

AON PLC

FORM 10-Q (Quarterly Report)

Filed 05/15/95 for the Period Ending 03/31/95

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 5/15/1995 For Period Ending 3/31/1995

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 EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1995

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 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 3-31-95
-----	-----
\$1.00 par value Common	107,976,401

Part 1

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

(millions)	At End of Mar. 31, 1995	At End of Dec. 31, 1994
Assets	----- (Unaudited)	-----
Investments		
Fixed maturities		
Held to maturity	\$ 2,955.4	\$ 2,983.8
Available for sale	4,391.6	4,160.3
Equity securities at fair value		
Common stocks	268.8	314.9
Preferred stocks	652.2	624.4
Mortgage loans on real estate	574.5	567.5
Real estate (net of accumulated depreciation)	35.3	35.6
Policy loans	216.7	214.9
Other long-term investments	105.0	97.9
Short-term investments	950.8	783.2
	-----	-----
Total investments	10,150.3	9,782.5
Cash	517.7	508.8
Receivables		
Insurance brokerage and consulting services	2,047.2	1,882.0
Premiums and other	746.6	637.7
Accrued investment income	146.0	133.5
	-----	-----
Total receivables	2,939.8	2,653.2
Deferred Policy Acquisition Costs	1,186.3	1,181.6
Intangible Assets	1,610.5	1,548.0
Property and Equipment at Cost (net of accumulated depreciation)	291.4	266.5
Assets Held Under Special Contracts	1,686.8	1,595.1
Other Assets	465.9	386.2
	-----	-----
Total Assets	\$18,848.7	\$17,921.9
	=====	=====
	At End of Mar. 31, 1995	At End of Dec. 31, 1994
Liabilities and Equity	----- (Unaudited)	-----
Policy Liabilities		
Future policy benefits	\$ 1,425.2	\$ 1,434.5
Policy and contract claims	970.8	944.2
Unearned and advance premiums	1,514.4	1,428.4
Other policyholder funds	5,628.3	5,503.3
	-----	-----
Total policy liabilities	9,538.7	9,310.4
General Liabilities		
Short-term borrowings	259.2	243.9
Insurance premiums payable	2,742.2	2,408.7
Commissions and general expenses	534.1	526.6
Accrued income taxes	357.4	330.2
Notes payable	487.0	495.5
Debt guarantee of ESOP	65.5	65.5
Liabilities held under special contracts	1,686.8	1,595.1
Other liabilities	708.6	638.6
	-----	-----
Total Liabilities	16,379.5	15,614.5
	-----	-----
Commitments and Contingent Liabilities		
Redeemable Preferred Stock	50.0	50.0
Stockholders' Equity		

Preferred stock - \$1 par value	11.1	11.1
Common stock - \$1 par value	110.6	110.6
Paid-in additional capital	495.9	485.2
Net unrealized investment losses	(40.4)	(142.8)
Net foreign exchange gains/(losses)	10.5	(19.7)
Retained earnings	2,023.3	1,998.1
Less - Treasury stock at cost	(70.7)	(72.9)
Deferred compensation	(121.1)	(112.2)
	-----	-----
Total Stockholders' Equity	2,419.2	2,257.4
	-----	-----
Total Liabilities and Equity	\$18,848.7	\$17,921.9
	=====	=====

See the accompanying notes to the condensed consolidated financial statements.

Aon CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(millions except per share data)	First Quarter Ended	
	March 31, 1995	March 31, 1994
	-----	-----
REVENUE		
Premiums and policy fees.....	\$ 490.7	\$ 466.9
Net investment income.....	208.8	185.5
Realized investment gains.....	0.6	1.7
Brokerage commissions and fees.....	419.7	342.2
Other income.....	19.6	23.3
	-----	-----
Total revenue earned.....	1,139.4	1,019.6
	-----	-----
BENEFITS AND EXPENSES		
Benefits to policyholders.....	346.7	326.1
Commissions and general expenses.....	513.4	447.2
Interest expense.....	13.0	11.1
Amortization of deferred policy acquisition costs.....	74.0	64.7
Amortization of intangible assets.....	23.8	22.5
	-----	-----
Total benefits and expenses.....	970.9	871.6
	-----	-----
INCOME BEFORE INCOME TAX	168.5	148.0
Provision for income tax.....	57.3	48.9
	-----	-----
NET INCOME	\$ 111.2	\$ 99.1
	=====	=====
Income Attributable to Common Stockholders.....	\$ 104.4	\$ 90.8
	=====	=====
Net income per share (1)	\$ 0.96	\$ 0.88
	=====	=====
Cash dividends paid on common stock	\$ 0.32	\$ 0.30
	=====	=====
Average common and common equivalent shares outstanding	108.7	105.7
	=====	=====

(1) Includes the effect of \$6.8 million and \$6.5 million of dividends incurred on the 8%, 6.25% and Series C preferred stock in first quarter ended March 31, 1995 and 1994, respectively.

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, 1995	March 31, 1994
Cash Provided by Operating Activities.....	\$ 290.6	\$ 259.5
Cash Flows from Investing Activities:		
Sale (purchase) of short term investments-net.....	(149.7)	91.4
Sale or maturity of investments		
Fixed maturities - Held to maturity		
Maturities.....	0.7	10.9
Calls and Prepayments.....	47.6	438.6
Sales.....	3.0	-
Fixed maturities - Available for sale		
Maturities.....	21.7	36.6
Calls and Prepayments.....	52.7	150.2
Sales.....	465.6	220.8
All other investments.....	124.8	430.2
Purchase of investments		
Fixed maturities - Held to maturity.....	-	(496.4)
Fixed maturities - Available for sale.....	(675.0)	(311.0)
All other investments.....	(135.8)	(563.5)
Acquisition of subsidiaries.....	(63.0)	(10.2)
Property and equipment and other.....	(24.3)	(17.1)
	-----	-----
Cash Used by Investing Activities.....	(331.7)	(19.5)
Cash Flows from Financing Activities:		
Treasury stock transactions - net.....	(2.3)	(2.2)
Issuance(repaysments) of short-term borrowings - net.....	15.3	(4.4)
Issuance of long-term debt securities.....	-	99.7
Repayment of notes payable.....	(11.7)	(125.0)
Interest sensitive life, annuity and investment contract deposits.....	477.7	445.5
Interest sensitive life, annuity and investment contract withdrawals..	(397.9)	(446.9)
Cash dividends to stockholders.....	(41.4)	(38.9)
Retirement of Series B conversion preferred stock.....	-	(28.4)
	-----	-----
Cash Provided (Used) by Financing Activities.....	39.7	(100.6)
Effect of Exchange Rate Changes on Cash.....	10.3	(1.5)
Increase in Cash.....	8.9	137.9
Cash at Beginning of Period.....	508.8	163.8
	-----	-----
Cash at End of Period.....	\$ 517.7	\$ 301.7
	=====	=====

See the accompanying notes to condensed consolidated financial statements.

Aon CORPORATION

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, 1994 for additional details of Aon's financial position, as well as a description of the accounting policies which have been continued without 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.

2. Statements of Financial Accounting Standards (SFAS)

As required, in first quarter 1995, Aon adopted SFAS Statement Nos. 114 and 118 which relate to accounting by creditors for impairment of a loan. These standards require that impaired loans are to be valued at the present value of expected future cash flows, at the loan's observable market price, or at the fair value of the collateral if the loan is collateral dependent. Implementation of these standards did not have a material effect on Aon's financial statements.

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement No. 121 (Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of). This Statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Aon anticipates adopting this Statement in its 1996 financial statements as required. Implementation of this Statement is not expected to have a material effect on Aon's financial statements.

3. Business Combinations

In first quarter 1995, Aon merged with a retail insurance broker specializing in construction business coverages. This business combination has been accounted for by the pooling of interests method. Prior period financial statements have not been restated because the effect of the merger was not material to Aon's consolidated financial statements.

In addition, certain insurance brokerage subsidiaries of Aon acquired several insurance brokerage operations. These acquisitions were financed by internal funds and were accounted for by the purchase method. They were not material to Aon's consolidated financial statements.

4. Treasury Stock

In first quarter 1995, Aon purchased 521,600 shares of its common stock, at a total cost of \$18.2 million. Aon reissued 418,700 shares of common stock from treasury for employee benefit plans during the first quarter. The net aggregate cost of those shares exceeded the net aggregate proceeds resulting in a charge to retained earnings.

In addition, Aon reissued 383,000 shares of treasury stock in connection with a business combination. There were 2.6 million shares of common stock held in treasury at March 31, 1995.

Aon CORPORATION

**MANAGEMENT'S ANALYSIS OF OPERATING RESULTS
AND FINANCIAL CONDITION**

**REVENUE AND INCOME BEFORE INCOME TAX
FOR FIRST QUARTER 1995**

CONSOLIDATED RESULTS

Premiums and policy fees increased \$23.8 million or 5.1% in first quarter 1995, compared with the same period last year. Life premium and policy fees earned increased 4.8% in the quarter, primarily reflecting an increase in auto credit earned premiums which resulted from strong writings in the prior year. Accident and health premiums earned increased \$16.3 million or 5.5% primarily due to the continued growth of Combined Insurance Company of America ("Combined") direct sales business. Specialty property and casualty premiums earned increased 3.7% in the quarter reflecting a higher volume of new business in the extended warranty line. The anticipated phase-out of certain specialty liability programs partially offset this increase.

