complaints further alleged that these letters, which contained statements about Stanford and the insurance policies that the defendants placed for Stanford, contained untruths and omitted material facts and were drafted in this manner to help Stanford promote and sell its allegedly fraudulent certificates of deposit. The plaintiffs in these actions sought overlapping damages, representing either the entirety or a portion of the approximately $4.6 billion in total alleged collective losses incurred by investors in Stanford certificates of deposit, notwithstanding the fact that Legacy Willis acted as broker of record for only a portion of time that Stanford issued certificates of deposit.

On March 31, 2016, the Company entered into a settlement in principle, as reflected in a Settlement Term Sheet, relating to the Stanford litigation. The Company agreed to the Settlement Term Sheet to eliminate the distraction, burden, expense and uncertainty of further litigation. In particular, the settlement and the related bar orders described below would enable the Company to conduct itself with the bar orders' protection from the continued overhang of matters alleged to have occurred over a decade ago. Further, the

Settlement Term Sheet provided that the parties understood and agreed that there was no admission of liability or wrongdoing by the Company. The Company expressly denies any liability or wrongdoing with respect to the matters alleged in the Stanford litigation.

On or about August 31, 2016, the parties to the settlement signed a formal Settlement Agreement memorializing the terms of the settlement as originally set forth in the Settlement Term Sheet. The parties to the Settlement Agreement are Ralph S. Janvey (in his capacity as the Court-appointed receiver (the 'Receiver') for The Stanford Financial Group and its affiliated entities in receivership (collectively, 'Stanford')), the Official Stanford Investors Committee, Samuel Troice, Martha Diaz, Paula Gilly-Flores, Punga Punga Financial, Ltd., Manuel Canabal, Daniel Gomez Ferreiro and Promotora Villa Marina, C.A. (collectively, 'Plaintiffs'), on the one hand, and Willis Towers Watson Public Limited Company (formerly Willis Group Holdings Public Limited Company), Willis Limited, Willis North America Inc., Willis of Colorado, Inc. and the Willis associate referenced above (collectively, 'Defendants'), on the other hand. Under the terms of the Settlement Agreement, the parties agreed to settle and dismiss all current or future claims arising from or related to Stanford in exchange for a one-time cash payment to the Receiver by the Company of $120 million to be distributed to all Stanford investors who have claims recognized by the Receiver pursuant to the distribution plan in place at the time the payment was made.

The Settlement Agreement also provided the parties' agreement to seek the Court's entry of bar orders prohibiting any continued or future litigation against the Defendants and their related parties of claims relating to Stanford, whether asserted or not. The terms of the bar orders therefore would prohibit all Stanford-related litigation, and not just the filed actions, but including any pending matters and any actions that may be brought in the future. Final Court approval of these bar orders was a condition of the settlement.

On September 7, 2016, Plaintiffs filed with the Court a motion to approve the settlement. On October 19, 2016, the Court preliminarily approved the settlement. Several of the plaintiffs in the other actions above objected to the settlement, and a hearing to consider final approval of the settlement was held on January 20, 2017, after which the Court reserved decision. On August 23, 2017, the Court approved the settlement, including the bar orders. Several of the objectors appealed the settlement approval and bar orders to the Fifth Circuit. Oral argument on the appeals was heard on December 3, 2018, and, on July 22, 2019, the Fifth Circuit affirmed the approval of the settlement, including the bar orders. On August 5, 2019, certain of the plaintiff-appellants filed a petition for rehearing by the Fifth Circuit *en banc* (the 'Petition'). On August 19, 2019, the Fifth Circuit requested a response to the Petition. On August 29, 2019, the Receiver filed a response to the Petition. On December 19, 2019, the Fifth Circuit granted the Petition (treating it as a petition for panel rehearing), withdrew its July 22, 2019 opinion, and substituted a new opinion that also affirmed the approval of the settlement, including the bar orders. On January 2, 2020, certain of the plaintiff-appellants filed another petition for rehearing by the Fifth Circuit *en banc* (the 'Second Petition'), in which the other plaintiff-appellants joined. On January 21, 2020, the Fifth Circuit denied the Second Petition. On June 19, 2020, the plaintiff-appellants filed petitions for writ of certiorari with the United States Supreme Court. On September 10, 2020, the Supreme Court requested responses to the petitions for writ of certiorari, which were filed on November 6, 2020. On December 14, 2020, the Supreme Court denied the petitions. On January 12, 2021, the Company made the $120 million settlement payment. The terms of the bar orders that are a part of the settlement prohibit any claims or litigation related to this matter from being maintained or brought against the Company.

Aviation Broking Competition Investigations

In October 2017, the European Commission ('Commission') disclosed to us that it has initiated civil investigation proceedings in respect of a suspected infringement of E.U. competition rules involving several broking firms, including our principal U.K. broking subsidiary and one of its parent entities. In particular, the Commission has stated that the civil proceedings concern the exchange of commercially sensitive information between competitors in relation to aviation and aerospace insurance and reinsurance broking products and services in the European Economic Area, as well as possible coordination between competitors. In November 2020, the Commission advised us that it has decided to close the proceedings against us without taking further action.

Since 2017, we have become aware that other countries are conducting their own investigations of the same or similar alleged conduct, including, without limitation, Brazil. In January 2019, the Brazil Conselho Administrativo de Defesa Economica ('CADE') launched an administrative proceeding to investigate alleged sharing of competitive and commercially sensitive information in the insurance and reinsurance brokerage industry for aviation and aerospace and related ancillary services. The CADE identified 11 entities under investigation, including Willis Group Limited, one of our U.K. subsidiaries.

