

AON PLC

FORM 10-K (Annual Report)

Filed 03/31/98 for the Period Ending 12/31/97

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-K (Annual Report)

Filed 3/31/1998 For Period Ending 12/31/1997

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-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

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 (I.R.S. Employer Identification No.)
123 NORTH WACKER DRIVE, CHICAGO, ILLINOIS	60606 (Zip Code)
(Address of Principal Executive Offices)	
(312) 701-3000 (Telephone Number)	

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

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Common Stock, \$1 par value	New York Stock Exchange*
6.875% Notes Due 1999	New York Stock Exchange
7.40% Notes Due 2002	New York Stock Exchange

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

*The Common Stock of the Registrant is also listed for trading on the Chicago
Stock Exchange and the International Stock
Exchange London.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 25, 1998 was \$8,729,515,545.

Number of shares of \$1.00 par value Common Stock outstanding as of February 25, 1998: 167,971,048.

DOCUMENTS FROM WHICH INFORMATION IS INCORPORATED BY REFERENCE: Annual Report to
Stockholders of the Registrant for the Year 1997 (Parts I, II and IV) Notice of Annual Meeting of Holders of Common Stock and Series C

PART I

ITEM 1. BUSINESS.

The Registrant is a holding company whose operating subsidiaries carry on business in two distinct segments: (i) insurance brokerage and consulting services, and (ii) insurance underwriting. Incorporated in 1979, it is the parent corporation of long-established and more recently formed companies.

Aon Group, Inc., its subsidiaries and certain other indirect subsidiaries of the Registrant (the "Aon Group") including Aon Risk Services Companies, Inc.; Aon Holdings bv; Aon Consulting Worldwide, Inc.; Aon Services Group, Inc.; Aon Re Worldwide, Inc.; and Aon Group Limited provide reinsurance intermediary services, benefits consulting and commercial insurance brokerage services. Aon Group revenues grew significantly in fiscal 1996 and 1997 when the Registrant acquired, among other companies, Bain Hogg Group plc in October 1996, Alexander & Alexander Services Inc. in January 1997, The Minet Group in May 1997, and Jauch & Hubener in November 1997.

Combined Insurance Company of America ("Combined Insurance") engages in the marketing of life and accident and health insurance products. Virginia Surety Company, Inc. and London General Insurance Company Limited offer extended warranty and specialty insurance products.

In second quarter 1996, the Registrant and Combined Insurance sold two of Combined Insurance's insurance subsidiaries, Union Fidelity Life Insurance Company ("UFLIC") and the Life Insurance Company of Virginia ("LOV"). In second quarter 1996, Ryan Insurance Group, Inc. sold its North American auto credit underwriting and distribution businesses, including the distribution of auto extended warranty products.

The Registrant hereby incorporates by reference pages 7 through 16 of the Annual Report to Stockholders of the Registrant for the Year 1997 ("Annual Report").

COMPETITION AND INDUSTRY POSITION

(1) INSURANCE BROKERAGE AND CONSULTING SERVICES

Aon Group, Inc. ("Aon Group"); Aon Risk Services Companies, Inc. ("Aon Risk Services Companies"); Aon Holdings bv ("Aon Holdings"); Aon Services Group, Inc. ("Aon Services Group"); Aon Consulting Worldwide, Inc. ("Aon Consulting"); Aon Re Worldwide, Inc. ("Aon Re"); Aon Group Limited ("AGL").

Aon Group is the holding company for the Registrant's commercial brokerage and consulting operation. Aon Group is the fastest growing global insurance brokerage and consulting services firm in the world. The Aon Group companies have more than 550 offices around the world in more than 100 countries. In 1997, Aon Group employed over 33,000 professionals and support personnel to serve the diverse needs of clients.

Aon Risk Services Companies' (formerly Rollins Hudig Hall Co.) subsidiaries operate in a highly competitive industry and compete with a large number of retail insurance brokerage and agency firms as well as individual brokers and agents and direct writers of insurance coverage. Aon Risk Services Companies' subsidiaries offer comprehensive services to clients including insurance placement, specialized brokerage services, program development and administration, premium financing services, risk management and loss-control consulting. It has also developed certain specialist niche areas such as marine, aviation, directors and officers liability, financial institutions, construction, energy, media and entertainment.

Subsidiaries of Aon Risk Services Companies and Aon Holdings operate through owned offices in North America and Europe, as well as in South America, Africa, Australia and Asia. The acquisitions of A&A and Bain Hogg significantly augmented the Registrant's presence in Latin America, Asia, Africa and Australia, and the acquisition of Jauch & Hubener strengthened the Registrant's presence throughout Europe.