Net investment income increased \$23.3 million or 12.6% in the first quarter. Investments in higher yielding securities continued to stimulate growth in the quarter. Levels of investment income were also influenced by higher interest rates, additional investable funds and increased returns on equity securities when compared to 1994.

Brokerage commissions and fees increased \$77.5 million or 22.6% in first quarter 1995 reflecting internal growth and business combination activity, primarily the late-1994 mergers with Jenner Fenton Slade Group Limited (JFS), Energy Insurance International (EII) and HRStrategies Inc. (HRS).

Total revenue increased \$119.8 million or 11.7% in the first quarter over last year, reflecting investment income growth, a favorable foreign exchange impact, and the business combinations mentioned above. Total benefits and expenses increased 11.4% in the same period. Income before income tax increased \$20.5 million or 13.9% in the first quarter, due largely to revenue growth.

MAJOR LINES OF BUSINESS

INSURANCE BROKERAGE AND CONSULTING SERVICES

"Retail brokerage" provides for the placement and management of insurance risks for commercial clients as well as associations and financial institutions. Revenue increased \$48.1 million or 22.5% for the first quarter 1995. Improvements in revenue and income were primarily fueled by internal growth and acquisition activity, namely EII and other post-first quarter 1994 acquisitions. Retail brokerage continued to reflect highly competitive property and casualty pricing in the domestic market. Consulting related fees previously included in Retail brokerage in 1994 have been reclassified to "Consulting" to conform to the 1995 presentation.

"Reinsurance and wholesale" provides reinsurance, third-party administration, underwriting management and captive services. When compared to the same period last year, revenue from this brokerage element increased \$28.8 million or 33.6%. The major contributing factors to this increased revenue were internal growth, and to a lesser extent, the inclusion of the JFS (London-based insurance and reinsurance broker) business combination in fourth quarter 1994.

"Consulting" provides a full range of employee benefits and compensation consulting and administrative services. This business showed revenue growth of \$7.1 million or 13.3% for the first quarter. The major contributing factors to this increased revenue were the inclusion of the Pecos River (employee training) and HRS (human resources strategy development) business combinations in third and fourth quarter 1994, respectively. Although the consulting line produced higher revenues when compared to 1994, this line experienced slow growth in benefit plan products.

Overall, revenue for the insurance brokerage and consulting services segment increased \$84 million or 23.8% in the quarter primarily due to internal growth and acquisitions. Limiting this revenue increase, the brokerage segment continues to be impacted by a soft property and casualty market. Pretax income increased \$12.3 million or 19.6% when compared to first quarter 1994 reflecting recent acquisitions as well as internal growth.

Domestic/International Results

First quarter domestic insurance brokerage and consulting services revenue and income before income tax represent 67% and 46%, respectively, of the total. International brokerage revenue of \$145.1 million increased 28.6% for the first quarter. International brokerage pretax income increased 19.9% for the quarter due in part to acquisitions made since the first quarter 1994. Partially offsetting this increase is the lower than anticipated inflow of financial planning revenues in the consulting line of business. In the international retail brokerage subsegment, the revenue pattern results in revenues being highest in the first quarter of the year, while expenses are incurred on a more even basis throughout the year.

LIFE INSURANCE

The life insurance line of business is composed primarily of capital accumulation products, credit insurance and ordinary life products. Revenue increased 5.1% for the first quarter 1995 when compared to prior year primarily due to increased investment income generated on higher sales of guaranteed investment contracts and variable products. Although premiums and fees on capital accumulation products continued to grow, rising interest rates and higher adjusted crediting rates caused spreads to further narrow thereby impacting income growth. In addition, traditional life business in Europe and the Pacific is continuing to runoff as planned.

Pretax income for life insurance increased \$0.9 million or 3.7% for the first quarter 1995, compared with last year primarily due to good cost controls, improved benefit experience in the Combined and credit auto businesses and growth in capital accumulation variable annuities and credit auto premiums earned. Overall, benefit and expense margins in first quarter 1995 did not suggest any significant shift in operating trends.

Domestic/International Results

First quarter domestic life revenue and income before income tax represent 94% and 92%, respectively, of the total. Growth in domestic life income before income tax increased slightly when compared to its 1994 level. International life revenue of \$15.6 million increased 4% and income before income tax increased substantially due to improved margins on auto credit business.

ACCIDENT AND HEALTH INSURANCE

The accident and health line of business is composed primarily of individual accident and health products sold by employees/agents and through direct response techniques, and credit disability products. Revenue increased \$17.5 million or 5.6% in the first quarter. Combined direct accident and health revenue grew 6.9% in the first quarter. Financial credit disability revenue decreased 25.9% in the quarter due to the discontinuation of lower margin business. Auto credit insurance experienced improved earned premiums in first quarter resulting from higher growth in written premiums in 1994. Direct response revenue increased 2.4% in the first quarter, primarily reflecting continued growth in third party endorsed business.

Income before income tax of \$38 million increased 4.4% in the first quarter. Pretax income on Combined's direct sales was up 10.4% from last year, in part due to good general expense controls and to strong international health product sales. Auto credit pretax income decreased from last year reflecting margin declines. Pretax income on direct response decreased from 1994 primarily due to adverse benefit experience in the broad market and disability lines.

Domestic/International Results

First quarter domestic accident and health revenue and income before income tax represent 77% and 68%, respectively, of the total. Combined direct and credit disability products represent all the business marketed internationally. International accident and health revenue of \$76.5 million increased 11% in the quarter influenced, in part, by an increase in auto credit earned premiums and by strong sales of Combined's health products in Europe and the Pacific. International income before income tax increased 5.1% compared to the previous year primarily due to Combined's revenue growth and reductions in general expense ratios which offset, in part, slightly higher claims costs.

SPECIALTY PROPERTY AND CASUALTY INSURANCE

This line of business is composed primarily of extended warranties for mechanical repair, principally for automobiles as well as appliances and electronic equipment, and specialty liability insurance, primarily professional liability and workers' compensation. Revenue decreased slightly when compared to first quarter 1994. Certain specialty property and casualty underwriting programs continued to be phased-out with increased warranty revenue largely offsetting the loss of specialty property and casualty revenue. Revenues in both the extended warranty auto and the brown and white lines were strong.

Income before income tax of \$12.9 million decreased 5.1% in the first quarter when compared to prior year, reflecting the continued phase-out of certain underwriting programs. Partially offsetting this decline were improved expense comparisons and revenue growth in the extended warranty brown and white line.

Domestic/International Results

First quarter domestic revenue and income before income tax represent 81% and 95%, respectively, of the total. Domestic income before income tax decreased 6.2% for the first quarter due to the continued phase-out of certain underwriting programs mentioned above. First quarter international revenue was 13.1% above prior year. International income before income tax improved 16.7% during the quarter reflecting improved claims experience and a higher volume of new business, particularly in the brown and white extended warranty line.

CORPORATE AND OTHER

Revenue in this category consists primarily of investment income on capital, financing fees, and realized investment gains before tax. Allocation of investment income to the insurance segments is determined by the invested assets which underlie policyholder liabilities for each of the major insurance product lines. Excess invested assets and related investment income, which do not underlie these liabilities, are reported in this segment. Expenses include corporate administrative costs, interest and financing expenses, and goodwill amortization associated with acquisitions.

Revenue increased 11.7% for the first quarter 1995 due in part to new investments in higher yielding securities, additional investable funds, increased returns on equity securities, and growth in financing fees. Pretax realized investment gains for the first quarter were \$0.6 million and \$1.7 million in 1995 and 1994, respectively. Income before income tax increased \$6.4 million or 58.2% over the same period last year.

Aon CORPORATION
MAJOR LINES OF BUSINESS

(millions)	First Quarter Ended	
	March 31, 1995	Percent Change
	-----	-----
Revenue		
Insurance brokerage and consulting services.....	\$ 436.3	23.8%
Life.....	244.3	5.1
Accident and health.....	329.6	5.6
Specialty property and casualty.....	78.4	(0.1)
Corporate and other.....	50.8	14.7
	-----	-----
Total revenue earned.....	\$1,139.4	11.7%
	=====	=====
Income Before Income Tax		
Insurance brokerage and consulting services.....	\$ 75.0	19.6%
Life.....	25.2	3.7
Accident and health.....	38.0	4.4
Specialty property and casualty.....	12.9	(5.1)
Corporate and other.....	17.4	58.2
	-----	-----
Total income before income tax.....	\$ 168.5	13.9%
	=====	=====

Aon CORPORATION
REVENUE BY MAJOR PRODUCT LINE

(millions)	First Quarter Ended	
	March 31, 1995	Percent Change
	-----	-----
Insurance brokerage and consulting services		
Retail brokerage (1).....	\$ 261.5	22.5 %
Reinsurance and wholesale.....	114.5	33.6
Consulting (1).....	60.3	13.3
	-----	-----
Total revenue earned.....	\$ 436.3	23.8 %
	=====	=====
Life		
Capital accumulation products.....	\$ 142.6	5.6 %
Ordinary, Credit and other.....	101.7	4.4
	-----	-----
Total revenue earned.....	\$ 244.3	5.1 %
	=====	=====
Accident and health		
Combined direct sales.....	\$ 216.1	6.9 %
Direct response and Group.....	79.9	2.4
Credit and other.....	33.6	5.0
	-----	-----
Total revenue earned.....	\$ 329.6	5.6 %
	=====	=====
Specialty property and casualty.....	\$ 78.4	(0.1) %
	=====	=====
Corporate and other		
Investment income on capital and other.....	\$ 44.6	18.3 %
Financing fees.....	5.6	14.3
Realized investment gains.....	0.6	(64.7)
	-----	-----
Total revenue earned.....	\$ 50.8	14.7 %
	=====	=====

(1) Consulting related fees previously included in Retail brokerage in 1994 have been reclassified to Consulting to conform to the 1995 presentation.