Given the status of the above-noted investigations, the Company is currently unable to assess the terms on which they will be resolved, or how any other regulatory matter or civil claims emanating from the conduct being investigated will be resolved, and thus is unable to provide an estimate of the reasonably possible loss or range of loss.

Note 15 — Supplementary Information for Certain Balance Sheet Accounts

Additional details of specific balance sheet accounts are detailed below.

Prepaid and other current assets consist of the following:

	December 31, 2020	December 31, 2019
Prepayments and accrued income	$ 124	$ 145
Deferred contract costs	108	101
Derivatives and investments	42	49
Deferred compensation plan assets	14	18
Retention incentives	3	11
Corporate income and other taxes	83	56
Insurance and other recovery receivables	25	—
Restricted cash	7	8
Acquired renewal commissions receivable	16	25
Other current assets	75	112
Total prepaid and other current assets	$ 497	$ 525

Other non-current assets consist of the following:

	December 31, 2020	December 31, 2019
Prepayments and accrued income	$ 13	$ 12
Deferred contract costs	98	76
Deferred compensation plan assets	117	150
Deferred tax assets	95	72
Accounts receivable, net	34	30
Acquired renewal commissions receivable	84	125
Long-term note receivable	71	—
Other investments	24	23
Insurance recovery receivables	117	119
Non-current contract assets	329	105
Other non-current assets	114	123
Total other non-current assets	$ 1,096	$ 835

Deferred revenue and accrued expenses consist of the following:

	December 31, 2020	December 31, 2019
Accounts payable, accrued liabilities and deferred income	$ 862	$ 856
Accrued discretionary and incentive compensation	851	727
Litigation settlement	210	—
Accrued vacation	161	137
Other employee-related liabilities	77	64
Total deferred revenue and accrued expenses	$ 2,161	$ 1,784

Other current liabilities consist of the following:

	December 31, 2020	December 31, 2019
Dividends payable	$ 103	$ 100
Income and other taxes payable	102	138
Interest payable	68	65
Deferred compensation plan liabilities	57	14
Contingent and deferred consideration on acquisitions	39	12
Payroll-related liabilities	268	216
Derivatives	5	3
Third-party commissions	173	179
Other current liabilities	73	75
Total other current liabilities	$ 888	$ 802

Provision for liabilities consists of the following:

	December 31, 2020	December 31, 2019
Claims, lawsuits and other proceedings	$ 325	$ 456
Other provisions	82	81
Total provision for liabilities	$ 407	$ 537

Other non-current liabilities consist of the following:

	December 31, 2020	December 31, 2019
Deferred compensation plan liability	$ 117	$ 150
Contingent and deferred consideration on acquisitions	16	26
Liabilities for uncertain tax positions	49	48
Derivatives	2	—
Finance leases	19	22
Other non-current liabilities	109	89
Total other non-current liabilities	$ 312	$ 335

Note 16 — Other Income, Net

Other income, net consists of the following:

	Years ended December 31,		
	2020	2019	2018
Gain/(loss) on disposal of operations	$ 81	$ (2)	$ (9)
Net periodic pension and postretirement benefit credits	304	234	280
Interest in earnings of associates and other investments	6	21	3
Foreign exchange gain/(loss)	6	(26)	(24)
Other	2	—	—
Other income, net	$ 399	$ 227	$ 250

Note 17 — Accumulated Other Comprehensive Loss

The components of other comprehensive (loss)/income are as follows:

	December 31, 2020			December 31, 2019			December 31, 2018		
	Before tax amount	Tax	Net of tax amount	Before tax amount	Tax	Net of tax amount	Before tax amount	Tax	Net of tax amount
Other comprehensive income/(loss):									
Foreign currency translation	$ 139	$ —	$ 139	$ 78	$ —	$ 78	$ (251)	$ —	$ (251)
Defined pension and post-retirement benefits	(342)	76	(266)	(412)	83	(329)	(258)	59	(199)
Derivative instruments	(5)	1	(4)	23	(2)	21	5	(3)	2
Other comprehensive loss	(208)	77	(131)	(311)	81	(230)	(504)	56	(448)
Less: Other comprehensive income attributable to non-controlling interests	(1)	—	(1)	—	—	—	—	—	—
Other comprehensive loss attributable to Willis Towers Watson	$ (209)	$ 77	$ (132)	$ (311)	$ 81	$ (230)	$ (504)	$ 56	$ (448)

Changes in the components of accumulated other comprehensive loss, net of tax, are included in the following table. This table excludes amounts attributable to non-controlling interests, which are not material for further disclosure.

	Foreign currency translation (i)	Derivative instruments (i)	Defined pension and post-retirement benefit costs (ii)	Total
Balance, January 1, 2018	$ (365)	$ (10)	$ (1,138)	$ (1,513)
Other comprehensive loss before reclassifications	(251)	(22)	(241)	(514)
Loss reclassified from accumulated other comprehensive loss (net of income tax benefit of $17)	—	24	42	66
Net other comprehensive (loss)/income	(251)	2	(199)	(448)
Balance, December 31, 2018	$ (616)	$ (8)	$ (1,337)	$ (1,961)
Other comprehensive income/(loss) before reclassifications	78	12	(343)	(253)
Loss reclassified from accumulated other comprehensive loss (net of income tax benefit of $9)	—	9	14	23
Net other comprehensive income/(loss)	78	21	(329)	(230)
Reclassification of tax effects per ASU 2018-02 (iii)	—	—	(36)	(36)
Balance, December 31, 2019	$ (538)	$ 13	$ (1,702)	$ (2,227)
Other comprehensive income/(loss) before reclassifications	138	(12)	(298)	(172)
Loss reclassified from accumulated other comprehensive loss (net of income tax benefit of $11)	—	8	32	40
Net other comprehensive income/(loss)	138	(4)	(266)	(132)
Balance, December 31, 2020	$ (400)	$ 9	$ (1,968)	$ (2,359)

