

AON PLC

FORM 10-Q (Quarterly Report)

Filed 05/15/98 for the Period Ending 03/31/98

Telephone	(44) 20 7623 5500
CIK	0000315293
Symbol	AON
SIC Code	6411 - Insurance Agents, Brokers, and Service
Industry	Insurance (Miscellaneous)
Sector	Financial
Fiscal Year	12/31

AON CORP

FORM 10-Q (Quarterly Report)

Filed 5/15/1998 For Period Ending 3/31/1998

Address	200 EAST RANDOLPH STREET CHICAGO, Illinois 60601
Telephone	312-381-1000
CIK	0000315293
Industry	Insurance (Miscellaneous)
Sector	Financial
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

OR

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

Commission file number 1-7933

Aon Corporation

(Exact Name of Registrant as Specified in its Charter)

DELAWARE ----- (State or Other Jurisdiction of Incorporation or Organization)	36-3051915 ----- (IRS Employer Identification No.)
--	---

123 N. WACKER DR, CHICAGO, ILLINOIS ----- (Address of Principal Executive Offices)	60606 ----- (Zip Code)
--	------------------------------

(312) 701-3000

(Registrant's Telephone Number)

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Number of shares of common stock outstanding:

Class -----	No. Outstanding as of 3-31-98 -----
\$1.00 par value Common	168,651,179

Part 1

**Financial Information
Aon CORPORATION
Condensed Consolidated Statements of Financial Position**

(millions)	As of March 31, 1998	As of March 31, 1997
	-----	-----
ASSETS	(Unaudited)	
Investments		
Fixed maturities at fair value	\$ 3,044.5	\$ 3,143.6
Equity securities at fair value	714.8	806.3
Short-term investments	2,075.0	1,697.7
Other investments	282.8	274.5
	-----	-----
Total investments	6,117.1	5,922.1
Cash	1,010.0	1,084.7
Receivables		
Insurance brokerage and consulting services	5,292.0	5,320.5
Premiums and other	993.5	862.6
Accrued investment income	68.8	66.8
	-----	-----
Total receivables	6,354.3	6,249.9
Intangible assets	3,141.9	3,094.5
Other assets	2,251.5	2,340.0
	-----	-----
Total Assets	\$ 18,874.8	\$ 18,691.2
	=====	=====

LIABILITIES AND EQUITY

Policy Liabilities		
Future policy benefits	\$ 948.3	\$ 942.6
Policy and contract claims	790.1	809.4
Unearned and advance premiums	1,853.8	1,869.7
Other policyholder funds	1,011.1	828.1
	-----	-----
Total policy liabilities	4,603.3	4,449.8
General Liabilities		
Insurance premiums payable	6,538.1	6,379.8
Commissions and general expenses	1,382.3	1,488.8
Short-term borrowings	675.6	764.2
Notes payable	618.3	637.1
Other liabilities	1,323.5	1,299.4
	-----	-----
Total Liabilities	15,141.1	15,019.1
Commitments and Contingent Liabilities		
Redeemable Preferred Stock	50.0	50.0
Company-obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely the Company's Junior Subordinated Debentures	800.0	800.0
Stockholders' Equity		
Common stock - \$1 par value	171.5	171.5
Paid-in additional capital	393.8	377.0
Net unrealized investment gains	182.4	189.0
Net foreign exchange losses	(83.3)	(85.6)
Retained earnings	2,506.9	2,463.4
Less - Treasury stock at cost	(77.0)	(93.2)
Deferred compensation	(210.6)	(200.0)

Total Stockholders' Equity	----- 2,883.7	----- 2,822.1
Total Liabilities and Equity	----- \$ 18,874.8 =====	----- \$ 18,691.2 =====

See the accompanying notes to the condensed consolidated financial statements.

Aon CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	First Quarter Ended	
(millions except per share data)	March 31, 1998	March 31, 1997
REVENUE		
Brokerage commissions and fees	\$ 996.2	\$ 841.7
Premiums and other	416.8	394.4
Investment income	148.5	118.2
	1,561.5	1,354.3
EXPENSES		
General expenses	1,048.2	943.0
Benefits to policyholders	225.9	205.2
Interest expense	20.1	14.6
Amortization of intangible assets	29.5	31.3
Special charges	--	145.0
	1,323.7	1,339.1
INCOME BEFORE INCOME TAX AND MINORITY INTEREST	237.8	15.2
Provision for income tax	89.2	5.7
	148.6	9.5
INCOME BEFORE MINORITY INTEREST	148.6	9.5
Minority interest - 8.205% mandatorily redeemable preferred capital securities	(10.3)	(8.8)
	138.3	0.7
NET INCOME	\$ 138.3	\$ 0.7
	137.7	(2.7)
NET INCOME (LOSS) AVAILABLE FOR COMMON STOCKHOLDERS	\$ 137.7	\$ (2.7)
NET INCOME (LOSS) PER SHARE:		
Basic net income (loss) per share	\$ 0.82	\$ (0.02)
	0.80	(0.02)
Dilutive net income (loss) per share	\$ 0.80	\$ (0.02)
	0.26	0.24
CASH DIVIDENDS PAID ON COMMON STOCK	\$ 0.26	\$ 0.24
	171.4	167.1

See the accompanying notes to the condensed consolidated financial statements.

Aon CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(millions)	First Quarter Ended	
	March 31, 1998	March 31, 1997
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 256.2	\$ 307.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments		
Short-term - net	--	92.2
Fixed maturities		
Maturities	27.2	20.6
Calls and prepayments	17.5	17.1
Sales	1,310.3	395.7
Equity securities	1,100.8	348.1
Other investments	33.0	1.6
Purchase of investments		
Short-term - net	(430.7)	--
Fixed maturities	(1,233.1)	(400.9)
Equity securities	(1,011.3)	(185.0)
Other investments	(39.8)	(13.7)
Acquisition of subsidiaries	(96.1)	(1,289.8)
Acquired fiduciary funds from acquisitions	--	734.0
Property and equipment and other	(42.7)	(28.6)
	(364.9)	(308.7)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Treasury stock transactions - net	12.3	10.9
Issuance (repayment) of short-term borrowings - net	(88.7)	124.0
Issuance of mandatorily redeemable preferred capital securities	--	800.0
Repayment of long-term debt	(19.0)	(51.1)
Interest sensitive life, annuity and investment contracts		
Deposits	186.5	37.0
Withdrawals	(18.1)	--
Cash dividends to stockholders	(44.0)	(42.4)
	29.0	878.4
EFFECT OF EXCHANGE RATE CHANGES ON CASH	5.0	(18.0)
INCREASE (DECREASE) IN CASH	(74.7)	859.5
CASH AT BEGINNING OF PERIOD	1,084.7	410.1
CASH AT END OF PERIOD	\$ 1,010.0	\$ 1,269.6

See the accompanying notes to condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of Accounting Principles

The financial results included in this report are stated in conformity with generally accepted accounting principles and are unaudited but include all normal recurring adjustments which the Registrant ("Aon") considers necessary for a fair presentation of the results for such periods. These interim figures are not necessarily indicative of results for a full year as further discussed below.

