

AON CORP  
Form 10-K  
February 26, 2010

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

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**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, 2009**  
or

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

**Commission file number 1-7933**

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**Aon Corporation**

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)  
**200 E. RANDOLPH STREET**  
**CHICAGO, ILLINOIS**

(Address of principal executive offices)

**36-3051915**  
(I.R.S. Employer  
Identification No.)  
**60601**  
(Zip Code)

**(312) 381-1000**

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

**Title of Each Class**  
Common Stock, \$1 par value

**Name of Each Exchange  
on Which Registered**  
New York Stock Exchange

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

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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 Exchange 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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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   
(Do not check if a smaller reporting company.)

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

As of June 30, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$10,364,352,829 based on the closing sales price as reported on the New York Stock Exchange Composite Transaction Listing.

Number of shares of common stock outstanding as of January 29, 2010 was 266,851,500.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Aon Corporation's Proxy Statement for the 2010 Annual Meeting of Stockholders to be held on May 21, 2010 are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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**PART I**

**Item 1. Business.**

**OVERVIEW**

Aon Corporation (which may be referred to as "Aon," "the Company," "we," "us," or "our") provides risk management and human capital consulting services, delivering distinctive client value via innovative and effective risk management solutions, including insurance and reinsurance brokerage and workforce productivity solutions. Aon's technical expertise is delivered locally through colleagues worldwide.

We serve clients through the following businesses:

**Risk and Insurance Brokerage Services** business acts as an advisor and insurance broker, helping clients manage their risks, as well as negotiating and placing insurance risk with insurance carriers through our global distribution network.

**Consulting** business provides advice and services to clients related to health and benefits, retirement, compensation, strategic human capital, and human resource outsourcing.

Our clients include corporations and businesses, insurance companies, professional organizations, independent agents and brokers, governments, and other entities. We also serve individuals through personal lines, affinity groups, and certain specialty operations.

In November 2008, we expanded our Risk and Insurance Brokerage Services product offerings through the merger with Benfield Group Limited ("Benfield"), a leading independent reinsurance intermediary. Benfield products have been integrated with our existing reinsurance products.

In April 2008, we completed the sale of our Combined Insurance Company of America ("CICA") and Sterling Insurance Company ("Sterling") subsidiaries, which represented the majority of the operations of our former Insurance Underwriting segment. In August 2009, we completed the sale of our remaining property and casualty insurance underwriting operations that were in run-off. The results of all of these operations are reported in discontinued operations for all periods presented.

Aon was incorporated in 1979 under the laws of Delaware, and is the parent corporation of both long-established and acquired companies. We have approximately 36,200 employees and conduct our operations through various subsidiaries in more than 120 countries and sovereignties.

**BUSINESS SEGMENTS**

**Risk and Insurance Brokerage Services Segment**

The Risk and Insurance Brokerage Services segment generated approximately 83% of our consolidated total revenues in 2009, and has approximately 28,800 employees worldwide. We provide risk and insurance brokerage and related services in this segment primarily through our Aon Risk Services and Aon Benfield companies.

***Principal Products and Services***

We operate in this segment through two product lines: retail brokerage and reinsurance brokerage.

*Retail brokerage* encompasses our retail brokerage services, affinity products, managing general underwriting, placement, and captive management services. The Americas' operations provide products and services to clients in North, Central and South America, the Caribbean, and Bermuda. Our United Kingdom; Europe, Middle East & Africa; and Asia Pacific operations offer similar products and services to clients throughout the rest of the world.

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Our employees draw upon our global network of resources, industry-leading data and analytics, and specialized expertise to deliver value to clients ranging from small and mid-sized businesses to multi-national corporations as well as individuals in need of personal coverage. We work with clients to identify their business needs and help them assess and understand their total cost of risk. Once we have gained an understanding of our client's risk management needs, we are able to leverage our global network and implement a customized risk approach with local Aon resources. The outcome is a comprehensive risk solution provided locally and personally. The "Client Promise" enables our colleagues around the globe to describe, benchmark and price the value we deliver to clients in a unified approach, based on the ten most important criteria that our clients believe are critical to managing their total cost of risk.

Knowledge and foresight, unparalleled benchmarking and carrier knowledge are the qualities at the heart of our professional services excellence. With advanced technology such as our Global Risk Insight Platform<sup>SM</sup>, we are uniquely positioned to provide clients with insights into market conditions, premium rates and best practices in program design, across all industries and economic centers.

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

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

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

Finally, our eSolutions products enable clients to manage risks, policies, claims and safety concerns efficiently through an integrated technology platform.

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

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

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

**Compensation**

We generate revenues through commissions, fees from clients, and compensation from insurance and reinsurance companies for services we provide to them. Commission rates and fees vary depending upon several factors, which may include the amount of premium, the type of insurance or reinsurance coverage provided, the particular services provided to an insurer or reinsurer, and the capacity in which we act. Payment terms are competitive with current industry practice.

We typically hold funds on behalf of clients as a result of premiums received from clients and claims due to clients that are in transit from insurers. These funds held on behalf of clients are generally invested in interest-bearing premium trust accounts and can fluctuate significantly depending on when we collect cash from our clients and when premiums are remitted to the insurance carriers. We earn interest on these accounts. However, the principal is segregated and not available for general operating purposes.

**Competition**

The risk and insurance brokerage services business is highly competitive, and we compete primarily with two other global insurance brokers, Marsh & McLennan Companies, Inc. and Willis Group Holdings Ltd., in addition to numerous specialists, regional and local firms in almost every area of our business. We also compete with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents; and with other businesses that do not fall into the categories above, including commercial and investment banks, accounting firms, and consultants that provide risk-related services and products. We are ranked as the largest retail insurance broker worldwide based on pure brokerage operations, as well as the largest worldwide reinsurance broker, and we have been recognized by the readers of Business Insurance magazine as the leading retail/agent broker with greater than \$250 million in revenue for the last three consecutive years.

**Seasonality**

The Risk and Insurance Brokerage Services segment typically experiences higher revenues in the fourth and first calendar quarters of each year, primarily due to the timing of policy renewals.

**Consulting**

The Consulting segment generated approximately 17% of our consolidated total revenues in 2009. This segment has approximately 6,400 employees worldwide with operations in the U.S., Canada, the U.K., Europe, South Africa, Latin America, and the Asia Pacific region.

**Principal Products and Services**

We provide products and services in this segment primarily through Aon Consulting, offering a broad range of consulting services in the following practice areas:

*Consulting Services:*

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

*Retirement* specializes in providing global actuarial services, defined contribution consulting, investment consulting, tax and ERISA consulting, and pension administration.

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*Compensation* focuses on compensation advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness, with special expertise in the financial services and technology industries.

*Strategic Human Capital* delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training and change management.

### *Outsourcing:*

*Human Resource Outsourcing* offers employment processing, performance improvement, benefits administration, and other employment-related services.

Aon Consulting works to maximize the value of clients' human resources spending, increase employee productivity, and improve employee performance. Our approach addresses a trend toward more diverse workforces (demographics, nationalities, cultures and work/lifestyle preferences) that require more choices and flexibility among employers in order that they can provide benefit options suited to individual needs.

Our consulting professionals work with their clients to identify options in human resource outsourcing and process improvements. Prime areas where companies choose to use outsourcing services include the assessment and selection of job candidates, employment processing, training and development, benefits administration, and the individual benefits enrollment process.

### ***Compensation***

Revenues are principally derived from fees paid by clients for advice and services. In addition, insurance companies pay us commissions for placing individual and group insurance contracts, primarily life, health and accident coverages, and pay us fees for consulting and other services that we provide to them. Payment terms are competitive with current industry practice.

### ***Competition***

Our consulting business faces strong competition from other worldwide and national consulting companies, as well as regional and local firms. Competitors include independent consulting firms and consulting organizations affiliated with accounting, information systems, technology, and financial services firms. Some of our competitors provide administrative or consulting services as an adjunct to other primary services. Based on total revenues, we believe we are among the top five largest employee benefits consultants in the world.

### ***Seasonality***

Due to buying patterns in the markets we serve, revenues tend to be slightly higher in the fourth quarter.

### **Licensing and Regulation**

Our business activities are subject to licensing requirements and extensive regulation under U.S. federal and state laws, as well as the laws of other countries in which we operate. See the discussion contained in the "Risk Factors" section in Part I, Item 1A of this report for information regarding how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our business.

***Risk and Insurance Brokerage Services***

Regulatory authorities in the states or countries in which the operating subsidiaries of our Risk and Insurance Brokerage Services segment conduct business may require individual or company licensing to act as producers, brokers, agents, third party administrators, managing general agents, reinsurance intermediaries, or adjusters.

Under the laws of most states in the U.S. and most foreign countries, regulatory authorities have relatively broad discretion with respect to granting, renewing and revoking producers', brokers' and agents' licenses to transact business in the state or country. The operating terms may vary according to the licensing requirements of the particular state or country, which may require, among other things, that a firm operate in the state or country through a local corporation. In a few states and countries, licenses may be issued only to individual residents or locally owned business entities. In such cases, our subsidiaries either have such licenses or have arrangements with residents or business entities licensed to act in the state or country.

Our subsidiaries must comply with laws and regulations of the jurisdictions in which they do business. These laws and regulations are enforced by state agencies in the U.S., by the Financial Services Authority ("FSA") in the U.K., and by various regulatory agencies and other supervisory authorities in other countries through the granting and revoking of licenses to do business, licensing of agents, monitoring of trade practices, policy form approval, limits on commission rates, and mandatory remuneration disclosure requirements.

Insurance authorities in the U.S. and certain other jurisdictions in which our subsidiaries operate, including the FSA in the U.K., also have enacted laws and regulations governing the investment of funds, such as premiums and claims proceeds, held in a fiduciary capacity for others. These laws and regulations generally require the segregation of these fiduciary funds and limit the types of investments that may be made with them.

Further, certain of our business activities within the Risk and Insurance Brokerage Services segment are governed by other regulatory bodies, including investment, securities and futures licensing authorities. In the U.S., Aon Consulting, Aon Risk Services and Aon Benfield utilize Aon Benfield Securities, Inc., a U.S.-registered broker-dealer and investment advisor, member of FINRA/SIPC, and an indirect, wholly-owned subsidiary of Aon, for investment banking services and other broker-dealer activities.

***Consulting***

Certain of the retirement-related consulting services provided by Aon Consulting and its subsidiaries and affiliates are subject to the pension and financial laws and regulations of applicable jurisdictions, including oversight and/or supervision by the Securities and Exchange Commission ("SEC") in the U.S., the FSA in the U.K., and regulators in other countries. In addition, other services provided by Aon Consulting and its subsidiaries and affiliates, such as trustee services, investment services (including advice to clients on the investment of personal pension assets and assumption of discretionary investment management responsibilities) and retirement and employee benefit program administrative services, are subject in various jurisdictions to pension, investment, and securities and/or insurance laws and regulations and/or supervision by national regulators.

***Clientele***

Our clients operate in many businesses and industries throughout the world. No one client accounted for more than 10% of our consolidated total revenues in 2009. Additionally, we place insurance with many insurance carriers, none of which individually accounted for more than 10% of the total premiums we placed on behalf of our clients in 2009.

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

Financial information relating to the types of services provided by us and the geographic areas of our operations is incorporated herein by reference to Note 19, "Segment Information" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

**Employees**

At December 31, 2009, we employed approximately 36,200 employees, of which approximately 10,600 work in the U.S.

**Information Concerning Forward-Looking Statements**

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

general economic conditions in different countries in which we do business around the world;

changes in global equity and fixed income markets that could affect the return on invested assets;

fluctuations in exchange and interest rates that could impact revenue and expense;

rating agency actions that could affect our ability to borrow funds;

changes in the funded status of our various defined benefit pension plans and the impact of any increased pension funding resulting from those changes;

changes in the competitive environment;

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

the impact on risk and insurance services commission revenues of changes in the availability of, and the premium insurance carriers charge for, insurance and reinsurance products, including the impact on premium rates and market capacity attributable to catastrophic events;



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the outcome of inquiries from regulators and investigations related to compliance with the U.S. Foreign Corrupt Practices Act and non-U.S. anti-corruption laws;

the impact of investigations brought by U.S. state attorneys general, U.S. state insurance regulators, U.S. federal prosecutors, U.S. federal regulators, and regulatory authorities in the U.K. and other countries;

the impact of class actions and individual lawsuits including client class actions, securities class actions, derivative actions and ERISA class actions;

the cost of resolution of other contingent liabilities and loss contingencies, including potential liabilities arising from errors and omissions claims against us;

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

the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our businesses and the possibility of conflicting regulatory requirements across jurisdictions in which we do business; and

our ability to realize the anticipated benefits of the Benfield merger.

Any or all of our forward-looking statements may turn out to be inaccurate, and there are no guarantees about our performance. The factors identified above are not exhaustive. Aon and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, readers should not place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement that we may make from time to time, whether as a result of new information, future events or otherwise. Further information about factors that could materially affect Aon, including our results of operations and financial condition, is contained in the "Risk Factors" section in Part I, Item 1A of this report.

### **Website Access to Reports and Other Information**

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

### **Item 1A. Risk Factors.**

The following discussion of risk factors contains "forward-looking statements," as discussed in the "Business" section of Part I, Item 1 of this report. These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") section in Part II, Item 7, and the

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Consolidated Financial Statements and related notes in the "Financial Statements and Supplementary Data" section of Part II, Item 8 of this report.

We caution the reader that the following risk factors, and those risk factors described elsewhere in this report, could cause our actual results to differ materially from those stated in forward-looking statements contained in this document and elsewhere. These risks are not presented in order of importance or probability of occurrence.

*Our results may fluctuate due to many factors, including cyclical or permanent changes in the insurance and reinsurance industries.*

Our results have historically been subject to significant fluctuations arising from uncertainties and changes in the insurance industry. A significant portion of our Risk and Insurance Brokerage Services revenue consists of commissions paid to us out of the premiums that insurers and reinsurers charge our clients for coverage. We have no control over premium rates, and our revenues and profitability are subject to change to the extent that premium rates fluctuate or trend in a particular direction. The potential for changes in premium rates is significant, due to pricing cyclicity in the commercial insurance and reinsurance markets.

In addition to movements in premium rates, our ability to generate premium-based commission revenue may be challenged by the growing availability of alternative methods for clients to meet their risk-protection needs. This trend includes a greater willingness on the part of corporations to "self-insure," the use of so-called "captive" insurers, and the advent of capital markets-based solutions to traditional insurance and reinsurance needs.

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

Since the Attorney General of New York ("NYAG") brought charges against one of our competitors in 2004, there has been uncertainty concerning then longstanding methods of compensating insurance brokers. Soon after the NYAG brought those charges, Aon and certain other large insurance brokers announced that they would terminate contingent commission arrangements with underwriters and, during the period 2005 through 2008, Aon and three other large insurance brokers entered into agreements with a number of state attorneys general and insurance regulators in which they covenanted to refrain from taking contingent commissions. Most other insurance brokers, however, continued to enter into contingent commission arrangements, and regulators have not taken action consistently to end or prohibit such arrangements. In July 2008, New York regulators held hearings on potential rules relating to insurance producer compensation and disclosures. As a result of those hearings and public comments, New York regulators promulgated Regulation No. 194 in February 2010, which is expected to be effective January 1, 2011. Regulation No. 194 does not prohibit producers from accepting contingent commissions as compensation from insurers, but does obligate all insurance producers to abide by certain minimally prescribed uniform standards of compensation disclosure. Effective as of February 11, 2010, we entered into an amended and restated agreement (the "Amended Settlement Agreement") with the Attorneys General of the States of New York, Illinois and Connecticut, the Director of the Division of Insurance, Illinois Department of Insurance, and the Superintendent of Insurance of the State of New York, which supersedes and replaces the earlier agreement with those regulators. The Amended Settlement Agreement requires us, among other things, to provide, throughout the United States, compensation disclosure that complies, at a minimum, with the requirements of Regulation 194 or the provisions of the original settlement agreement with those regulators. The Amended Settlement Agreement also requires compliance with any rules, regulations or guidance issued by the attorneys general or insurance departments of Illinois, Connecticut and any other states in which we conduct business. The Amended Settlement Agreement does not prohibit us from accepting contingent compensation. Notwithstanding the Amended Settlement Agreement, we remain bound by: (1) the Settlement Agreement entered into in 2008 between Aon and the Florida

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Department of Financial Services, the Florida Department of Legal Affairs, Office of the Attorney General, and the Florida Office of Insurance Regulation; and (2) the Agreement entered in 2006 between certain insurance regulator members of the National Association of Insurance Commissioners of 29 states, the District of Columbia, and Guam and Aon, both of which prohibit us from accepting or requesting of any insurer contingent compensation and impose certain business reforms.

*Our results may be adversely affected by the impact that disruptions in the credit and financial markets have on our customers and the insurance industry.*

Beginning in late 2008 and continuing throughout 2009, we faced difficult conditions as a result of unprecedented disruptions in the global economy, the repricing of credit risk and the deterioration of the financial markets. Continued volatility and further deterioration in the credit markets may reduce our customers' demand for our brokerage and reinsurance services and products, including increasing their levels of self-insurance. Other clients may be significantly impacted by credit pressures or other financial difficulties which could result in their insolvency. These events could negatively impact our results of operations and financial condition. In addition, the potential for a significant insurer to fail or withdraw from writing certain insurance coverages that we offer our clients could negatively impact overall capacity in the industry, which could then reduce placement of certain lines and types of insurance and reduce our revenues and profitability. The potential for an insurer to fail could also result in errors and omissions claims against us by clients.