(i) Reclassification adjustments from accumulated other comprehensive loss related to derivative instruments for the years ended December 31, 2020 and 2019 are included in Revenue and Salaries and benefits, and are included in Other income, net for the year ended December 31, 2018 in the accompanying consolidated statements of comprehensive income. See Note 9 — Derivative Financial Instruments for additional details regarding the reclassification adjustments for the derivative settlements.
(ii) Reclassification adjustments from accumulated other comprehensive loss are included in the computation of net periodic pension cost (see Note 12 — Retirement Benefits). These components are included in Other income, net in the accompanying consolidated statements of comprehensive income.
(iii) On January 1, 2019, in accordance with ASU 2018-02, we reclassified to Retained earnings $36 million of defined pension and postretirement costs, representing the 'stranded' tax effect of the change in the U.S. federal corporate tax rate resulting from U.S. Tax Reform.

Note 18 — Share-based Compensation

Plan Summaries

On December 31, 2020, the Company had a number of open share-based compensation plans, which provide for the granting of time-based and performance-based options, time-based and performance-based restricted stock units, and various other share-based grants to employees. All of the Company's share-based compensation plans under which any options, restricted stock units ('RSUs') or other share-based grants are outstanding as of December 31, 2020 are described below. The compensation cost that has been recognized for these plans for the years ended December 31, 2020, 2019 and 2018 was $90 million, $74 million and $50 million, respectively. The total income tax benefits recognized in the consolidated statements of comprehensive income for share-based compensation arrangements for the years ended December 31, 2020, 2019, and 2018 were $15 million, $11 million and $10 million, respectively.

2012 Equity Incentive Plan

This plan, established on April 25, 2012 and amended and restated on June 10, 2016, provides for the granting of incentive stock options, time-based or performance-based non-statutory stock options, share appreciation rights, restricted shares, time-based or performance-based RSUs, performance-based awards and other share-based grants or any combination thereof to employees, officers, non-employee directors and consultants of the Company ('2012 Plan'). The board of directors also adopted a sub-plan under the 2012 Plan to provide an employee sharesave scheme in the U.K.

There were approximately 5 million shares remaining available for grant under this plan as of December 31, 2020. Options are exercisable on a variety of dates, including from the second, third, fourth or fifth anniversary of the grant date. The 2012 Plan shall continue in effect until terminated by the board of directors, except that no incentive stock option may be granted under the 2012 Plan after April 21, 2026 or after its expiration. That termination will not affect the validity of any grants outstanding at that date.

Towers Watson Share Plans

In January 2016, in connection with the Merger, we assumed the Towers Watson & Co. 2009 Long-Term Incentive Plan ('2009 LTIP') and converted the outstanding unvested restricted stock units and options into Willis Towers Watson RSUs and options using a conversion ratio stated in the Merger Agreement. We determined the fair value of the portion of the outstanding RSUs and options related to pre-acquisition employee service using the straight-line methodology from the date of grant to the acquisition date to be $37 million, which was added to the transaction consideration. The fair value of the remaining portion of RSUs and options related to the post-acquisition employee services was $45 million and was recorded over the subsequent vesting periods through 2018. For the year ended December 31, 2018, we recorded $3 million of non-cash stock-based compensation expense.

The acquired awards have vested in full, and the Company does not intend to grant future awards under the 2009 LTIP plan.

Options

There were no options granted during the years ended December 31, 2020, 2019 and 2018.

Award Activity

Classification of options as time-based or performance-based is dependent on the original terms of the award. Performance conditions on the options have been met. A summary of option activity under the plans at December 31, 2020, and changes during the year then ended is presented below:

	Options (thousands)	Weighted-Average Exercise Price (i)	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Time-based stock options				
Balance as of December 31, 2019	260	$ 105.38		
Exercised	163	$ 101.09		
Cancelled	12	$ 95.56		
Balance as of December 31, 2020	85	$ 114.92	1.5 years	$ 8
Options vested or expected to vest at December 31, 2020	85	$ 114.92	1.5 years	$ 8
Options exercisable at December 31, 2020	57	$ 107.72	1.4 years	$ 6
Performance-based stock options				
Balance as of December 31, 2019	287	$ 110.58		
Exercised	3	$ 110.58		
Balance as of December 31, 2020	284	$ 110.58	1.7 years	$ 28
Options vested or expected to vest at December 31, 2020	284	$ 110.58	1.7 years	$ 28
Options exercisable at December 31, 2020	284	$ 110.58	1.7 years	$ 28

(i) Certain options are exercisable in Pounds sterling and are converted to dollars using the exchange rate at December 31, 2020.

The total intrinsic values of time-based options exercised during the years ended December 31, 2020, 2019 and 2018 were $17 million, $16 million and $12 million, respectively. At December 31, 2020, there was less than $1 million of total unrecognized compensation cost under the time-based stock option plans; that cost is expected to be recognized over a weighted-average period of 1.4 years.

The total intrinsic values of performance-based options exercised during the year ended December 31, 2020 was less than $1 million, and was $16 million and $8 million for the years ended December 31, 2019 and 2018, respectively. At December 31, 2020, there is no unrecognized compensation cost related to the performance-based stock option plans.