Refer to the consolidated financial statements and notes in the Annual Report to Stockholders for the year ended December 31, 1997 for additional details of Aon's financial position, as well as a description of the accounting policies which have been continued without material change. The details included in the notes have not changed except as a result of normal transactions in the interim and the events mentioned in the footnotes below.

Certain prior period amounts have been reclassified to conform to the current period presentation.

2. Statements of Financial Accounting Standards (SFAS)

Comprehensive Income

As of January 1, 1998, Aon adopted the interim reporting requirements of Financial Accounting Standards Board (FASB) Statement No. 130 (Reporting Comprehensive Income) as presented below. Statement No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however the adoption of this Statement had no impact on Aon's net income or stockholders' equity. Statement No. 130 requires net unrealized investment gains or losses on Aon's available-for-sale securities and net foreign exchange gains or losses, which currently are reported in stockholders' equity, to be included in accumulated other comprehensive income and the disclosure of comprehensive income. When Aon adopts the fiscal year end reporting requirements of Statement No. 130 in its December 31, 1998 financial statements, the totals of other comprehensive income items and comprehensive income (which includes net income), will be displayed separately and prior year financial statements will be reclassified to conform to the requirements of Statement No. 130.

The components of comprehensive income or loss, net of related tax, for the first quarter ended March 31, 1998 and 1997 are as follows:

(millions)	1998 ----	1997 ----
Net income	\$ 138.3	\$ 0.7
Net unrealized investment losses	(6.6)	(34.1)
Net foreign exchange gains (losses)	2.3	(35.6)
	=====	=====
Comprehensive income (loss)	\$ 134.0	\$ (69.0)
	=====	=====

The components of accumulated other comprehensive income, net of related tax, at March 31, 1998 and December 31, 1997, are as follows:

(millions)	1998 ----	1997 ----
Net unrealized investment gains	\$ 182.4	\$ 189.0
Net foreign exchange losses	(83.3)	(85.6)
	=====	=====
Accumulated other comprehensive income	\$ 99.1	\$ 103.4
	=====	=====

Segments Disclosure

In 1997, the FASB issued Statement No. 131 (Disclosures about Segments of an Enterprise and Related Information). Statement No. 131 establishes standards for providing disclosures related to products and services, geographic areas, and major customers. Aon will adopt this statement in its fourth quarter 1998 financial statements as required. Implementation of this statement is not expected to have a material effect on Aon's financial statements.

3. Capital Stock

In first quarter 1998, Aon reissued 436,500 shares of common stock from treasury for employee benefit plans. Aon purchased 18,200 shares of its common stock at a total cost of \$1.1 million during first quarter 1998. In addition, Aon reissued 210,900 shares of common stock from treasury in connection with business combinations. There were 2.9 million shares of common stock held in treasury at March 31, 1998.

4. Capital Securities

In 1997, Aon Capital A, a subsidiary trust of Aon, issued \$800 million of 8.205% mandatorily redeemable preferred capital securities (capital securities). The sole asset of Aon Capital A is \$824 million aggregate principal amount of Aon's 8.205% Junior Subordinated Deferrable Interest Debentures due January 1, 2027.

5. Business Combinations

In first quarter 1998, operating results were impacted by the insurance brokerage acquisition of Gil y Carvajal. Gil y Carvajal is the largest retail and reinsurance broker in Spain. This acquisition was accounted for by the purchase method. The effect of the acquisition was not material to Aon's consolidated financial statements.

In April 1998, Aon acquired LeBlanc de Nicolay (the largest reinsurance broker in France), subject to regulatory approval. This acquisition will be accounted for by the purchase method and its effect is not anticipated to be material to Aon's consolidated financial statements.

6. Earnings Per Share

Earnings per share is computed in accordance with FASB Statement No. 128 (Earnings Per Share) and is calculated as follows:

(millions except per share data)	First Quarter Ended	
	March 31, 1998	March 31, 1997
Net income	\$ 138.3	\$ 0.7
8% preferred stock dividends	-	2.8
Redeemable preferred stock dividends	0.6	0.6
	=====	=====
Net income (loss) for dilutive and basic	\$ 137.7	\$ (2.7)
	=====	=====
Basic shares outstanding	168.7	167.1
Common stock equivalents	2.7	-
	-----	-----
Dilutive potential common shares	171.4	167.1
	-----	-----
Basic earnings per share	\$0.82	(\$0.02)
Dilutive earnings per share	\$0.80	(\$0.02)
	-----	-----

7. Alexander & Alexander Services Inc. (A&A) Discontinued Operations

A&A discontinued its insurance underwriting operations in 1985, some of which were then placed into run-off, the remainder sold in 1987. In connection with those sales, A&A provided indemnities to the purchaser for various estimated and potential liabilities, including provisions to cover future losses attributable to insurance pooling arrangements, a stop-loss reinsurance agreement, and actions or omissions by various underwriting agencies previously managed by an A&A subsidiary. As of March 31, 1998, the liabilities associated with the foregoing indemnities and liabilities of insurance underwriting subsidiaries that are currently in run-off were included in other liabilities in the accompanying condensed consolidated statement of financial position and amount to \$152 million. Such liabilities are net of reinsurance recoverables and other assets of \$176 million.

8. Contingencies

Aon and its subsidiaries are subject to numerous claims and lawsuits that arise in the ordinary course of business. Some of these cases are being litigated in jurisdictions which have judicial precedents and evidentiary rules which are generally believed to favor individual plaintiffs against corporate defendants. The damages that may be claimed in these and other jurisdictions are substantial, including in many instances claims for punitive or extraordinary damages. Accruals for these lawsuits have been provided to the extent that losses are deemed probable and are estimable.

At the time of Aon's acquisition of A&A in January 1997, A&A was facing various legal claims, several of which remain ongoing. While the possibility of substantial exposure remains, based on current facts and circumstances, Aon believes the possibility of material loss resulting from these exposures is remote.