NET INCOME FOR FIRST QUARTER 1995

The effective tax rate for first quarter 1995 operating income, which excludes after-tax realized investment gains was 34%, compared to 33% for the full year 1994. The one percentage point increase in the tax rate on operating income is due to the changing business mix. Realized gains were taxed at 36% in 1995 and 1994.

Average shares outstanding for the first quarter increased 2.8% primarily due to the issuance of common shares related to business combinations. First quarter net income was \$111.2 million (\$0.96 per share) compared to \$99.1 million (\$0.88 per share) in 1994. Included in first quarter 1994 net income are after-tax realized investment gains of \$0.01 per share.

CASH FLOW AND FINANCIAL POSITION AT THE END OF FIRST QUARTER 1995

Cash flows from operating activities in first quarter 1995 were \$290.6 million, an increase of \$31.1 million from first quarter 1994. This increase primarily reflects growth in operating income as well as growth in the insurance unearned income liability.

Investing activities used cash of \$331.7 million which was made available primarily from operations as well as \$79.8 million from net cash flows from capital accumulation products. Cash used for acquisition activity during the first quarter 1995 was \$63 million.

Cash totalling \$39.7 million was provided during first quarter 1995 by financing activities. Cash was used to pay dividends of \$34.6 million on common stock, \$4.5 million on 8% perpetual preferred stock, \$1.7 million on 6.25% convertible preferred stock and \$0.6 million on Series C preferred stock.

In addition, included in notes payable at March 31, 1995 is approximately \$11 million which represents the principal amount of notes due within one year.

Aon's operating subsidiaries anticipate that there will be adequate liquidity to meet their needs in the foreseeable future. Aon anticipates continuation of the company's positive cash flow and the ability of the parent company to access adequate short-term lines of credit. Aon does not anticipate insufficient cash flow in the long-term.

The businesses of Aon's operating subsidiaries continue to provide substantial positive cash flow. Brokerage cash flow has been used primarily for servicing acquisition-related debt. 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 \$7.3 billion, Aon's total fixed maturity portfolio is invested primarily in investment grade holdings (97.0%) and has a market value which is 97.6% of amortized cost.

There are \$2.9 billion of mortgage-backed securities, primarily collateralized mortgage obligations (CMOs), included in the fixed maturities portfolio. There are no CMO residuals, interest only, inverse floating or principal only type securities in Aon's CMO portfolio. CMOs have been acquired as alternatives to mortgage-backed pass-through securities. Aon's insurance subsidiaries have generally acquired shorter tranche CMOs classified in the form of sequential payment, targeted amortization classes (TACs) or support TACs.

Market values for CMOs are established each quarter based primarily on information received from broker-dealer market makers. Certain mortgage-backed securities are subject to duration extension risk in periods of rising interest rates and to prepayment risk, especially, in periods of declining interest rates. To limit its credit risk, Aon's CMO investments are concentrated in AAA and AA rated tranches.

Invested assets at March 31, 1995 increased \$367.8 million from year-end levels. The amortized cost and fair value of less than investment grade fixed maturity investments, at March 31, 1995, were \$218.9 million and \$224.4 million, respectively. The carrying value of non-income producing investments in Aon's portfolio at March 31, 1995 was \$65 million, or 0.6% of total invested assets.

Mortgage loans held totalled \$574.5 million or 5.7% of total invested assets. Aon maintained separate investment reserves related to mortgage loan losses on real estate and illiquid holdings, which include real estate ventures and limited partnerships, totalled \$34 million at the end of first quarter 1995, down \$2.4 million from the year end 1994 level of \$36.4 million. These reserves are a product of Aon's continued review of the characteristics and risks of its investment portfolio and current environmental and economic conditions.

Total assets increased \$926.8 million to \$18.8 billion since year-end 1994, primarily due to growth in both the investment securities portfolio and the insurance brokerage business, and to a lesser extent, the impact of foreign exchange conversion to the U.S. dollar.

Aon measures capital accumulation product asset and liability durations to determine its net exposure to changes in interest rates. The duration match associated with interest-sensitive products is closely monitored. Non interest-sensitive insurance products do not require as close monitoring of duration matching.

Aon will adjust its duration mismatch subject to market conditions and its outlook on interest rate trends. As of March 31, 1995, assets and liabilities had a duration variance of an estimated 1.5 years compared to an estimated 0.7 years at year-end 1994.

Aon uses derivative financial instruments (primarily financial futures, swaps and options) to: (a) manage its overall asset/liability duration match; (b) hedge asset price risk associated with financial instruments whose change in value is reported under SFAS 115; and (c) hedge other business risks. As of March 31, 1995, Aon had open contracts which had unrealized losses of approximately \$10 million. These losses have been taken into consideration in deriving the fair value of the portfolios being hedged.

Stockholders' equity increased \$161.8 million in first quarter 1995 to \$19.79 per share, an increase of \$1.49 per share since year-end. During first quarter 1995, net unrealized investment losses decreased by \$102.4 million, of which \$83.4 million is related to fixed maturities available for sale. The \$30 million valuation allowance pertaining to the deferred tax asset which was provided directly in stockholders' equity at year-end 1994 was reversed in first quarter due to an improvement in market performance. In addition, retained earnings was reduced by dividends to stockholders of \$78.1 million. Included in the reduction for dividends is an accrual for the second quarter 1995 common stock cash dividend.

Review by Independent Auditors

The condensed consolidated financial statements at March 31, 1995, 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, 1995, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 1995 and 1994. 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, 1994, 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 9, 1995, 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, 1994, 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 2, 1995

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 20, 1995 ("1995 Annual Meeting").

(b) Not applicable.

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

Name ----	For ---	Withhold Authority -----
Daniel T. Carroll	90,441,603	271,070
Franklin A. Cole	90,458,576	254,097
Edgar D. Jannotta	90,469,876	242,797
Perry J. Lewis	90,470,651	242,022
Joan D. Manley	90,473,926	238,747
Andrew J. McKenna	90,460,889	251,784
Newton N. Minow	90,114,753	597,920
Donald S. Perkins	90,457,442	255,231
Peer Pedersen	88,978,670	1,734,003
John W. Rogers, Jr.	90,468,358	244,315
Patrick G. Ryan	90,116,171	596,502
George A. Schaefer	90,460,453	252,220
Raymond I. Skilling	90,116,127	596,546
Fred L. Turner	90,474,080	238,593
Arnold R. Weber	90,457,510	255,163

Set forth below is the tabulation of the vote on the resolution to approve adoption of the Aon Corporation 1995 Senior Officer Incentive Compensation Plan.

For	Against	Abstain
84,784,391	5,271,233	657,049

Set forth below is the tabulation of the vote on the resolution to approve the 1994 Amended and Restated Outside Director Stock Award Plan as amended and approved at the 1995 Annual Meeting.

For	Against	Abstain
80,408,219	9,071,708	1,232,746

Set forth below is the tabulation of the vote on the resolution to approve the adoption of the Aon Deferred Compensation Plan.

For	Against	Abstain
88,881,728	1,319,516	511,429

Set forth below is the tabulation of the vote on the selection of Ernst & Young LLP as auditors for the Registrant for the 1995 fiscal year.

For	Against	Abstain
90,233,200	264,318	215,155

(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 - No Current Reports on Form 8-K were filed for the quarter ended March 31, 1995.

SIGNATURE

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
(Registrant)

May 15, 1995

/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,
Item 601 Exhibit Table

Page
No.

(10)(a) Aon Corporation 1995 Senior Officer Incentive Compensation Plan.

(10)(b) 1994 Amended and Restated Outside Director Stock Award Plan.

(10)(c) Aon Deferred Compensation Plan.

(11) Statement regarding Computation of Per Share Earnings.

(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

Aon CORPORATION

1995 SENIOR OFFICER INCENTIVE COMPENSATION PLAN

1. PURPOSE

The purpose of the Aon Corporation 1995 Senior Officer Incentive Compensation Plan (the "Plan") is to encourage the highest level of performance by key employees of operating subsidiaries and affiliates of Aon Corporation (which subsidiaries and affiliates are herein referred to as the "Corporation") by making appropriate levels of cash awards following satisfaction of quantifiable performance goals.

2. PLAN ADMINISTRATION

The Plan shall be administered by the Organization and Compensation Committee (the "Committee") of the Aon Corporation Board of Directors (the "Board"). All questions involving eligibility for awards, interpretations of the provisions of the Plan, or the operation of the Plan shall be decided by the Committee. No member of the Committee shall be eligible to receive an award under the Plan. All determinations of the Committee shall be conclusive. The Committee may obtain such advice or assistance as it deems appropriate from persons not serving on the Committee.