Cash received from option exercises under all share-based payment arrangements for the years ended December 31, 2020, 2019 and 2018 was $16 million, $45 million and $45 million, respectively. The actual tax benefit recognized for the tax deductions from option exercises of the share-based payment arrangements totaled $5 million, $6 million and $4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Equity-settled RSUs

Valuation Assumptions

The fair value of each time-based RSU is based on the grant date fair value, or the fair value on the acquisition date in the case of acquired awards. The fair value of each performance-based RSU is estimated on the grant date using a Monte-Carlo simulation that uses the assumptions noted in the following table. The awards also contain a market-based performance target. For the awards granted in 2020, 2019 and 2018, the performance measure is entirely based on this market target. Expected volatility is based on the historical volatility of the Company's shares. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The assumptions noted in the table below represent the weighted average of each assumption for each grant during the year.

	Years ended December 31,		
	2020	2019	2018
Expected volatility	24.2%	25.6%	17.9%
Expected dividend yield	—%	—%	—%
Expected life (years)	2.9	2.7	2.5
Risk-free interest rate	0.4%	2.1%	2.6%

Award Activity

A summary of time-based and performance-based RSU activity under the plans at December 31, 2020, and changes during the year then ended, is presented below:

	Shares (thousands)	Weighted-Average Grant Date Fair Value
Nonvested shares (time-based RSUs)		
Balance as of December 31, 2019	11	$ 172.25
Granted	13	$ 193.25
Vested	13	$ 178.54
Forfeited	—	$ 160.48
Balance as of December 31, 2020	11	$ 190.09
Nonvested shares (performance-based RSUs)		
Balance as of December 31, 2019	507	$ 150.22
Granted	356	$ 230.24
Vested	416	$ 117.01
Forfeited	8	$ 216.64
Balance as of December 31, 2020	439	$ 245.49

Time-based RSUs totaling 12,586, 21,025 and 164,728 vested during the years ended December 31, 2020, 2019 and 2018, respectively, with average share prices of $195.69, $189.42 and $156.14, respectively. At December 31, 2020 there was $1 million of total unrecognized compensation cost related to the time-based RSU plan; that cost is expected to be recognized over a weighted-average period of 0.6 years.

Performance-based RSUs totaling 416,349, 178,346 and 249,901 vested during the years ended December 31, 2020, 2019 and 2018, respectively, with average share prices of $185.30, $175.01 and $154.99, respectively. At December 31, 2020 there was $42 million of total unrecognized compensation cost related to the performance-based RSU plan; that cost is expected to be recognized over a weighted-average period of 2.3 years.

The actual tax benefit recognized for the tax deductions from RSUs that vested totaled $7 million, $7 million and $12 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Phantom RSUs

The Company granted 204,269 and 268,956 units of phantom stock with a market-performance feature during the years ended December 31, 2019 and 2018, respectively, and did not grant phantom stock during 2020. These are cash-settled awards with final payout based on the performance of the Company's stock. The grant date fair value of the awards was $105.97 and $83.57 per share for the 2019 and 2018 awards, respectively. The fair value of each phantom RSU is estimated using a Monte Carlo simulation. The Company's stock price as of the last day of the period is one of the inputs used in the simulation. Expected volatility is based on the historical volatility of the Company's shares. The expected term of each plan is three years, based on the vesting terms of the awards. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

Since the awards are cash-settled, they are considered a liability. Expense is recognized over the service period. The liability is remeasured at the end of each reporting period, and changes in fair value are recognized as compensation cost. For both plans, as of December 31, 2020, the liability recognized is $61 million and the estimated unrecognized compensation cost is $17 million.

Note 19 — Earnings Per Share

Basic and diluted earnings per share are calculated by dividing net income attributable to Willis Towers Watson by the average number of ordinary shares outstanding during each period. The computation of diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue shares were exercised or converted into shares or resulted in the issuance of shares that then shared in the net income of the Company.

At December 31, 2020, 2019 and 2018, there were 0.1 million, 0.3 million and 0.4 million time-based share options; 0.3 million, 0.3 million and 0.5 million performance-based options; and 0.4 million, 0.5 million and 0.8 million performance-based RSUs outstanding, respectively. The Company's time-based RSUs were immaterial at December 31, 2020, 2019 and 2018.

Basic and diluted earnings per share are as follows:

	Years ended December 31,		
	2020	2019	2018
Net income attributable to Willis Towers Watson	$ 996	$ 1,044	$ 695
Basic weighted-average number of shares outstanding	130	130	131
Dilutive effect of potentially issuable shares	—	—	1
Diluted weighted-average number of shares outstanding	130	130	132
Basic earnings per share	$ 7.68	$ 8.05	$ 5.29
Dilutive effect of potentially issuable shares	(0.03)	(0.03)	(0.02)
Diluted earnings per share	$ 7.65	$ 8.02	$ 5.27

There were no anti-dilutive options for the years ended December 31, 2020, 2019 and 2018. For the years ended December 31, 2020 and 2018, 0.1 million and 0.2 million RSUs, respectively, were not included in the computation of the dilutive effect of potentially issuable shares because their effect was anti-dilutive. Anti-dilutive RSUs were immaterial for the year ended December 31, 2019.