Although the ultimate outcome of these suits cannot be ascertained and liabilities in indeterminate amounts may be imposed on Aon or its subsidiaries, on the basis of present information, availability of insurance coverages and advice received from counsel, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of Aon.

Aon CORPORATION
MANAGEMENT'S ANALYSIS OF OPERATING RESULTS
AND FINANCIAL CONDITION

REVENUE AND INCOME BEFORE INCOME TAX
FOR FIRST QUARTER 1998

CONSOLIDATED RESULTS

GENERAL

Certain amounts in the prior years' condensed consolidated financial statements have been reclassified to conform to the 1998 presentation.

Brokerage commissions and fees increased \$154.5 million or 18.4% in first quarter 1998, primarily reflecting business combination activity related to the acquisitions of Gil y Carvajal in first quarter 1998, Jauch & Hubener in fourth quarter 1997 and, to a lesser extent, Minet and certain other 1997 brokerage acquisitions.

Premiums and other is primarily related to insurance underwriting operations. Premiums and other increased \$22.4 million or 5.7% in first quarter compared with the same period last year. Extended warranty premiums earned increased \$28.7 million or 24.4% in the quarter reflecting continued growth, primarily in the appliance and electronic lines. There was modest growth in direct sales business as a result of changes in the consumer insurance market. The runoff of North American auto credit business partially offset this growth in premiums earned.

Investment income, which includes related expenses and realized investment gains, increased \$30.3 million or 25.6% in the first quarter 1998 when compared to prior year. Investment income growth was primarily related to income received on private equity and other investment holdings. Investment income from insurance brokerage and consulting operations, primarily relating to fiduciary funds, increased to \$44 million in first quarter 1998 from \$39 million in 1997, due to brokerage acquisition activity and internal growth.

Total revenue increased \$207.2 million or 15.3% in the first quarter 1998, primarily attributable to brokerage acquisition activity and to income received on private equity and other investment holdings.

Benefits to policyholders increased 10.1% or \$20.7 million in first quarter 1998, reflecting a higher volume of new extended warranty business. This growth was partially offset by the run-off of auto credit business as planned.

In first quarter 1997, Aon reported special charges of \$145 million (\$90.6 million after-tax) related to the restructuring of Aon's brokerage operations as a result of the acquisition of Alexander & Alexander Services Inc. (A&A). The special charges included costs related to severance and other costs and the consolidation of real estate space. The 1997 special charges were reflected as a separate component of total expenses in the condensed consolidated statements of operations.

Total expenses decreased \$15.4 million or 1.2% in first quarter 1998 when compared to prior year. The decrease reflects the inclusion of 1997 pretax special charges. In first quarter 1998, restructuring liabilities related to 1997 special charges have been reduced as planned, and reflect payments on those special charges and valuation adjustments related to recent acquisitions. Total expenses, excluding the 1997 special charges, increased 10.9% for the first quarter 1998. Income before income tax increased \$222.6 million or over

500% in first quarter 1998, when compared to prior year, primarily due to the inclusion of special charges in first quarter 1997. Excluding special charges, income before income tax increased 48.4% when compared to first quarter 1997, largely due to growth in the insurance brokerage and consulting services segment and to the achievement of cost savings resulting from the consolidation of brokerage operations.

MAJOR LINES OF BUSINESS

GENERAL

For purposes of the following line of business discussions, comparisons against last year's results exclude special charges. Management anticipates that the full benefit of cost savings on brokerage operations will continue to be achieved throughout the remainder of 1998. In addition, references to income before income tax exclude minority interest related to the capital securities.

INSURANCE BROKERAGE AND CONSULTING SERVICES

First quarter 1998 revenue and income before income tax have been impacted by the acquisition of Gil y Carvajal in first quarter 1998, and the acquisitions of Jauch & Hubener, Minet and certain other brokerage acquisitions in third and fourth quarter 1997.

Insurance and other services (retail, reinsurance and wholesale brokerage) revenue increased \$138.5 million or 18.4% in the first quarter 1998 when compared with the same period last year, largely due to acquisition activity. Insurance and other services continued to reflect highly competitive property and casualty pricing in the domestic market.

Consulting provides a full range of employee benefits and compensation consulting, specialized employee assessment and training programs, and administrative services. This business showed revenue growth of \$21 million or 16.3% for the first quarter 1998 when compared to prior year, primarily due to post-first quarter 1997 acquisitions and, to a lesser extent, expanding integrated human resources consulting programs.

Overall, revenue for the insurance brokerage and consulting services segment increased \$159.5 million or 18.1% in the first quarter 1998. Acquisitions made in 1998 and post-first quarter 1997 accounted for a majority of the above mentioned revenue growth in the quarter. Excluding the impact of acquisitions, revenue related to brokerage core businesses grew approximately 4% in a very competitive environment. Income before income tax increased \$74.7 million or 68.8% when compared to first quarter 1997. The brokerage segment continues to be impacted by a soft property and casualty market, particularly in the reinsurance brokerage business. Pretax margins in this segment improved for the quarter reflecting cost savings resulting from the consolidation of businesses acquired in 1997.

U.S./INTERNATIONAL RESULTS

First quarter international insurance brokerage and consulting services revenue represents 52% of the worldwide total, and international income before income tax represents 71% of the worldwide total. International brokerage revenue of \$539.8 million increased 24.2% for the first quarter, primarily reflecting the

acquisition of Jauch & Hubener in late 1997 and post-first quarter 1997 acquisitions. International brokerage income before income tax increased 69.8% for the first quarter reflecting the above mentioned acquisition activity. International brokerage revenues for retail brokerage services generally are strongest during the first quarter of the year, particularly for continental Europe, while expenses are incurred on a more even basis throughout the year.

INSURANCE UNDERWRITING

The insurance underwriting line of business primarily provides direct sales life and accident and health products, and extended warranty products to individuals. Revenue increased \$29.6 million or 6.6% for the first quarter 1998 when compared to prior year, primarily due to growth in the U.S. extended warranty lines. Direct sales business also continued to grow modestly.

Pretax income from insurance underwriting decreased \$0.3 million or 0.5% in the first quarter 1998 when compared with last year reflecting start-up costs in the worksite marketing initiative and the run-off of auto credit business and specialty liability programs. Overall, benefit and expense margins in first quarter 1998 did not suggest any significant shift in operating trends. Direct sales accident & health business improved its pretax margin in part due to good domestic and international health product sales. Extended warranty profits improved in the quarter, primarily due to a higher volume of new business in the extended warranty mechanical line.