3. ELIGIBILITY

Participation in the Plan is limited to key salaried employees of the Corporation selected by the Committee (a "Participant"). Participation may be revoked at any time by the Committee. An employee whose participation is revoked will be notified, in writing, of such revocation as soon as practicable following such action. An individual who becomes eligible to participate in the Plan during the Plan Year (the one year period beginning January 1 and ending on December 31 of each calendar year) may be approved by the Committee for a partial year of participation. In such case, the Participant's award shall be prorated based on the number of full months of participation.

4. TERMS AND CONDITIONS OF AWARDS

Each Participant will be entitled to receive a maximum award equal to 180% of Base Pay (the "Award") subject to the performance measured described below. Base Pay is the salary earned while participating in the Plan in the current Plan Year. The maximum amount payable under the Plan to a Participant, in any given Plan Year, is equal to the lesser of 180% of Base Pay or \$3,000,000.

Within the first 90 days of the Plan Year the Committee shall determine the specific Corporate Performance Thresholds which must be met prior to the payment of any Awards determined pursuant to this paragraph. The Corporate Performance Thresholds will be based upon either a certain singular business criteria, such as Earnings Per Share, Return on Equity, Total Shareholder Return, or Operating Income, or a combination of one or

more business criteria.

At the end of each Plan Year, Awards will be computed for each participant. Payment of Awards will be made in cash, subject to applicable tax withholding, as soon as practicable after the achievement of Corporate Performance Thresholds and other material terms of the Plan are certified, and individual Awards are approved, by the Committee; provided, however that the Committee may in its sole discretion reduce individual Awards determined pursuant to this paragraph.

5. EMPLOYMENT TERMINATION

In the event a Participant's employment is terminated due to death or disability during a Plan Year, the Participant's Award will be reduced to reflect the partial year of participation. This reduction will be determined by multiplying the award by a fraction, the numerator of which is the Participant's total months of participation in the current Plan Year through the date of termination rounded up to whole months, and the denominator of which is twelve (12). The Participant's reduced Award will be paid in accordance with Section 4 hereinabove. In the event a Participant's employment is terminated for reasons other than death or disability, all rights to an award for the Plan Year will be forfeited.

6. NO RIGHT TO CONTINUED EMPLOYMENT

Nothing in the Plan shall confer on a Participant any right to continue in the employ of the Corporation or in any way affect the Corporation's right to terminate the Participant's employment at any time without prior notice and for any or no reason.

7. BENEFICIARY

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his death before he receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, or if for any reason such designation is ineffective, in whole or in part, benefits remaining unpaid at the Participant's death shall be paid to his estate.

8. TAX WITHHOLDING

Any and all payments made under the Plan shall be subject to applicable federal, state, or local taxes required by the law to be withheld.

9. IMPACT ON OTHER BENEFITS

Amounts paid under this Plan will not be considered compensation for purposes of other benefit plans offered by the Corporation unless specifically provided for in such plans.

10. TERMINATION OR AMENDMENT OF THE PLAN

The Plan may be modified, amended, or terminated at any time by the Board. The existence of the Plan does not obligate or bind the Corporation to pay an Award to any Participant (or beneficiary) nor does any Participant (or beneficiary) attain any vested, non-forfeitable right to an Award until the Award has been finalized and approved for payment by the Committee.

11. NON-TRANSFERABILITY

Except as specifically provided herein or as may otherwise be required by law, no undistributed Award payable to the Participant may be sold, transferred, or assign or encumbered, in whole or in part, by a Participant, and any attempt to so alienate or subject any such amount shall be void.

12. EFFECTIVE DATE OF THE PLAN

The Plan shall become effective as of January 1, 1995.

Aon CORPORATION
1994 AMENDED AND RESTATED OUTSIDE
DIRECTOR STOCK AWARD PLAN

1. **PURPOSE:** Aon Corporation (the "Company") has established the 1994 Amended and Restated Outside Director Stock Award Plan (the "Plan"). The purposes of the Plan are to attract and retain well qualified persons for service as directors of the Company, who are not salaried employees of the Company or any of its subsidiaries ("Outside Directors"); and to provide such Outside Directors with the opportunity to increase their proprietary interest in the Company, and thereby to increase their personal interest in the Company's continued success, through the payment of a portion of directors' fees and through the payment of retirement income in the form of shares of the Company Common Stock, \$1.00 par value ("Common Stock").

2. **ADMINISTRATION:** The Organization and Compensation Committee (the "Committee") of the Board of Directors of Aon Corporation will have the responsibility and authority to administer and interpret the provisions of the Plan.

In administering the Plan, the Committee may employ attorneys, consultants, accountants or other persons, and the Company and the Committee shall be entitled to rely upon the advice, opinions or valuation of any such persons. All usual and reasonable expenses of the Committee shall be paid by the Company. No member of the Committee shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan or awards made thereunder, and all members of the Committee shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation, in the absence of a fraudulent act or omission.

3. **ELIGIBILITY:** Awards under the Plan shall be available to all Outside Directors; provided, that no director who is an employee of the Company or any of its subsidiaries shall be eligible for participation in the Plan.

4. AWARDS:

(a) ANNUAL AWARDS: At each meeting of the Board of Directors of the Company (the "Board") next following the Annual Meeting of Stockholders of the Company (the "Annual Meeting of the Board") beginning with the meeting to be held on April 20, 1990 (the "Effective Date"), each Outside Director shall be awarded 300 shares of Common Stock (the "Annual Fees Award") subject to and in accordance with the terms of Section 5. Each such award shall be evidenced by a written agreement, executed by the Outside Director and the Company.

In the case of an Outside Director who is appointed to the Board other than at the Annual Meeting of Stockholders in any year, such Outside Director shall be awarded a prorated number of full shares of Common Stock based on the number of prospective full months of service during the year to end at the then next Annual Meeting of the Board.

(b) RETIREMENT AWARDS:

(i) Beginning April 15, 1994, each Outside Director in office as of April 15, 1994 will be credited as of each Annual Meeting of the Board with shares of Common Stock, subject to and in accordance with the terms of Section 5, with a Market Value equivalent to the product of (a) each such Outside Director's years of past service as an Outside Director of the Company, subject to a maximum of 10 years, multiplied by (b) ten thousand dollars (\$10,000) and divided by (c) the number of years of service from April 15, 1994 to each such Outside Director's Mandatory Retirement Date (the "Past Service Award").

(ii) Beginning April 15, 1994, for each full year of service as an Outside Director after April 15, 1994, an Outside Director will be credited as of each Annual Meeting of the Board with shares of Common Stock, subject to and in accordance with the terms of Section 5, equivalent to twenty thousand

dollars (\$20,000) in value (the "Future Service Award").

(iii) The "Market Value" as of the date of the Annual Meeting of Stockholders shall mean the arithmetic mean of the high and low prices of the Common Stock as quoted on the New York Stock Exchange as published in the Wall Street Journal.

(iv) All accumulated shares (hereinafter referred to as "Retirement Shares") credited pursuant to this subparagraph (b) shall vest at the rate of ten percent per year of total service; provided, however, all Retirement Shares credited pursuant to this subparagraph (b) shall be 100% vested at such time as an Outside Director reaches the Mandatory Retirement Date. As used herein, a "year of total service" means that period of time measured from Annual Meeting of Stockholders to the next following Annual Meeting of Stockholders. As used herein "Mandatory Retirement Date" shall mean the next regularly scheduled Annual Meeting of Stockholders immediately following attainment of age 72.

(v) On the first day of the month following the latter of the Mandatory Retirement Date or the date a Director ceases to serve as a director, the number of Retirement Shares credited to the Outside Director will be distributed to the retired Director in ten equal annual installments.

If an Outside Director retires prior to the Mandatory Retirement Date, the distribution of vested Retirement Shares shall be deferred for the lesser of five years from the date services to the Board ceases, or the number of years remaining until the Mandatory Retirement Date and shall be paid in equal annual installments over ten years. Such deferred distribution shall commence on the first day of the month following the deferral period.

In the event of an Outside Director's death following retirement from the Board any remaining shares payable pursuant to this subparagraph (b) (v) shall be distributed to the designated beneficiary or if none then the estate.

(vi) In the event that an Outside Director becomes unable to fulfill his duties as a director due to death or disability all Retirement Shares including unaccrued Past Service Awards as of that date shall be 100% vested and payable to the director in ten equal annual installments commencing at the beginning of the month following death or determination of disability.

In the event of an Outside Director's death while an active member of the Board of Directors, all shares payable pursuant to this subparagraph (b)(vi) shall be distributed to the designated beneficiary, or if none then the estate, in ten equal installments.

5. TERMS AND CONDITIONS:

(a) Up to 30,000 shares of Common Stock may be issued pursuant to the Plan. Shares of Common Stock issued pursuant to the Plan will be drawn from treasury shares. Such shares will not be registered under the Securities Act of 1933, as amended (the "Act") and will be "restricted securities" as defined in the Act or rules promulgated thereunder. Such shares may not be sold, assigned, transferred or otherwise disposed of in the absence of an effective registration statement covering such shares, or unless such registration is not required by reason of an exemption available under the Act. Shares awarded under the Plan shall be certificated. Certificates for shares issued under the Plan shall include the following legend:

"The Shares represented by this certificate have not been registered under the Securities Act of 1933 (the "Act") and, accordingly, may not be offered, sold or otherwise pledged, hypothecated or transferred unless (A) pursuant to an effective

registration statement under the Act or (B) an applicable exemption from the registration requirements of the Act is available. In addition, the transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions contained in the Aon Corporation 1994 Amended and Restated Outside Director Stock Award Plan."