Note 20 — Supplemental Disclosures of Cash Flow Information

Supplemental disclosures regarding cash flow information and non-cash investing and financing activities are as follows:

	Years Ended December 31,		
	2020	2019	2018
Supplemental disclosures of cash flow information:			
Cash payments for income taxes, net	$ 310	$ 299	$ 178
Cash payments for interest	$ 229	$ 210	$ 176
Cash acquired	$ 10	$ 11	$ 13
Supplemental disclosures of non-cash investing and financing activities:			
Fair value of deferred and contingent consideration related to acquisitions	$ 9	$ 13	$ 36

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the chief executive officer ('CEO') and chief financial officer ('CFO'), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 31, 2020 in providing reasonable assurance that the information required to be disclosed in our periodic reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

As part of ongoing activities focused on improving efficiencies and optimizing our resources, the Company completed the outsourcing of a portion of our information technology resources to a third party. These arrangements were made in order to gain efficiencies of scale, reduce costs and improve overall operational effectiveness. They were not considered to be material to our internal controls framework and were not made in response to any identified deficiency or weakness in our internal control over financial reporting.

There were no changes in our internal control over financial reporting in the quarter ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Although most of our employees who are involved in our financial reporting processes and controls are working remotely due to the COVID-19 pandemic, we have not experienced any specific impact to our internal controls over financial reporting. We are regularly monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Management's Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our CEO and CFO, and overseen by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in the report entitled *Internal Control — Integrated Framework (2013)* to evaluate the effectiveness of the Company's internal control over financial reporting. Based on this evaluation, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2020.

The effectiveness of our internal controls over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Willis Towers Watson Public Limited Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Willis Towers Watson Public Limited Company and subsidiaries (the 'Company') as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ('PCAOB'), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 23, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
Philadelphia, PA
February 23, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to the executive officers of the Company is provided in Part I, Item 1 above under the heading 'Information about Executive Officers of the Registrant'. All other information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than 120 days after the end of the Company's fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than 120 days after the end of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than 120 days after the end of the Company's fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than 120 days after the end of the Company's fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be provided in accordance with Instruction G(3) to Form 10-K no later than 120 days after the end of the Company's fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a) The following documents have been included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements of Willis Towers Watson

Financial Statements:

Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2020

Consolidated Balance Sheets at December 31, 2020 and 2019

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2020

Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2020

Notes to the Consolidated Financial Statements

b) Exhibits:

In reviewing the agreements included or incorporated by reference as exhibits to this Annual Report on Form 10-K, it is important to note that they are included to provide investors with information regarding their terms, and are not intended to provide any other factual or disclosure information about Willis Towers Watson or the other parties to the agreements. The agreements contain representations and warranties made by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement, and: should not be treated as categorical statements of fact, but rather as a way of allocating risk between the parties; have in some cases been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; may apply standards of materiality in a way that is different from what may be material to investors; and were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about Willis Towers Watson may be found elsewhere in this Annual Report on Form 10-K and our other public filings, which are available without charge through the SEC's website at http://www.sec.gov.

2.1	Agreement and Plan of Merger, dated as of June 29, 2015, by and among Willis Group Holdings plc, Citadel Merger Sub, Inc. and Towers Watson & Co (incorporated by reference to Exhibit 2.1 to the Form 8-K filed by the Company on June 30, 2015)
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated November 19, 2015, by and among Willis, Merger Sub and Towers Watson (incorporated by reference to Exhibit 2.1 to the Form 8-K filed by the Company on November 20, 2015)
2.3	Business Combination Agreement, dated as of March 9, 2020, by and between Aon plc, a company incorporated under the laws of England and Wales, with registered company number 07876075 ('Aon') and Willis Towers Watson plc (the 'Business Combination Agreement') (incorporated by reference to Exhibit 2.1 to the Form 8-K/A filed by the Company on March 10, 2020).
2.4	Appendix 3 to the Rule 2.5 Announcement, dated as of March 9, 2020 (Conditions Appendix) (incorporated by reference to Exhibit 2.2 to the Form 8-K filed by the Company on March 9, 2020).
2.5	Expenses Reimbursement Agreement, dated as of March 9, 2020, by and between Aon and Willis Towers Watson plc (incorporated by reference to Exhibit 2.3 to the Form 8-K filed by the Company on March 9, 2020).
2.6	Amendment to Business Combination Agreement, dated October 30, 2020 (incorporated by reference to Exhibit 2.1 to the Form 8-K filed October 30, 2020).
3.1	Amended and Restated Memorandum and Articles of Association of Willis Towers Watson Public Limited Company (incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on June 15, 2017)
3.2	Certificate of Incorporation of Willis Group Holdings Public Limited Company (incorporated by reference to Exhibit 3.2 to the Form 8-K filed by the Company on January 4, 2010)