U.S./INTERNATIONAL RESULTS

First quarter U.S. insurance underwriting revenue represents 71% of the worldwide total and U.S. income before income tax represents 75% of the worldwide total. U.S. insurance underwriting income before income tax increased 2.3% in the quarter when compared to its 1997 level. Results reflect the runoff of the auto credit business and specialty liability programs. International insurance underwriting revenue of \$138.1 million increased 5.8% in the quarter principally due to growth in premiums earned, primarily in the mechanical extended warranty line. International pretax income decreased 7.9% in the quarter, primarily due to unfavorable expense comparisons in the extended warranty appliance and electronics lines. Measures are being taken to reduce costs in these lines.

CORPORATE AND OTHER

Revenue in this category consists primarily of investment income (including realized investment gains) on capital. Insurance company investment income is allocated to the underwriting segment based on the invested assets which underlie policyholder liabilities. Excess invested assets and related investment income, which do not underlie these liabilities, are reported in this segment. Expenses include interest and other financing expenses, goodwill amortization associated with insurance brokerage and consulting acquisitions, and corporate administrative costs.

Revenue increased 64.2% or \$18.1 million for the first quarter 1998, primarily due to higher levels of investment income received on private equity and other investment holdings. The loss before income tax decreased \$3.2 million in the quarter over the same period last year. Revenue growth was partially offset by goodwill amortization related to acquisitions and interest expense on short-term and long-term debt associated with acquisition financing.

Aon Corporation
MAJOR LINES OF BUSINESS

(millions)	First Quarter Ended		
	March 31, 1998	March 31, 1997	Percent Change
REVENUE			

Insurance brokerage and consulting services:			
Insurance and other services	\$ 890.1	\$ 751.6	18.4 %
Consulting	150.1	129.1	16.3
Total revenue	1,040.2	880.7	18.1
Insurance underwriting:			
Direct sales - life, accident and health	257.7	254.7	1.2
Extended warranty	159.4	129.4	23.2
Other	57.9	61.3	(5.5)
Total revenue	475.0	445.4	6.6
Corporate and other	46.3	28.2	64.2
Total revenue	\$ 1,561.5	\$ 1,354.3	15.3 %
INCOME BEFORE INCOME TAX			

Insurance brokerage and consulting services	\$ 183.3	\$ 108.6	68.8 %
Special charges	--	(145.0)	--
Including special charges	183.3	(36.4)	N/A
Insurance underwriting	64.5	64.8	(0.5)
Corporate and other	(10.0)	(13.2)	N/A
Total income before income tax	\$ 237.8	\$ 15.2	+500 %

NET INCOME FOR FIRST QUARTER 1998

First quarter 1998 net income was \$138.3 million (\$0.80 dilutive per share) compared to \$0.7 million (\$0.02 loss per share) in 1997. First quarter 1997 net income and the related loss per share amount were primarily influenced by after-tax 1997 special charges of \$90.6 million (\$0.54 per share) with no comparable amount in first quarter 1998. Basic net income per share was \$0.82 and a loss of \$0.02 in 1998 and 1997, respectively.

The effective tax rate was 37.5% for both 1998 and 1997. Dilutive average shares outstanding for first quarter 1998 increased 2.6% when compared to 1997 primarily due to the reissuance of common shares from treasury for employee benefits.

CASH FLOW AND FINANCIAL POSITION AT THE END OF FIRST QUARTER 1998

GENERAL

Cash flows from operating activities in first quarter 1998 were \$256.2 million, a decrease of \$51.6 million from first quarter 1997. This decrease primarily reflects the timing of the settlement of insurance segment receivables and payables, and payments on special charges and valuation adjustments relating to recent acquisitions.

Investing activities used cash of \$364.9 million which was made available from financing and operating activities. Cash used for acquisition activity during first quarter 1998 was \$96.1 million, primarily reflecting the Gil y Carvajal acquisition.

Cash totaling \$29 million was provided during first quarter 1998 from financing activities. The decrease of \$849.4 million from first quarter 1997 is primarily a result of the 1997 issuance of capital securities. Cash was used to pay dividends of \$43.4 million on common stock and \$0.6 million on redeemable preferred stock.

Aon's operating subsidiaries anticipate that there will be adequate liquidity to meet their needs in the foreseeable future. Aon's liquidity needs are primarily for servicing its debt and for the payment of dividends on stock issues and capital securities. The businesses of Aon's operating subsidiaries continue to provide substantial positive cash flow. Brokerage cash flow has been used primarily for acquisition financing. Aon anticipates continuation of the company's positive cash flow, the ability of the parent company to access adequate short-term lines of credit, and sufficient cash flow in the long-term.

Due to the contractual nature of its insurance policyholder liabilities which are intermediate to long-term in nature, Aon has invested primarily in fixed maturities. With a carrying value of \$3 billion, Aon's total fixed maturity portfolio is invested primarily in investment grade holdings (96.6%) and has a fair value which is 104.6% of amortized cost.

Total assets increased \$183.6 million to \$18.9 billion since year-end 1997. Invested assets at March 31, 1998 increased \$195 million from year-end levels, primarily due to higher levels of short-term investments. The amortized cost and fair value of less than investment grade fixed maturity investments, at March 31, 1998, were \$93.4 million and \$97.1 million, respectively. The carrying value of non-income producing investments in Aon's portfolio at March 31, 1998 was \$81.5 million, or 1.3% of total invested assets.

Aon uses derivative financial instruments (primarily financial futures, swaps, options and foreign exchange forwards) to: (a) hedge foreign currency translation risk and other business risks (i.e. interest rate and credit risk); (b) hedge asset price risk associated with financial instruments whose change in value is reported under SFAS 115; and (c) manage its overall asset/liability duration match. As of March 31, 1998, Aon had open contracts, related to the above, which had unrealized gains of approximately \$4.9 million.

Insurance brokerage and consulting services receivables decreased \$28.5 million and insurance premiums payable increased \$158.3 million in first quarter 1998 when compared to year-end 1997.

Short-term borrowings decreased at the end of first quarter 1998 by \$88.6 million when compared to year-end 1997. Generally, in the first quarter of the year, cash flows to the parent company are larger due to the timing of dividends received from the operating units. As a result, short-term borrowing levels tend to decrease in the first quarter when compared to the remaining periods in the year. Notes payable decreased at the end of first quarter 1998 by \$18.8 million when compared to year-end 1997. Included in notes payable at March 31, 1998 is approximately \$31 million which represents the principal amount of notes due within one year.