Aon Services Group (formerly Aon Specialty Group) addresses the highly specialized product development, consulting and administrative needs of professional groups, service businesses, governments, health-care providers and commercial organizations. It also provides underwriting management skills, claims and risk management expertise, and third-party administration services to insurance companies. Aon Services Group operating subsidiaries market and broker both the primary and reinsurance risks of these programs. For individuals and businesses, Aon Services Group provides affinity products for professional liability, life and personal lines. The acquisition of The Minet Group by the Registrant will augment Aon Services Group's already strong expertise in wholesale brokerage and professional liability programs.

Subsidiaries of Aon Consulting and the European benefits operations of Aon Holdings serve the employee benefit needs of clients around the world. Aon Consulting is one of the world's largest integrated human resources consulting organizations. Focusing on the increasing demand for outsourcing solutions, Aon Consulting targets emerging businesses, IPOs, recent mergers and acquisitions and corporations that are reengineering staff functions.

In the United States, the benefits environment continues to change as companies look for ways to manage their benefits costs while increasing the choices offered to their employees. Aon Consulting, with its expertise in all areas of benefits and compensation, and its access to the Registrant's other subsidiaries, is well-positioned to serve this market. Aon Consulting subsidiaries offer services to clients including organizational analysis and HR strategic planning, recruitment and selection, benefits design and management training and development. Benefits issues in foreign countries are becoming more complicated, and Aon Holdings and Aon Consulting anticipate increased demand for their services in these markets. In particular, the 1997 acquisitions of Sodarcan Inc. and Martineau Provencher & Associates will strengthen the Registrant's consulting expertise in Quebec.

Aon's reinsurance brokerage activities are organized under Aon Re. With the acquisitions of A&A and Bain Hogg, Aon Re is a global leader in the reinsurance and specialist brokerage industry. Aon Re serves the alternative market with reinsurance placement, alternative risk services, captive management services and catastrophe information forecasting.

AGL is a London-based Lloyd's broker that places wholesale and reinsurance business in the London and international markets and serves the needs of a wide range of clients around the world.

(2) INSURANCE UNDERWRITING

Combined Insurance Company of America ("Combined Insurance"); Combined Life Insurance Company of New York ("CLICNY"); Virginia Surety Company, Inc. ("VSC"); London General Insurance Company Limited ("London General"); and Aon Warranty Group, Inc. ("Aon Warranty").

The Registrant's insurance underwriting subsidiaries are part of a highly competitive industry that serves individual consumers in North America, Europe, Latin America and the Pacific by providing accident and health coverage, traditional life insurance, and extended warranties through global distribution networks most of which are directly owned by the Registrant's subsidiaries.

The life, accident and health distribution network encompasses primarily the agents of Combined Insurance and CLICNY (which operates exclusively in the State of New York). With more than five million policyholders, Combined Insurance has more individual accident policies in force than any other United States company. Combined Insurance, the Registrant's principal life, accident and health insurer, has a direct sales force of several thousand career agents calling on individuals to sell a broad spectrum of accident and health products. It is one of the few companies with agents that call on customers every six months to renew coverage and to sell additional coverage. Combined Insurance offers a wide range of accident-only and sickness-only insurance products, including short-term disability, cancer aid, Medicare supplement and disability income coverage. Combined Insurance's products are primarily fixed indemnity obligations, thereby not subject to escalating medical costs. Combined Insurance offers a simplified accident and sickness long-term disability policy. In addition to its traditional business, Combined Insurance is expanding its product distribution through payroll deduction, worksite marketing programs.

Combined Insurance and CLICNY market whole life products through direct sales career agents in the United States. Combined Insurance ranked among the top 140 life insurance companies in the United States in terms of total life premiums in 1996. Life insurance business is conducted by the Registrant's life insurance subsidiaries in the United States, Canada, Europe and Asia Pacific.

The Registrant's extended warranty and specialty insurance business, conducted by subsidiaries VSC in North America and London General in Europe, is composed primarily of extended warranty insurance products, professional liability insurance coverages, workers' compensation and specialty financial institution coverages. VSC and London General continue to be one of the world's largest underwriters of consumer extended warranties. The automobile warranty products are sold in the United States, Canada, the United Kingdom, Ireland, France, The Netherlands, Belgium, Spain and Japan. Aon Warranty Group handles the administration of certain extended warranty products on automobiles, electronic goods, personal computers and appliances. It serves manufacturers, distributors and retailers of major worldwide consumer product and financial institutions, associations and affinity groups in North America and in Europe.