(b) No award of Common Stock received under the Plan may be sold, assigned, transferred or otherwise disposed of for at least six months after receipt of the award, unless death or disability of the Outside Director occurs before the expiration of the six-month period.

(c) An Annual Fees Award received by an Outside Director who does not elect to defer such receipt as provided in Section 6, shall be shown in the Company's proxy statement if appropriate for the year in which the Common Stock was granted, and the Outside Director, as of the date of receipt of the Common Stock, shall be registered as a "Stockholder of Record" and shall immediately become entitled to all dividends paid on the Company's Common Stock and to all voting rights accorded the Company's Common Stock and the shares shall be shown on the appropriate form for reporting beneficial ownership of securities pursuant to Section 16 of the Securities Exchange Act of 1934.

(d) The Board shall appropriately adjust the number of shares for which awards may be granted pursuant to the Plan in the event of reorganization, recapitalization, stock split, reverse stock split, stock dividend, exchange or combination of shares, merger, consolidation, rights offering, or any change in capitalization.

6. DEFERMENT OF ANNUAL FEES AWARD:

(a) Each year the Outside Director may make an irrevocable election to defer the receipt of the Annual Fees Award until a date agreed upon between the Outside Director

and the Company (the "Distribution Date"). Such election shall be made each year in advance of the date of the Annual Meeting of Stockholders at which the Outside Director is standing for election. In the case of an Outside Director who is elected to the Board other than at the Annual Meeting of Stockholders, such election to defer shall be in advance of the Board meeting at which the Outside Director is standing for election.

(b) A bookkeeping account shall be established for each Outside Director's deferred Annual Fees Award ("Bookkeeping Account"). The Bookkeeping Account shall reflect the number of shares of Common Stock deferred from time to time by each Outside Director. The Bookkeeping Account shall also be credited with the amount of cash dividends each Outside Director would have received from time to time had the Outside Director actually owned the number of shares credited to his or her Bookkeeping Account on each dividend payment date. With regard to the cash dividends, each Outside Director may choose either:

(i) To have the Bookkeeping Account credited with a number of units("Stock Units") equal to the number of shares of Common Stock (including fractions of a share) which is equal to the cash dividend portion of the Bookkeeping Account then attributed to the Outside Director, assuming the purchase price per share is equal to the Market Price on such dividend payment date.

(ii) To have the Bookkeeping Account credited with cash and that cash portion of the Bookkeeping Account shall be credited with interest, compounded semi-annually at an annual rate determined as of January 1st and July 1st of each year by averaging the one-year Treasury bill yield as published monthly by the Federal Reserve Bank of St. Louis on a bank discount basis through the secondary market for the last six months immediately prior thereto.

7. **COMPANY'S OBLIGATION:** The Company's obligation with respect to each Outside Director's Bookkeeping Account or Retirement Shares shall be a general liability of the Company and the Company shall not be required to fund in any manner any such Bookkeeping Account or Retirement Shares. Any shares of Common Stock deliverable or cash payable with respect to any Bookkeeping Account or Retirement Shares shall come solely from the general assets of the Company. The rights of an Outside Director with respect to any Bookkeeping Account or Retirement Shares shall be those of an unsecured general creditor. Outside Directors shall not have the right to vote Common Stock credited to any Bookkeeping Account or any credited Retirement Shares, and shall not be required to be shown as owning such Common Stock on any proxy statement and shall not be required to show such Common Stock on the appropriate form for reporting beneficial ownership under Section 16 of the Securities Exchange Act of 1934 until the Distribution Date of such Annual Fees Award or receipt of Retirement Shares after the Mandatory Retirement Date.

8. **TRANSFERABILITY:** Any award deferred pursuant to Section 6 and/or any credited Retirement Shares shall not be transferable other than by will or the laws of descent and distribution, and shall not be receivable prior to the Distribution Date or the Mandatory Retirement Date with regard to Retirement Shares, but in no event shall such date be less than six months from the date of the award, except in the case of the Outside Director's death or disability.

9. **REGULATORY COMPLIANCE AND LISTING:** The delivery of any shares under this Plan may be postponed by the Company for such period as may be required to comply with Federal or State securities laws, including listing requirements, national securities exchange requirements and any other law or regulation applicable to the delivery of such shares. The Company shall not be obligated to deliver any shares under this Plan if such delivery shall constitute a violation of any provision of any law or any regulation of any governmental authority or any national securities exchange. In addition, the shares when delivered may be subject to conditions, including transfer restrictions, if such conditions are required to

comply with applicable securities law.

10. **NO RIGHT TO CONTINUE AS OUTSIDE DIRECTOR:** Nothing contained in this Plan shall be construed as conferring upon the Outside Director the right to continue to be associated with the Company as an Outside Director or in any other capacity.

11. **AMENDMENT OR DISCONTINUANCE:** The Board may amend, rescind or terminate the Plan as it shall deem advisable; provided, however, that no change may be made more than once every six months and no changes may be made in awards theretofore granted under the Plan which would impair an Outside Director's rights without his or her consent.

12. **APPROVAL OF PLAN:** The Outside Director Stock Award Plan was originally adopted by the Board on March 16, 1990 and approved by the Company's stockholders as of April 19, 1991. The 1994 Amended and Restated Outside Director Stock Award Plan was adopted by the Board on March 18, 1994 and must be submitted to the Company's stockholders within 18 months of its approval by the Board. If the Company does not obtain stockholder approval of the 1994 Amended and Restated Plan within 18 months, any Retirement Awards made subsequent to March 18, 1994 will be null and void, but the Outside Director Stock Award Plan will be deemed to have continued unamended and in full force and effect.

13. **GOVERNING LAW:** This Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Illinois pertaining to contracts made and to be performed wholly within such jurisdiction, except as Federal Law may apply.

Aon

DEFERRED COMPENSATION
PLAN

Aon DEFERRED COMPENSATION PLAN

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Aon Deferred Compensation Plan

Preamble

The name of this plan is the Aon Deferred Compensation Plan (the "Plan"). Its purpose is to provide certain select management or highly compensated employees of Aon Corporation and its subsidiaries with the opportunity to defer amounts earned as an employee. The Plan shall be effective as of October 1, 1994.

SECTION 1

DEFINITIONS

1.01 "Accounts" shall mean the Aon Common Stock Account and the Aon General Account.

1.02 "Aon Common Stock Account" shall mean the account established on the books of the Company or a Subsidiary for a Participant who has elected to defer Compensation or the Performance Bonus, as if such deferral had been invested in whole and fractional shares of Aon common stock.

1.03 "Aon General Account" shall mean the account established on the books of the Company or a Subsidiary for a Participant who has elected to defer Compensation or to defer a Performance Bonus as if such deferral had been invested in accordance with Section 4.03.

1.04 "Beneficiary" shall mean the beneficiary or beneficiaries designated by the Participant to receive the amount, if any, payable under the Plan upon the death of the Participant.

1.05 "Board" shall mean the board of directors of the Company.

1.06 "Change of Control" shall mean:

(a) the purchase or other acquisition by any person (as defined by (S)(S) 13(d) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Act") or any comparable successor provisions) of beneficial ownership (within the meaning of Rule 13d-3 under the Act) of 20% or more of either the outstanding shares of common stock or the

combined voting power of the Company's then outstanding voting securities entitled to vote generally; or

(b) the consummation of a merger or equivalent combination in which the Company is not the continuing or surviving corporation, or pursuant to which shares of Aon common stock are converted into cash, securities or other property, other than a merger of the Company in which the holders of Aon common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger; or

(c) the election by stockholders of members of the Board 20% or more whom are persons who were not nominated in the most recent proxy statement of the Company; or

(d) a liquidation or dissolution of the Company or the sale of all or substantially all of the Company's assets.

1.07 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.08 "Committee" shall mean the Organization and Compensation Committee of the Board (or such successor committee of the Board as shall from time to time have responsibility for compensation matters).

1.09 "Company" shall mean Aon Corporation.

1.10 "Compensation" shall mean the following types of earnings paid to an Employee for his service on behalf of the Company or the Subsidiaries: salary and fixed base compensation including compensation for overtime, and net commission, renewal and override compensation. Compensation shall be determined before excluding any pretax deferrals for retirement, health, welfare, death, insurance, or similar plans of the Company.

The following shall not be included in Compensation: (i) deferred commission payments; (ii) bonuses; (iii) stock awards; (iv) expense reimbursements; (v) income from exercise of stock options; (vi) distributions from, and Company or Subsidiary contributions to, the Aon Savings Plan, the Aon Employee Stock Ownership Plan, the Aon Pension Plan or any other Company or Subsidiary fund or plan providing retirement, health, welfare, death, insurance or similar benefits; (vii) amounts paid to an Employee in respect to employment during which he is not permanently employed within the United States or its possessions; and (viii) amounts previously deferred under the terms of the Plan.

1.11 "Employee" shall mean any United States staff employee of the Company and its Subsidiaries.