Stockholders' equity increased \$61.6 million in first quarter 1998 to \$17.10 per share, an increase of \$0.30 per share since year-end 1997. This increase consisted of net income partially offset by net unrealized investment losses of \$6.6 million and dividends to common stockholders of \$90.4 million. Included in the reduction for dividends is an accrual for the second quarter 1998 common stock dividend.

REVIEW BY INDEPENDENT AUDITORS

The condensed consolidated financial statements at March 31, 1998, and for the first quarter then ended have been reviewed, prior to filing, by Ernst & Young LLP, Aon's independent auditors, and their report is included herein.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Stockholders
Aon Corporation

We have reviewed the accompanying condensed consolidated statement of financial position of Aon Corporation as of March 31, 1998, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 1998 and 1997. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated statement of financial position of Aon Corporation as of December 31, 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated February 10, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 1997, is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

ERNST & YOUNG LLP

Chicago, Illinois
May 5, 1998

PART II

OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Annual Meeting of Stockholders of the Registrant was held on April 17, 1998 (the "1998 Annual Meeting").

(b) Not applicable.

(c)(i) Set forth below is the tabulation of the votes on each nominee for election as a director:

Name ----	For ---	Withheld Authority -----
Daniel T. Carroll	150,119,262	544,390
Franklin A. Cole	150,208,040	455,612
Edgar D. Jannotta	150,171,091	492,561
Perry J. Lewis	150,184,822	478,830
Andrew J. McKenna	150,225,279	438,373
Newton N. Minow	148,700,286	1,963,366
Richard C. Notebaert	150,191,489	472,163
Donald S. Perkins	150,152,159	511,493
John W. Rogers, Jr.	150,244,847	418,805
Patrick G. Ryan	150,197,173	466,479
George A. Schaefer	150,229,715	433,937
Raymond I. Skilling	150,243,100	420,552
Fred L. Turner	150,244,969	418,683
Arnold R. Weber	150,229,422	434,230
Carolyn Y. Woo	150,166,879	496,773

(ii) Set forth below is the tabulation of the vote on the adoption of the Aon 1998 Employee Stock Purchase Plan.

For ---	Against -----	Abstain -----	Nonvote -----
144,677,432	5,722,501	263,719	0

PART II

OTHER INFORMATION

(iii) Set forth below is the tabulation of the vote on the selection of Ernst & Young LLP as auditors for the Registrant for the 1998 fiscal year.

<u>For</u> ---	<u>Against</u> -----	<u>Abstain</u> -----	<u>Nonvote</u> -----
150,236,810	194,555	232,287	0

(iv) Set forth below is the tabulation of the vote on a proposal made by a stockholder relating to certain investments by the Registrant as set forth beginning on page 25 of the Registrant's Notice of Annual Meeting of Holders of Common Stock and Series C Preferred Stock and Proxy Statement for the 1998 Annual Meeting.

<u>For</u> ---	<u>Against</u> -----	<u>Abstain</u> -----	<u>Nonvote</u> -----
4,031,306	132,565,771	4,317,527	9,749,048

(d) Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - The exhibits filed with this report are listed on the attached Exhibit Index.

(b) Reports on Form 8-K - The Registrant filed no Current Reports on Form 8-K during the quarter ended March 31, 1998.

SIGNATURE

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

Aon Corporation
(Registrant)

May 15, 1998

/s/ Harvey N. Medvin

HARVEY N. MEDVIN
EXECUTIVE VICE PRESIDENT,
CHIEF FINANCIAL OFFICER AND
TREASURER
(Principal Financial and Accounting Officer)

Aon CORPORATION

EXHIBIT INDEX

Exhibit Number
In Regulation S-K

	Page No.
Item 601 Exhibit Table	
(10) Aon 1998 Employee Stock Purchase Plan	
(12) Statements regarding Computation of Ratios.	
(a) Statement regarding Computation of Ratio of Earnings to Fixed Charges.	
(b) Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.	
(15) Letter re: Unaudited Interim Financial Information	
(27) Financial Data Schedule	

Exhibit 10
AON 1998 EMPLOYEE STOCK PURCHASE PLAN

Aon Corporation, a Delaware corporation, hereby adopts this Aon 1998 Employee Stock Purchase Plan (the "Plan") as of the Effective Date. The purposes of this Plan are as follows:

- (1) To assist eligible employees of the Company and its Participating Subsidiaries in acquiring a stock ownership interest in the Company pursuant to a plan which is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended.
- (2) To help eligible employees provide for their future security and to encourage them to remain in the employment of the Company and its Participating Subsidiaries.

Definitions.

Whenever any of the following terms is used in the Plan with the first letter or letters capitalized, it shall have the following meaning unless the context clearly indicates to the contrary (such definitions to be equally applicable to both the singular and plural forms of the terms defined):

- (a) "Code" means the Internal Revenue Code of 1986, as amended.
- (b) "Committee" means the Organization and Compensation Committee of the Board of Directors of the Company.
- (c) "Company" means Aon Corporation, a Delaware corporation.
- (d) "Dates of Exercise" means the dates as of which an Option is exercised and the Stock subject to that Option is purchased. With respect to any Option, the Dates of Exercise are the last day of June and December on which Stock is traded on the New York Stock Exchange during the Option Period in which that Option was granted.
- (e) "Date of Grant" means the date as of which an Option is granted, as set forth in paragraph 3(a).
- (f) "Eligible Compensation" means the following types of earnings paid to an Eligible Employee for his service on behalf of the Company:
 - (i) salary and fixed-based compensation including compensation for overtime;
 - (ii) bonuses paid pursuant to periodic individual performance appraisals and formal contractual bonus programs, but excluding other bonus and miscellaneous income; and

(iii) net commission, renewal and override compensation (but excluding deferred commission payments).

(g) "Effective Date" means July 1, 1998.

(h) "Eligible Employee" means any employee of the Company or a Participating Subsidiary who meets the following criteria:

(i) the employee does not, immediately after the Option is granted, own (within the meaning of Section 423(b)(3) and 424(d) of the Code) stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of a Subsidiary;

(ii) the employee has completed one year of employment for the Company or a Subsidiary; and

(iii) the employee's customary employment is 20 hours or more a week.

(i) "Option" means an option granted under the Plan to an Eligible Employee to purchase shares of Stock.

(j) "Option Period" means with respect to any Option the period beginning upon the Date of Grant and ending on the last day of June or December immediately following the Date of Grant, whichever is earlier, or ending on such other date as the Committee shall determine. No Option Period may exceed 27 months from the Date of Grant.

(k) "Option Price" with respect to any Option has the meaning set forth in paragraph 4(b).