(3) DISCONTINUED OPERATIONS

The Life Insurance Company of Virginia ("LOV") and Union Fidelity Life Insurance Company ("UFLIC").

In April 1996, the Registrant and Combined Insurance completed the sales of Combined Insurance's subsidiaries, LOV and UFLIC. The business written by LOV primarily included capital accumulation products and some other life products. UFLIC operated in the United States in the highly competitive direct response life and health marketing segment of the industry. The Registrant hereby incorporates by reference note 3 of the Notes to Consolidated Financial Statements on page 32 of the Annual Report.

A&A's Discontinued Operations

The Registrant hereby incorporates by reference note 3 of the Notes to Consolidated Financial Statements page 33 of the Annual Report.

LICENSING AND REGULATION

Insurance companies must comply with laws and regulations of the jurisdictions in which they do business. These laws and regulations are designed to ensure financial solvency of insurance companies and to require fair and adequate service and treatment for policyholders. They are enforced by the states in the United States, by industry self-regulating agencies in the United Kingdom, and by various regulatory agencies in other countries through the granting and revoking of licenses to do business, licensing of agents, monitoring of trade practices, policy form approval, minimum loss ratio requirements, limits on premium and commission rates, and minimum reserve and capital requirements. Compliance is monitored by the state insurance departments through periodic regulatory reporting procedures and periodic examinations. The quarterly and annual financial reports to the regulators in the United States utilize accounting principles which are different from the generally accepted accounting principles used in stockholders' reports. The statutory accounting principles, in keeping with the intent to assure the protection of policyholders, are based, in general, on a liquidation concept while generally accepted accounting principles are based on a going-concern concept.

The state insurance regulators are members of the National Association of Insurance Commissioners ("NAIC"). This Association seeks to promote uniformity of, and to enhance the state regulation of, insurance. Both the NAIC and the individual states continue to focus on the solvency of insurance companies. This focus is reflected in additional regulatory oversight by the states and emphasis on the enactment or adoption of a series of NAIC model laws and regulations designed to promote solvency. The increase in any solvency-related oversight by the states is not expected to have any significant impact on the insurance business of the Registrant.

Several years ago, the NAIC developed a formula for analyzing insurers called risk-based capital ("RBC"). RBC is intended to establish "minimum" capital threshold levels that vary with the size and mix of a company's business. It is designed to identify companies with the capital levels that may require regulatory attention. RBC does not have any significant impact on the insurance business of the Registrant.

Insurance companies are generally not subject to any federal regulation of their insurance business because of the existence of a federal law commonly known as the McCarran-Ferguson Act. McCarran-Ferguson provides the insurance industry with immunity from certain aspects of the federal anti-trust law and exempts the business of insurance from federal regulation. In the past several years there have been a number of recommendations that McCarran-Ferguson be repealed entirely or modified to remove the industry's anti-trust exemption and subject it to federal regulation. If McCarran-Ferguson were to be repealed or modified, state regulation of the insurance business would continue. The result could be an additional layer of federal regulation. The Registrant expects that any repeal of anti-trust exemptions available to insurers under the McCarran-Ferguson Act would not have a significant impact on its operations.

The state insurance holding company laws require prior notice to and approval of the domestic state insurance department of intracorporate transfers of assets within the holding company structure, including the payment of dividends by insurance company subsidiaries. In addition, the premium finance loans by Cananwill, Inc., an indirect wholly-owned subsidiary of the Registrant, are subject to one or more of truth-in-lending and credit regulations, insurance premium finance acts, retail installment sales acts and other similar consumer protection legislation. Failure to comply with such laws or regulations can result in the temporary suspension or permanent loss of the right to engage in business in a particular jurisdiction as well as other penalties.

Regulatory authorities in the states in which the operating subsidiaries of Aon Group conduct business may require individual or company licensing to act as brokers, agents, third party administrators, managing general agents, reinsurance intermediaries or adjusters. Under the laws of most states, regulatory authorities have relatively broad discretion with respect to granting, renewing and revoking brokers' and agents' licenses to transact business in the state. The manner of operating in particular states may vary according to the licensing requirements of the particular state, which may require, among other things, that a firm operate in the state through a local corporation. In a few states, licenses are issued only to individual residents or locally-owned business entities. In such cases, Aon Group subsidiaries have arrangements with residents or business entities licensed to act in the state.