1.12 "Participant" shall mean any eligible Employee who elects to participate in the Plan pursuant to Section 2.

1.13 "Performance Bonus" shall mean any amount paid by the Company or a Subsidiary to an Employee pursuant to periodic individual performance appraisals or a formal contractual bonus program.

1.14 "Plan" shall mean the Aon Deferred Compensation Plan.

1.15 "Subsidiary" shall mean any corporation of which 50% or more of the voting stock is owned or controlled, directly or indirectly, by the Company or by one or more of such corporations.

SECTION 2

ELIGIBILITY AND PARTICIPATION

2.01 Eligibility. Any Employee of the Company or a Subsidiary who received wages or compensation as reported on Box 1 of IRS Form W-2 of \$125,000 or more in the prior calendar year or whose rate of annual base pay in the current calendar year is \$125,000 or more shall be eligible to participate in the Plan in accordance with the requirements of Section 2.02, unless otherwise decided by the Committee. In addition, other select management or highly compensated Employees may be eligible to participate at the option of the Committee.

2.02. Participation. Every eligible Employee shall become a Participant after making an irrevocable election to participate as described in Sections 3.01 or 3.02 and as of the first day of the first period for which amounts are deferred. Where the context so requires, an individual for whose benefit an account is being maintained under this Plan shall also be deemed to be a Participant. The Company will establish an Aon Common Stock Account and Aon General Account, as applicable, for each Participant. Such accounts shall be book entries maintained by the Company or its Subsidiaries, and the existence of such book entries shall not create and shall not be deemed to create a trust of any kind, or a fiduciary relationship between the Company or the Subsidiary and the Employee or Beneficiary.

SECTION 3

ELECTION TO DEFER

3.01 Irrevocable Election. On or before December 31 of any year, each Employee eligible to participate in the Plan shall be entitled to make an irrevocable election to defer receipt of: (i) any whole percentage of Compensation otherwise payable from the Company or a Subsidiary for the following calendar year; and (ii) any whole percentage of a Performance Bonus to be earned in the following calendar year.

3.02 First Calendar Year Election. Within 30 days after the later of the date the Plan is effective or the date the Employee first becomes eligible to participate in the Plan, each Employee eligible to participate shall be entitled to make an irrevocable election to defer (i) any whole percentage of Compensation not yet payable; and (ii) any whole percentage of a Performance Bonus not yet earned.

3.03 Election as to Period of Deferral. Each Employee shall also make, within the time specified in Section 3.01 or 3.02, an irrevocable election as to the period of deferral and distribution in accordance with Section 5.

3.04 Election as to Aon Common Stock Account or Aon General Account. Each Employee shall also make, within the time specified in Section 3.01 or 3.02, (i) an election as to the allocation of the full amount of deferred Compensation to the Aon Common Stock Account or to the Aon General Account; (ii) an election as to the allocation of the full amount of the deferred Performance Bonus to the Aon Common Stock Account or to the Aon General Account; and, if the Participant desires, (iii) a similar election to reallocate balances in the Aon Common Stock Account and Aon General Account.

3.05 Failure to Make an Election. The elections set forth in any notice described in Sections 3.01 through 3.03 shall pertain only to the period for which they are made, and if no election is made for a period no deferral will be made. In the event an Employee fails to specify an allocation of Compensation or of the Performance Bonus, 100% of the deferred portion of such Employee's Compensation or Performance Bonus shall be credited to the Aon General Account.

SECTION 4

DEFERRED COMPENSATION AMOUNTS

4.01 Deferral Period Subaccounts. Separate subaccounts under the Aon Common Stock Account and under the Aon General Account for each deferral period shall be established and maintained for each Participant. Such subaccounts shall reflect the amount deferred for each deferral period specified in each election form by the Participant. In the event two or more subaccounts reflect deferred amounts which are to be paid at the same time, all such subaccounts shall be aggregated into a single subaccount.

4.02 Amounts Credited to the Aon Common Stock Account. With respect to an Employee's election to defer any portion of Compensation or the Performance Bonus, a Participant's Aon Common Stock Account will be credited with such additions as the Participant has elected to defer to such account. For purposes of crediting Compensation or the Performance Bonus, deferred amounts shall be assumed to have been invested in Aon common stock. The amount of shares so credited will be determined by dividing the deferred amount of the Participant's Compensation or Performance Bonus by the fair market value of Aon common stock on the New York Stock Exchange for the day such Compensation or Performance Bonus would have been payable to the Participant had it not been deferred. Fair market value on any day is the average of the highest and lowest price at which the stock was sold on the New York Stock Exchange that day. In the event of a recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, separation, reorganization or liquidation, or any other change in the corporate structure or shares of the Company, the Committee may make such equitable adjustments to prevent dilution or enlargement of rights, as it may deem appropriate, in the number and class of shares so credited.

4.03 Amounts Credited to the Aon General Account. With respect to an Employee's election to defer any portion of Compensation or of a Performance Bonus, a Participant's Aon General Account will be credited with such additions as the Participant has elected to defer to such account. For purposes of computing such addition, deferred amounts shall be credited as of the day such Compensation or Performance Bonus would have been payable to the Participant had it not been deferred, and such deferrals shall be credited with interest, compounded semiannually, at the annual rate determined as of January 1 and July 1 of each year by averaging the one-year Treasury bill yield as published monthly by the Federal Reserve Bank of St. Louis on a

bank discount basis through the secondary market for the last six months immediately prior thereto. The rate of interest shall be so determined by the Committee but may be modified by the Board at any time in its exclusive discretion, with prospective effect but with respect to all prior and all future deferrals; provided, however, that no such modification may be implemented without advance notice to Participants affected by the modification.

Such deferred amounts shall be deemed to earn interest from the date of crediting until the last day of the month preceding (i) the Elected Distribution Date (as defined in Section 5.02) and every 12-month anniversary of the Elected Distribution Date in the case of installment payments; (ii) the Termination Distribution Date (as defined in Section 5.04) and every 12-month anniversary of the Termination Distribution Date in the case of installment payments; or (iii) the hardship distribution date, whichever is applicable.

4.04 Dividends Credited to Aon Common Stock Account. As of each dividend payment date, each Participant's Aon Common Stock Account shall be credited with the dividends that would be paid with respect to Aon common stock on the dividend payment date as if the Participant owned the stock credited to the Aon Common Stock Account. Dividends will be credited as if reinvested in whole or fractional shares on the dividend date.

SECTION 5

METHOD OF DISTRIBUTION OF DEFERRED COMPENSATION

5.01 Election of Distribution. Any amount deferred for any period plus any earnings or dividends attributable thereto shall be payable under the method selected by the Participant under Section 5.02, unless the Participant terminates employment before the Elected Distribution Date (as defined below) or receives a hardship withdrawal in accordance with Section 5.05 before the period of deferral has expired.

5.02 Method of Distribution. At the time the Participant elects to defer Compensation or the Performance Bonus pursuant to Section 3, the Participant shall also make an irrevocable election as to (i) the beginning date of distribution with respect to amounts so credited to the Accounts of the Participant; and (ii) the number of annual

installments, not in excess of ten, over which such distribution will be made. Payments, subject to the provisions of Sections 5.04 and 5.05, shall commence within 30 days following the date of distribution specified by the Participant in his or her deferral election (the "Elected Distribution Date"); provided, however, that the Committee may in its sole discretion determine that payment shall be made over a shorter or longer period or in more frequent installments, or commence on an earlier or later date, or any or all of the above. Each installment shall be withdrawn proportionately from the Aon Common Stock Account and the Aon General Account.

5.03 Installment Payments. The first annual installment shall be paid within the 30-day period following the Elected Distribution Date or following the Termination Distribution Date, whichever is applicable. Subsequent annual installments shall be paid within the 30-day period following the end of each 12-month anniversary of the Elected Distribution Date or Termination Distribution Date, whichever is applicable. The amount of the first payment shall be a fraction of the total balances of the Participant's Accounts for such period (with interest credited in accordance with Section 4.03; with dividends credited in accordance with Section 4.04, and with Aon common stock as valued under Section 5.08), the numerator of which is one and the denominator of which is the total number of installments elected. The amount of each subsequent payment shall be a fraction of the total balances of the Participant's Accounts similarly computed for each subsequent payment, the numerator of which is one and the denominator of which is the total number of installments remaining.

5.04 Termination of Employment Prior to Distribution Date. If the Participant terminates employment for any reason prior to the Elected Distribution Date, payments shall commence within the 30-day period following the first business day of the first calendar year following the year in which employment terminated (the "Termination Distribution Date"), and distributions shall be made in the same number of annual installments as had been elected by the Participant at the time of the deferral election; provided, however, that the Committee may, in its sole discretion, determine that distribution to a terminated employee shall commence on any earlier or later date.

5.05 Hardship Withdrawals. If a Participant or Beneficiary would otherwise suffer severe financial hardship and distribution of amounts credited to the Accounts has not yet commenced, deferral of amounts may be suspended and payment of amounts credited to the Accounts shall commence within 30 days following the determination of the Committee that such hardship resulted from an unforeseeable emergency that is caused by an event beyond the control of the

Participant or Beneficiary. Such suspension or withdrawal may not exceed the amount necessary to meet the emergency.