(l) "Participant" means an Eligible Employee who has complied with the provisions of paragraph 3(b).

(m) "Participating Subsidiary" means any present or future Subsidiary that the Committee designates to be eligible to participate in the Plan, and that elects to participate in the Plan.

(n) "Periodic Deposit Account" means the account established and maintained by the Company to which shall be credited pursuant to Section 3(c) amounts received from Participants for the purchase of Stock under the Plan.

(o) "Plan" means this Aon 1998 Employee Stock Purchase Plan.

(p) "Plan Year" means the calendar year.

(q) "Stock" means shares of common stock, par value \$1.00 per share, of the Company.

(r) "Stock Purchase Account" means the account established and maintained by the Company to which shall be credited pursuant to Section 4(c) Stock purchased upon exercise of an Option under the Plan.

(s) "Subsidiary" means any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company, if at the time of the granting of the Option, each of the corporations, other than the last corporation, in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2. Stock Subject to Plan.

Subject to the provisions of paragraph 8 (relating to adjustment upon changes in the Stock), the Stock which may be sold pursuant to Options granted under the Plan shall not exceed in the aggregate five million (5,000,000) shares, and may be newly issued shares or treasury shares or shares bought in the market, or otherwise, for purposes of the Plan.

3. Grant of Options.

(a) General Statement. The Company may grant Options under the Plan to all Eligible Employees on January 1 and/or July 1 of each Plan Year or on such other date as the Committee shall designate. The term of each Option shall end on the last day of the Option Period with respect to which the Option is granted. With respect to each Option Period, each Eligible Employee shall be granted an Option, on the Date of Grant, for as many full and fractional shares of Stock as the Eligible Employee may purchase with up to 15% of the Eligible Compensation he or she receives during the Option Period (or during any portion of the Option Period as the Eligible Employee may elect to participate).

(b) Election to Participate. Each Eligible Employee who elects to participate in the Plan shall communicate to the Company, in accordance with procedures established by the Committee, an election to participate in the Plan whereby the Eligible Employee designates a stated whole percentage equaling at least 1%, but no more than 15%, of his or her Eligible Compensation during the Option Period to be deposited periodically in his or her Periodic Deposit Account under subparagraph (c). The cumulative amount deposited in the Periodic Deposit Account during a Plan Year with respect to any Eligible Employee may not exceed the limitation stated in subparagraph (d).

A Participant's election to participate in the Plan shall continue in effect during the current and subsequent Option Periods until changed pursuant to subparagraph 3(c).

(c) Periodic Deposit Accounts. The Company shall maintain a Periodic Deposit Account for each Participant and shall credit to that account in U.S. dollars all amounts received under the Plan from the Participant. No interest will be paid to any Participant or credited to his or her Periodic Deposit Account under the Plan with respect to such funds. All amounts credited to a Participant's Periodic Deposit Account shall be used to purchase Stock under subparagraph 4(c); provided, however, a Participant's Periodic Deposit Account shall be refunded to him or her on receipt by the Company prior to a Date of Exercise in accordance with procedures established by the Company, of a Participant's request for such a refund.

Credits to an Eligible Employee's Periodic Deposit Account shall be made by payroll deduction or by other alternate payment arrangements, in accordance with rules and procedures established by the Committee. An Eligible Employee may eliminate the periodic credits to his or her Periodic Deposit Account for future periods by filing a new election amount at any time during an Option Period. The change shall become effective in accordance with the Committee's rules and procedures as soon as practicable after the Company receives the election, but the change will not affect the amounts deposited with respect to Eligible Compensation sooner than the Eligible Compensation payable with respect to the next pay period after the Company receives the authorization.

(d) Purchase Limitation. No Eligible Employee shall be permitted to purchase Stock under the Plan or under any other employee stock purchase plan of the Company or of any Subsidiary which is intended to qualify under Section 423 of the Code, at a rate which exceeds \$12,500 in fair market value of Stock (determined by reference to the average of the high and low price of a share of Stock as quoted on the New York Stock Exchange on the Date of Grant) for each Option Period in which any such Option granted to such Participant is outstanding at any time. In the event the Committee determines to make an Option Period shorter or longer than six months, the foregoing \$12,500 limitation shall be ratably adjusted but in no event shall the limit be greater than \$25,000 in any one calendar year. The Committee shall have the discretion to impose a reduced limitation on appropriate notice in advance of any Option Period.

4. Exercise of Options.

(a) General Statement. On each Date of Exercise, the entire Periodic Deposit Account of each Participant shall be used to purchase at the Option Price whole and/or fractional shares of Stock subject

to the Option. Each Participant automatically and without any act on his or her part will be deemed to have exercised his or her Option on each such Date of Exercise to the extent that the amounts then credited to the Participant's Periodic Deposit Account under the Plan are used to purchase Stock.

(b) Option Price Defined. The Option Price per share of Stock to be paid by each Participant on each exercise of his or her Option shall be an amount in U.S. dollars equal to the lower of 85% of the fair market value of a share of Stock as of the Date of Grant or the applicable Date of Exercise. The fair market value of a share of Stock as of an applicable Date of Grant or Date of Exercise shall be the average of the high and low price of a share of Stock as quoted on the New York Stock Exchange on such date.

(c) Stock Purchase Accounts; Stock Certificates. The Company shall cause to be maintained a Stock Purchase Account for each Participant to reflect the Stock purchased under the Plan by the Participant. Upon exercise of an Option by a Participant pursuant to subparagraph 4(a), the Company shall cause whole shares of Stock purchased at that time to be issued to the Participant's Stock Purchase Account. Any fractional shares of Stock resulting from the exercise of an Option shall be credited to an Eligible Employee's Periodic Deposit Account to be used for the purchase of Stock in the next following Option Period unless the Company has received prior notice from an Eligible Employee of the elimination of periodic credits in accordance with subparagraph 4 (c) of this Plan.

(d) Except as provided in paragraph 5, certificates with respect to Stock held in a Participant's Stock Purchase Account shall be issued only on request by the Participant for a distribution of whole shares or when necessary to comply with the transaction requirements outside the United States. Upon issuance of such a Stock certificate to a Participant, the Participant's Stock Purchase Account shall be adjusted to reflect the number of shares of Stock distributed to the Participant.