In 1996 the federal Health Care Insurance Portability and Accountability Act of 1996 ("HIPPA") was enacted. The Act requires the states to take action to implement the requirements of the Act or to become subject to federal oversight. HIPPA implementation by the states has not materially affected the business of the Registrant's subsidiaries. In addition, recent federal laws and proposals, mandating specific practices by medical insurers, and the health care industry will not, because of the nature of the business of the Registrant's subsidiaries, materially affect the Registrant. Numerous states have had legislation introduced to reform the health care system and such legislation has passed in several states. While it is impossible to forecast the precise nature of future federal and state health care changes, the Registrant does not expect a major impact on its operations because of the supplemental nature of most of the policies issued by its insurance subsidiaries and because the coverages are primarily purchased to provide, on a fixed-indemnity basis, protection against loss-of-time or disability benefits. If health care reform does not provide for a significant role for insurance companies currently writing primary medical coverage, the Registrant expects that some of those companies would increase their participation in other segments of the insurance underwriting business, perhaps heightening the competition with Combined Insurance. Combined Insurance and its subsidiaries currently operate successfully in several foreign countries which have national health plans in effect.

CLIENTELE

No significant part of the Registrant's or its subsidiaries' business is dependent upon a single client or on a few clients, the loss of any one of which would have a material adverse effect on the Registrant.

EMPLOYEES

The Registrant's subsidiaries had approximately 40,000 employees at the end of 1997 of whom approximately 35,000 are salaried and hourly employees and the remaining 5,000 are sales representatives who are generally compensated wholly or primarily by commission.

ITEM 2. PROPERTIES.

The Registrant's subsidiaries own and occupy office buildings in seven states and certain foreign countries, and lease office space elsewhere in the United States and in various foreign cities. Loss of the use of any owned or leased property, while potentially disruptive, would have no material impact on the Registrant.

ITEM 3. LEGAL PROCEEDINGS.

The Registrant hereby incorporates by reference note 12 of the Notes to Consolidated Financial Statements on page 42 of the Annual Report.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the Registrant are regularly elected by its Board of Directors at the annual meeting of the Board which is held following each annual meeting of the stockholders of the Registrant. The executive officers of the Registrant were elected to their current positions on April 18, 1997 to serve until the meeting of the Board following the annual meeting of stockholders on April 17, 1998. Ages shown are as of December 31, 1997.

For information concerning certain directors and executive officers of the Registrant, see item 10 below. As of March 31, 1998, the following individuals are also executive officers of the Registrant as defined in Rule 16a-1(f):

NAME, AGE, AND CURRENT OFFICE OR PRINCIPAL POSITION -----	HAS CONTINUOUSLY SERVED AS AN OFFICER OF REGISTRANT OR ONE OR MORE OF ITS SUBSIDIARIES SINCE -----	BUSINESS EXPERIENCE PAST 5 YEARS -----
Harvey N. Medvin, 61 Executive Vice President, Chief Financial Officer and Treasurer	1972	Mr. Medvin became Vice President and Chief Financial Officer of the Registrant in 1982 and was elected to his current position in 1987. He also serves as a Director or Officer of certain of the Registrant's subsidiaries.
Daniel T. Cox, 51 Executive Vice President	1986	Mr. Cox was elected to his current position in 1991 and, prior to their sale in 1996, had served as Chairman and Chief Executive Officer of certain of the Registrant's underwriting subsidiaries. Mr. Cox has headed the Registrant's benefits consulting operation since 1987. He also serves as Director or Officer of certain of the Registrant's subsidiaries.
Michael A. Conway, 50 Senior Vice President and Senior Investment Officer	1990	Mr. Conway was Vice President of Combined Insurance from 1980 to 1984. Following other employment, Mr. Conway rejoined the Registrant in 1990 as Senior Vice President of Combined Insurance and was elected to his current position in 1991. He also serves as Director or Officer of certain of the Registrant's subsidiaries.
Michael D. O'Halleran, 47 President and Chief Operating Officer of Aon Group, Inc.	1987	Mr. O'Halleran was appointed President and Chief Operating Officer of Aon Group, Inc. in 1995. Prior thereto, since joining the Registrant in 1987, he held a variety of senior positions in the Registrant's insurance and reinsurance brokerage business.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS.

The Registrant's \$1.00 par value common shares ("Common Shares") are traded on the New York, Chicago and London stock exchanges. The Registrant hereby incorporates by reference the "Dividends paid per share" and "Price range" data on page 45 of the Annual Report.