The current economic conditions have also created significant uncertainty in the industries in which our consulting operations participate. A severe and/or prolonged economic downturn could hurt our clients' financial condition and the levels of business activities in the industries and geographies where we operate. These challenges may reduce demand for some of our services or depress pricing of those services and have an adverse effect on our business and results of operations.

*We face significant competitive pressures in each of our businesses.*

We believe that competition in our brokerage lines of business is based on service, product features, price, commission structure, financial strength and name recognition. In particular, we compete with a large number of national, regional and local insurance companies and other financial services providers and brokers.

We encounter strong competition for both clients and professional talent in our insurance brokerage and risk management services operations from other insurance brokerage firms that also operate on a nationwide or worldwide basis, from a large number of regional and local firms throughout the world, from insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents and from other businesses, including commercial and investment banks, accounting firms and consultants that provide risk related services and products. Our consulting operations compete with independent consulting firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms around the world.

*We may not realize all of the expected benefits from our restructuring plans.*

We announced a global restructuring plan (the "Aon Benfield Plan") in connection with our merger with Benfield in 2008. The restructuring plan is intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan includes an estimated 700 job eliminations, the closing or consolidation of several offices, asset impairments and other expenses necessary to implement these initiatives. We estimate that the Aon Benfield Plan will result in cumulative costs totaling approximately \$155 million over a three-year period, of which \$55 million of these costs were included in the purchase price allocation and \$100 million of which have been or will be charged to earnings. We anticipate that our annualized savings from the Aon Benfield Plan will be approximately \$122 million in 2011. We cannot assure that we will achieve the targeted savings.

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In 2007, we announced a global restructuring plan intended to create a more streamlined organization and to reduce future expense growth to better serve clients (the "2007 Plan"). As a result, we have adopted restructuring initiatives that are expected to result in the elimination of an estimated 4,600 employee positions, the closing or consolidation of various offices, asset impairments and other expenses necessary to implement these initiatives. We estimate that the 2007 Plan will result in cumulative pretax charges of \$750 million. We anticipate that our annualized savings from the 2007 Plan will be approximately \$536 million by the end of 2010. We cannot assure that we will achieve the targeted savings.

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

Operating funds available for corporate use and funds held on behalf of clients and insurers were \$639 million and \$3.3 billion, respectively, at December 31, 2009. These funds are reported in cash, short-term investments, and fiduciary assets. We also carry an investment portfolio of other long-term investments. As of December 31, 2009, these long-term investments had a carrying value of \$319 million. Changes in interest rates and counterparty credit quality, including default, could reduce the value of these funds and investments, thereby adversely affecting our financial condition or results. For example, changes in domestic and international interest rates directly affect our income from cash balances and short-term investments. Similarly, general economic conditions, stock market conditions and other factors beyond our control affect the value of our long-term investments. We monitor our portfolio for other-than-temporary impairments in carrying value. For securities judged to have an other-than-temporary impairment, we write down the value of those securities and recognize a realized loss through the Consolidated Statement of Income.

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

To the extent that the present value of the pension obligations associated with our major plans continue to exceed the value of the assets supporting those obligations, our financial position and results of operations may be adversely affected. In certain previous years, there have been declines in interest rates. As a result of lower interest rates and investment returns, the present value of plan liabilities increased faster than the value of plan assets, resulting in significantly higher unfunded positions in several of our major pension plans.

We currently plan on contributing approximately \$381 million to our major pension plans in 2010, although we may elect to contribute more. Total cash contributions to these pension plans in 2009 were \$437 million, which was an increase of \$260 million from 2008.

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

The periodic revision of pension assumptions can materially change the present value of future benefits, and therefore the funded status of the plans and resulting periodic pension expense. Changes in our pension benefit obligations and the related net periodic costs or credits may occur in the future due to any variance of actual results from our assumptions. As a result, there can be no assurance that we will not experience future decreases in stockholders' equity, net income, cash flow and liquidity or that we will not be required to make additional cash contributions in the future beyond those that have been estimated.

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*We are subject to a number of contingencies and legal proceedings which, if determined unfavorably to us, would adversely affect our financial results.*

We are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business, which frequently include errors and omissions ("E&O") claims. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or extraordinary damages. We have historically purchased E&O insurance and other insurance to provide protection against certain losses that arise in such matters. However, we have exhausted or materially depleted our coverage under some of the policies that protect us and, consequently, are self-insured or materially self-insured for some historical claims. Accruals for these exposures, and related insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These accruals and receivables are adjusted from time to time as developments warrant. Amounts related to settlement provisions are recorded in Other general expenses in the Consolidated Statements of Income.

At the time of the 2004-05 investigation of the insurance industry by the NYAG and other regulators, purported classes of clients filed civil litigation against us and other companies under a variety of legal theories, including state tort, contract, fiduciary duty, antitrust and statutory theories and federal antitrust and Racketeer Influenced and Corrupt Organizations Act ("RICO") theories. The federal actions were consolidated in the U.S. District Court for the District of New Jersey, and a state court collective action was filed in California. In the New Jersey actions, the Court dismissed plaintiffs' federal antitrust and RICO claims in separate orders in August and October 2007, respectively. Plaintiffs have appealed these dismissals. We believe we have meritorious defenses in all of these cases and intend to vigorously defend ourselves against these claims. The outcome of these lawsuits, and any losses or other payments that may occur as a result, cannot be predicted at this time.

Also at the time of the NYAG investigation, putative classes filed actions against us in the U.S. District Court for the Northern District of Illinois under the federal securities laws and ERISA. Plaintiffs in the federal securities class action originally submitted purported expert reports estimating a range of alleged damages of \$353 million to \$490 million, and plaintiffs in the ERISA class actions originally submitted revised purported expert reports estimating a range of alleged damages of \$74 million to \$349 million. To protect against the uncertain outcome of litigation and to contain exposure to us, we settled the securities suit for \$30 million in 2009 and have reached an agreement in principle to settle the ERISA suit for \$1.8 million. On November 24, 2009, the Court entered a final order approving the settlement and dismissing the securities suit. The proposed ERISA settlement is subject to documentation, notice and court approval.

Following inquiries from regulators, we commenced an internal review of our compliance with certain U.S. and non-U.S. anti-corruption laws, including the U.S. Foreign Corrupt Practices Act ("FCPA"). In January 2009, Aon Limited, our principal U.K. brokerage subsidiary, entered into a settlement agreement with the FSA to pay a £5.25 million fine arising from its failure to exercise reasonable care to establish and maintain effective systems and controls to counter the risks of bribery arising from the use of overseas firms and individuals who helped it win business. The SEC and the U.S. Department of Justice ("DOJ") continue to investigate these matters. We are fully cooperating with these investigations and have agreed with the U.S. agencies to toll any applicable statute of limitations pending completion of the investigations. Based on current information, we are unable to predict at this time when the SEC and DOJ matters will be concluded, or what regulatory or other outcomes may result.

A putative class action, *Buckner v. Resource Life*, is pending in state court in Columbus, Georgia against a former subsidiary of ours, Resource Life Insurance Company. The complaint alleges that Resource Life, which wrote policies insuring repayment of auto loans, was obligated to identify and return unearned premiums to policyholders whose loans terminated before the end of their scheduled

terms. In connection with the sale of Resource Life in 2006, we agreed to indemnify Resource Life's buyer in certain respects relating to this action. We believe that Resource Life has meritorious defenses, and Resource Life is vigorously defending this action. In October 2009, the court certified a nationwide class of policyholders whose loans terminated before the end of their scheduled terms and who Resource Life cannot prove received a refund of unearned premium. Resource Life has taken an appeal from that decision. Also in October 2009, we filed a lawsuit in Illinois state court seeking a declaratory judgment with respect to our and Resource Life's rights and obligations under the indemnity agreement. The outcome of the actions, and the amount of any losses or other payments that may result, cannot be predicted at this time.

Although the ultimate outcome of all matters referred to above cannot be ascertained, and liabilities in indeterminate amounts may be imposed on us, on the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on our consolidated financial position. However, it is possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by an unfavorable resolution of these matters.

In addition to the matters referred to above, we provide a variety of guarantees and indemnifications to our customers and others. The maximum potential amount of future payments represents the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications. Any anticipated amounts payable which are deemed to be probable and estimable are accrued in our consolidated financial statements.

We have total letters of credit ("LOC") outstanding for approximately \$153 million at December 31, 2009. These letters of credit are for the benefit of Virginia Surety Company ("VSC") related to a non-performance risk of reinsurers of VSC's worker's compensation business in California, a LOC that secures deductible retentions for our own workers compensation program, and LOCs to cover the beneficiaries related to our Canadian pension plan scheme, secure one of our U.S. pension plans, and to cover contingent payments for taxes and other business obligations to third parties.

*We are subject to E&O claims against us.*

We assist our clients with various matters, including the placement of insurance coverage or employee benefit plans and the handling of related claims. E&O claims against us may allege our potential liability for all or part of the amounts in question. E&O claims could include, for example, the failure of our employees or sub agents, whether negligently or intentionally, to place coverage correctly or notify carriers of claims on behalf of clients or to provide insurance carriers with complete and accurate information relating to the risks being insured. It is not always possible to prevent and detect errors and omissions, and the precautions we take may not be effective in all cases. In addition, E&O claims may seek damages, including punitive damages, in amounts that could, if awarded, be significant and, in addition to potential liability for monetary damages, could harm our reputation or divert management resources away from operating our business. In recent years, we have assumed increasing levels of self-insurance for potential E&O exposures. We use case level reviews by inside and outside counsel to establish loss reserves in accordance with applicable accounting standards. These reserves are reviewed quarterly and adjusted as developments warrant. Nevertheless, given the unpredictability of E&O claims and of litigation, it is possible that an adverse outcome in a particular matter could have a material adverse effect on our results of operations or cash flows in a particular quarterly or annual period.

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*Our success depends, in part, on our ability to attract and retain experienced and qualified personnel.*

Our future success depends on our ability to attract and retain experienced personnel, including brokers and other professional personnel. Competition for such experienced professional personnel is intense. If we cannot hire and retain talented personnel, our business, operating results and financial condition could be adversely affected.

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

Our businesses are subject to extensive federal, state and foreign governmental regulation and supervision, which could reduce our profitability or limit our growth by increasing the costs of regulatory compliance, limiting or restricting the products or services we sell or the methods by which we sell our products and services, or subjecting our businesses to the possibility of regulatory actions or proceedings. With respect to our Risk and Insurance Brokerage Services business, this supervision generally includes the licensing of insurance brokers and agents and third party administrators and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokering and third party administration in the jurisdictions in which we currently operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Also, we can be affected indirectly by the governmental regulation and supervision of other insurance companies. For instance, if we are providing managing general underwriting services for an insurer, we may have to contend with regulations affecting our client. Further, regulation affecting the insurance companies with whom our brokers place business can affect how we conduct those operations.

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

With respect to our international operations, we are subject to various regulations relating to, among other things, licensing, currency, policy language and terms, reserves and the amount of local investment. These various regulations also add to our cost of doing business through increased compliance expenses and increased training and employee expenses. Furthermore, the loss of a license in a particular jurisdiction could restrict or eliminate our ability to conduct business in that jurisdiction.

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

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

the selling of insurance by insurance companies directly to insureds;

changes in our business compensation model as a result of regulatory actions or changes;

the establishment of programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other alternative types of coverage;

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changes in regulations relating to health and welfare plans, defined contribution plans or defined benefit plans; or

additional regulations promulgated by the FSA in the U.K., or other regulatory bodies in jurisdictions in which we operate.

Competition resulting from these developments could cause the supply of, and demand for, our products and services to change, which could adversely affect our results of operations and financial condition.

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

A significant portion of our operations are conducted outside the U.S. Accordingly, we are subject to legal, economic and market risks associated with operating in foreign countries, including:

the general economic and political conditions existing in those countries;

devaluations and fluctuations in currency exchange rates;

imposition of limitations on conversion of foreign currencies or remittance of dividends and other payments by foreign subsidiaries;

imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries;

difficulties in staffing and managing our foreign offices, and the increased travel, infrastructure and legal and compliance costs associated with multiple international locations;

hyperinflation in certain foreign countries;

imposition or increase of investment and other restrictions by foreign governments;

longer payment cycles;

greater difficulties in accounts receivable collection; and

the requirement of complying with a wide variety of foreign laws.

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

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time and they could have a material adverse impact on our financial results and cash flows. Our four largest exposures in order of sensitivity are the Euro, British Pound, Australian Dollar and Canadian Dollar. As slightly more than half of our pretax income is non-U.S. Dollar denominated, a weaker U.S. Dollar versus the Euro, Australian Dollar and Canadian Dollar, would produce more profitable results in our consolidated financial statements. Offsetting our normal translation exposure is our transactional exposure between the U.S. Dollar revenue and British Pound expense. In the U.K., part of our revenue is denominated in U.S. Dollars, although our operating expenses are denominated in British Pounds. Therefore, a stronger U.S. Dollar versus the British Pound would produce more profitable results in our consolidated financial statements. Additionally, we have exposures to emerging market currencies, which can have extreme currency volatility. An increase in the value of the U.S. Dollar relative to foreign currencies could increase the real cost to our customers in foreign markets where we receive our revenue in U.S. Dollars, and a weakened U.S. Dollar could potentially affect demand for our services.





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Although we use various derivative financial instruments to help protect against adverse transaction and translation effects due to exchange rate fluctuations, we cannot eliminate such risks, and significant changes in exchange rates may adversely affect our results.

*Each of our business lines may be adversely affected by an overall decline in economic activity.*

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions and fees generated by our brokerage and consulting businesses. The economic activity that impacts property and casualty insurance is described as exposure units, and is most closely correlated with employment levels, corporate revenue and asset values. A growing number of insolvencies associated with an economic downturn, especially insolvencies in the insurance industry, could adversely affect our brokerage business through the loss of clients or by hampering our ability to place insurance and reinsurance business. Moreover, the results of our consulting business are generally affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets these clients serve. As our clients become adversely affected by declining business conditions, they may choose to delay or forgo consulting engagements with us.

*We have debt outstanding that could adversely affect our financial flexibility.*

As of December 31, 2009, we had total consolidated debt outstanding of approximately \$2.0 billion. The level of debt outstanding could adversely affect our financial flexibility. We also bear risk at the time debt matures. If at the time of maturity we do not have sufficient operating cash or credit lines to repay the borrowing and are unable to borrow from a third party in an amount sufficient to repay the maturing debt, then an event of default would occur.

We have two primary committed credit facilities outstanding, one for our U.S. operations, the other for our European operations. The U.S. facility totals \$400 million and matures in December 2012. It is intended as a back-up against commercial paper or to address capital needs in times of extreme liquidity pressure. At December 31, 2009, we had no borrowings under this facility. The Euro facility totals €650 million (\$937 million at December 31, 2009 exchange rates) and matures in October 2010. It is intended as a revolving working capital line for our European operations. At December 31, 2009, we had no borrowings under this facility. Both facilities require certain representations and warranties to be made before drawing and both have the same financial covenants. The representations and warrants are standard for agreements of this type and include such things as: compliance with laws and contracts, timely filing of taxes, and insurance licenses in good standing. For both facilities, we are required to maintain a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) to consolidated interest expense of at least 4 to 1 and a ratio of consolidated debt to EBITDA of no greater than 3 to 1. At December 31, 2009, we could make all representations and warranties and were within our financial covenants.

*A decline in the credit ratings of our senior debt and commercial paper may adversely affect our borrowing costs, access to capital, and financial flexibility.*

A downgrade in the credit ratings of our senior debt and commercial paper could increase our borrowing costs, reduce or eliminate our access to capital, and reduce our financial flexibility. Our senior debt ratings at December 31, 2009 were BBB+ (Standard & Poor's and Fitch, Inc.) and Baa2 (Moody's Investor Services).

A downgrade would increase our commercial paper interest rates or may result in our inability to access the commercial paper market altogether. We cannot assume that our financial position would not be adversely affected if we were unable to access the commercial paper market.

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*Changes 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. These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including those relating to 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.

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

Our principal assets are the shares of capital stock of our subsidiaries. We have to rely on dividends from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations and for paying dividends to stockholders and corporate expenses. While our principal subsidiaries currently are not limited by material contractual restrictions on their abilities to pay cash dividends or to make other distributions with respect to their capital stock to us, certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate. These regulatory restrictions may limit the amounts that these subsidiaries can pay in dividends or advance to us. No assurance can be given that there will not be further regulatory actions restricting the ability of our subsidiaries to pay dividends. In addition, due to differences in tax rates, repatriation of funds from certain countries into the U.S. could have unfavorable tax ramifications for us.

*The occurrence of natural or man made disasters could adversely affect our financial condition and results of operations.*

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, fires, floods and tornadoes, and pandemic health events such as H1N1 influenza, as well as man-made disasters, including acts of terrorism and military actions. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas. Disasters also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations.

A natural or man-made disaster also could disrupt the operations of our counterparties or result in increased prices for the products and services they provide to us. In addition, a disaster could adversely affect the value of the assets in our investment portfolio if it affects companies' ability to pay principal or interest on their securities. Finally, a natural or man-made disaster could increase the incidence or severity of E&O claims against us.