5. Rights on Retirement, Death, Termination of Employment.

If a Participant retires, dies, or otherwise terminates employment, or if the corporation that employs a participant ceases to be a Participating Subsidiary, then to the extent practicable, no further amounts shall be credited to the Participant's Periodic Deposit Account from any pay due and owing with respect to the participant after such retirement, death, or other termination of employment. All amounts credited to such a Participant's Periodic Deposit Account shall be returned to the Participant or used on the next Date of Exercise in that Option Period to purchase Stock under paragraph 4, based upon the election by the Participant or his or her personal representative. Such a Participant's Stock Purchase Account shall be terminated, and Stock certificates with respect to whole shares of Stock and cash with respect to fractional shares of Stock shall be distributed as soon as practicable after such Date of Exercise.

Notwithstanding anything in this Plan to the contrary, a Participant's Option shall not be exercisable more than three months after the Participant retires or otherwise ceases to be employed by the Company or a Participating Subsidiary, including as a result of the corporation ceasing to be a Participating Subsidiary, except to the extent permitted under Section 423(a) of the Code.

6. Restriction Upon Assignment of Options.

An Option granted under the Plan shall not be transferrable otherwise than by will or the laws of descent and distribution, and is exercisable during the Participant's lifetime only by the Participant. The Company will not recognize and shall be under no duty to recognize any assignment or purported assignment by a Participant, other than by will or the laws of descent and distribution, of the Participant's interest in the Plan or of his or her Option or of any rights under his or her Option.

7. No Rights of Stockholder Until Exercise of Option.

A Participant shall not be deemed to be a stockholder of the Company, nor have any rights or privileges of a stockholder, with respect to the number of shares of Stock subject to an Option. A Participant shall have the rights and privileges of a stockholder of the Company when, but not until, the Participant's Option is exercised pursuant to subparagraph 4(a) and the Stock purchased by the Participant at that time has been credited to the Participant's Stock Purchase Account.

8. Changes in the Stock; Adjustments of an Option.

If, while any Options are outstanding, the outstanding shares of Stock have increased, decreased, changed into, or been exchanged for a different number or kind of shares or securities of the Company, or there has been any other change in the capitalization of the Company, through reorganization, merger, recapitalization, reclassification, stock split, reverse stock split, spinoff or similar transaction, appropriate or proportionate adjustments may be made by the Committee in the number and/or kind of shares which are subject to purchase under outstanding Options and to the Option Exercise Price or prices applicable to such outstanding Options, including, if the Committee deems appropriate, the substitution of similar options to purchase shares of another Company (with such other company's consent). In addition, in any such event, the number and/or kind of shares which may be offered in the Options shall also be proportionately adjusted. No adjustments to outstanding Options shall be made for dividends paid in the form of stock.

9. Use of Funds; Repurchase of Stock.

All funds received or held by the Company under the Plan will be included in the general funds of the Company free of any trust or other restriction and may be used for any corporate purpose. The Company shall not be required to repurchase from any Eligible Employee shares of Stock which such Eligible Employee acquires under the Plan.

10. Administration by Committee.

(a) Duties and Powers of The Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to:

(1) determine when the initial and subsequent Options Periods will commence;

(2) interpret the Plan and the Options;

(3) adopt such rules for the administration, interpretation, and application of the Plan as are consistent with the Plan and Section 423 of the Code; and

(4) interpret, amend, or revoke any such rules.

In its absolute discretion, the Board of Directors of the Company may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan. The Committee may delegate any of its responsibilities under the Plan by designating in writing other persons who carry out any or all of such responsibilities.

(b) Majority Rules. The Committee shall act by a majority of its members in office. The Committee may act either by vote at a meeting or by a memorandum or other written instrument signed by a majority of the Committee.

(c) Compensation; Professional Assistance; Good Faith Actions. All expenses and liabilities incurred by members of the Committee in connection with the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company, and its officers and directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Options, and all members of the Committee shall be

fully protected by the Company in respect to any such action, determination or interpretation.

11. No Rights as an Employee.

Nothing in the Plan nor any Option shall be construed to give any person (including any Eligible Employee or Participant) the right to remain in the employ of the Company or a Subsidiary or to affect the right of the Company and Subsidiaries to terminate the employment of any person (including any Eligible Employee or Participant) at any time with or without cause, to the extent otherwise permitted under law.

12. Amendment of the Plan.

The Board of Directors of the Company, or its delegate, may amend, suspend, or terminate the Plan at any time; provided that approval by the vote of the holders of more than 50% of the outstanding shares of the Stock entitled to vote shall be required to amend the Plan to reduce the Exercise Price or increase the number of shares of Stock reserved for the Options under the Plan.

13. Effect Upon Other Plans.

The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary, except to the extent required by law. Nothing in this Plan shall be construed to limit the right of the Company or any Subsidiary (a) to establish any other forms of incentives or compensation for employees of the Company or any Subsidiary or (b) to grant or assume options otherwise than under this Plan in connection with any proper corporate purpose, including, but not by way of limitation, the grant or assumption of options in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, firm or association.

14. Notices.

Any notice to be given under the terms of the Plan to the Company shall be addressed to the Company in care of the Committee and any notice to be given to the Eligible Employee shall be addressed to the Eligible Employee at his or her last address as reflected in the Company's records. By a notice given pursuant to this paragraph, either party may hereafter designate a different address for notices to be given to it or the Eligible Employee. Any notice which is required to be given to the Eligible Employee shall, if the Eligible Employee is then deceased, be given to the Eligible Employee's personal representative if such representative has previously informed the Company of his or her status and address by written notice under this paragraph. Any notice shall have been

deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office, branch post office, or other depository regularly maintained by the United States Post Office.

15. Titles.

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

Aon Corporation and Consolidated Subsidiaries
 Combined With Unconsolidated Subsidiaries
 Computation of Ratio of Earnings to Fixed Charges

(millions except ratios)	First Quarter Ended March 31,		Years Ended December 31,				
	1998	1997	1997	1996	1995	1994	1993
Income from continuing operations before provision for income taxes (1)	\$ 237.8	\$ 15.2	\$ 541.6	\$ 445.6	\$ 458.0	\$ 397.0	\$ 331.6
ADD BACK FIXED CHARGES:							
Interest on indebtedness	20.1	14.6	69.5	44.7	55.5	46.4	42.3
Interest on ESOP	0.7	1.0	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	11.1	14.7	44.3	28.6	21.4	28.7	26.1
INCOME AS ADJUSTED	\$ 269.7	\$ 45.5	\$ 658.9	\$ 523.2	\$ 540.2	\$ 478.0	\$ 406.5
FIXED CHARGES:							
Interest on indebtedness	\$ 20.1	\$ 14.6	\$ 69.5	\$ 44.7	\$ 55.5	\$ 46.4	\$ 42.3
Interest on ESOP	0.7	1.0	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	11.1	14.7	44.3	28.6	21.4	28.7	26.1
TOTAL FIXED CHARGES	\$ 31.9	\$ 30.3	\$ 117.3	\$ 77.6	\$ 82.2	\$ 81.0	\$ 74.9
RATIO OF EARNINGS TO FIXED CHARGES	8.5	1.5	5.6	6.7	6.6	5.9	5.4
RATIO OF EARNINGS TO FIXED CHARGES (2)		6.3	7.1	7.9			

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of \$145 million in first quarter ended March 31, 1997 and \$172 million and \$90.5 million in the years ended December 31, 1997 and 1996, respectively.