The Registrant had approximately 12,500 holders of record of its Common Shares as of February 25, 1998.

The Registrant hereby incorporates by reference note 8 of the Notes to Consolidated Financial Statements on page 36 of the Annual Report.

ITEM 6. SELECTED FINANCIAL DATA.

The Registrant hereby incorporates by reference the "Selected Financial Data" table on page 44 of the Annual Report.

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

The Registrant hereby incorporates by reference "Management's Analysis of Operating Results and Financial Condition" on pages 18 through 24 of the Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Registrant hereby incorporates by reference "Market Risk Exposure" on page 24 of the Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Registrant hereby incorporates by reference the following statements, notes and data from the Annual Report.

	Page(s)

Consolidated Financial Statements	25 - 29
Notes to Consolidated Financial Statements	30 - 42
Report of Ernst & Young LLP, Independent Auditors	43
Quarterly Financial Data	45

ITEM 9. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The Registrant hereby incorporates by reference the information on pages 3 and 7 of the Proxy Statement For Annual Meeting of the Stockholders on April 17, 1998, of the Registrant ("Proxy Statement") concerning the following Directors of the Registrant, each of whom also serves as an executive officer of the Registrant as defined in Rule 16a-1(f): Patrick G. Ryan and Raymond I. Skilling. Information concerning additional executive officers of the Registrant is contained in Part I hereof, pursuant to General Instruction G(3) and Instruction 3 to Item 401 (b) of Regulation S-K. The Registrant also hereby incorporates by reference the information on pages 11 and 12 of the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The Registrant hereby incorporates by reference the information under the headings "Executive Compensation," "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values," "Option Grants in 1997 Fiscal Year" and "Pension Plan Table" on pages 14 through 17 of the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The Registrant hereby incorporates by reference the share ownership data contained on pages 2, 9 and 10 of the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Registrant hereby incorporates by reference the information under the heading "Transactions With Management" on page 22 of the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) and (2). The Registrant has incorporated by reference from the Annual Report (see Item 8) the following consolidated financial statements of the Registrant and subsidiaries:

	Annual Report Page(s) -----
Consolidated Statements of Income - Years Ended December 31, 1997, 1996, and 1995	25
Consolidated Statements of Financial Position - As of December 31, 1997 and 1996	26-27
Consolidated Statements of Stockholders' Equity - Years Ended December 31, 1997, 1996 and 1995	28
Consolidated Statements of Cash Flows - Years Ended December 31, 1997, 1996 and 1995	29
Notes to Consolidated Financial Statements	30-42
Report of Ernst & Young LLP, Independent Auditors	43

Financial statement schedules of the Registrant and consolidated subsidiaries not included in the Annual Report but filed herewith:
Consolidated Financial Statement Schedules -

	Schedule -----
Summary of Investments - Other than Investments in Related Parties	I
Parent Company Condensed Financial Statements	II
Supplementary Insurance Information	III
Reinsurance	IV
Valuation and Qualifying Accounts	V
Schedule VI is omitted as it is immaterial	

(A)(3). EXHIBITS

(a) Second Restated Certificate of Incorporation of the Registrant

- incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1991 (the "1991 Form 10-K").

(b) Certificate of Amendment of the Registrant's Second Restated Certificate of Incorporation incorporated by reference to Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 (the "First Quarter 1994 Form 10Q").

(c) Bylaws of the Registrant - incorporated by reference to Exhibit (d) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1982 (the "1982 Form 10-K").

(d) Indenture dated September 15, 1992 between the Registrant and Continental Bank Corporation (now known as Bank of America Illinois), as Trustee - incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated September 23, 1992.