Through our merger with Benfield, we acquired equity interests in Juniperus Insurance Opportunities Fund Limited ("Juniperus") and Juniperus Capital Holdings Limited ("JCHL"). Juniperus invests its equity in a limited liability company that is expected to invest in excess of 70% of its assets in collateralized reinsurance transactions through collateralized swaps with a reinsurance company, and the remaining assets in instruments such as catastrophe bonds, industry loss warrants and insurer or reinsurer sidecar debt and equity arrangements. JCHL provides investment management and related services to Juniperus. If a disaster such as wind, earthquakes or other named catastrophe occurs, we could lose some or all of our equity investment in Juniperus of approximately \$73 million.

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As part of the Benfield merger, we acquired Benfield's equity stake in certain Florida-domiciled homeowner insurance companies. We maintain ongoing agreements to provide modeling, actuarial, and consulting services to these insurance companies. These firms' financial results could be adversely affected if assumptions used in establishing their underwriting reserves differ from actual experience. Reserve estimates represent informed judgments based on currently available data, as well as estimates of future trends in claims severity, frequency, judicial theories of liability and other factors. Many of these factors are not quantifiable in advance and both internal and external events, such as changes in claims handling procedures, inflation, judicial and legal developments and legislative changes, can cause estimates to vary. Additionally, a natural disaster occurring in Florida could increase the incidence or severity of E&O claims relating to these existing service agreements.

*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 local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, our operational size, the multiple locations from which we operate, and our existing back-up systems would provide us with an important advantage. Nevertheless, we could still experience near-term operational challenges with regard to particular areas of our operations, such as key executive officers or personnel.

Our operations are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario.

We regularly assess and take steps to improve upon our existing business continuity plans and key management succession. However, 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.

*Improper disclosure of personal data could result in legal liability or harm our reputation.*

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 employees and retirement and other benefit plan participants. We maintain policies, procedures and technological safeguards designed to protect the security and privacy of this information. Nonetheless, we cannot entirely eliminate the risk of improper access to or disclosure of personally identifiable information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue.

Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace.

*In connection with the implementation of our corporate strategy, we face certain risks associated with the acquisition or disposition of businesses.*

In pursuing our corporate strategy, we may acquire other businesses, or dispose of or exit businesses we currently own. The success of this strategy is dependent upon our ability to identify

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appropriate acquisition and disposition targets, negotiate transactions on favorable terms and ultimately complete such transactions. If acquisitions are made, there can be no assurance that we will realize the anticipated benefits of such acquisitions, including revenue growth, operational efficiencies or expected synergies. In addition, we may not be able to integrate acquisitions successfully into our existing business, and we could incur or assume unknown or unanticipated liabilities or contingencies, which may impact our results of operations. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

*The global nature of our business and the resolution of tax disputes could create volatility in our effective tax rate, could expose us to greater than anticipated tax liabilities and could cause us to adjust previously recognized tax assets and liabilities.*

We are subject to income taxes in the U.S. and many foreign jurisdictions. As a result, our effective tax rate from period to period can be affected by many factors, including changes in tax legislation, our global mix of earnings, the tax characteristics of our income, the timing and recognition of goodwill impairments, the transfer pricing of revenues and costs, acquisitions and dispositions, and the portion of the income of foreign subsidiaries that we expect to remit to the U.S. Significant judgment is required in determining our worldwide provision for income taxes. It is complex to comply with a wide variety of foreign laws and regulations administered by foreign governmental agencies, some of which may conflict with the U.S. or other foreign law. Our determination of our tax liability is always subject to review by applicable tax authorities. Favorable resolution of such matters would typically be recognized as a reduction in our effective tax rate in the year of resolution. Conversely, unfavorable resolution of any particular issue could increase the effective tax rate and may require the use of cash in the year of resolution. Such an adverse outcome could have a negative effect on our operating results and financial condition. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. While historically we have not experienced significant adjustments to previously recognized tax assets and liabilities as a result of finalizing tax returns, there can be no assurance that significant adjustments will not arise.

*The anticipated benefits from the merger with Benfield may not be realized.*

The success of the merger with Benfield will depend, in part, on our ability to realize the anticipated benefits from combining the businesses of Aon and Benfield including, among other things, synergies, cost savings, operating efficiencies and the integration of information, purchasing, accounting, finance, sales, billing, payroll and regulatory compliance systems. Although we expect to achieve the anticipated benefits of the merger, no assurance can be given that we will successfully combine the businesses of Aon and Benfield and that these anticipated benefits will actually be achieved because achieving such benefits is subject to a number of uncertainties. Additionally, the elimination of duplicative costs may not be possible or may take longer than anticipated, and the benefits from the merger may be offset by costs incurred or delays in integrating Benfield with Aon. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all, or may take longer to realize than expected. If we fail to realize all or some of the benefits we anticipate from the acquisition or if we fail to realize those benefits in the anticipated time period, our results of operations may be adversely affected.

### **Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We have offices in various locations throughout the world. Substantially all of our offices are located in leased premises. We maintain our corporate headquarters at 200 E. Randolph Street in Chicago, Illinois, where we occupy approximately 327,000 square feet of space under an operating lease agreement that expires in 2013. There are two five-year renewal options at current market rates. We also occupy significant space at 199 Water Street in New York, New York (339,000 square feet under a lease expiring in 2018), Devonshire Square and 55 Bishopsgate in London, United Kingdom (279,000 square feet under leases expiring in 2018 and 2023, respectively), 1000 N. Milwaukee Avenue in Glenview, Illinois (230,000 square feet under a lease expiring in 2017), and own a building at Paalbergweg 2-4, Amsterdam, the Netherlands (150,000 square feet).

In general, no difficulty is anticipated in negotiating renewals as leases expire or in finding other satisfactory space if the premises become unavailable. We believe that the facilities we occupy are adequate for the purposes for which they are currently used and are well maintained. In certain circumstances, we may have unused space and may seek to sublet such space to third parties, depending upon the demands for office space in the locations involved. See Note 10 "Lease Commitments" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report for information with respect to our lease commitments at December 31, 2009.

**Item 3. Legal Proceedings.**

We hereby incorporate by reference Note 18, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Executive Officers of the Registrant**

Our executive officers are elected by our Board of Directors at the meeting which is held following each annual meeting of our stockholders. Our executive officers were elected to their current positions on May 15, 2009 to serve until the meeting of the Board following the annual meeting of stockholders to be held on May 21, 2010. The information presented for executive officers, including with respect to ages and positions held, is shown as of December 31, 2009, unless otherwise noted.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gregory C. Case	47	President and Chief Executive Officer. Mr. Case became President and Chief Executive Officer of Aon in April 2005. Prior to joining Aon, Mr. Case was with McKinsey & Company, the international management consulting firm, for 17 years, most recently serving as head of the Financial Services Practice.
Christa Davies	38	Executive Vice President and Chief Financial Officer. Ms. Davies became Executive Vice President Global Finance in November 2007. In March 2008, Ms. Davies assumed the additional role of Chief Financial Officer. Prior to joining Aon, Ms. Davies served for 5 years in various capacities at Microsoft Corporation, most recently serving as Chief Financial Officer of the Platform and Services Division. Before joining Microsoft in 2002, Ms. Davies served at ninemsn, an Australian joint venture with Microsoft.
Andrew M. Appel	45	Chief Executive Officer, Aon Benfield; Chairman, Aon Consulting Worldwide, Inc. Mr. Appel became Chief Executive Officer of Aon Consulting Worldwide, Inc. in July 2005, and served in this capacity until March 2008, when he was named Chief Executive Officer of Aon Benfield and Chairman of Aon Consulting Worldwide, Inc. Mr. Appel joined Aon from McKinsey & Company, where he was a senior partner in the firm's Financial Services and Technology practices.
Gregory J. Besio	52	Executive Vice President, Chief Administrative Officer and Head of Global Strategy. Mr. Besio currently serves as Executive Vice President, Chief Administrative Officer, Head of Global Strategy and Chief Information Officer of Aon. Prior to joining Aon in May 2007, Mr. Besio held a variety of senior positions in strategy and operations at Motorola. Prior to joining Motorola, he was a partner at McKinsey & Company.
Baljit Dail	43	Chief Executive Officer, Aon Consulting Worldwide, Inc.; Chief Operating Officer, Aon Benfield. Mr. Dail joined Aon in 2005 as Chief Operating Officer for Aon Consulting Worldwide, Inc., and in October 2006, also assumed the role of Chief Information Officer of Aon Corporation. He served in this capacity until March 2008, when he was named co-Chief Executive Officer of Aon Consulting Worldwide, Inc. In November 2008, Mr. Dail assumed the additional role of Chief Operating Officer of Aon Benfield. Mr. Dail joined Aon from McKinsey & Company, where he was a partner working in a number of industries, including finance, retail, insurance, telecommunications and technology.

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Name	Age	Position
Jeremy G.O. Farmer	60	Senior Vice President and Head of Human Resources. Mr. Farmer joined Aon in 2003 as Senior Vice President and Head of Human Resources. Prior to joining Aon, Mr. Farmer spent 22 years with Bank One Corporation and its predecessor companies, where he served in a variety of senior human resources positions.
Bernard Fung	56	Chief Executive Officer, Aon Asia Pacific. Mr. Fung was named Chief Executive Officer, Aon Asia Pacific, in May 2007. Mr. Fung joined Aon in 1997, and has served Aon in several capacities, including Chief Executive Officer of Aon Asia Limited.
Kathryn Hayley	51	Chief Executive Officer, Aon Consulting Worldwide, Inc. Ms. Hayley joined Aon in June 2006 as Chief Executive Officer of Aon Consulting U.S., and was named co-Chief Executive Officer of Aon Consulting Worldwide, Inc. in March 2008. Prior to joining Aon, Ms. Hayley spent 21 years at Deloitte Consulting serving in numerous leadership positions.
Peter Lieb	53	Executive Vice President and General Counsel. Mr. Lieb was named Aon's Executive Vice President and General Counsel in July 2009. Prior to joining Aon, Mr. Lieb served as Senior Vice President, General Counsel and Secretary of NCR Corporation from May 2006 to July 2009, and as Senior Vice President, General Counsel and Secretary of Symbol Technologies, Inc. from October 2003 to February 2006. From October 1997 to October 2003, Mr. Lieb served in various senior legal positions at International Paper Company, including Vice President and Deputy General Counsel.
Stephen P. McGill	51	Chairman and Chief Executive Officer, Aon Risk Services. Mr. McGill joined Aon in May 2005 as Chief Executive Officer of the Global Large Corporate business unit, which is now part of Aon Global, and was named Chief Executive Officer of Aon Risk Services Americas in January 2006 and Chief Executive Officer of Aon Global in January 2007, prior to being named to his current position in February 2008. Previously, Mr. McGill served as Chief Executive Officer of Jardine Lloyd Thompson Group plc.
Laurel Meissner	51	Senior Vice President and Global Controller. Ms. Meissner joined Aon in February 2009, and was appointed Senior Vice President and Global Controller and designated as Aon's principal accounting officer in March 2009. Prior to joining Aon, Ms. Meissner served Motorola, Inc. since 2000 in various finance positions, most recently serving as Senior Vice President, Finance, Chief Accounting Officer.



## PART II

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

Aon's common stock, par value \$1.00 per share, is traded on the New York Stock Exchange. We hereby incorporate by reference the "Dividends paid per share" and "Price range" data in Note 20 "Quarterly Financial Data" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

We have 9,848 holders of record of our common stock as of January 29, 2010.

We hereby incorporate by reference Note 12, "Stockholders' Equity" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/09 - 10/31/09		\$		\$ 604,579,159
11/1/09 - 11/30/09	8,580,300	39.61	8,580,300	264,754,079
12/1/09 - 12/31/09				264,754,079
	8,580,300	39.61	8,580,300	264,754,079

In the fourth quarter of 2007, our Board of Directors increased the authorized share repurchase program to \$4.6 billion. Shares may be repurchased through the open market or in privately negotiated transactions. Through December 31, 2009, we repurchased 105.8 million shares of common stock at an average price (excluding commissions) of \$40.96 per share for an aggregate purchase price of \$4.3 billion since inception of the stock repurchase program, and the remaining authorized amount for stock repurchase under the program is \$265 million, with no termination date. In January 2010, our Board of Directors authorized a new share repurchase program under which up to \$2 billion of common stock may be repurchased from time to time depending on market conditions or other factors through open market or privately negotiated transactions. Repurchases will commence under the new share repurchase program upon conclusion of the existing program.

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

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**Item 6. Selected Financial Data.**

(millions except stockholders, employees and per share data)

	2009	2008	2007	2006	2005
<b>Income Statement Data</b>					
Commissions, fees and other	\$ 7,521	\$ 7,357	\$ 7,054	\$ 6,546	\$ 6,336
Fiduciary investment income	74	171	180	142	113
Total revenue	\$ 7,595	\$ 7,528	\$ 7,234	\$ 6,688	\$ 6,449
Income from continuing operations	\$ 681	\$ 637	\$ 675	\$ 499	\$ 414
Income from discontinued operations (2)	111	841	202	230	333
Cumulative effect of change in accounting principle, net of tax (5)				1	
Net income	792	1,478	877	730	747
Less: Net income attributable to noncontrolling interest	45	16	13	10	12
Net income attributable to Aon stockholders	\$ 747	\$ 1,462	\$ 864	\$ 720	\$ 735
<b>Basic Net Income Per Share Attributable to Aon Stockholders (6)</b>					
Continuing operations	\$ 2.25	\$ 2.12	\$ 2.17	\$ 1.52	\$ 1.23
Discontinued operations	0.39	2.87	0.66	0.71	1.02
Cumulative effect of change in accounting principle (5)					
Net income	\$ 2.64	\$ 4.99	\$ 2.83	\$ 2.23	\$ 2.25
<b>Diluted Net Income Per Share Attributable to Aon Stockholders (6)</b>					
Continuing operations	\$ 2.19	\$ 2.04	\$ 2.04	\$ 1.43	\$ 1.19
Discontinued operations	0.38	2.76	0.62	0.67	0.96
Cumulative effect of change in accounting principle (5)					
Net income	\$ 2.57	\$ 4.80	\$ 2.66	\$ 2.10	\$ 2.15
<b>Balance Sheet Data</b>					
Fiduciary assets (7)	\$ 10,835	\$ 10,678	\$ 9,498	\$ 9,704	\$ 9,427
Intangible assets (1)	6,869	6,416	5,119	4,646	4,218
Total assets	22,958	22,940	24,929	24,384	27,832
Long-term debt	1,998	1,872	1,893	2,243	2,105
Total equity (3)(4)	5,431	5,415	6,261	5,251	5,351
<b>Common Stock and Other Data</b>					
Dividends paid per share	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60
Price range:					
High	46.19	50.00	51.32	42.76	37.14
Low	34.81	32.83	34.30	31.01	20.65
At year-end:					
Market price	\$ 38.34	\$ 45.68	\$ 47.69	\$ 35.34	\$ 35.95
Common stockholders	9,883	9,089	9,437	10,013	10,523
Shares outstanding	266.2	271.8	304.6	299.6	321.2
Number of employees	36,200	37,700	42,500	43,100	46,600

(1)

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In 2008, we completed the acquisition of Benfield. In connection with the acquisition, we recorded intangible assets of \$1.7 billion.

- (2) We have sold certain businesses whose results have been reclassified as discontinued operations, including AIS Management Corporation and our P&C Operations (both sold in 2009), Combined Insurance Company of America and Sterling Life Insurance Company (both sold in 2008), Aon Warranty Group and Construction Program Group (both sold in 2006) and Swett & Crawford (sold in 2005).
- (3) Effective January 1, 2009, we adopted a new accounting standard requiring non-controlling interests to be separately presented as a component of total equity. Prior years have been adjusted to conform to the new standard.
- (4) In 2006, we adopted an accounting standard that required us to reflect the funded status of the pension and postretirement plans in our Consolidated Statements of Financial Position, which reduced total equity by \$349 million. Retrospective application was not permitted.
- (5) Effective January 1, 2006, we adopted a new accounting standard on share-based payments.
- (6) Effective January 1, 2009, we adopted additional guidance regarding participating securities and computing net income per share using the two-class method. Prior years' basic and diluted net income per share have been adjusted to conform to the new guidance.
- (7) Represents insurance premium receivables from clients as well as cash and investments held in a fiduciary capacity.

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

**EXECUTIVE SUMMARY OF 2009 FINANCIAL RESULTS**

The challenging global recession continues to provide significant headwinds for our business. We continue to operate in a soft insurance pricing market, as property and casualty rates continue to decline. In addition to pricing declines, volume is negatively impacted by the current economic environment, which places pressure on our business in three primary ways:

declining insurable risks due to decreasing asset values, including property values, shipment volumes, payroll and number of active employees,

client cost-driven behavior, where clients are actively looking to reduce spending in order to meet budget reductions, and increase risk retention, as a result of prioritizing their total spending, and

sector specific weakness, including financial services, construction, private equity, and mergers and acquisitions, all of which have been particularly impacted by the current recession.

Our revenue for 2009 was negatively impacted as a result of this difficult market environment. We continue to demonstrate expense discipline, holding expenses to last year's levels while we continue to invest in our businesses.

We have made three key commitments to shareholders – grow organically, expand margins, and increase earnings per share. The following is our measure of performance against these three metrics for 2009:

Organic revenue, as defined under the caption "Review of Consolidated Results – General" below, declined 1% as a result of weak economic conditions globally.

Achieved an adjusted pretax margin, as defined under the caption "Review of Consolidated Results – General" below, of 17.2% for Aon overall, 20% for the Risk and Insurance Brokerage Services segment, and 17.4% for the Consulting segment.