4.1	Description of the Company's ordinary shares (incorporated by reference to Exhibit 4.1 to the Form 10-K filed by the Company on February 26, 2020)
4.2	Indenture, dated as of March 17, 2011, by and among Willis Group Holdings Public Limited Company, as issuer, Willis Netherlands Holdings B.V., Willis Investment UK Holdings Limited, TA I Limited, Trinity Acquisition Limited, Willis Group Limited and Willis North America Inc., as Guarantors, and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on March 17, 2011)
4.3	First Supplemental Indenture, dated as of March 17, 2011, supplemental to the Indenture dated March 17, 2011 (incorporated by reference to Exhibit 4.2 to the Form 8-K filed by the Company on March 17, 2011)
4.4	Second Supplemental Indenture, dated as of March 9, 2016, supplemental to the Indenture, dated as of March 17, 2011 (incorporated by reference to Exhibit 4.2 to the Form 8-K filed by the Company on March 10, 2016)
4.5	Third Supplemental Indenture, dated as of August 11, 2017, supplemental to the Indenture dated as of March 17, 2011 (incorporated by reference to Exhibit 4.2 to the Form 8-K filed by the Company on August 16, 2017)
4.6	Indenture, dated as of August 15, 2013, by and among Trinity Acquisition Limited, as issuer, Willis Group Holdings Public Limited Company, Willis Netherlands Holdings B.V., Willis North America Inc., Willis Investment UK Holdings Limited, TA I Limited and Willis Group Limited, as guarantors, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on August 15, 2013)
4.7	First Supplemental Indenture, dated as of August 15, 2013, supplemental to the Indenture dated August 15, 2013 (incorporated by reference to Exhibit 4.2 to the Form 8-K filed by the Company on August 15, 2013)
4.8	Second Supplemental Indenture, dated as of March 9, 2016, supplemental to the Indenture, dated as of August 15, 2013 (incorporated by reference to Exhibit 4.3 to the Form 8-K filed by the Company on March 10, 2016)
4.9	Third Supplemental Indenture, dated as of March 22, 2016, supplemental to the Indenture, dated as of August 15, 2013 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on March 22, 2016)
4.10	Fourth Supplemental Indenture, dated as of May 26, 2016, supplemental to the Indenture, dated as of August 15, 2013 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on May 26, 2016)
4.11	Fifth Supplemental Indenture, dated as of August 11, 2017, supplemental to the Indenture dated as of August 15, 2013 (incorporated by reference to Exhibit 4.3 to the Form 8-K filed by the Company on August 16, 2017)
4.12	Indenture, dated as of May 16, 2017, among Willis North America Inc., as issuer, Willis Towers Watson Public Limited Company, Willis Towers Watson Sub Holdings Unlimited Company, Willis Netherlands Holdings B.V., Willis Investment UK Holdings Limited, TA I Limited, WTW Bermuda Holdings Ltd., Trinity Acquisition plc and Willis Group Limited, as guarantors, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on May 16, 2017)
4.13	First Supplemental Indenture, dated as of May 16, 2017 (incorporated by reference to Exhibit 4.2 to the Form 8-K filed by the Company on May 16, 2017)
4.14	Second Supplemental Indenture, dated as of August 11, 2017, supplemental to the Indenture dated as of May 16, 2017 (incorporated by reference to Exhibit 4.4 to the Form 8-K filed by the Company on August 16, 2017)
4.15	Third Supplemental Indenture, dated as of September 10, 2018, supplemental to the Indenture dated as of May 16, 2017 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on September 10, 2018)
4.16	Fourth Supplemental Indenture, dated as of September 10, 2019, supplemental to the Indenture dated as of May 16, 2017 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on September 10, 2019).
4.17	Form of Willis North America Inc.'s 2.950% Senior Note due 2029 and 3.875% Senior Note due 2049 (included in Exhibit 4.16 and incorporated by reference to Exhibit 4.2 to the Form 8-K filed by the Company on September 10, 2019)
4.18	Form of Indenture among Willis Towers Watson Public Limited Company, as issuer, Willis Towers Watson Sub Holdings Unlimited Company, Willis Netherlands Holdings B.V., Willis Investment UK Holdings Limited, TA I Limited, Willis Towers Watson UK Holdings Limited, Trinity Acquisition plc, Willis Group Limited and Willis North America Inc., as guarantors, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.6 to the Registration Statement on Form S-3 filed by the Company on March 11, 2019)
4.19	Officers' Certificate of the Issuer and the Guarantors, dated as of May 29, 2020 (incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Company on May 29, 2020).
4.20	Form of Note (included in Exhibit 4.19 hereto)
10.1	Amended and Restated Credit Agreement, dated as of March 7, 2017, among Trinity Acquisition plc, Willis Towers Watson Public Limited Company, the lenders party thereto and Barclays Bank PLC., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on March 9, 2017)

10.2	Amended and Restated Guaranty Agreement, dated as of March 7, 2017, among Trinity Acquisition plc, Willis Towers Watson Public Limited Company, the other guarantors party thereto and Barclays Bank PLC, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on March 9, 2017)
10.3	Deed Poll of Assumption, dated as of December 31, 2009, by and between Willis Group Holdings Limited and Willis Group Holdings Public Limited Company (incorporated by reference to Exhibit 10.4 to the Form 8-K filed by the Company on January 4, 2010)†
10.4	Willis Group Senior Management Incentive Plan (incorporated by reference to Exhibit 10.7 to the Form 8-K filed by the Company on January 4, 2010)†
10.5	Willis Towers Watson Public Limited Company Amended and Restated 2010 North American Employee Stock Purchase Plan (incorporated by reference to Exhibit B to the Definitive Proxy Statement on Schedule 14A filed by the Company on April 27, 2016)†
10.6	Rules of the Willis Group Holdings Sharesave Plan 2001 for the United Kingdom (incorporated by reference to Exhibit 10.13 to the Form 8-K filed by the Company on January 4, 2010)†
10.7	The Willis Group Holdings Irish Sharesave Plan (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on May 10, 2010)†
10.8	Willis Towers Watson Public Limited Company 2012 Equity Incentive Plan (incorporated by reference to Exhibit A to the Definitive Proxy Statement on Schedule 14A filed by the Company on April 27, 2016)†
10.9	Form of Time-Based Share Option Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on August 9, 2012)†
10.10	Form of Performance-Based Share Option Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on August 9, 2012)†
10.11	Form of Time-Based Restricted Share Unit Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by the Company on August 9, 2012)†
10.12	Form of Performance-Based Restricted Share Unit Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by the Company on August 9, 2012)†
10.13	Form of Time-Based Restricted Share Unit Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan (for Non-Employee Directors) (incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by the Company on August 9, 2012)†
10.14	Form of Performance-Based Restricted Share Unit Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan for the 2013 Long-Term Incentive Program (incorporated by reference to Exhibit 10.33 to the Form 10-K filed by the Company on February 27, 2014)†
10.15	Rules of the Willis Group Holdings Public Limited Company 2012 Sharesave Sub-Plan for the United Kingdom to the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.32 to the Form 10-K filed by the Company on February 28, 2013)†
10.16	Form of 2012 Long Term Incentive Program Agreement of Restrictive Covenants and Other Obligations (for U.S. employees) Plan (incorporated by reference to Exhibit 10.36 to the Form 10-K filed by the Company on February 28, 2013)†
10.17	Form of 2012 Long Term Incentive Program Agreement of Restrictive Covenants and Other Obligations (for U.K. employees) Plan (incorporated by reference to Exhibit 10.37 to the Form 10-K filed by the Company on February 28, 2013) †
10.18	Amended and Restated Willis U.S. 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on November 20, 2009)†
10.19	First Amendment to the Amended and Restated Willis U.S. 2005 Deferred Compensation Plan, effective June 1, 2011 (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on August 9, 2011)†
10.20	Second Amendment to the Amended and Restated Willis U.S. 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by the Company on November 5, 2013)†
10.21	Amendment 2017-1 to the Amended and Restated Willis U.S. 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.34 to the Form 10-K filed by the Company on February 28, 2018)†