For purposes of this section, "unforeseeable emergency" is defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Internal Revenue Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of a Participant. Payment may not be made to a Participant to the extent that such hardship is or may be relieved:

(a) through reimbursement or compensation by insurance or otherwise;

(b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship.

5.06 Distribution Upon Death after Payments Have Commenced. If any Participant dies before receiving all amounts credited to such Participant's Accounts, the unpaid amounts in the Participant's Accounts shall be paid to the Participant's Beneficiary or Beneficiaries in accordance with the last effective beneficiary designation form filed by the Participant with the Company. Such unpaid amounts shall be paid in the same manner and at the same time as had been elected by the Participant prior to such Participant's death.

5.07 Distribution to Beneficiaries. Each Participant shall file with the Company a form indicating the person, persons, or entity which are to receive the Participant's benefits under the Plan if the Participant dies before receiving all the balances in his Accounts. A Participant's beneficiary designation may be changed at any time prior to death by execution and delivery of a new beneficiary designation form. If a Participant has failed to designate a Beneficiary, the amounts payable hereunder shall be made to such person or persons who, as of the date payment is to be made under this Plan, would receive distribution of the Participant's account balances, if any, under the terms of the Aon Savings Plan, or, if the Participant is not a participant in the Aon Savings Plan at the time of his death or if the Beneficiary fails to survive the Participant, payment shall be made in a lump sum to the estate of the Participant. A Beneficiary who fails to survive a Participant by at least 10 days shall be deemed to have predeceased the Participant.

5.08 Distributions from Aon Common Stock Account. The form of distribution from the Aon Common Stock Account may be elected by the Participant no fewer than 30 days prior to distribution, or, in the case of hardship pursuant to Section 5.05, at the time the Committee determines hardship. Distributions from the Aon Common Stock Account may be made in cash, in Aon common stock, or in a combination of cash and Aon common stock; provided, however, that the Committee, in its sole discretion, may modify such election and determine the form of distribution. To the extent each installment payment will be paid in cash, the cash value of the Aon common stock credited to the Aon Common Stock Account shall be obtained by multiplying the number of full and fractional shares to be converted to cash by the average market price of Aon common stock on the New York Stock Exchange for the last business day of the month immediately preceding: (a) in the case of the first annual installment, the Elected Distribution Date or the Termination Distribution Date, whichever is applicable; (b) in the case of subsequent installments, the 12-month anniversary of the Elected Distribution Date or the 12-month anniversary of the Termination Distribution Date, whichever is applicable; or (c) the hardship determination date.

SECTION 6

MISCELLANEOUS

6.01 Other Benefit Plans. The amount of each Participant's Compensation or Performance Bonus which the Participant elects to defer under the Plan shall be deemed compensation for the purpose of calculating the amount of a Participant's benefits or contributions under all retirement and welfare benefit plans sponsored by the Company and the Subsidiaries, except to the extent not permitted under such retirement or welfare benefit plan and except to the extent not permitted under the Code.

No amount distributed to a Participant from a Participant's Accounts under this Plan shall be deemed to be compensation with respect to a Participant's entitlement to benefits under any employee benefit plan established by the Company or the Subsidiaries for its employees unless otherwise specifically provided in such plan.

6.02 Participant's Rights. Establishment of the Plan shall not be construed to give any Participant the right to be retained in the Company's or a Subsidiary's service or to any benefits not specifically provided by the Plan. Neither a Participant nor a Beneficiary shall have any interest in the deferred compensation or earnings credited to his accounts. All amounts deferred or otherwise held for the account of a Participant or a Beneficiary under the Plan shall remain the sole property of the Company or Subsidiary. With respect to such amounts, the Participant or Beneficiary is merely a general creditor, and any obligation of the Company or Subsidiary hereunder is purely contractual and shall not be funded or secured in any way, except as described in Section 6.03.

In case the claim of any Participant or Beneficiary for benefits under the Plan is denied, the Company shall provide adequate notice in writing to such claimant, setting forth the specific reasons for such denial. The notice shall be written in a manner calculated to be understood by the claimant. The Company shall afford a Participant or Beneficiary whose claim for benefits has been denied 60 days from the date notice of such denial is delivered or mailed in which to appeal the decision in writing to the Committee. If the Participant or Beneficiary appeals the decision in writing within 60 days, the Committee shall review the written comments and any submissions of the Participant or Beneficiary and render its decision regarding the appeal all within 60 days of such appeal.

6.03 Change of Control. Upon a Change of Control, the Company shall, as soon as possible, but in no event longer than 45 days following the Change of Control, establish an irrevocable grantor trust: (a) subject to the claims of the Company's creditors; (b) with respect to which the Participants and Beneficiaries have only the rights of unsecured general creditors and receive no title or beneficial ownership; (c) under which benefits payable may not be assigned, alienated, pledged, attached or encumbered by the Participant or Beneficiary; and (d) in substantial compliance with the required provisions of Revenue Procedure 92-64, 1992-33 I.R.B. 11, of the Internal Revenue Service (or any comparable successor procedure).

At the same time, the Company shall make a contribution to such trust in an amount that is sufficient to pay each Participant or Beneficiary the benefits to which such Participants and Beneficiaries would be entitled pursuant to the terms of the Plan as of the date on which the Change of Control occurred. Any payments made to a Participant under the trust for his benefit shall reduce dollar for dollar the amount payable to the Participant or Beneficiary from the general assets of the Company.

Upon the occurrence of a Change of Control, this Plan may not be amended until all accounts have been paid in full and may be terminated only if all accounts have been paid in full.

6.04 Nonalienability and Nontransferability. The rights of a Participant to the payment of deferred compensation as provided in the Plan shall not be assigned, transferred, pledged or encumbered, or be subject in any manner to alienation or anticipation. No Participant may borrow against his Accounts. No Accounts shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, whether voluntary or involuntary, including any liability which is for alimony or other payments for the support of a spouse or former spouse, or for any other relative of any Participant.

6.05 Plan Administrator. The administrator of the Plan shall be the Committee, which shall have authority to adopt rules and regulations for carrying out the Plan, to delegate its administrative responsibilities as it shall, from time to time, deem advisable, and to interpret, construe, and implement the provisions thereof. Any decision or interpretation of any provision of the Plan adopted by the Committee shall be final and conclusive.

6.06 Amendment and Termination. The Plan may, at any time (except as provided in Section 6.03 upon a Change of Control), be amended, modified, or terminated by action of the Board. No amendment, modification, or termination shall, without the consent of a Participant, adversely affect such Participant's rights with respect to amounts accrued in his or her Accounts.

SECTION 7

GENERAL PROVISIONS

7.01 Notices. All notices to the Company hereunder shall be delivered to the attention of the Secretary of the Company. Any notice or filing required or permitted to be given to the Company under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Company at the principal office of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

7.02 Controlling Law. Except to the extent superseded by federal law, the laws of Illinois shall be controlling in all matters relating to the Plan.

7.03 Gender and Number. Where the context admits, words in the masculine gender shall include the feminine and neuter genders, the

plural shall include the singular and the singular shall include the plural.

7.04 Captions. The captions of Sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning of construction of any of its provisions.

7.05 Action by the Company. Any action required or permitted by the Company under the Plan shall be by resolution of its Board or any person or persons authorized by resolution of its Board.

7.06 Facility of Payment. Any amounts payable hereunder to any person under legal disability or who, in the judgment of the Company, is unable to properly manage his financial affairs may be paid to the legal representative of such person or may be applied for the benefit of such person in any manner which the Company may select.

7.07 Withholding Payroll Taxes. To the extent required by the laws in effect at the time distributions or contributions are made to this Plan, the Company shall withhold from such payments any taxes required to be withheld for federal, state, or local government purposes. A participant shall have the duty to pay to the Company or the Subsidiary an amount equal to the taxes required by any government to be withheld or otherwise deducted and paid by the Company or a Subsidiary as a result of the distribution to the Participant of shares of stock. Such shares shall not be delivered to the Participant until such time as such payment has been made.

7.08 Severability. Whenever possible, each provision of the Plan shall be interpreted in such manner as to be effective and valid under applicable law (including the Internal Revenue Code), but if any provision of the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to, and to have contained from the outset such language as shall be necessary to, accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan shall remain in full force and effect.

7.09 Liability. No member of the Board, no employee of the Company or a Subsidiary, and no member of the Committee (nor the Committee itself) shall be liable for any act or action hereunder whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or, except in circumstances involving his bad faith, gross negligence or fraud, for anything done or omitted to be done by himself. The Company will fully indemnify and hold the members of the Committee harmless from any liability hereunder, except in circumstances involving a Committee member's bad faith, gross negligence, or fraud. The Company or the Committee may consult

with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligation or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of counsel.

7.10 Successors. The provisions of the Plan shall bind and inure to the benefit of the Company and its successors and assigns. The term "successors" as used herein shall include any corporation or other business entity which shall by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of the Company and successors of any such corporation or other business entity.

7.11 Unfunded Status of the Plan. Except as provided in Section 6.03, any and all payments made to the Participant pursuant to the Plan shall be made only from the general assets of the Company or a Subsidiary. All accounts under the Plan shall be for bookkeeping purposes only and shall not represent a claim against specific assets of the Company or the Subsidiaries. Nothing contained in this Plan shall be deemed to create a trust of any kind or create any fiduciary relationship.