- (e) Resolutions establishing terms of 6.875% Notes Due 1999 and 7.40% Notes Due 2002 incorporated by reference to Exhibits 4(d) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1992 (the "1992 Form 10-K").
- (f) Resolutions establishing the terms of 6.70% Notes Due 2003 and 6.30% Notes Due 2004 incorporated by reference to Exhibits 4(c) and 4(d) of the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1993 (the "1993 Form 10-K").
- (g) Junior Subordinated Indenture dated as of January 13, 1997 between the Registrant and The Bank of New York, as trustee - incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to Registration Statement on Form S-4 No. 333-21237 dated March 27, 1997 (the "Capital Securities Registration").
- (h) First Supplemental Indenture dated as of January 13, 1997 between the Registrant and the Bank of New York, as trustee - incorporated by reference to Exhibit 4.2 of the Capital Securities Registration.
- (i) Certificate of Trust of Aon Capital A - incorporated by reference to Exhibit 4.3 of the Capital Securities Registration.
- (j) Amended and Restated Trust Agreement of Aon Capital A dated as of January 13, 1997 among the Registrant, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, the Administrative Trustees named therein and the holders, from time to time, of the Capital Securities - incorporated by reference to Exhibit 4.5 of the Capital Securities Registration.
- (k) Capital Securities Guarantee Agreement dated as of January 13, 1997 between the Registrant and the Bank of New York, as guarantee trustee - incorporated by reference to Exhibit 4.8 of the Capital Securities Registration.
- (l) Capital Securities Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.10 of the Capital Securities Registration.
- (m) Debenture Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. incorporated by reference to Exhibit 4.11 of the Capital Securities Registration.
- (n) Guarantee Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. incorporated by reference to Exhibit 4.12 of the Capital Securities Registration.
- (o) Certificate of Designation for the Registrant's Series C Cumulative Preferred Stock incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 9, 1994.
- (p) Registration Rights Agreement dated November 2, 1992 by and between the Registrant and Frank B. Hall & Co., Inc. - incorporated by reference to Exhibit 4(c) to the Third Quarter 1992 Form 10-Q.
- (q) Registration rights agreement by and among the Registrant and certain affiliates of Ryan Insurance Group, Inc. (including Patrick G. Ryan and Andrew J. McKenna) - incorporated by reference to Exhibit (f) to the 1982 Form 10-K.

- (r) Deferred Compensation Agreement by and among the Registrant and Registrant's directors who are not salaried employees of Registrant or Registrant's affiliates - incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1987 (the "1987 Form 10-K").
- (s) Amendment and Waiver Agreement dated as of November 4, 1991 among the Registrant and each of Patrick G. Ryan, Shirley Ryan, Ryan Enterprises Corporation and Harvey N. Medvin incorporated by reference to Exhibit 10(j) to the 1991 Form 10-K.
- (t) Statement regarding Computation of Ratio of Earnings to Fixed Charges.
- (u) Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- (v) Aon Corporation 1994 Amended and Restated Outside Director Stock Award Plan - incorporated by reference to Exhibit 10(b) to the First Quarter 1994 Form 10-Q.
- (w) Annual Report to Stockholders of the Registrant for the year ended December 31, 1997 (for information, and not to be deemed filed, except for those portions specifically incorporated by reference herein).
- (x) List of Subsidiaries of the Registrant.
- (y) Consent of Ernst & Young LLP to the incorporation by reference into Aon's Annual Report on Form 10-K of its report included in the 1997 Annual Report to Stockholders and into Aon's Registration Statement Nos. 33-27984, 33-42575, 33-59037 and 333-21237.
- (z) Annual Report to the Securities and Exchange Commission on Form 11-K for the Aon Savings Plan for the year ended December 31, 1997 - to be filed by amendment as provided in Rule 15d- 21(b).
- (aa) Executive Compensation Plans and Arrangements:
- (A) Aon Stock Option Plan (as amended and restated through 1997) - incorporated by reference to Exhibit 10 (a) to the Registrant's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the Quarter ended March 31, 1997 (the "First Quarter 1997 Form 10-Q").
- (B) Aon Stock Award Plan (as amended and restated through 1997) - incorporated by reference to Exhibit 10(b) to the First Quarter 1997 Form 10-Q.
- (C) Aon Corporation 1995 Senior Officer Incentive Compensation Plan incorporated by reference to Exhibit 10(p) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K").
- (D) Aon Deferred Compensation Plan and First Amendment to the Aon Deferred Compensation Plan - incorporated by reference to Exhibit 10 (q) of the 1995 Form 10-K.
- (E) Employment Agreement dated June 1, 1993 by and among the Registrant, Aon Risk Services, Inc. and Michael D. O'Halleran.
- (F) Aon Severance Plan - incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report to the Securities and Exchange Commission and Form 10-Q for the quarter ended June 30, 1997.

(ab) Asset Purchase Agreement dated July 24, 1992 between the Registrant and Frank B. Hall & Co. Inc. - incorporated by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1992.

(ac) Stock Purchase Agreement by and among the Registrant, Combined Insurance Company of America, Union Fidelity Life Insurance Company and General Electric Capital Corporation dated as of November 11, 1995 - incorporated by reference to Exhibit 10(s) of the 1995 Form 10-K.