10.22	Amendment 2019-1 to the Amended and Restated Willis U.S. 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on November 1, 2019)†
10.23	Form of Deed of Indemnity of Willis Towers Watson Public Limited Company (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on January 5, 2016)†
10.24	Form of Indemnification Agreement of Willis North America Inc. (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on January 5, 2016)†
10.25	Willis Towers Watson Public Limited Company Compensation Policy and Share Ownership Guidelines for Non-Employee Directors (as amended September 2019) (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on November 1, 2019)
10.26	Employment Agreement, dated as of March 1, 2016, by and between Willis Towers Watson Public Limited Company and John J. Haley (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on March 1, 2016)†
10.27	Amendment to Employment Agreement, dated as of July 18, 2018, by and between Willis Towers Watson Public Limited Company and John J. Haley (incorporated by reference to Exhibit 99.2 to the Form 8-K filed by the Company on July 18, 2018)†
10.28	Second Amendment to Employment Agreement, dated as of May 20, 2019, between Willis Towers Watson Public Limited Company and John J. Haley (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on August 1, 2019)†
10.29	Restricted Share Unit Award Agreement, dated as of February 26, 2016, by and between Willis Towers Watson Public Limited Company and John J. Haley (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on March 1, 2016)†
10.30	Supplemental Restricted Share Unit Award Agreement, by and between Willis Towers Watson Public Limited Company and John J. Haley, dated as of June 14, 2016 (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on June 16, 2016)†
10.31	Offer Letter, dated August 17, 2017, from John J. Haley to Michael J. Burwell (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on August 21, 2017)†
10.32	Letter Agreement, dated September 18, 2017, by and between the Company and Roger F. Millay (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on November 6, 2017)†
10.33	Offer Letter, dated November 9, 2014, and Contract of Employment, dated as of November 9, 2014, by and between Willis Limited, a subsidiary of Willis Towers Watson Public Limited Company, and Nicolas Aubert (incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by the Company on May 10, 2016)†
10.34	Amendment, dated as of June 29, 2015, to Contract of Employment, dated as of November 9, 2014, by and between Willis Limited, a subsidiary of Willis Towers Watson Public Limited Company, and Nicolas Aubert (incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by the Company on May 10, 2016)†
10.35	Letter Agreement, dated June 7, 2017, by and between the Company and Nicolas Aubert (incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by the Company on August 7, 2017)†
10.36	Form of Time-Based Restricted Share Unit Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan, dated as of November 9, 2015, by and between Nicolas Aubert and Willis Group Holdings Public Limited Company (incorporated by reference to Exhibit 10.74 to the Form 10-K filed by the Company on February 29, 2016)†
10.37	Form of Performance-Based Restricted Share Unit Award Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan, dated as of November 9, 2015, by and between Nicolas Aubert and Willis Group Holdings Public Limited Company (incorporated by reference to Exhibit 10.75 to the Form 10-K filed by the Company on February 29, 2016)†
10.38	Form of Time-Based Share Option Agreement under the Willis Group Holdings Public Limited Company 2012 Equity Incentive Plan, dated as of November 9, 2015, by and between Nicolas Aubert and Willis Group Holdings Public Limited Company (incorporated by reference to Exhibit 10.76 to the Form 10-K filed by the Company on February 29, 2016)†
10.39	Form of Performance-Based Restricted Share Unit Award Agreement for Operating Committee Members under the Willis Towers Watson Public Limited Company Amended and Restated 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on November 7, 2016)†