Diluted earnings per share from continuing operations attributable to Aon's stockholders increased 7% to \$2.19 per share in 2009, from \$2.04 per share in 2008.

Additionally, the following is a summary of our 2009 financial results:

Revenue increased \$67 million, or 1%, to \$7.6 billion, as additional revenue from the Benfield merger and other acquisitions was mainly offset by the negative effect of foreign currency translation and \$97 million lower fiduciary investment income due to the decline in global interest rates.

Operating expenses of \$6.6 billion were comparable with last year, as favorable foreign currency translation, restructuring and other operational expense savings, lower E&O costs resulting from insurance recoveries, a net pension curtailment gain recognized in 2009 of \$78 million related to the decision to cease crediting future benefits relating to salary and service in our U.S. and Canada defined benefit pension plans, and a reduction in incentive compensation were offset by the increased expenses associated with the Benfield merger and other acquisitions and higher restructuring charges.

Our consolidated operating margin from continuing operations for the year improved from 12.5% in 2008 to 13.4% in 2009. The increase was principally driven by a 1% growth in revenue, along with expense management.

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Net income from continuing operations attributable to Aon stockholders increased 2% or \$15 million from 2008 to \$636 million.

**REVIEW OF CONSOLIDATED RESULTS****General**

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

**Organic Revenue Growth**

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

**Adjusted Pretax Margins**

We use adjusted pretax margin as a measure of core operating performance of our Risk and Insurance Brokerage Services and Consulting businesses. Adjusted pretax margin excludes the impact of restructuring charges and certain non-recurring costs such as pension curtailments, costs for anti-bribery and compliance initiatives and Benfield integration costs. This supplemental information related to adjusted pretax margin represents a measure not in accordance with U.S. GAAP, and should be viewed in addition to, not instead of, our Consolidated Statements of Income. A reconciliation of this non-GAAP measure to the reported pretax margin is as follows (in millions):

Year Ended December 31, 2009		Risk and Insurance Brokerage		
		Total Aon	Services	Consulting
Revenue	U.S. GAAP	\$ 7,595	\$ 6,305	\$ 1,267
Income from continuing operations before income taxes				
	U.S. GAAP	\$ 949	\$ 914	\$ 205
	Restructuring charges	412	377	35
	Pension curtailment	(78)	(54)	(20)
	Anti-bribery and compliance initiatives	7	7	
	Benfield integration costs	15	15	
Income from continuing operations before income taxes as adjusted				
		\$ 1,305	\$ 1,259	\$ 220
Pretax margins	U.S. GAAP	12.5%	14.5%	16.2%
Pretax margins	as adjusted	17.2%	20.0%	17.4%

**Impact of Foreign Exchange Rate Fluctuations**

Because we conduct business in more than 120 countries, foreign exchange rate fluctuations have a significant impact on our business. In comparison to the U.S. dollar, foreign exchange rate movements may be significant and may distort true period-to-period comparisons of changes in revenue or pretax income. Therefore, to give financial statement users more meaningful information about our

operations, we have provided a discussion of the impact of foreign currency exchange rates on our financial results. The methodology used to calculate this impact isolates the impact of the change in currencies between periods by translating last year's revenue, expenses and net income at this year's foreign exchange rates.

### Summary of Results

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

Years ended December 31	2009	2008	2007
<b>Revenue</b>			
Commissions, fees and other	\$ 7,521	\$ 7,357	\$ 7,054
Fiduciary investment income	74	171	180
Total revenue	7,595	7,528	7,234
<b>Expenses</b>			
Compensation and benefits	4,597	4,581	4,341
Other general expenses	1,977	2,007	1,890
Total operating expenses	6,574	6,588	6,231
<b>Operating income</b>	<b>1,021</b>	940	1,003
Interest income	30	94	100
Interest expense	(122)	(126)	(138)
Other income (expense)	20	(29)	58
<b>Income from continuing operations before income taxes</b>	<b>949</b>	879	1,023
Income taxes	268	242	348
<b>Income from continuing operations</b>	<b>681</b>	637	675
<b>Income from discontinued operations before income taxes</b>	<b>83</b>	1,256	330
Income taxes	(28)	415	128
<b>Income from discontinued operations</b>	<b>111</b>	841	202
<b>Net income</b>	<b>792</b>	1,478	877
Less: Net income attributable to noncontrolling interests	45	16	13
<b>Net income attributable to Aon stockholders</b>	<b>\$ 747</b>	\$ 1,462	\$ 864

### Consolidated Results for 2009 Compared to 2008

#### Revenue

Revenue increased by \$67 million, or 1%, in 2009 compared to 2008. This increase reflects a \$108 million, or 2%, increase in the Risk and Insurance Brokerage Services segment and a \$49 million increase associated with corporate ownership in insurance investments obtained as part of the acquisition of Benfield Group Limited ("Benfield") in November 2008, partially offset by an \$89 million, or 7%, decrease in the Consulting segment. This 2% increase in the Risk and Insurance Brokerage Services segment was primarily driven by increased commissions

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and fees attributable to Benfield, partially offset by a \$95 million decrease in fiduciary investment income due to declines in global interest rates, the negative impact of foreign currency translation and a 1% decline in organic revenue reflecting the weak economic conditions globally. The 7% decrease in the Consulting segment was primarily driven by the negative impact of foreign currency translation, a 2% decline in organic revenue reflecting the impact of the economic downturn, and the impact of the previously announced termination of an outsourcing contract with AT&T.



***Compensation and Benefits***

Compensation and benefits increased by \$16 million, essentially even with 2008. This increase reflects a \$70 million, or 2%, increase in the Risk and Insurance Brokerage Services segment and a \$7 million, or 12%, increase in unallocated expenses, partially offset by a \$61 million, or 7%, decrease in the Consulting segment. The slight increase overall from last year was driven by the impact of Benfield and higher restructuring costs, which were offset by favorable foreign currency translation, restructuring savings, gains related to the pension curtailments and lower incentive compensation.

***Other General Expenses***

Other general expenses decreased by \$30 million, or 1%, in 2009 compared to 2008. This decrease reflects a \$16 million, or 1%, decline in the Risk and Insurance Brokerage Services segment and a \$23 million, or 7%, decrease in the Consulting segment, partially offset by a \$9 million increase in unallocated expenses. The overall decline was driven by favorable foreign exchange, lower E&O expenses due to insurance recoveries, restructuring savings, operational expense management, and reduced costs related to our FCPA and anti-corruption reviews and related compliance initiatives. These items exceeded the impact of Benfield, including increased intangible amortization related to the merger, and higher restructuring charges.

***Interest Income***

Interest income, which represents income earned on operating cash balances and miscellaneous income-producing securities, decreased \$64 million from 2008 and was driven mainly by lower investment balances, the global decline in interest rates in 2009 and a decrease in income from our Private Equity Partnership Structures I, LLC ("PEPS I") investment.

***Interest Expense***

Interest expense declined \$4 million, due primarily to the impact of favorable foreign exchange rates, which was mostly offset by higher interest rates following the third quarter issuance of €500 million (\$721 million at December 31, 2009 exchange rates) of long-term debt at a 6.25% coupon, which replaced debt borrowed at lower rates under our Euro credit facility.

***Other Income (Expense)***

Other income (expense) was \$20 million of income for 2009 versus an expense of \$29 million in 2008. This change reflects a \$7 million decrease in income in the Risk and Insurance Brokerage Services segment, a \$1 million increase in income in the Consulting segment, and a \$55 million reduction in unallocated expenses. The \$7 million decline in the Risk and Insurance Brokerage Services segment was primarily driven by a gain on the sale of land recognized in 2008 of \$5 million and lower earnings from our non-consolidated subsidiaries, partially offset by higher gains on the disposal of several small subsidiaries. The \$55 million improvement in unallocated expenses was due to \$50 million of costs recognized in 2008 associated with acquiring Benfield, along with a \$5 million gain recognized in 2009 on the extinguishment of \$15 million of Junior Subordinated Debentures.

***Income from Continuing Operations before Income Taxes***

Income from continuing operations before income taxes was \$949 million, an 8% increase from \$879 million in 2008. The improvement was driven by the additional earnings from Benfield and other acquisitions, restructuring and other operational expense savings, and the net pension curtailment gain, which more than offset the impact of higher restructuring costs, lower fiduciary investment and interest income and unfavorable foreign currency translation.

***Income Taxes***

The effective tax rate on income from continuing operations was 28.2% and 27.5% for 2009 and 2008, respectively. The increase reflects the changes in the mix between our U.S. and international pretax income.

***Income from Continuing Operations***

Income from continuing operations increased to \$681 million (\$2.19 diluted net income per share) from \$637 million (\$2.04 diluted net income per share) in 2008. Currency fluctuations negatively impacted income from continuing operations in 2009 by \$0.02 per diluted share when the 2008 Consolidated Statement of Income is translated using 2009 foreign exchange rates. Income from continuing operations in 2008 was positively impacted by \$0.16 per diluted share due to currency fluctuations between 2007 and 2008.

***Discontinued Operations***

Income from discontinued operations decreased \$730 million to \$111 million (\$0.38 diluted net income per share) in 2009 from \$841 million (\$2.76 diluted net income per share) in 2008. The 2009 results include the recognition of a \$55 million foreign tax carryback related to the sale of CICA, the gain on the sale of AIS, results from our P&C operations through the date of disposal, a curtailment gain on the post-retirement benefit plan related to the CICA disposal, and residual tax settlements related to our AWG disposal. The 2008 results include the gain on the sale of our CICA and Sterling subsidiaries (\$935 million) and the operations of CICA and Sterling for the first quarter of 2008, partially offset by a loss recognized on our remaining P&C operations.

**Consolidated Results for 2008 Compared to 2007**

***Revenue***

Revenue increased by \$294 million, or 4%, in 2008 compared to 2007. This increase principally reflects a \$279 million, or 5%, increase in the Risk and Insurance Brokerage Services segment and an \$11 million, or 1%, increase in the Consulting segment. The 5% increase in the Risk and Insurance Brokerage Services segment was primarily driven by organic growth in our reinsurance and most of our retail operations, as well as the impact of favorable foreign exchange rates. The small increase in the Consulting segment was primarily driven by growth in most major practice groups and geographies, mostly offset by the negative impact of the terminated outsourcing contract with AT&T.

***Compensation and Benefits***

Compensation and benefits increased by \$240 million, or 6%, in 2008 compared to 2007. This increase reflects a \$250 million, or 7%, increase in the Risk and Insurance Brokerage Services segment, which more than offset an \$8 million, or 1%, decline in the Consulting segment and a \$2 million, or 3%, decrease in unallocated expenses. The overall 6% increase was primarily driven by higher restructuring expenses, the impact of acquisitions, unfavorable foreign currency translation, and higher salaries and incentive costs, partially offset by restructuring and pension expense savings.

***Other General Expenses***

Other general expenses increased by \$117 million, or 6%, in 2008 compared to 2007. This increase reflects a \$137 million, or 9%, increase in the Risk and Insurance Brokerage Services segment, partially offset by a \$9 million, or 3%, decrease in the Consulting segment and an \$11 million decrease in unallocated expenses. The increase was driven by higher E&O expenses, costs related to our FCPA and anti-corruption reviews and related compliance initiatives, increased restructuring charges, higher

expense due to increased amortization resulting from recent acquisitions, and higher depreciation from restructuring-related impairments and higher software amortization. These increases were partially offset by foreign currency transaction gains and one-time expenses in 2007 relating to the settlement of litigation for acquired employees in our U.K. reinsurance business.

***Interest Income***

Interest income decreased \$6 million, or 6%, from 2007, resulting from lower non-liquidating distributions from our PEPS I investment of \$29 million and lower global interest rates, partially offset by interest income on higher invested balances from selling CICA and Sterling.

***Interest Expense***

Interest expense declined \$12 million, due primarily to the redemption of our 3.5% Senior Convertible Debentures during 2007.

***Other Income (Expense)***

Other income (expense) was \$29 million of expense in 2008 versus income of \$58 million in 2007. This change reflects a \$25 million decrease in income in the Risk and Insurance Brokerage Services segment and a \$62 million increase in unallocated expenses. The \$25 million decline in the Risk and Insurance Brokerage Services segment was primarily driven by lower gains on the disposal of several small subsidiaries. The \$62 million increase in unallocated expenses was due to \$50 million of costs recognized in 2008 associated with acquiring Benfield, along with lower realized gains from the sale of investments.

***Income from Continuing Operations before Income Taxes***

Income from continuing operations before income taxes was \$879 million, a 14% decrease from \$1,023 million in 2007. The decrease was driven by higher restructuring costs, costs associated with acquiring Benfield, and expenses related to FCPA and anti-corruption investigations and compliance initiatives, which more than offset organic revenue growth in both of our segments and the favorable impact of foreign exchange.

***Income Taxes***

The effective tax rate on income from continuing operations was 27.5% in 2008 and 34.0% in 2007 primarily due to changes in the mix between our U.S. and international pretax income.

***Income from Continuing Operations***

Income from continuing operations declined to \$637 million (\$2.04 diluted net income per share) in 2008 from \$675 million (\$2.04 diluted net income per share) in 2007. Currency fluctuations positively impacted income from continuing operations in 2008 by \$0.16 per diluted share when the 2007 Consolidated Statement of Income is translated using 2008 foreign exchange rates.

***Discontinued Operations***

Income from discontinued operations increased to \$841 million (\$2.76 diluted net income per share) in 2008 from \$202 million (\$0.62 diluted net income per share) in 2007. The 2008 results include the gain on the sale of our CICA and Sterling subsidiaries, the operations of CICA and Sterling for the first quarter of 2008, and the full-year operations of AIS. These gains were partially offset by a loss recognized on sale of our remaining P&C operations. The results in 2007 mainly reflected a full year of operations for CICA, Sterling, AIS and our remaining P&C operations.

**Restructuring Initiatives*****Aon Benfield Restructuring Plan***

We announced a global restructuring plan ("Aon Benfield Plan") in conjunction with our 2008 merger with Benfield. The restructuring plan is intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan includes an estimated 700 job eliminations. Additionally, duplicate space and assets will be abandoned. We originally estimated that this plan would result in cumulative costs totaling approximately \$185 million over a three-year period, of which \$104 million was recorded as part of the Benfield purchase price allocation and \$81 million of which was expected to result in future charges to earnings. During 2009, we reduced the Benfield purchase price allocation by \$49 million to reflect actual severance costs being lower than originally estimated. We currently estimate the Plan will result in cumulative costs totaling approximately \$155 million, of which \$55 million was recorded as part of the purchase price allocation, \$55 million has been recorded in earnings and we estimate an additional \$45 million will be recorded in future earnings.

As of December 31, 2009, approximately 530 jobs have been eliminated under this Plan. Total payments of \$67 million have been made under the Aon Benfield Plan to date.

All costs associated with the Aon Benfield Plan are included in the Risk and Insurance Brokerage Services segment. Charges related to the restructuring are included in Compensation and benefits and Other general expenses in the Consolidated Statements of Income. We expect these restructuring activities and related expenses to affect continuing operations into 2011.

The restructuring plan, before any potential reinvestment of savings, is expected to deliver cumulative cost savings of approximately \$90 to \$100 million in 2010 and \$122 million in 2011. We estimate that we realized approximately \$45 million of cost savings in 2009. The actual savings, total costs and timing of the restructuring plan may vary from those estimated due to changes in the scope, underlying assumptions of the plan, and foreign exchange rates.

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

	<b>Actual</b>		<b>Estimated</b>	
	<b>Purchase Price Allocation</b>	<b>2009</b>	<b>Total to Date</b>	<b>Total Cost for Restructuring Period (1)</b>
Workforce reduction	\$ 32	\$ 38	\$ 70	\$ 98
Lease consolidation	22	14	36	49
Asset impairments		2	2	5
Other costs associated with restructuring (2)	1	1	2	3
<b>Total restructuring and related expenses</b>	<b>\$ 55</b>	<b>\$ 55</b>	<b>\$ 110</b>	<b>\$ 155</b>

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

**2007 Restructuring Plan**

In 2007, we announced a global restructuring plan intended to create a more streamlined organization and reduce future expense growth to better serve clients ("2007 Plan"). The 2007 Plan includes an estimated 4,600 job eliminations. As of December 31, 2009, approximately 3,100 positions have been eliminated. We have closed or consolidated several offices resulting in sublease losses or lease buy-outs. We currently estimate that the 2007 Plan will result in cumulative pretax charges totaling approximately \$750 million. Expenses include workforce reduction, lease consolidation costs, asset impairments, as well as other expenses necessary to implement the restructuring initiative. Costs related to the restructuring are included in Compensation and benefits and Other general expenses in the Consolidated Statements of Income. We expect the restructuring and related expenses to affect continuing operations through the first half of 2010. We estimate that we realized approximately \$269 million of cost savings in 2009. We anticipate that these initiatives will lead to annualized cost savings, before any potential reinvestment of savings, of approximately \$536 million by the end of 2010. However, there can be no assurances that we will achieve the targeted savings.

The following is a summary of the restructuring and related expenses by type that have been incurred and are estimated to be incurred through the end of the restructuring initiative related to the 2007 Plan (in millions):

	<b>Actual</b>			<b>Estimated</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Incurred to</b>	<b>Total Cost for</b>
				<b>Date</b>	<b>Restructuring</b>
					<b>Period (1)</b>
Workforce reduction	\$ 17	\$ 166	\$ 251	\$ 434	\$ 510
Lease consolidation	22	38	78	138	149
Asset impairments	4	18	15	37	39
Other costs associated with restructuring (2)	3	29	13	45	52
<b>Total restructuring and related expenses</b>	<b>\$ 46</b>	<b>\$ 251</b>	<b>\$ 357</b>	<b>\$ 654</b>	<b>\$ 750</b>

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

Workforce reductions reflect a cash expense, and we may recognize the expense before making payments to the individuals. Asset impairments are non-cash expenses. Lease consolidation accruals reflect the present value of our future cash outflows. Other costs associated with restructuring are cash expenses, which are expensed in the period in which they are incurred.