(2) The calculation of this ratio of earnings to fixed charges reflects the exclusion of special charges from the income from continuing operations before provision for income taxes component for first quarter ended March 31, 1997 and for the years ended December 31, 1997 and 1996, respectively.

Aon Corporation and Consolidated Subsidiaries
 Combined With Unconsolidated Subsidiaries
 Computation of Ratio of Earnings to Combined Fixed Charges
 and Preferred Stock Dividends

(millions except ratios)	First Quarter Ended March 31,		Years Ended December 31,				
	1998	1997	1997	1996	1995	1994	1993
Income from continuing operations before provision for income taxes (1)	\$ 237.8	\$ 15.2	\$ 541.6	\$ 445.6	\$ 458.0	\$ 397.0	\$ 331.6
ADD BACK FIXED CHARGES:							
Interest on indebtedness	20.1	14.6	69.5	44.7	55.5	46.4	42.3
Interest on ESOP	0.7	1.0	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	11.1	14.7	44.3	28.6	21.4	28.7	26.1
INCOME AS ADJUSTED	\$ 269.7	\$ 45.5	\$ 658.9	\$ 523.2	\$ 540.2	\$ 478.0	\$ 406.5
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS:							
Interest on indebtedness	\$ 20.1	\$ 14.6	\$ 69.5	\$ 44.7	\$ 55.5	\$ 46.4	\$ 42.3
Preferred stock dividends	17.4	19.4	82.1	28.7	37.5	48.4	47.5
Interest and dividends	37.5	34.0	151.6	73.4	93.0	94.8	89.8
Interest on ESOP	0.7	1.0	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	11.1	14.7	44.3	28.6	21.4	28.7	26.1
TOTAL FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	\$ 49.3	\$ 49.7	\$ 199.4	\$ 106.3	\$ 119.7	\$ 129.4	\$ 122.4
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (2)	5.5	0.9	3.3	4.9	4.5	3.7	3.3
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (3)		3.8	4.2	5.8			

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of \$145 million in first quarter ended March 31, 1997 and \$172 million and \$90.5 million in the years ended December 31, 1997 and 1996, respectively.

(2) Included in total fixed charges and preferred stock dividends for the first quarter ended March 31, 1998 and 1997 are \$16.4 million and \$14.1 million, respectively, and \$64 million for the year ended December 31, 1997 of pretax distributions on the 8.205% mandatorily redeemable preferred capital securities which are classified as "minority interest" on the condensed consolidated statements of operations. The ratio of earnings to combined fixed charges and preferred stock dividends for first quarter ended March 31, 1997 is less than a one-to-one coverage indicating that earnings are inadequate to cover fixed charges by \$4.2 million.

(3) The calculation of this ratio of earnings to fixed charges reflects the exclusion of special charges from the income from continuing operations before provision for income taxes component for first quarter ended March 31, 1997 and for the years ended December 31, 1997 and 1996, respectively.

Exhibit 15

Board of Directors and Stockholders
Aon Corporation

We are aware of the incorporation by reference in the Registration Statements of Aon Corporation ("Aon") described in the following table of our report dated May 5, 1998 relating to the unaudited condensed consolidated interim financial statements of Aon Corporation that are included in its Form 10-Q for the quarter ended March 31, 1998:

Registration Statement

Form Number Purpose

S-8	33-27984	Pertaining to Aon's savings plan
S-8	33-42575	Pertaining to Aon's stock award plan and stock option plan
S-8	33-59037	Pertaining to Aon's stock award plan and stock option plan

S-4 333-21237 Offer to exchange Capital Securities of Aon Capital A S-3 333-50607 Pertaining to the registration of 369,000 shares of common stock

Pursuant to Rule 436(c) of the Securities Act of 1933, our report is not a part of the registration statements prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

ERNST & YOUNG LLP

Chicago, Illinois
May 5, 1998

ARTICLE 7

This schedule contains summary financial information extracted from Condensed Consolidated Statements of Financial Position and Condensed Consolidated Statements of Income and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000,000

PERIOD TYPE	3 MOS	
FISCAL YEAR END	DEC 31 1998	
PERIOD START	JAN 01 1998	
PERIOD END	MAR 31 1998	
DEBT HELD FOR SALE	3,045	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	715	
MORTGAGE	14	
REAL ESTATE	11	
TOTAL INVEST	6,117	
CASH	1,010	
RECOVER REINSURE	0	1
DEFERRED ACQUISITION	553	
TOTAL ASSETS	18,875	
POLICY LOSSES	948	
UNEARNED PREMIUMS	1,854	
POLICY OTHER	790	
POLICY HOLDER FUNDS	1,011	
NOTES PAYABLE	1,294	2
PREFERRED MANDATORY	50	3
PREFERRED	0	
COMMON	172	
OTHER SE	2,712	
TOTAL LIABILITY AND EQUITY	18,875	
PREMIUMS	417	4
INVESTMENT INCOME	149	
INVESTMENT GAINS	0	5
OTHER INCOME	996	6
BENEFITS	226	
UNDERWRITING AMORTIZATION	52	
UNDERWRITING OTHER	1,046	
INCOME PRETAX	238	
INCOME TAX	89	
INCOME CONTINUING	149	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	138	
EPS PRIMARY	0.82	
EPS DILUTED	0.80	
RESERVE OPEN	520	1
PROVISION CURRENT	0	1
PROVISION PRIOR	0	1
PAYMENTS CURRENT	0	1
PAYMENTS PRIOR	0	1
RESERVE CLOSE	0	1
CUMULATIVE DEFICIENCY	0	1

¹ Available on an annual basis only.

² Includes short term borrowings and debt guarantee of ESOP.

³ Preferred stock at par value. Does not include Company obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely to Company's Junior Subordinated Debentures.

⁴ Includes other income.

⁵ Included in net investment income.

⁶ Represents brokerage commissions and fees.

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.