10.40	Form of Performance-Based Restricted Share Unit Agreement for Operating Committee Members under the Willis Towers Watson Public Limited Company Amended and Restated 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by the Company on August 6, 2018)†
10.41	Performance-Based Restricted Share Unit Award Agreement, dated February 26, 2019, by and between Willis Towers Watson Public Limited Company and John J. Haley (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on May 3, 2019)†
10.42	Towers Watson Amended and Restated 2009 Long Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed by the Company on January 5, 2016)†
10.43	Trust Deed and Rules of the Towers Watson Limited Share Incentive Plan 2005 (U.K) (incorporated by reference to Exhibit 10.21 to the Form 10-K filed by Watson Wyatt Worldwide Inc. on September 1, 2006)†
10.44	Towers Watson Limited Share Incentive Plan 2005 Deed of Amendment (U.K.) (incorporated by reference to Exhibit 10.22 to the Form 10-K filed by Watson Wyatt Worldwide Inc. on September 1, 2006)†
10.45	Towers Watson Limited Share Incentive Plan 2005 Deed to Change the Trust Deed and Rules (U.K.) (incorporated by reference to Exhibit 10.10 to the Form 10-K filed by Towers Watson on August 29, 2012)†
10.46	Share Purchase Plan 2005 (Spain) (incorporated by reference to Exhibit 10.24 to the Form 10-K filed by Watson Wyatt Worldwide Inc. on September 1, 2006)†
10.47	Trust Deed and Rules of the Watson Wyatt Ireland Share Participation Scheme (incorporated by reference to Exhibit 10.23 to the Form 10-K filed by Watson Wyatt Worldwide Inc. on September 1, 2006)†
10.48	Form of Non-Qualified Stock Option Award Agreement for use under the Towers Watson & Co. 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by Towers Watson on March 8, 2010)†
10.49	Extend Health Amended and Restated 2007 Equity Incentive Plan (incorporated by reference to Exhibit 99.3 to the Registration Statement on Form S-8 filed by the Company on January 5, 2016)†
10.50	Liazon Amended and Restated 2011 Equity Incentive Plan (incorporated by reference to Exhibit 99.4 to the Registration Statement on Form S-8 filed by the Company on January 5, 2016)†
10.51	Willis Towers Watson Non-Qualified Deferred Savings Plan for U.S. Employees (as amended and restated effective January 1, 2017) (incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on November 7, 2016)†
10.52	Amendment 2018-1 to the Willis Towers Watson Non-Qualified Deferred Savings Plan for U.S. Employees (incorporated by reference to Exhibit 99.3 to the Form 8-K filed by the Company on July 18, 2018)†
10.53	Willis Towers Watson Non-Qualified Stable Value Excess Plan for U.S. Employees (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by the Company on August 7, 2017)†
10.54	Amendment 2017-1 to the Willis Towers Watson Non-Qualified Stable Value Excess Plan for U.S. Employees (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on August 6, 2018)†
10.55	Willis Towers Watson Public Limited Company Compensation Recoupment Policy (incorporated by reference to Exhibit 10.68 to the Form 10-K filed by the Company on February 28, 2018)†
10.56	Form of Irrevocable Director Undertaking (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by WTW on March 9, 2020)
10.57	Willis Towers Watson Severance and Change in Control Pay Plan for U.S. Executives, dated as of March 8, 2020 (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on March 11, 2020)†
10.58	Willis Towers Watson Severance and Change in Control Pay Plan for Non-U.S. Executives, dated as of March 8, 2020 (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on March 11, 2020)†
10.59	Amendment to John Haley Employment Agreement, dated June 12, 2020 (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on June 15, 2020)†
10.60	Willis Towers Watson Public Limited Company Severance and Change in Control Pay Plan for US Executives, adopted March 8, 2020 and as amended June 5, 2020 (incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by the Company on July 30, 2020)†
10.61	Willis Towers Watson Public Limited Company Severance and Change in Control Pay Plan for Non-US Executives, adopted March 8, 2020 and as amended June 5, 2020 (incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by the Company on July 30, 2020)†
10.62	Amendment 2020-1 to the Towers Watson Non-Qualified Deferred Savings Plan for U.S. Employees*†
10.63	Amendment 2020-1 to the Willis Towers Watson Non-Qualified Stable Value Excess Plan for U.S. Employees*†
10.64	Performance-Based Restricted Share Unit Award Agreement, dated January 1, 2021, by and between Willis Towers Watson Public Limited Company and John J. Haley*†

10.65	Form of Retention Agreement (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on February 5, 2021)†
21.1	List of subsidiaries*
22.1	List of Issuers and Guarantor Subsidiaries (incorporated by reference to Exhibit 22.1 to the Form 10-Q filed by the Company on April 30, 2020)
23.1	Consent of Deloitte & Touche LLP*
31.1	Certification Pursuant to Rule 13a-14(a)*
31.2	Certification Pursuant to Rule 13a-14(a)*
32.1	Certification Pursuant to 18 USC. Section 1350*
32.2	Certification Pursuant to 18 USC. Section 1350*
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)*

* Filed herewith.

† Management contract or compensatory plan or arrangement.

All exhibits that are incorporated by reference herein to a filing with the SEC made more than five years ago are filed under: SEC File No. 001-16503, for any filings that were made by Willis Group Holdings or the Company; SEC File No. 001-34594, for any filings that were made by Towers Watson; and SEC File No. 001-16159, for any filings that were made by Watson Wyatt Worldwide.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WILLIS TOWERS WATSON PLC
(REGISTRANT)

By: /s/ John J. Haley
John J. Haley
Chief Executive Officer

Date: February 23, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

/s/ John J. Haley
John J. Haley
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Michael J. Burwell
Michael J. Burwell
Chief Financial Officer

/s/ Susan D. Davies
Susan D. Davies
Principal Accounting Officer and Controller

/s/ Anna C. Catalano
Anna C. Catalano
Director

/s/ Victor F. Ganzi
Victor F. Ganzi
Director

/s/ Wendy E. Lane
Wendy E. Lane
Director

/s/ Brendan R. O'Neill
Brendan R. O'Neill
Director

/s/ Jaymin B. Patel
Jaymin B. Patel
Director

/s/ Linda D. Rabbitt
Linda D. Rabbitt
Director

/s/ Paul D. Thomas
Paul D. Thomas
Director

/s/ Wilhelm Zeller
Wilhelm Zeller
Director