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AON PLC

FORM 8-K
(Current report filing)

Filed 08/06/03 for the Period Ending 08/05/03

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

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AON CORP

FORM 8-K
(Unscheduled Material Events)

Filed 8/6/2003 For Period Ending 8/5/2003

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Sector	Financial
Fiscal Year	12/31

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 5, 2003**

Aon CORPORATION

(Exact name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	**1-7933** (Commission File Number)	**36-3051915** (IRS Employer Identification No.)

200 East Randolph Street, Chicago, Illinois (Address of Principal Executive Offices)	**60601** (Zip Code)

Registrant's Telephone Number, Including Area Code: **(312) 381-1000**

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a)—(b) Not applicable.

(c) Exhibits:

Exhibit Number	Description of Exhibit
99.1	Press Release issued by the Company on August 5, 2003.

Item 9. Regulation FD Disclosure.

The information required by *Item 12. Results of Operations and Financial Condition* is being provided under Item 9 pursuant to SEC guidance set forth in SEC Release No. 33-8216.

The information included in this section is intended to be furnished pursuant to *Item 12. Results of Operations and Financial Condition* . Such information, including the exhibit hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference into any filing made under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

On August 5, 2003, Aon Corporation (the "Company") issued a press release (the "Press Release") announcing its results of operations for the quarter and six months ended June 30, 2003. A copy of the Press Release is attached hereto as Exhibit 99.1.

SIGNATURES

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

Aon CORPORATION

By: /s/ DAVID P. BOLGER

David P. Bolger
Executive Vice President and
Chief Financial Officer

Date: August 5, 2003

EXHIBIT INDEX

The following is a list of the exhibits filed herewith.

Exhibit Number	Description of Exhibit
99.1	Press Release issued by the Company on August 5, 2003.

QuickLinks

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.
Item 9. Regulation FD Disclosure.

SIGNATURES
EXHIBIT INDEX

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Exhibit 99.1

Aon Reports Second Quarter and Six Months 2003 Results

CHICAGO, IL—August 5, 2003 —Aon Corporation (NYSE: AOC) today reported second quarter and six months 2003 results.

Second Quarter and Six Months Highlights

Net income for the second quarter was $146 million or $0.46 per share compared with breakeven results in the year ago period. Six months results increased to $298 million or $0.94 per share from $160 million or $0.57 per share in 2002. Excluding an expected $9 million ($0.02 per share) unusual World Trade Center (WTC) charge initially noted in first quarter 2003, net income per share was $0.48 for the second quarter. Six months net income per share, excluding unusual WTC charges ($0.09 per share) was $1.03.

Consolidated revenues grew 15% for the second quarter and six months to $2.4 billion and $4.8 billion, respectively, versus the year ago periods. Continued demand for Aon's services and products and improved investment income drove the increases. Foreign exchange translations accounted for 5% of the growth for both the quarter and first half.

Patrick G. Ryan, chairman and CEO of Aon Corporation, said, "Second quarter results showed steady improvement in our risk management and insurance brokerage operations, much better results in insurance underwriting, and good core performance in consulting given the current economic climate. Client demand for our services and products continues to be robust, as evidenced by our solid organic revenue growth, and I am encouraged by the progress we have made in our businesses."

Ryan added, "We are working diligently to increase our operating margins by further tightening our expense management, and I believe we can increase our productivity as we continue to grow revenues."

Second Quarter Segment Review

Risk and Insurance Brokerage Services second quarter revenue grew 17% to $1.424 billion. Organic revenue growth for the total segment was 11%. Within the segment, organic revenue growth was 14% for the Americas (up from 13% in first quarter 2003), 10% for International, 13% for Reinsurance and 2% for Claims Services.

Pretax income increased 22% to $175 million from $144 million in second quarter 2002. Pretax margins improved to 12.3% from 11.9%. Excluding a previously reported $6 million special credit, pretax income in second quarter 2002 was $138 million and the pretax margin was 11.4%. As expected, defined benefit pension costs increased by approximately $28 million year-to-year in the segment. Claims services second quarter pretax income declined approximately $19 million from the prior year. Investment income was $8 million lower in the second quarter compared with a year ago, and second quarter 2002 results included $7 million of transition costs related to the business transformation.

Mr. Ryan commented, "Margins were up, despite increased pension costs and a decline in claims services results, which shows that most of our brokerage businesses have performed better than last year. Excluding the claims services decline, the second quarter brokerage margin was in line with our original expectation." Mr. Ryan added, "There is seasonality within the year, and our brokerage margins are highest in the fourth quarter. Given our current outlook, we continue to expect that the 2003 brokerage margin will exceed full year 2002."

Reinsurance operations, particularly in the U.S., had excellent results and U.S. retail brokerage and managing underwriting improved significantly from a year ago, driven by higher retention rates and new business development. International brokerage continued to have solid results. In claims services, actions have been and are being taken to improve the financial performance of this business.

Consulting revenue rose 19% to $294 million, or 9% on an organic basis. Human resource outsourcing was the principal growth area with 26% organic revenue growth. Non-outsourcing business grew 5% on an organic basis, mostly due to slower hiring and less discretionary spending by clients in response to challenging economic conditions.

Pretax income was $21 million compared with $23 million one year ago, and the pretax margin was 7.1% versus 9.3%. An increasing mix of lower margin outsourcing business factored into the comparisons; however, the profitability of these multi-year contracts is expected to improve in future periods.

Insurance Underwriting revenue was $692 million compared with $750 million in second quarter 2002. The decline in reported revenues was primarily the result of the "back-to-basics" strategy within A&H underwriting that was announced in fourth quarter 2002. Additionally, investment income decreased $11 million, primarily from the runoff of guaranteed investment contracts.

Organic revenue growth, based on written premiums, was 8%, driven by credit and select property and casualty premiums.

Pretax income was $64 million compared with $2 million in second quarter 2002. Pretax margins grew to 9.2% from 0.3%. Excluding a previously reported $3 million special charge in second quarter 2002, pretax income was $5 million and the pretax margin was 0.7%. The "back-to-basics" focus in accident and health (A&H) underwriting significantly improved the benefits payout ratio, which contributed to the margin increase.

Second quarter 2002 results included a $15 million pretax non-claim litigation reserve and a $36 million pretax expense related to the termination of NPS, an independent managing general agent.