(ad) Stock Purchase Agreement by and among the Registrant; Combined Insurance Company of America; The Life Insurance Company of Virginia; Forth Financial Resources, Ltd.; Newco Properties, Inc.; and General Electric Capital Corporation dated as of December 22, 1995 - incorporated by reference to Exhibit 10(t) of the 1995 Form 10-K.

(ae) Agreement and Plan of Merger among the Registrant; Subsidiary Corporation, Inc. ("Purchaser"); and Alexander & Alexander Services Inc. ("A&A") dated as of December 11, 1996 - incorporated by reference to Exhibit (c)(1) of the Registrant's Tender Offer Statement on Schedule 14D-1 filed by the Registrant with the Securities and Exchange Commission ("SEC") on December 16, 1996 (the "Schedule 14D-1").

(af) First Amendment to Agreement and Plan of Merger, dated as of January 7, 1997, among the Registrant, Purchaser and A&A - incorporated by reference to Exhibit (c)(3) to the Schedule 14D-1 filed by the Registrant with the SEC on January 9, 1997.

(b) Reports on Form 8-K.

The Registrant filed no Current Reports on Form 8-K during the last quarter of the Registrant's year ended December 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of March, 1998.

Aon Corporation

By: /s/PATRICK G. RYAN

Patrick G. Ryan, Chairman, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/PATRICK G. RYAN ----- Patrick G. Ryan	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	March 21, 1998
/s/DANIEL T. CARROLL ----- Daniel T. Carroll	Director	March 21, 1998
/s/FRANKLIN A. COLE ----- Franklin A. Cole	Director	March 21, 1998
/s/EDGAR D. JANNOTTA ----- Edgar D. Jannotta	Director	March 21, 1998
/s/PERRY J. LEWIS ----- Perry J. Lewis	Director	March 21, 1998
/s/JOAN D. MANLEY ----- Joan D. Manley	Director	March 21, 1998
/s/ANDREW J. MCKENNA ----- Andrew J. McKenna	Director	March 21, 1998

SIGNATURE -----	TITLE -----	DATE ----
/s/NEWTON N. MINOW ----- Newton N. Minow	Director	March 21, 1998
/s/RICHARD C. NOTEBAERT ----- Richard C. Notebaert	Director	March 21, 1998
/s/PEER PEDERSEN ----- Peer Pedersen	Director	March 21, 1998
/s/DONALD S. PERKINS ----- Donald S. Perkins	Director	March 21, 1998
/s/JOHN W. ROGERS, JR. ----- John W. Rogers, Jr.	Director	March 21, 1998
/s/GEORGE A. SCHAEFER ----- George A. Schaefer	Director	March 21, 1998
/s/RAYMOND I. SKILLING ----- Raymond I. Skilling	Director	March 21, 1998
/s/FRED L. TURNER ----- Fred L. Turner	Director	March 21, 1998
/s/ARNOLD R. WEBER ----- Arnold R. Weber	Director	March 21, 1998
/s/HARVEY N. MEDVIN ----- Harvey N. Medvin	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 21, 1998

Aon Corporation and Subsidiaries
 CONSOLIDATED SUMMARY OF INVESTMENTS - OTHER
 THAN INVESTMENTS IN RELATED PARTIES
 AS OF DECEMBER 31, 1997

(millions)	Amortized Cost or Cost	Fair Value	Amount shown in Statement of Financial Position
	-----	-----	-----
Fixed maturities - available for sale:			
U.S. government and agencies	\$ 208.6	\$ 212.8	\$ 212.8
States and political subdivisions	523.9	554.9	554.9
Debt securities of foreign governments not classified as loans	841.9	891.8	891.8
Corporate securities	1,282.9	1,323.6	1,323.6
Public utilities	59.4	61.7	61.7
Mortgage-backed securities	42.6	43.7	43.7
Other fixed maturities	54.6	55.1	55.1
 TOTAL FIXED MATURITIES	 3,013.9	 3,143.6	 3,143.6
Equity securities - available for sale:			
Common stocks:			
Banks, trusts, and insurance companies	197.1	318.6	318.6
Industrial, miscellaneous, and all other	106.3	149.0	149.0
Nonredeemable preferred stocks	335.4	338.7	338.7
 TOTAL EQUITY SECURITIES	 638.8	 \$ 806.3	 806.3
Other:			
Mortgage loans on real estate	15.0*		14.7*
Real estate - net of depreciation	11.6		11.6
Policy loans	57.8		57.8
Other long-term investments	199.1*		190.4*
Short-term investments	1,697.7		1,697.7
 TOTAL INVESTMENTS	 \$ 5,633.9		 \$ 5,922.1
	=====		=====

* Differences between cost and amounts shown in Statements of Financial Position for investments other than fixed maturity and equity securities result from certain valuation allowances.