IN WITNESS WHEREOF, Aon Corporation hereby adopts the Aon Deferred Compensation Plan, effective as set forth above, as of this 11th day of October, 1994.

Aon CORPORATION

By: /s/Daniel T. Cox

Executive Vice President

First Amendment to the

Aon Deferred Compensation Plan

Whereas, the Board of Directors of Aon Corporation desires to amend the Aon Deferred Compensation Plan (the "Plan") pursuant to the Board's authority to do so under Section 6.05 of the Plan;

Now, therefore, the Plan is amended as follows effective as of December 1, 1994:

Section 4.05. A new Section 4.05 shall be added to read as follows:

4.05 Company Match. The Company, at its discretion, may credit to the Accounts of selected Participants an additional amount equal to a specified percentage of the amount of Compensation deferred by the Employee or a specified dollar amount (the "Company Match") during the calendar year in which the Company Match is credited. The following rules shall apply:

- (a) the Company Match for any year shall be subject to the same elections regarding the periods of deferral and distribution and regarding allocation to the Accounts as the amount of Compensation irrevocably deferred by the Employee under Sections 3.01 or 3.02 during the year in which the Company Match is credited;
- (b) the Company Match shall be subject to the rules regarding crediting under Section 4 and distributions under Section 5; provided, however, that no hardship withdrawals under Section 5.06 shall be available either as to the Company Match or as to earnings or dividends attributable thereto; and
- (c) the amount of the Company Match credited in each separate year shall vest separately and in accordance with the schedule set forth below, together with earnings or dividends attributable to that year's Company Match; provided, however, that such other restrictions as the Company may place upon crediting, vesting or distribution shall be satisfied:

Completed Years of ----- Continuous ----- Employment -----	Percent Vested -----
Less than 3 years	0%
3	20%
4	30%
5	40%
6	50%
7	60%
8	70%
9	80%
10	100%

For these purposes, "Continuous Employment" shall be computed separately, with respect to each year's credited Company Match, to determine the vested percentage. For each year's separate Company Match, "Continuous Employment" shall mean the total period of time that an individual has served as an Employee of the Company or of a Subsidiary beginning on the date an Employee's account is first credited with the particular Company Match for which vesting is being computed and ending on the date an employee quits, retires, is discharged or dies. A "Completed Year of Continuous Employment" shall refer to a 12-month period during which a Participant has been continuously employed. If a prior Participant is reemployed and again becomes a Participant, Continuous Employment after the date of reemployment shall not be taken into account for purposes of determining such Participant's nonforfeitable interest in the Company Match or in earnings or dividends attributable thereto and accrued prior to the date of reemployment.

IN WITNESS WHEREOF, Aon Corporation hereby adopts this First Amendment to the Aon Deferred Compensation Plan, effective as set forth above, as of this 16th day of December, 1994.

Aon CORPORATION

By: /s/ Daniel T. Cox

Executive Vice President

EXHIBIT 11

Aon Corporation and Subsidiaries

CONSOLIDATED NET INCOME PER SHARE COMPUTATION

(millions except per share data)

	First Quarter	
	March 31, 1995	March 31, 1994
	-----	-----
EARNINGS PER SHARE		
Net income.....	\$111.2	\$ 99.1
Preferred stock dividends.....	6.8	6.5
	-----	-----
Net income less preferred stock dividends.....	\$104.4	\$ 92.6
	=====	=====
Average common shares issued.....	110.6	105.8
Net effect of treasury stock activity.....	(2.4)	(4.4)
Weighted average effect of Series B preferred stock.....	--	3.5
Net effect of dilutive stock compensation plans based on the treasury stock method.....	0.5	0.8
	-----	-----
Average common and common equivalent shares outstanding.....	108.7	105.7
	=====	=====
Net income per share (1).....	\$ 0.96	\$ 0.88
	=====	=====

(1) Primary and fully diluted net income per share are materially the same.

Exhibit 12(a)

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,				
	1995	1994	1994	1993	1992 (1)	1991	1990
Income from continuing operations before provision for income taxes	\$168.5	\$148.0	\$537.6	\$479.1	\$290.5	\$331.5	\$325.2
Add back fixed charges:							
Interest on indebtedness	13.0	11.1	46.4	42.3	41.9	40.7	44.4
Interest on ESOP	1.4	1.5	5.9	6.5	6.9	7.2	7.4
Portion of rents representative of interest factor	7.2	7.9	28.7	26.1	19.2	15.4	13.2
Income as adjusted	\$190.1	\$168.5	\$618.6	\$554.0	\$358.5	\$394.8	\$390.2
Fixed charges:							
Interest on indebtedness:							
Aon Corporation and consolidated subsidiaries	\$ 13.0	\$ 11.1	\$ 46.4	\$ 42.3	\$ 41.9	\$ 40.7	\$ 43.9
Unconsolidated subsidiaries	-	-	-	-	-	-	0.5
Interest	13.0	11.1	46.4	42.3	41.9	40.7	44.4
Interest on ESOP	1.4	1.5	5.9	6.5	6.9	7.2	7.4
Portion of rents representative of interest factor	7.2	7.9	28.7	26.1	19.2	15.4	13.2
Total fixed charges	\$ 21.6	\$ 20.5	\$ 81.0	\$ 74.9	\$ 68.0	\$ 63.3	\$ 65.0
Ratio of earnings to fixed charges	8.8	8.2	7.6	7.4	5.3	6.2	6.0

(1) Income from continuing operations before provision for income taxes excludes the cumulative effect of changes in accounting principles.

Exhibit 12(b)

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,				
	1995	1994	1994	1993	1992(1)	1991	1990
Income from continuing operations before provision for income taxes	\$168.5	\$148.0	\$537.6	\$479.1	\$290.5	\$331.5	\$325.2
Add back fixed charges:							
Interest on indebtedness	13.0	11.1	46.4	42.3	41.9	40.7	44.4
Interest on ESOP	1.4	1.5	5.9	6.5	6.9	7.2	7.4
Portion of rents representative of interest factor	7.2	7.9	28.7	26.1	19.2	15.4	13.2
Income as adjusted	\$190.1	\$168.5	\$618.6	\$554.0	\$358.5	\$394.8	\$390.2
Fixed charges and preferred stock dividends:							
Interest on indebtedness:							
Aon Corporation and consolidated subsidiaries	\$ 13.0	\$ 11.1	\$ 46.4	\$ 42.3	\$ 41.9	\$ 40.7	\$ 43.9
Unconsolidated subsidiaries	-	-	-	-	-	-	0.5
Preferred stock dividends	10.3	12.4	48.4	47.5	20.3	3.5	2.0
Interest and dividends	23.3	23.5	94.8	89.8	62.2	44.2	46.4
Interest on ESOP	1.4	1.5	5.9	6.5	6.9	7.2	7.4
Portion of rents representative of interest factor	7.2	7.9	28.7	26.1	19.2	15.4	13.2
Total fixed charges and preferred stock dividends	\$ 31.9	\$ 32.9	\$129.4	\$122.4	\$ 88.3	\$ 66.8	\$ 67.0
Ratio of earnings to combined fixed charges and preferred stock dividends	6.0	5.1	4.8	4.5	4.1	5.9	5.8

(1) Income from continuing operations before provision for income taxes excludes the cumulative effect of changes in accounting principles.

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 2, 1995 relating to the unaudited condensed consolidated interim financial statements of Aon Corporation which is included in its Form 10-Q for the quarter ended March 31, 1995:

Registration Statement		
Form	Number	Purpose
S-8	2-79114	Pertaining to Aon's stock option plan
S-8	2-82791	Pertaining to Aon's stock option plan
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-3	33-57562	Registration of Aon's 8% cumulative perpetual preferred stock and 6 1/4% cumulative convertible exchangeable preferred 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 2, 1995

ARTICLE 7

This schedule contains summary financial information extracted from Condensed Consolidated Statements of Financial Position and Condensed Consolidated Statements of Operations 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 1995
PERIOD START	JAN 01 1995
PERIOD END	MAR 31 1995
DEBT HELD FOR SALE	4,392
DEBT CARRYING VALUE	2,955
DEBT MARKET VALUE	2,822
EQUITIES	921
MORTGAGE	575
REAL ESTATE	35
TOTAL INVEST	10,150
CASH	518
RECOVER REINSURE	0 ¹
DEFERRED ACQUISITION	1,186
TOTAL ASSETS	18,849
POLICY LOSSES	1,425
UNEARNED PREMIUMS	1,514
POLICY OTHER	971
POLICY HOLDER FUNDS	5,628
NOTES PAYABLE	812 ²
PREFERRED MANDATORY	50
PREFERRED	11 ³
COMMON	111 ⁴
OTHER SE	2,297
TOTAL LIABILITY AND EQUITY	18,849
PREMIUMS	491
INVESTMENT INCOME	209
INVESTMENT GAINS	1
OTHER INCOME	438 ⁵
BENEFITS	347
UNDERWRITING AMORTIZATION	74
UNDERWRITING OTHER	550
INCOME PRETAX	168
INCOME TAX	57
INCOME CONTINUING	111
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	111
EPS PRIMARY	.96
EPS DILUTED	0.00
RESERVE OPEN	0 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.

⁴ Common stock at par value.

⁵ Includes brokerage commissions and fees and other income.