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The following table summarizes actual restructuring and related expenses by segment that have been incurred and are estimated to be incurred through the end of the restructuring initiative, related to the 2007 Plan (in millions):

	Actual			Incurred to Date	Estimated Total Cost for Restructuring Period
	2007	2008	2009		
Risk and Insurance Brokerage Services	\$ 41	\$ 234	\$ 322	\$ 597	\$ 683
Consulting	5	17	35	57	67
<b>Total restructuring and related expenses</b>	<b>\$ 46</b>	<b>\$ 251</b>	<b>\$ 357</b>	<b>\$ 654</b>	<b>\$ 750</b>

### LIQUIDITY AND FINANCIAL CONDITION

#### Liquidity

##### *Executive Summary*

Our balance sheet and strong cash flow provide us with financial flexibility to create long-term value for our shareholders. This was highlighted by the repurchase of \$590 million of common stock during 2009 and the authorization of a new \$2 billion share repurchase program. Aon's liquidity needs are primarily for operating expenses, acquisitions, share repurchases, restructuring, funding pension obligations and paying dividends to shareholders.

Liquidity is derived from the cash flows from our businesses and from financing activities. Cash on our balance sheets include funds available for general corporate purposes. Funds held on behalf of clients in a fiduciary capacity are segregated and shown together with insurance premiums receivable in Fiduciary assets in the Consolidated Statement of Financial Position, with a corresponding offset in Fiduciary liabilities. Fiduciary funds cannot be used for general corporate purposes, and should not be considered as a source of liquidity for Aon.

We use various financial measures to assist in capital deployment decision-making, including net cash provided by operations, free cash flow, net debt-to-capital and return on capital. We believe these measures are useful to investors in assessing our financial performance.

##### *Summary Cash Flow table*

(millions) Years Ended December 31	2009	2008	2007
<b>Cash provided by operating activities</b>			
Net income, adjusted for non-cash items	\$ 1,290	\$ 601	\$ 1,366
Change in assets and liabilities, excluding funds held on behalf of clients	(825)	(167)	(153)
	<b>465</b>	434	1,213
Funds held on behalf of clients	(90)	525	50
	<b>375</b>	959	1,263
<b>Cash provided by (used for) investing activities</b>			
Excluding funds held on behalf of clients	(229)	1,929	(413)
Funds held on behalf of clients	90	(525)	(50)
	<b>(139)</b>	1,404	(463)
<b>Cash used for financing activities</b>	<b>(617)</b>	(2,235)	(553)
Effect of exchange rate changes on cash and cash equivalents	16	(130)	56
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (365)</b>	<b>\$ (2)</b>	<b>\$ 303</b>



***Operating Activities***

Net cash provided by operating activities in 2009 decreased \$584 million compared with 2008, due primarily to the change in client-held funds. Excluding the change in client-held funds, cash provided from operating activities increased \$31 million compared to 2008. The primary contributors to cash flow from operations, excluding the change in client-held funds, in 2009 were net income (adjusted for non-cash items) of \$1.3 billion and \$67 million of restructuring expense in excess of cash payments, partially offset by \$404 million of cash contributions to our major defined pension plans in excess of pension expense, net of curtailment gains, a \$105 million decrease in current income taxes, a \$63 million increase in receivables, a \$54 million decrease in accounts payable and accrued liabilities, and a \$266 million decrease in other assets and liabilities. The large pension cash contributions are primarily driven by new funding agreements for our U.K. pension plans completed during the year. Pension contributions for the year ended December 31, 2009 were \$437 million. In 2010, we expect to contribute approximately \$381 million to our pension plans. Payments made for our various restructuring programs amounted to \$327 million during 2009, and are expected to be \$290 million in 2010.

We expect cash generated by operations for 2010 to be sufficient to service debt and contractual obligations, fund cash requirements of our restructuring programs, finance capital expenditures, continue acquisition of shares under our share repurchase program, and continue paying dividends to our shareholders. Although 2010 cash from operations is expected to be sufficient to service these obligations, we have the ability to borrow under our credit facilities to accommodate timing differences in cash flows. We have committed credit facilities of approximately \$1.3 billion that are currently undrawn and that can be accessed on a same-day basis. Additionally, we believe we could access capital markets for debt financing for longer-term funding, under current market conditions, if needed.

Net cash provided by operating activities in 2008 decreased \$304 million compared with 2007. Excluding the change in client-held funds, cash provided from operating activities decreased \$779 million compared to 2007, primarily attributable to a \$765 million decrease in net income (adjusted for non-cash items), reflecting \$376 million of taxes paid on the gain from the sales of CICA and Sterling, as well as \$330 million less cash flow from the operations of our insurance underwriting subsidiaries, which were sold on April 1, 2008.

***Investing Activities***

Cash used for investing activities was \$139 million in 2009, primarily comprised of \$274 million paid to acquire 14 businesses, including Allied North America and FCC Global Insurance Services, \$158 million paid to purchase long-term investments, and \$140 million for capital expenditures, partially offset by \$332 million of net proceeds from the sales of short- and long-term investments.

Cash provided by investing activities was \$1.4 billion in 2008. During 2008, we received \$2.8 billion in proceeds from the sale of CICA and Sterling, partially offset by \$1.1 billion paid for Benfield and other acquisitions.

Cash used for investing activities was \$463 million in 2007, principally \$251 million paid to acquire businesses and \$170 million for capital expenditures.

***Financing Activities***

Cash used for financing activities in 2009 was \$617 million. The net impact of treasury stock transactions reflects the purchase of \$590 million of treasury shares, partially offset by the proceeds from the exercise of stock options and the issuance of shares purchased through the employee stock purchase plan. During 2009, we received \$684 million from the issuance of long-term debt, primarily €500 million (\$721 million at December 31, 2009 exchange rates) of 6.25% senior unsecured debentures. These funds were primarily used to pay down our borrowings under our Euro credit



facility. We also used \$100 million for the repayment of short-term debt related to a variable interest entity ("VIE") for which we were the primary beneficiary. Cash dividends of \$165 million were paid to shareholders.

Cash used for financing activities in 2008 was \$2.2 billion. This was primarily comprised of \$1.9 billion of share repurchase activity, less the proceeds from the exercise of stock options; the net repayment of debt of \$386 million, almost entirely related to our Euro credit facility; and dividends of \$171 million.

Cash used for financing activities in 2007 was \$553 million. This reflects \$714 million of net repayments of debt, partially offset by \$806 million of new debt issuances. Share repurchase activity used \$751 million and dividend payments of \$176 million were paid to shareholders.

### ***Cash and Investments***

At December 31, 2009, our cash and cash equivalents and short-term investments were \$639 million, a decrease of \$627 million from December 31, 2008. Of the total balance recorded at December 31, 2009, approximately \$85 million was restricted as to use. At December 31, 2009, \$199 million of cash and cash equivalents and short-term investments were held in the U.S. and \$440 million was held by our subsidiaries in other countries. Due to differences in tax rates, the repatriation of funds from certain countries into the U.S. could have an unfavorable tax impact.

In our capacity as an insurance broker or agent, we collect premiums from insureds and, after deducting our commission, remit the premiums to the respective insurance underwriter. We also collect claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims are held by us in a fiduciary capacity. The levels of fiduciary assets and liabilities can fluctuate significantly, depending on when we collect the premiums, claims and refunds, make payments to underwriters and insureds, and foreign currency movements. Fiduciary assets, because of their nature, are required to be invested in very liquid securities with highly-rated, credit-worthy financial institutions. In our Consolidated Statements of Financial Position, the amount we report for fiduciary assets and fiduciary liabilities are equal. Our fiduciary assets included cash and investments of \$3.3 billion and fiduciary receivables of \$7.5 billion at December 31, 2009. While we earn investment income on the fiduciary assets held in cash and investments, the cash and investments are not owned by us, and cannot be used for general corporate purposes.

As disclosed in Note 17, "Fair Value and Financial Instruments," of the Notes to Consolidated Financial Statements, the majority of our investments carried at fair value are money market funds. Money market funds are carried at cost as an approximation of fair value. Based on market convention, we consider cost a practical and expedient measure of fair value. These money market funds are held throughout the world with various financial institutions. We do not believe that there are any market liquidity issues affecting the fair value of these investments.

As of December 31, 2009, our investments in money market funds and highly liquid debt instruments had a fair value of \$2.1 billion and are reported as cash equivalents, short-term investments or fiduciary assets in the Consolidated Statements of Financial Position depending on their nature and initial maturity.

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The following table summarizes our fiduciary assets and non-fiduciary cash and short-term investments as of December 31, 2009 (in millions):

Asset Type	Balance Sheet Classification			Total
	Cash and Cash Equivalents	Short-term Investments	Fiduciary Assets	
Certificates of deposit, bank deposits or time deposits	\$ 201	\$	\$ 1,680	\$ 1,881
Money market funds		421	1,637	2,058
Highly liquid debt instruments	16		12	28
Other investments due within one year		1		1
Cash and investments	217	422	3,329	3,968
Fiduciary receivables			7,506	7,506
<b>Total</b>	<b>\$ 217</b>	<b>\$ 422</b>	<b>\$ 10,835</b>	<b>\$ 11,474</b>

### *Share Repurchase Program*

Our Board of Directors has authorized us to repurchase up to \$4.6 billion of our outstanding common stock. Shares may be repurchased through the open market or in privately negotiated transactions from time to time, based on prevailing market conditions, and will be funded from available capital. Any repurchased shares will be available for employee stock plans and for other corporate purposes. In 2009, we repurchased 15.1 million shares at a cost of \$590 million. In 2008, we repurchased 42.6 million shares at a cost of \$1.9 billion. In 2007, we repurchased 19.1 million shares at a cost of \$751 million. Since the inception of our share repurchase program in 2005, we have repurchased a total of 105.8 million shares for an aggregate cost of \$4.3 billion. As of December 31, 2009, we were authorized to purchase up to \$265 million of additional shares under the current share repurchase program. The timing and amount of future purchases will be based on market and other conditions.

In January 2010, our Board of Directors authorized a new share repurchase program under which up to \$2 billion of common stock may be repurchased from time to time depending on market conditions or other factors through open market or privately negotiated transactions. Repurchases will commence under the new share repurchase program upon conclusion of the existing program.

For information regarding share repurchases made during the fourth quarter of 2009, see Item 5 "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" above.

### *Shelf Registration Statement*

On June 8, 2009, we filed a registration statement with the SEC, registering the offer and sale from time to time of an indeterminate amount of, among other securities, debt, preferred stock, common stock and convertible securities. We have not issued any securities under this registration statement. The availability of the potential liquidity under this shelf registration statement is dependent on investor demand, market conditions and other factors. There can be no assurance regarding when, or if, we will issue any securities thereunder.

### *Credit Facilities*

In December 2009, we cancelled our \$600 million U.S. bank credit facility, which was due to expire in February 2010, and replaced it with a \$400 million, three-year unsecured revolving credit facility. Sixteen banks are participating in the facility, which is for general corporate purposes, including a commercial paper backstop. Additionally, at December 31, 2009, we have a five-year €650 million

(\$937 million at December 31, 2009 exchange rates) multi-currency foreign credit facility available. At December 31, 2009, no amounts were outstanding under either facility.

For both our U.S. and Euro facilities, we are required to maintain a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) to consolidated interest expense of 4 to 1 and a ratio of consolidated debt to EBITDA of not greater than 3 to 1. We were in compliance with all covenants as of December 31, 2009.

**Rating Agency Ratings**

The major rating agencies' ratings of our debt at February 24, 2010 appear in the table below.

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

There were no changes in our ratings or outlook during 2009.

A downgrade in the credit ratings of our senior debt and commercial paper would increase our borrowing costs, reduce or eliminate our access to capital, reduce our financial flexibility, and increase our commercial paper interest rates or possibly restrict our access to the commercial paper market altogether. Although we have committed backup lines, we cannot ensure that our financial position will not be adversely impacted if we were unable to access the commercial paper market.

**Letters of Credit**

We have outstanding letters of credit ("LOCs") totaling approximately \$153 million at December 31, 2009. These letters of credit are for the benefit of Virginia Surety Company ("VSC") related to a non-performance risk of reinsurers of VSC's worker's compensation business in California, a LOC that secures deductible retentions for our own workers compensation program, and LOCs to cover the beneficiaries related to our Canadian pension plan scheme, secure one of our U.S. pension plans, and to cover contingent payments for taxes and other business obligations to third parties.

**Adequacy of Liquidity Sources**

We believe that cash flows from operations and available credit facilities will be sufficient to meet our liquidity needs, including capital expenditures and anticipated working capital requirements, for the foreseeable future. Our cash flows from operations, borrowing availability and overall liquidity are subject to risks and uncertainties. See Item 1, "Information Concerning Forward-Looking Statements" and Item 1A, "Risk Factors."

**Contractual Obligations**

Summarized in the table below are our contractual obligations and commitments as of December 31, 2009 (in millions):

	Payments due in				Total
	2010	2011- 2012	2013- 2014	2015 and beyond	
Short- and long-term borrowings	\$ 10	\$ 583	\$ 724	\$ 691	\$ 2,008
Interest expense on debt	140	241	181	681	1,243
Operating leases	302	547	443	525	1,817
Pension and other postretirement benefit plan obligations (1)(2)	262	844	768	957	2,831
Purchase obligations (3)(4)(5)	308	479	337	109	1,233
Insurance premiums payable	10,831	3	1		10,835
Other (6)(7)	4	4	3	5	16
	\$ 11,857	\$ 2,701	\$ 2,457	\$ 2,968	\$ 19,983

- (1) Pension and other postretirement benefit plan obligations include estimates of our minimum funding requirements, pursuant to ERISA and other regulations and minimum funding requirements agreed with the trustees of our U.K. pension plans. Additional amounts may be agreed to with the U.K. pension plan trustees. Nonqualified pension and other postretirement benefit obligations are based on estimated future benefit payments. We may make additional discretionary contributions.
- (2) In 2007, our principal U.K subsidiary agreed with the trustees of one of the U.K. plans to contribute £9.4 million (\$15 million) per year to that pension plan for the next six years, with the amount payable increasing by approximately 5% on each April 1. The trustees of the plan have certain rights to request that our U.K. subsidiary advance an amount equal to an actuarially determined winding-up deficit. As of December 31, 2009, the estimated winding-up deficit was £420 million (\$671 million). The trustees of the plan have accepted in practice the agreed-upon schedule of contributions detailed above and have not requested the winding-up deficit be paid.
- (3) Purchase obligations are defined as agreements to purchase goods and services that are enforceable and legally binding on us, and that specifies all significant terms, including what is to be purchased, at what price and the approximate timing of the transaction. Most of our purchase obligations are related to purchases of information technology services or for claims outsourcing in the U.K.
- (4) As of December 31, 2009, we can exit an information technology contract for termination payments of \$13 million. However, given the nature of this contract, we have included it in our contractual obligations table.
- (5) Also included is a \$318 million contract for claims outsourcing in the U.K. We can exit this obligation after 2013 for approximately \$32 million.
- (6) Excludes a \$42 million commitment to purchase additional fixed-maturity securities from PEPS I, as the general partners may decide not to draw on these commitments.
- (7) Excludes \$61 million of liabilities for unrecognized tax benefits due to our inability to reasonably estimate the period(s) when cash settlements will be made.

**Financial Condition**

At December 31, 2009, net assets of \$5.4 billion, representing total assets minus total liabilities, were essentially equivalent to the balance at December 31, 2008. Working capital decreased \$374 million to \$1.3 billion.

Balance sheet categories that reflected large variances from last year included the following:

Cash and short-term investments declined \$627 million, resulting primarily from cash used for our ongoing share repurchase program, funding of our various pension plans, and the acquisition of subsidiaries.

Goodwill increased \$441 million, due principally to the impact of foreign currency translation and the acquisitions of several businesses during 2009.

Short-term debt decreased \$95 million, due principally to the repayment of \$100 million in debt held at one of our formerly consolidated VIEs.

Long-term debt increased by \$126 million, principally reflecting the issuance of €500 million (\$721 million at December 31, 2009 exchange rates) of 6.25% senior unsecured debentures due on July 1, 2014. Most of the net proceeds from the offering were used to repay \$677 million of outstanding indebtedness under our Euro credit facility.

Pension and other post employment liabilities increased \$195 million, due to lower discount rates used by the plans, actuarial losses, adverse pension asset performance and the impact of foreign currency translation, partially offset by increased contributions made to the plans.

***Borrowings***

Total debt at December 31, 2009 was \$2.0 billion, an increase of \$31 million from December 31, 2008. On July 1, 2009, one of our indirectly wholly-owned subsidiaries issued €500 million (\$721 million at December 31, 2009 exchange rates) of 6.25% senior unsecured debentures due on July 1, 2014. The principal and interest on the debentures is unconditionally and irrevocably guaranteed by us. Most of the net proceeds from the offering were used to repay the \$677 million outstanding under our Euro credit facility. During 2009, we repaid \$100 million of short-term debt held at one of our VIEs that was fully liquidated in 2009, and also redeemed and cancelled a portion of our 8.205% Debentures. Our total debt as a percentage of total capital attributable to Aon shareholders was 27.2% and 27.1% at December 31, 2009 and 2008, respectively.

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In 1997, we created Aon Capital A, a wholly-owned statutory business trust ("Trust"), for the purpose of issuing mandatorily redeemable preferred capital securities ("Capital Securities"). We received cash and 100% of the common equity of Aon Capital A by issuing 8.205% Junior Subordinated Deferrable Interest Debentures (the "Debentures") to Aon Capital A. These transactions were structured such that the net cash flows from Aon to Aon Capital A matched the cash flows from Aon Capital A to the third party investors. We determined that we were not the primary beneficiary of Aon Capital A, a VIE, and, thus reflected the Debentures as long-term debt. During the first half of 2009, we repurchased \$15 million face value of the Capital Securities for approximately \$10 million, resulting in a \$5 million gain, which is reported in Other income (expense) in the Consolidated Statements of Income. To facilitate the legal release of the obligation created through the Debentures associated with this repurchase and future repurchases, we dissolved the Trust effective June 25, 2009. This dissolution resulted in the exchange of the Capital Securities held by third parties for the Debentures. Also in connection with the dissolution of the Trust, the \$24 million of common equity of Aon Capital A held by us was exchanged for \$24 million of Debentures, which were then cancelled. Following these actions, \$687 million of Debentures remain outstanding as of December 31, 2009. The Debentures are subject to mandatory redemption on January 1, 2027 or are redeemable in whole, but not in part, at our option upon the occurrence of certain events.

### **Equity**

Equity at December 31, 2009 was \$5.4 billion, an increase of \$16 million from December 31, 2008. Net income of \$792 million and stock compensation expense of \$209 million in 2009 were almost completely offset by share repurchases of \$590 million, a \$213 million increase in accumulated other comprehensive loss, and \$165 million of dividends to shareholders.

Accumulated other comprehensive loss increased \$213 million since December 31, 2008, reflecting the following:

an increase in the net post-retirement benefit obligation of \$413 million, as a result of lower discount rates, actuarial losses and adverse pension asset performance,

an improvement in net foreign currency translation adjustments of \$199 million, which was attributable to the weakening of the U.S. dollar against foreign currencies,

net unrealized investment losses of \$12 million, and

net derivative gains of \$13 million.

### **OFF BALANCE SHEET ARRANGEMENTS**

#### **Premium Financing Operations**

In 2008, we signed a definitive agreement to sell the U.S. operations of Cananwill, our premium finance business. This disposition was completed in February 2009. In connection with this sale, we have guaranteed the collection of the principal amount of the premium finance notes sold to the buyer, which, at December 31, 2009, was \$8 million. Historical losses in this business have been very low since the premium finance notes are generally fully collateralized by the lender's right, in the event of non-payment, to cancel the underlying insurance contract and collect the unearned premium from the insurance carrier. We do not expect to incur a significant loss related to this guarantee.

Some of our U.K., Canadian, and Australian subsidiaries originated short-term loans (generally with terms of 12 months or less) to businesses to finance their insurance premium obligations, and then sold these premium finance agreements to unaffiliated companies in whole loan sales. Prior to August 2009, these loans were sold in securitization transactions that met the criteria for sale accounting. In June and July of 2009, we entered into agreements with third parties with respect to our international premium finance businesses (collectively, the "Cananwill International Agreements"). As a result of the Cananwill International Agreements, the third parties began originating, financing and servicing

premium finance loans generated by referrals from our brokerage operations. The third parties did not acquire our existing portfolio of premium finance loans, and as such, we did not extend any guarantees under these agreements.

Further details are included in Note 5 "Business Acquisitions and Dispositions" of the Notes to Consolidated Financial Statements.

## VARIABLE INTEREST ENTITIES

At December 31, 2008 and continuing through December 18, 2009, we consolidated the following VIEs:

Juniperus Insurance Opportunity Fund Limited ("Juniperus"), which is an investment vehicle that invests in an actively managed and diversified portfolio of insurance risks, and

Juniperus Capital Holdings Limited ("JCHL"), which provides investment management and related services to Juniperus.

Prior to December 18, 2009, based on our percentage equity interest in the Juniperus Class A shares, we bore a majority of the expected residual return and losses. Similarly, our voting and economic interest percentage in JCHL required us to absorb a majority of JCHL's expected residual returns and losses. We were considered the primary beneficiary of both companies, and as such these entities were consolidated. As of December 18, 2009, our equity interest in Juniperus declined to 38%, and we held a 39% voting and economic interest in JCHL. Based on our holdings, we no longer are considered the primary beneficiary of either entity and have therefore deconsolidated both entities. Prospectively, their results will be accounted for using the equity method of accounting.

Juniperus and JCHL had combined assets and liabilities of \$121 million and \$22 million, respectively, at December 31, 2008. For the year ended December 31, 2009, we recognized \$36 million of pretax income from Juniperus and JCHL. We recognized \$16 million of after-tax income, after allocating the appropriate share of net income to the noncontrolling interests. Our potential loss at December 31, 2009 is limited to our investment in the VIEs, which is \$73 million.

We previously owned the majority economic equity interest in Globe Re Limited ("Globe Re"), a VIE, which provided reinsurance coverage for a defined portfolio of property catastrophe reinsurance contracts underwritten by a third party for a limited period which ended June 1, 2009. We consolidated Globe Re as we were deemed to be the primary beneficiary. In connection with the winding up of its operations, Globe Re repaid its \$100 million of short-term debt and our equity investment from available cash in 2009. We recognized \$2 million of pretax income from Globe Re in 2009. Globe Re was fully liquidated in the third quarter of 2009.

## REVIEW BY SEGMENT

### General

We serve clients through the following segments:

**Risk and Insurance Brokerage Services** we act as an advisor and insurance broker, helping clients manage their risks, as well as negotiating and placing insurance risk with insurance carriers through our global distribution network.

**Consulting** we provide advice and services to clients related to health and benefits, retirement, compensation, strategic human capital, and human resource outsourcing.

**Risk and Insurance Brokerage Services**

<b>Years Ended December 31,</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Segment revenue	\$ 6,305	\$ 6,197	\$ 5,918
Segment operating income	900	846	954
Segment operating income margin	14.3%	13.7%	16.1%

During 2009 we continued to see a soft market, which began in 2007, in our retail brokerage product line. In 2007, we experienced a soft market in many business lines and in many geographic areas. In a "soft market," premium rates flatten or decrease, along with commission revenues, due to increased competition for market share among insurance carriers or increased underwriting capacity. Changes in premiums have a direct and potentially material impact on the insurance brokerage industry, as commission revenues are generally based on a percentage of the premiums paid by insureds. Prices fell throughout 2007, with the greatest declines seen in large and middle-market accounts. Prices continued to decline during 2008, although the rate of decline slowed toward the end of the year. In our reinsurance brokerage product line, pricing overall during 2009 was also down, although during a portion of the year it was flat to up slightly.

Additionally, beginning in late 2008 and continuing throughout 2009, we faced difficult conditions as a result of unprecedented disruptions in the global economy, the repricing of credit risk and the deterioration of the financial markets. Continued volatility and further deterioration in the credit markets have reduced our customers' demand for our retail brokerage and reinsurance brokerage products, which have negatively hurt our operational results. In addition, overall capacity in the industry could decrease if a significant insurer either fails or withdraws from writing insurance coverages that we offer our clients. This failure could reduce our revenues and profitability, since we would no longer have access to certain lines and types of insurance.

Risk and Insurance Brokerage Services generated approximately 83% of our consolidated total revenues in 2009. Revenues are generated primarily through fees paid by clients, commissions and fees paid by insurance and reinsurance companies, and investment income on funds held on behalf of clients. Our revenues vary from quarter to quarter throughout the year as a result of the timing of our clients' policy renewals, the net effect of new and lost business, the timing of services provided to our clients, and the income we earn on investments, which is heavily influenced by short-term interest rates.

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

In November 2008 we expanded our product offerings through the merger with Benfield, a leading independent reinsurance intermediary. Benfield products have been integrated with our existing reinsurance products in 2009.

In February 2009, we completed the sale of the U.S. operations of Cananwill, our premium finance business. In June and July of 2009, we entered into agreements with third parties with respect to our



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international premium finance businesses, whereby these third parties began originating, financing, and servicing premium finance loans generated by referrals from our brokerage operations.

### Revenue

Risk and Insurance Brokerage Services commissions, fees and other revenue was as follows (in millions):

Years ended December 31,	2009	2008	2007
<b>Retail brokerage:</b>			
Americas	\$ 2,249	\$ 2,280	\$ 2,258
United Kingdom	650	742	763
Europe, Middle East & Africa	1,392	1,515	1,337
Asia Pacific	456	491	483
Total retail brokerage	4,747	5,028	4,841
Reinsurance brokerage	1,485	1,001	900
Total	\$ 6,232	\$ 6,029	\$ 5,741

In 2009, commissions, fees and other revenue increased \$203 million or 3% from 2008 driven primarily by the Benfield merger, partially offset by the impact of unfavorable foreign exchange rates and a decline in organic revenue of 1%.

Reconciliation of organic revenue growth to reported commissions, fees and other revenue growth for 2009 versus 2008 is as follows:

Year ended December 31, 2009	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures, & Other	Organic Revenue Growth
<b>Retail brokerage:</b>				
Americas	(1)%	(2)%	%	1%
United Kingdom	(12)	(9)	3	(6)
Europe, Middle East & Africa	(8)	(7)		(1)
Asia Pacific	(7)	(4)	(2)	(1)
Total retail brokerage	(6)	(5)		(1)
Reinsurance brokerage	48	(4)	52	
Total	3%	(4)%	8%	(1)%

The 1% decline in **Americas** reflects unfavorable foreign currency translation, which more than offset a 1% increase in organic revenue, driven by strong growth in Latin America and growth in our U.S. Retail operations despite overall economic weakness, partially offset by declines in our Canadian operation.

**United Kingdom** commissions, fees and other revenue declined 12% driven by unfavorable foreign currency translation and a 6% organic revenue decline, reflecting weak market conditions as well as lower retentions and new business.

**Europe, Middle East & Africa** commissions, fees and other revenue decreased 8% driven primarily by unfavorable foreign exchange rates. The 1% organic decline was principally due to weakness in France, Germany and Ireland, partially offset by growth in the emerging markets of the Middle East and Africa.

**Asia Pacific** commissions, fees and other revenue decreased 7%, due to the negative impact of foreign currency translation and a 1% decline in organic growth driven largely by the negative impact



of exiting a business in Japan, economic weakness in Asia and political unrest in Thailand, partially offset by growth in New Zealand and certain emerging markets.

**Reinsurance** commissions, fees and other revenue increased 48%, due mainly to the Benfield merger, partially offset by unfavorable foreign currency translation. Organic revenue is even with 2008, as growth in domestic treaty business and slightly higher pricing was offset by greater client retention, and declines in investment banking and facultative placements.

### **Operating Income**

Operating income increased \$54 million or 6% from 2008 to \$900 million in 2009. In 2009, operating income margins in this segment were 14.3%, up 60 basis points from 13.7% in 2008. Contributing to increased operating income and margins were the merger with Benfield, lower E&O costs due to insurance recoveries, a pension curtailment gain of \$54 million in 2009 versus a curtailment loss of \$6 million in 2008, declines in anti-corruption and compliance initiative costs of \$35 million, restructuring savings, and other cost savings initiatives.

These items were partially offset by an increase of \$140 million in restructuring costs, \$95 million of lower fiduciary investment income, Benfield integration costs and higher amortization of intangible assets obtained in the merger, and unfavorable foreign currency translation.

### **Consulting**

<b>Years Ended December 31,</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Segment revenue	\$ 1,267	\$ 1,356	\$ 1,345
Segment operating income	203	208	180
Segment operating income margin	16.0%	15.3%	13.4%

Our Consulting segment generated 17% of our consolidated total revenues in 2009 and provides a broad range of human capital consulting services, as follows:

#### *Consulting Services:*

1. *Health and Benefits* advises clients about how to structure, fund, and administer employee benefit programs that attract, retain, and motivate employees. Benefits consulting include health and welfare, executive benefits, workforce strategies and productivity, absence management, benefits administration, data-driven health, compliance, employee commitment, investment advisory and elective benefits services.
2. *Retirement* specializes in global actuarial services, defined contribution consulting, investment consulting, tax and ERISA consulting, and pension administration.
3. *Compensation* focuses on compensatory advisory/counsel including: compensation planning design, executive reward strategies, salary survey and benchmarking, market share studies and sales force effectiveness, with special expertise in the financial services and technology industries.
4. *Strategic Human Capital* delivers advice to complex global organizations on talent, change and organizational effectiveness issues, including talent strategy and acquisition, executive on-boarding, performance management, leadership assessment and development, communication strategy, workforce training and change management.

*Outsourcing* offers employment processing, performance improvement, benefits administration and other employment-related services.

Beginning in late 2008 and continuing throughout 2009, the disruption in the global credit markets and the deterioration of the financial markets has created significant uncertainty in the marketplace. The prolonged economic downturn is adversely impacting our clients' financial condition and the levels of business activities in the industries and geographies where we operate. While we believe that the majority of our practices are well positioned to manage through this time, these challenges are reducing demand for some of our services and depressing the price of those services, which is having an adverse effect on our new business and results of operations.



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### Revenue

In 2009, commissions, fees and other revenue of \$1.3 billion was 6% lower than 2008. Consulting commissions, fees and other revenue was as follows (in millions):

Years ended December 31,	2009	2008	2007
Consulting services	\$ 1,075	\$ 1,139	\$ 1,106
Outsourcing	191	214	236
<b>Total</b>	<b>\$ 1,266</b>	<b>\$ 1,353</b>	<b>\$ 1,342</b>

Organic revenue declined 2% in 2009, as detailed in the following reconciliation of organic revenue growth:

Year ended December 31, 2009	Percent Change	Less: Currency Impact	Less: Acquisitions, Divestitures, & Other	Organic Revenue Growth
Consulting services	(6)%	(5)%	1%	(2)%
Outsourcing	(11)	(7)		(4)
<b>Total</b>	<b>(6)%</b>	<b>(5)%</b>	<b>1%</b>	<b>(2)%</b>

**Consulting services** decreased \$64 million or 6%, reflecting unfavorable foreign exchange as well as declines in most major practice groups. International operations organic revenue was similar to last year.

**Outsourcing** revenue declined \$23 million, or 11%, driven by unfavorable foreign exchange and the previously announced termination of our contract with AT&T, partially offset by modest growth in Canada.

### Operating Income

Operating income was \$203 million, a decrease of \$5 million, or 2%, from 2008. This decrease was principally driven by a 2% organic revenue decline, higher restructuring costs, and the unfavorable impact of foreign currency translation. These declines were partially offset by savings related to the 2007 restructuring plan, a \$20 million gain from the pension curtailment, lower incentive compensation costs, and other cost saving initiatives. Operating income margins in this segment for 2009 were 16.0%, an increase of 70 basis points from 15.3% in 2008, as the impact of the revenue shortfall was more than offset by a reduction in expenses.

### Unallocated Income and Expense

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

Years ended December 31,	2009	2008	2007
Segment income from continuing operations before income taxes	\$ 1,119	\$ 1,076	\$ 1,181
Unallocated revenue	49		
Unallocated expenses	(127)	(165)	(120)
Interest income	30	94	100
Interest expense	(122)	(126)	(138)
<b>Income from continuing operations before income taxes</b>	<b>\$ 949</b>	<b>\$ 879</b>	<b>\$ 1,023</b>



**Unallocated revenue** consists of revenue from our equity ownership in insurance investments, Juniperus and JCHL, obtained in the Benfield merger. No revenue from these investments was recognized in 2008.

**Unallocated expenses** include corporate governance costs not allocated to the operating segments and the costs associated with our ownership of insurance investments. These expenses decreased by \$38 million in 2009 from \$165 million in 2008, driven by \$50 million of costs incurred in 2008 related to the merger with Benfield, partially offset by additional expenses of \$13 million incurred in 2009 associated with our ownership in Juniperus and JCHL.

In 2009, we recognized \$36 million of pretax income from Juniperus and JCHL. We recognized \$16 million of after-tax income, after allocating the appropriate share of net income to the noncontrolling interests.

**Interest income** consists primarily of income earned on our operating cash balances and miscellaneous income producing securities. It does not include interest earned on funds held on behalf of clients. Interest income was \$30 million in 2009, a decrease of \$64 million from 2008, which was driven primarily by lower investment balances, the global decline in interest rates and a \$26 million decrease in income from our PEPS I investment. In 2008, we had a large investment balance for part of the year due to cash received as a result of the sale of our CICA and Sterling subsidiaries.

**Interest expense**, which represents the cost of our worldwide debt obligations, declined \$4 million due primarily to the impact of favorable foreign exchange rates, which was mostly offset by higher interest rates following the third quarter issuance of €500 million (\$721 million at December 31, 2009 exchange rates) of long-term debt at an interest rate of 6.25%, which replaced debt borrowed under our Euro credit facility.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

### Restructuring

#### *Workforce reduction costs*

The method used to account for workforce reduction costs depends on whether the costs result from an ongoing severance plan or are one-time costs. We account for relevant expenses as severance costs when we have an established severance policy, statutory requirements dictate the severance amounts, or we have an established pattern of paying by a specific formula.

We estimate our one-time workforce reduction costs related to exit and disposal activities not resulting from an ongoing severance plan based on the benefits available to the employees being

terminated. We recognize these costs when we identify the specific classification (or functions) and locations of the employees being terminated, notify the employees who might be included in the termination, and expect to terminate employees within the legally required notification period. When employees are receiving incentives to stay beyond the legally required notification period, we record the cost of their severance over the remaining service period.

***Lease consolidation costs***

Where we have provided notice of cancellation pursuant to a lease agreement or abandoned space and have no intention of reoccupying it, we recognize a loss. The loss reflects our best estimate of the net present value of the future cash flows associated with the lease at the date we vacate the property or sign a sublease arrangement. To determine the loss, we estimate sublease income based on current market quotes for similar properties. When we finalize definitive agreements with the sublessee, we adjust our sublease losses for actual outcomes.

***Fair value concepts of severance arrangements and lease losses***

Accounting guidance requires that our exit and disposal accruals reflect the fair value of the liability. Where material, we discount the lease loss calculations to arrive at their net present value.

Most workforce reductions happen over a short span of time, so no discounting is necessary. However, we may discount the severance arrangement when we terminate employees who will provide no future service and we pay their severance over an extended period. Accretion of the discount occurs over the remaining life of the liability.

For the remaining lease term or severance payout, we decrease the liability for payments and increase the liability for accretion of the discount. The discount reflects our incremental borrowing rate, which matches the lifetime of the liability. Significant changes in the discount rate selected or the estimations of sublease income in the case of leases could impact the amounts recorded.

***Other associated costs of exit and disposal activities***

We recognize other costs associated with exit and disposal activities as they are incurred, including moving costs and consulting and legal fees.

Asset impairments may result from large-scale restructurings and we account for these impairments in the period when they become known. Furthermore, we record impairments by reducing the book value to the net present value of future cash flows (in situations where the asset had an identifiable cash flow stream) or accelerating the depreciation to reflect the revised useful life.

***Aon Benfield purchase accounting***

We established a restructuring plan related to our acquisition of Benfield ("Aon Benfield Plan"), which includes reductions in staffing levels and the abandonment of excess facilities. In connection with these restructuring activities and as part of the cost of the acquisition, we established liabilities, primarily for severance and excess facilities. We finalized our restructuring plans in the fourth quarter of 2009 and adjusted liabilities where necessary, with a corresponding decrease in goodwill.

**Pensions**

We sponsor defined benefit pension plans throughout the world. Our most significant plans are located in the U.S., the U.K., the Netherlands and Canada.



**Significant changes to pension plans**

Our U.S., U.K. and Canadian pension plans were previously closed to new entrants. Effective January 1, 2009, our Netherlands plan was also closed to new entrants. In 2007, future benefit accruals relating to salary and service ceased in our U.K. plans. Effective April 1, 2009, we ceased crediting future benefits relating to salary and service for our two U.S. plans. As a result, we recognized a curtailment gain of \$83 million in 2009. In 2010 and 2011, we will cease crediting future benefits relating to service in our Canadian pension plans. We recognized a curtailment loss of \$5 million related to the Canadian pension plans in 2009.

**Recognition of gains and losses and prior service**

We defer the recognition of gains and losses that arise from events such as changes in the discount rate and actuarial assumptions, actual demographic experience and asset performance.

Unrecognized gains and losses are amortized as a component of pension expense based on the average expected future service of active employees for our plans in the Netherlands and Canada, or the average life expectancy of the U.S. and U.K. plan members. After the effective date of the plan amendments to cease crediting future benefits relating to service, unrecognized gains and losses will also be based on the average life expectancy of members in the Canadian plans. We amortize any prior service costs or credits which arise as a result of plan changes over a period consistent with the amortization of gains and losses.

As of December 31, 2009, the pension plans have deferred losses that have not yet been recognized through income in the consolidated financial statements. We amortize unrecognized actuarial losses outside of a corridor, which is defined as 10% of the greater of market-related value of plan assets or projected benefit obligation ("PBO"). To the extent not offset by future gains, incremental amortization as calculated above will continue to affect future pension expense similarly until fully amortized.

The following table discloses our combined experience loss, the number of years over which we are amortizing the experience loss, and the estimated 2010 amortization of loss by country (amounts in millions):

	U.S.	U.K.	The Netherlands	Canada
Combined experience loss	\$ 1,105	\$ 1,681	\$ 182	\$ 90
Amortization period (in years)	27	33	12	20
Estimated 2010 amortization of loss	\$ 24	\$ 42	\$ 11	\$ 3

There was no unrecognized prior service cost at December 31, 2009.

The U.S. pension plans use the market-related value of assets to determine expected return on assets. As of December 31, 2009, we reported a fair value of pension assets of \$1,153 million, compared with a market-related value of \$1,384 million. The market-related value of pension assets does not yet reflect accumulated asset losses of \$231 million. These losses will increase pension expense as they are graded into the market-related asset value and amortized into expense. Prior to being fully recognized, they may be offset by future asset gains. We reflect 20% of the current year's asset gain or loss in the current year's market-related value, with the remaining 80% spread over the next four years.

Our plans in the U.K., the Netherlands and Canada use fair value to determine expected return on assets.

**Rate of return on plan assets and asset allocation**

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

	<b>The</b>			
	<b>U.S.</b>	<b>U.K.</b>	<b>Netherlands</b>	<b>Canada</b>
Expected return (in total)	8.8%	6.5%	5.5%	7.0%
Target equity (1)	60.0%	50.0%	35.0%	70.0%
Target fixed income	40.0%	50.0%	65.0%	30.0%
Expected return-equity (1)	10.3%	7.7%	7.3%	8.0%
Expected return-fixed income	6.5%	5.3%	4.5%	4.6%

(1)

Includes investments in infrastructure, real estate, limited partnerships and hedge funds.

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

The U.S. pension plan asset allocation is based on approved allocations following adopted investment guidelines. The actual asset allocation at December 31, 2009 was 60% equity and 40% fixed income securities for the qualified plan.

The investment policy for each U.K. pension plan is generally determined by the plans' trustees. Because there are several pension plans maintained in the U.K., our target allocation represents a weighted average of the target allocation of each plan. Further, target allocations are subject to change. In total, as of December 31, 2009, the U.K. plans were invested 51% in equity and 49% in fixed income securities.

As of December 31, 2009, the Netherlands' plan was invested 40% in equity and 60% in fixed income securities, and in total the Canadian plans were invested 71% in equity and 29% in fixed income securities.

**Impact of changing economic assumptions**

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

Holding all other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated liability discount rate would have on our estimated 2010 pension expense (in millions):

<b>Increase (decrease) in expense</b>	<b>Change in discount rate</b>	
	<b>Increase</b>	<b>Decrease</b>
U.S. plans	\$ (4)	\$ 3
U.K. plans	(18)	21
The Netherlands plan	(8)	10
Canada plans	(2)	2

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Holding other assumptions constant, the following table reflects what a one hundred basis point increase and decrease in our estimated long-term rate of return on plan assets would have on our estimated 2010 pension expense (in millions):

Increase (decrease) in expense	Change in long-term rate of return on plan assets	
	Increase	Decrease
U.S. plans	\$ (13)	\$ 13
U.K. plans	(32)	32
The Netherlands plan	(5)	5
Canada plans	(2)	2

### *Estimated future contributions*

We estimate contributions of approximately \$381 million in 2010 as compared with \$437 million in 2009.

### **Goodwill and Other Intangible Assets**

Goodwill represents the excess of cost over the fair market value of the net assets acquired. We classify our intangible assets acquired as either trademarks, client lists, non-compete agreements, or other purchased intangibles. Our goodwill and other intangible balances at December 31, 2009 were \$6.1 billion and \$791 million, respectively, compared to \$5.6 billion and \$779 million, respectively, at December 31, 2008.

Although goodwill is not amortized, we test it for impairment at least annually in the fourth quarter. Beginning in 2009, we also test trademarks (which also are not amortized) that were acquired in conjunction with the Benfield merger for impairment. We test more frequently if there are indicators of impairment or whenever business circumstances suggest that the carrying value of goodwill or trademarks may not be recoverable. These indicators may include a sustained significant decline in our share price and market capitalization, a decline in our expected future cash flows, or a significant adverse change in legal factors or in the business climate, among others. No events occurred during 2009 or 2008 that indicate the existence of an impairment with respect to our reported goodwill or trademarks.

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

The goodwill impairment test is a two step analysis. Step One requires the fair value of each reporting unit to be compared to its book value. Management must apply judgment in determining the estimated fair value of the reporting units. If the fair value of a reporting unit is determined to be greater than the carrying value of the reporting unit, goodwill and trademarks are deemed not to be impaired and no further testing is necessary. If the fair value of a reporting unit is less than the carrying value, we perform Step Two. Step Two uses the calculated fair value of the reporting unit to perform a hypothetical purchase price allocation to the fair value of the assets and liabilities of the reporting unit. The difference between the fair value of the reporting unit calculated in Step One and the fair value of the underlying assets and liabilities of the reporting unit is the implied fair value of

the reporting unit's goodwill. A charge is recorded in the financial statements if the carrying value of the reporting unit's goodwill is greater than its implied fair value.

In determining the fair value of our reporting units, we use a discounted cash flow ("DCF") model based on our most current forecasts. We discount the related cash flow forecasts using the weighted-average cost of capital method at the date of evaluation. Preparation of forecasts and selection of the discount rate for use in the DCF model involve significant judgments, and changes in these estimates could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. We also use market multiples which are obtained from quoted prices of comparable companies to corroborate our DCF model results. The combined estimated fair value of our reporting units from our DCF model often results in a premium over our market capitalization, commonly referred to as a control premium. We believe the implied control premium determined by our impairment analysis is reasonable based upon historic data of premiums paid on actual transactions within our industry. Based on tests performed in both 2009 and 2008, there was no indication of goodwill impairment, and no further testing was required.

We review intangible assets that are being amortized for impairment whenever events or changes in circumstance indicate that their carrying amount may not be recoverable. There were no indications that the carrying values of amortizable intangible assets were impaired as of December 31, 2009 or 2008. If we are required to record impairment charges in the future, they could materially impact our results of operations.

### **Contingencies**

We define a contingency as any material condition that involves a degree of uncertainty that will ultimately be resolved. Under U.S. GAAP, we are required to establish reserves for contingencies when a loss is probable and we can reasonably estimate its financial impact. We are required to assess the likelihood of material adverse judgments or outcomes as well as potential ranges or probability of losses. We determine the amount of reserves required, if any, for contingencies after carefully analyzing each individual issue. The required reserves may change due to new developments in each issue, or changes in approach, such as changing our settlement strategy. We do not recognize gain contingencies until the contingency is resolved.

### **Share-based Payments**

Stock-based compensation expense is based on the value of the portion of share-based payment awards that we ultimately expect to vest during that period. Thus, we have reduced expense for estimated forfeitures. We estimate forfeitures at the time of grant based on our actual experience to date and revise our estimates, if necessary, in subsequent periods if actual forfeitures differ from those estimates. When the terms of an award require no additional service, the award is fully expensed at the grant date. When awards are modified, we account for the incremental shares at the fair market value at the date of modification. Expense recognition begins on the date the service period begins, which can precede or be after the grant date, depending on the provisions of the award.

### ***Option accounting***

We use a lattice-binomial option-pricing model to value stock options granted. Lattice-based option valuation models use a range of assumptions over the expected term of the options, and estimate expected volatilities based on the average of the historical volatility of our stock price and the implied volatility of traded options on our stock.

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In terms of the assumptions used in the lattice-based model, we:

use historical data to estimate option exercise and employee terminations within the valuation model. In 2008 and prior years, we stratified between executives and key employees. Beginning in 2009, after reviewing additional historical data, we changed the valuation model to stratify employees between those receiving Leadership Performance Plan ("LPP") options, Special Stock Plan options, and all other option grants. We believe that this stratification better represents prospective stock option exercise patterns.

base the expected dividend yield assumption on our current dividend rate, and

base the risk-free rate for the contractual life of the option on the U.S. Treasury yield curve in effect at the time of grant.

The expected life of employee stock options represents the weighted-average period stock options are expected to remain outstanding, which is a derived output of the lattice-binomial model.

### ***Restricted stock unit awards***

Employees may either receive service-based restricted stock units ("RSUs") or performance-based awards, which ultimately result in the receipt of RSUs, if the employee achieves his or her objectives. Such objectives may be made on a personal, group or company level. We account for service-based awards by expensing the total award value over the service period. We calculate the total award value by multiplying the estimated total number of shares to be delivered by the fair value on the date of grant. We estimate forfeitures based on our actual historical experience and consider dividend discounts when determining the fair value of the RSUs. Performance-based RSUs may be immediately vested upon the end of the performance period or may have a future additional service period. Generally, our performance awards are fixed, which means we determine the fair value of the award at the grant date, estimate the number of shares to be delivered at the end of the performance period, and recognize the expense over the performance or vesting period, whichever is longer. These estimates take into account performance to date as well as an assessment of future performance. These assessments are made by management using subjective estimates, such as long-term plans. As a result, changes in the underlying assumptions could have a material impact on the expense recognized.

The largest performance-based stock plan is the LPP, which has a three-year performance period. The 2007 to 2009 performance period ended on December 31, 2009. The LPP currently has two ongoing performance periods: 2008 to 2010 and 2009 to 2011. A 10% upward adjustment in our estimated performance achievement percentage for both the 2008-2010 and 2009-2011 plans would have increased our 2009 expense by approximately \$4 million, while a 10% downward adjustment would have decreased our expense by approximately \$4 million. As the percent of expected performance increases or decreases, the potential change in expense can go from 0% to 200% of the targeted total expense.

### **Income Taxes**

We earn income in numerous foreign countries and this income is subject to the laws of taxing jurisdictions within those countries, as well as U.S. federal and state tax laws. The estimated effective tax rate for the year is applied to our quarterly operating results. In the event that there is a significant unusual or discrete item recognized, or expected to be recognized, in our quarterly operating results, the tax attributable to that item would be separately calculated and recorded at the same time as the unusual or discrete item. We consider the resolution of prior-year tax matters to be such items.

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

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We assess carryforwards and tax credits for realization as a reduction of future taxable income by using a "more likely than not" determination. We have not recognized a U.S. deferred tax liability for undistributed earnings of certain foreign subsidiaries of our continuing operations to the extent they are considered permanently reinvested. Distributions may be subject to additional U.S. income taxes if we either distribute these earnings, or we are deemed to have distributed these earnings, according to the Internal Revenue Code, and could materially affect our future effective tax rate.

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

We operate in many foreign jurisdictions where tax laws relating to our businesses are not well developed. In such jurisdictions, we obtain professional guidance and consider existing industry practices before using tax planning strategies and meeting our tax obligations. Tax returns are routinely subject to audit in most jurisdictions, and tax liabilities are frequently finalized through negotiations. In addition, several factors could increase the future level of uncertainty over our tax liabilities, including the following:

the portion of our overall operations conducted in foreign tax jurisdictions has been increasing, and we anticipate this trend will continue,

to deploy tax planning strategies and conduct foreign operations efficiently, our subsidiaries frequently enter into transactions with affiliates, which are generally subject to complex tax regulations and are frequently reviewed by tax authorities,

we may conduct future operations in certain tax jurisdictions where tax laws are not well developed, and it may be difficult to secure adequate professional guidance, and

tax laws, regulations, agreements and treaties change frequently, requiring us to modify existing tax strategies to conform to such changes.

### NEW ACCOUNTING PRONOUNCEMENTS

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

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

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

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

We are subject to foreign exchange rate risk from translating the financial statements of our foreign subsidiaries into U.S. dollars. Our primary exposures are to the Euro, British Pound, the Canadian Dollar and the Australian Dollar. We use over-the-counter ("OTC") options and forward

contracts to reduce the impact of foreign currency fluctuations on the translation of our foreign operations' financial statements.

Additionally, some of our foreign brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. Our U.K. subsidiary earned approximately 41% of its 2009 revenue in U.S. dollars and 10% of its revenue in Euros, but most of its expenses are incurred in Pounds Sterling. Our policy is to convert into Pounds Sterling sufficient U.S. Dollar and Euro revenue to fund the subsidiary's Pound Sterling expenses using OTC options and forward exchange contracts. At December 31, 2009, we have hedged 53% and 49% of our U.K. subsidiaries' expected U.S. Dollar transaction exposure for the years ending December 31, 2010 and 2011, respectively. In addition, we have hedged 37% and 59% of our U.K. subsidiaries' expected Euro transaction exposures for the same time periods. We do not generally hedge exposures beyond three years.

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

The potential loss in future earnings from market risk sensitive instruments resulting from a hypothetical 10% adverse change in year-end exchange rates would be \$35 million and \$45 million at December 31, 2010 and 2011, respectively.

Our businesses' income is affected by changes in international and domestic short-term interest rates. We monitor our net exposure to short-term interest rates and as appropriate, hedge our exposure with various derivative financial instruments. This activity primarily relates to brokerage funds held on behalf of clients in the U.S. and on the continent of Europe. A hypothetical, instantaneous parallel decrease in the year-end yield curve of 100 basis points would cause a decrease, net of derivative positions, of \$29 million and \$41 million to 2010 and 2011 pretax income, respectively. A corresponding increase in the year-end yield curve of 100 basis points would cause an increase, net of derivative positions, of \$33 million and \$41 million to 2010 and 2011 pretax income, respectively.

We have long-term debt outstanding with a fair market value of \$2.1 billion and \$1.6 billion at December 31, 2009 and 2008, respectively. This fair value was greater than the carrying value by \$88 million at December 31, 2009, and \$296 million less than the carrying value at December 31, 2008. A hypothetical 1% increase or decrease in interest rates would change the fair value by approximately 5% and 3% at December 31, 2009 and 2008, respectively.

*PEPS I* At December 31, 2009, a 10% or 20% decrease in the underlying equity of the limited partnerships would have decreased the value of the preferred stock securities by \$8 million and \$15 million, respectively.

We have selected hypothetical changes in foreign currency exchange rates, interest rates, and equity market prices to illustrate the possible impact of these changes; we are not predicting market events. We believe these changes in rates and prices are reasonably possible within a one-year period.

**Item 8. Financial Statements and Supplementary Data.**

**Report of Independent Registered Public Accounting Firm on Financial Statements**

Board of Directors and Stockholders  
Aon Corporation

We have audited the accompanying consolidated statements of financial position of Aon Corporation as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aon Corporation at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the financial statements, in 2009 the Company changed its method of accounting and reporting for noncontrolling interests.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Aon Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2010 expressed an unqualified opinion thereon.

Chicago, Illinois  
February 26, 2010



**Aon Corporation**  
**Consolidated Statements of Income**

(millions,  
except  
per share

<i>data)</i>	<i>Years ended December 31</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>				
Commissions, fees and other	\$	<b>7,521</b>	\$ 7,357	\$ 7,054
Fiduciary investment income		<b>74</b>	171	180
Total revenue		<b>7,595</b>	7,528	7,234
<b>Expenses</b>				
Compensation and benefits		<b>4,597</b>	4,581	4,341
Other general expenses		<b>1,977</b>	2,007	1,890
Total operating expenses		<b>6,574</b>	6,588	6,231
<b>Operating income</b>		<b>1,021</b>	940	1,003
Interest income		<b>30</b>	94	100
Interest expense		<b>(122)</b>	(126)	(138)
Other income (expense)		<b>20</b>	(29)	58
<b>Income from continuing operations before income taxes</b>				
		<b>949</b>	879	1,023
Income taxes		<b>268</b>	242	348
<b>Income from continuing operations</b>				
		<b>681</b>	637	675
<b>Income from discontinued operations before income taxes</b>				
		<b>83</b>	1,256	330
Income taxes		<b>(28)</b>	415	128
<b>Income from discontinued operations</b>				
		<b>111</b>	841	202
<b>Net income</b>				
		<b>792</b>	1,478	877
Less: Net income attributable to noncontrolling interests		<b>45</b>	16	13
<b>Net income attributable to Aon stockholders</b>				
	\$	<b>747</b>	\$ 1,462	\$ 864
<b>Net income attributable to Aon stockholders</b>				
Income from continuing operations	\$	<b>636</b>	\$ 621	\$ 662
Income from discontinued operations		<b>111</b>	841	202
<b>Net income</b>				
	\$	<b>747</b>	\$ 1,462	\$ 864
<b>Basic net income per share attributable to Aon stockholders</b>				
Continuing operations	\$	<b>2.25</b>	\$ 2.12	\$ 2.17

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Discontinued operations	<b>0.39</b>	2.87	0.66
<b>Net income</b>	<b>\$ 2.64</b>	\$ 4.99	\$ 2.83
<b>Diluted net income per share attributable to Aon stockholders</b>			
Continuing operations	<b>\$ 2.19</b>	\$ 2.04	\$ 2.04
Discontinued operations	<b>0.38</b>	2.76	0.62
<b>Net income</b>	<b>\$ 2.57</b>	\$ 4.80	\$ 2.66
<b>Cash dividends per share paid on common stock</b>			
	<b>\$ 0.60</b>	\$ 0.60	\$ 0.60
<b>Weighted average common shares outstanding basic</b>			
	<b>283.2</b>	292.8	305.0
<b>Weighted average common shares outstanding diluted</b>			
	<b>291.1</b>	304.5	326.9

See accompanying notes to Consolidated Financial Statements.

**Aon Corporation**  
**Consolidated Statements of Financial Position**

<i>(millions)</i>	<i>As of December 31</i>	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	217	\$ 582
Short-term investments		422	684
Receivables, net		2,052	1,990
Fiduciary assets		10,835	10,678
Other current assets		463	355
Assets held for sale			237
<b>Total Current Assets</b>		<b>13,989</b>	14,526
Goodwill		6,078	5,637
Intangible assets, net		791	779
Fixed assets, net		461	451
Investments		319	332
Deferred tax assets		881	795
Other non-current assets		439	420
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>22,958</b>	<b>\$ 22,940</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Fiduciary liabilities	\$	10,835	\$ 10,678
Short-term debt and current portion of long-term debt		10	105
Accounts payable and accrued liabilities		1,535	1,560
Other current liabilities		260	314
Liabilities held for sale			146
<b>Total Current Liabilities</b>		<b>12,640</b>	12,803
Long-term debt		1,998	1,872
Deferred tax liabilities		129	118
Pension and other post employment liabilities		1,889	1,694
Other non-current liabilities		871	1,038
<b>TOTAL LIABILITIES</b>		<b>17,527</b>	17,525
<b>EQUITY</b>			
Common stock \$1 par value			
Authorized: 750 shares			
(issued: 2009 362.7; 2008 361.7)		363	362
Additional paid-in capital		3,215	3,220
Retained earnings		7,335	6,816
Treasury stock at cost (shares: 2009 96.4; 2008 89.9)		(3,859)	(3,626)
Accumulated other comprehensive loss		(1,675)	(1,462)
<b>TOTAL AON STOCKHOLDERS'</b>		<b>5,379</b>	5,310

<b>EQUITY</b>		
Noncontrolling interest	52	105
<b>TOTAL EQUITY</b>	<b>5,431</b>	5,415
<b>TOTAL LIABILITIES AND EQUITY</b>		
	<b>\$ 22,958</b>	\$ 22,940

See accompanying notes to Consolidated Financial Statements.

**Aon Corporation**  
**Consolidated Statement of Stockholders' Equity**

<i>(millions)</i>	Shares	Common Stock and Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss, Net of Tax	Non-controlling Interests	Total	Comprehensive Income
<b>Balance at January 1, 2007</b>	346.9	\$ 2,930	\$ 4,992	\$ (1,694)	\$ (1,010)	\$ 33	\$ 5,251	
Net income			864			13	877	\$ 877
Redemption of convertible debentures	14	286					286	
Shares issued employee benefit plans		325					325	
Shares purchased				(751)			(751)	
Shares reissued employee benefit plans		(360)	(73)	360			(73)	
Tax benefit employee benefit plans		40					40	
Stock compensation expense		204					204	
Dividends to stockholders			(176)				(176)	
Change in net derivative gains/losses					9		9	9
Change in net unrealized investment gains/losses					3		3	3
Net foreign currency translation adjustments					166	1	167	167
Net post-retirement benefit obligation					106		106	106
Purchase of subsidiary shares from noncontrolling interests						(1)	(1)	
Capital contribution by noncontrolling interests						1	1	
Dividends paid to noncontrolling interests on subsidiary common stock						(7)	(7)	
<b>Balance at December 31, 2007</b>	361.3	3,425	5,607	(2,085)	(726)	40	6,261	\$ 1,162
Net income			1,462			16	1,478	\$ 1,478
Shares issued employee benefit plans	0.4	247					247	
Shares purchased				(1,924)			(1,924)	
Shares reissued employee benefit plans		(383)	(82)	383			(82)	
Tax benefit employee benefit plans		45					45	
Stock compensation expense		248					248	
Dividends to stockholders			(171)				(171)	
Change in net derivative gains/losses					(37)		(37)	(37)
Change in net unrealized investment gains/losses					(20)		(20)	(20)
Net foreign currency translation adjustments					(182)	(5)	(187)	(187)
Net post-retirement benefit obligation					(497)		(497)	(497)
Inclusion of Benfield's noncontrolling interests						61	61	
Capital contribution by noncontrolling interests						2	2	
Dividends paid to noncontrolling interests on subsidiary common stock						(9)	(9)	
<b>Balance at December 31, 2008</b>	361.7	3,582	6,816	(3,626)	(1,462)	105	5,415	\$ 737

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Net income				747			45	792	\$	792					
Shares issued employee benefit plans	1.0		119					119							
Shares purchased						(590)		(590)							
Shares reissued employee benefit plans			(357)	(63)	357			(63)							
Tax benefit employee benefit plans			25					25							
Stock compensation expense			209					209							
Dividends to stockholders					(165)			(165)							
Change in net derivative gains/losses						13		13		13					
Change in net unrealized investment gains/losses						(12)		(12)		(12)					
Net foreign currency translation adjustments						199	4	203		203					
Net post-retirement benefit obligation						(413)		(413)		(413)					
Purchase of subsidiary shares from noncontrolling interests							(3)	(3)							
Capital contribution by noncontrolling interests							35	35							
Deconsolidation of noncontrolling interests							(102)	(102)							
Dividends paid to noncontrolling interests on subsidiary common stock							(32)	(32)							
<b>Balance at December 31, 2009</b>	<b>362.7</b>	<b>\$</b>	<b>3,578</b>	<b>\$</b>	<b>7,335</b>	<b>\$</b>	<b>(3,859)</b>	<b>\$</b>	<b>(1,675)</b>	<b>\$</b>	<b>52</b>	<b>\$</b>	<b>5,431</b>	<b>\$</b>	<b>583</b>

See accompanying notes to Consolidated Financial Statements.

**Aon Corporation**  
**Consolidated Statements of Cash Flows**

<i>(millions)</i>	<i>Years ended December 31</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income		\$ 792	\$ 1,478	\$ 877
Adjustments to reconcile net income to cash provided by operating activities:				
Gains from sales of businesses, net		(91)	(1,208)	(30)
Depreciation and amortization		242	222	205
Stock compensation expense		209	248	204
Deferred income taxes		138	(139)	110
Change in assets and liabilities:				
Change in funds held on behalf of clients		(90)	525	50
Receivables, net		(63)	(151)	53
Accounts payable and accrued liabilities		(54)	(11)	(116)
Restructuring reserves		67	62	(47)
Current income taxes		(105)	55	131
Pension and other post employment liabilities		(404)	(105)	(107)
Other assets and liabilities		(266)	(17)	(67)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>375</b>	<b>959</b>	<b>1,263</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Sales of long-term investments		73	254	1,030
Purchase of long-term investments		(158)	(338)	(1,011)
Net sales (purchases) of short-term investments non-fiduciary		259	392	(64)
Net sales (purchases) of short-term investments funds held on behalf of clients		90	(525)	(50)
Acquisition of businesses, net of cash acquired		(274)	(1,096)	(251)
Proceeds from sale of businesses		11	2,820	53
Capital expenditures		(140)	(103)	(170)
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>		<b>(139)</b>	<b>1,404</b>	<b>(463)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of common stock		51	62	54
Treasury stock transactions, net		(478)	(1,740)	(523)
Issuance of long-term debt		684	376	806
Repayment of debt		(709)	(762)	(714)
Cash dividends to stockholders		(165)	(171)	(176)
<b>CASH USED FOR FINANCING ACTIVITIES</b>		<b>(617)</b>	<b>(2,235)</b>	<b>(553)</b>

<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>16</b>	<b>(130)</b>	<b>56</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(365)</b>	<b>(2)</b>	<b>303</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>582</b>	<b>584</b>	<b>281</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 217</b>	<b>\$ 582</b>	<b>\$ 584</b>

**Supplemental disclosures:**

Interest paid	<b>\$ 103</b>	<b>\$ 125</b>	<b>\$ 147</b>
Income taxes paid, net of refunds	<b>182</b>	<b>696</b>	<b>195</b>

See accompanying notes to Consolidated Financial Statements.



## Notes to Consolidated Financial Statements

### **1. Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the accounts of Aon Corporation and its majority-owned subsidiaries and variable interest entities ("VIEs") for which Aon is considered to be the primary beneficiary ("Aon" or the "Company"). The consolidated financial statements exclude special-purpose entities ("SPEs") considered VIEs for which Aon is not the primary beneficiary. All material intercompany accounts and transactions have been eliminated.

Management has reviewed all material subsequent events through February 26, 2010, the date the financial statements were issued, to determine whether any event required either recognition or disclosure in the financial statements.

#### ***Reclassifications***

Certain amounts in prior years' consolidated financial statements and related notes have been reclassified to conform to the 2009 presentation, including the reclassification of income earned on non-fiduciary operating funds to Interest income from Investment income, a component of Total revenue, and the reclassification of equity earnings on investments to Other income (expense) from Commissions, fees and other revenue in the Consolidated Statements of Income.

Following these reclassifications, Total revenue decreased by \$103 million and \$125 million in 2008 and 2007, respectively, Other general expenses increased by \$1 million in 2008 and decreased \$2 million in 2007, Other income (expense) increased by \$10 million and \$23 million in 2008 and 2007, respectively, and Interest income increased by \$94 million and \$100 million for 2008 and 2007, respectively.

#### ***Use of Estimates***

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

## **2. Summary of Significant Accounting Principles and Practices**

### ***Revenue Recognition***

Risk and Insurance Brokerage Services segment revenues include insurance commissions and fees for services rendered and investment income on funds held on behalf of clients. Revenues are recognized when they are realized or realizable. The Company considers revenues to be realized or realizable when there is persuasive evidence of an arrangement with a client, there is a fixed and determinable price, services have been rendered, and collectability is reasonably assured. For brokerage commissions, revenue is typically considered to be realized or realizable at the completion of the placement process, which generally occurs at the later of the effective date of the policy or when the client is billed. Commission revenues are recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data. Commissions on premiums billed directly by insurance carriers are recognized as revenue when the Company has sufficient information to determine the amount that it is owed, which may not occur until cash is received from the insurance carrier. In instances when commissions relate to policy premiums that are billed in installments, revenue is recognized when the Company has sufficient information to determine the appropriate billing and the associated commission. Fees for services provided to clients are recognized ratably over the period that the services are rendered.

Consulting segment revenues consist primarily of fees paid by clients for consulting advice, commissions from insurance carriers for the placement of individual and group contracts, and outsourcing contracts. Commissions from insurance companies are recognized in the same manner as the Risk and Insurance Brokerage Services segment. Fees paid by clients are typically charged on an hourly, project or fixed fee basis. Revenues from time-and-materials or cost-plus arrangements are recognized as services are performed, which is measured by the amount of time incurred. Revenues from fixed-fee contracts are recognized ratably over the term of the contract. Reimbursements received for out-of-pocket expenses are recorded as a component of revenues.

Investment income is recognized as it is earned.

### ***Stock Compensation Costs***

The Company recognizes compensation expense for all share-based payments to employees, including grants of employee stock options and restricted stock and restricted stock units ("RSUs"), as well as employee stock purchases related to the Employee Stock Purchase Plan, based on estimated fair value. Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest during the period. Because stock-based compensation expense recognized is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

### ***Retirement Benefits***

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

***Income per Share***

Basic net income per share is computed by dividing net income available for common stockholders by the weighted-average number of common shares outstanding, including participating securities, which consist of unvested stock awards with non-forfeitable rights to dividends. Diluted net income per share is computed by dividing net income by the weighted-average number of common shares outstanding, plus the dilutive effect of stock options and awards. The diluted earnings per share calculation reflects the more dilutive effect of either (1) the two-class method that assumes that the participating securities have not been exercised, or (2) the treasury stock method. Certain common stock equivalents related primarily to options were not included in the computation of diluted income per share because their inclusion would have been antidilutive. Aon has included in its diluted net income per share computation the impact of any contingently convertible instruments regardless of whether the market price trigger has been met. Prior to their redemption in November 2007, Aon's 3.5% convertible debt securities, which were issued in November 2002, were able to be converted into a maximum of 14 million shares of Aon common stock, and these shares, and the associated interest, were included in the computation of diluted net income per share for 2007. Since redemption of these securities, Aon has had no convertible debt securities outstanding.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances and all highly liquid investments with initial maturities of three months or less. Cash and cash equivalents included restricted balances of \$85 million and \$254 million at December 31, 2009 and 2008, respectively.

***Short-term Investments***

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

***Fiduciary Assets and Liabilities***

In its capacity as an insurance agent and broker, Aon collects premiums from insureds and, after deducting its commission, remits the premiums to the respective insurers. Aon also collects claims or refunds from insurers on behalf of insureds. Uncollected premiums from insureds and uncollected claims or refunds from insurers are recorded as fiduciary assets in the Company's Consolidated Statements of Financial Position. Unremitted insurance premiums and claims are held in a fiduciary capacity. The obligation to remit these funds is recorded as fiduciary liabilities in the Company's Consolidated Statement of Financial Position. The time frame that the Company holds such funds is dependent upon the date the insured remits the payment of the premium to Aon and the date Aon is required to forward those payments to the insurer.

Aon maintained premium trust balances for premiums collected from insureds but not yet remitted to insurance companies of \$3.3 billion and \$3.2 billion at December 31, 2009 and 2008, respectively. These funds and a corresponding liability are included in fiduciary assets and fiduciary liabilities, respectively, in the accompanying Consolidated Statements of Financial Position.

***Allowance for Doubtful Accounts***

Aon's policy for estimating allowances for doubtful accounts with respect to receivables is to record an allowance based on a historical evaluation of write-offs, aging of balances and other qualitative and quantitative analyses. Receivables included an allowance for doubtful accounts of \$92 million and \$101 million at December 31, 2009 and 2008, respectively.

*Fixed Assets*

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is generally calculated using the st