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF FINANCIAL POSITION

(millions)	As of December 31,	
	1997	1996
ASSETS		
Investments in subsidiaries	\$ 4,667.8	\$ 3,268.9
Notes receivable - subsidiaries	745.3	482.6
Cash and cash equivalents	9.5	216.9
Other assets	166.2	34.4
	-----	-----
Total Assets	\$ 5,588.8	\$ 4,002.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Short-term borrowings	\$ 764.2	\$ 213.4
6.3% long-term debt securities	99.8	99.8
7.4% long-term debt securities	99.9	99.9
6.875% long-term debt securities	99.9	99.9
6.7% long-term debt securities	149.7	149.7
Subordinated debt.....	800.0	--
Notes payable - subsidiaries	488.8	351.4
Notes payable - other	70.0	--
Debt guarantee of employee stock ownership plan	33.1	46.1
Accrued expenses and other liabilities	111.3	59.7
	-----	-----
Total Liabilities	2,716.7	1,119.9
	=====	=====
Redeemable preferred stock	50.0	50.0
STOCKHOLDERS' EQUITY		
Preferred stock	-	5.5
Common stock	171.5	114.1
Paid-in additional capital	377.0	475.4
Net unrealized investment gains of subsidiaries	189.0	153.1
Net foreign exchange gains (losses) of subsidiaries	(85.6)	1.0
Retained earnings	2,463.4	2,356.8
Less treasury stock at cost	(93.2)	(121.5)
Less deferred compensation	(200.0)	(151.5)
	-----	-----
Total Stockholders' Equity	2,822.1	2,832.9
	=====	=====
Total Liabilities and Stockholders' Equity ...	\$ 5,588.8	\$ 4,002.8
	=====	=====

See notes to condensed financial statements

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF INCOME

	Years ended December 31		
	1997	1996	1995
(millions)			
REVENUE			
Dividends from subsidiaries	\$ 179.6	\$ 1,026.6	\$ 199.3
Other investment income	49.5	44.1	34.3
Realized investment gains (losses)	2.3	(11.0)	(4.1)
Total Revenue	231.4	1,059.7	229.5
EXPENSES			
Operating and administrative	6.3	5.7	3.0
Interest - subsidiaries	85.3	20.6	20.0
Interest - other (1)	61.7	43.2	53.6
Total Expenses	153.3	69.5	76.6
INCOME BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	78.1	990.2	152.9
Equity in undistributed income of subsidiaries	220.7	(655.0)	249.9
NET INCOME	\$ 298.8	\$ 335.2	\$ 402.8

See notes to condensed financial statements.

- (1) Interest expense - other allocated to discontinued operations was \$5 million and \$18 million for the years ended December 31, 1996 and 1995, respectively.

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF CASH FLOWS

	Years ended December 31		
	1997	1996	1995
(millions)			
Cash Flows From Operating Activities	\$ 124.3	\$ 1,016.9	\$ 164.5
Cash Flows From Investing Activities:			
Investments in subsidiaries	(1,354.8)	(319.3)	(62.6)
Notes receivables from subsidiaries	(135.2)	(10.8)	1.5
Cash Used by Investing Activities	(1,490.0)	(330.1)	(61.1)
Cash Flows From Financing Activities:			
Treasury stock transactions - net	21.4	(40.1)	(46.4)
Issuance (repayment) of short-term borrowings - net	541.7	(139.2)	108.8
Issuance of subordinated debt.....	800.0	--	--
Issuance (repayment) of notes payable and long-term debt.....	113.5	(105.6)	73.6
Retirement of preferred stock	(136.2)	(14.2)	(75.4)
Cash dividends to stockholders	(182.1)	(172.9)	(171.3)
Cash Provided (Used) by Financing Activities	1,158.3	(472.0)	(110.7)
Increase (Decrease) in Cash and Cash Equivalents	(207.4)	214.8	(7.3)
Cash and Cash Equivalents at Beginning of Year	216.9	2.1	9.4
Cash and Cash Equivalents at End of Year	\$ 9.5	\$ 216.9	\$ 2.1

See notes to condensed financial statements.

SCHEDULE II
(Continued)

Aon Corporation
(Parent Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(1) See notes to consolidated financial statements incorporated by reference from the Annual Report.

(2) Payments made as assessments by state guaranty funds to cover losses to policyholders of insurance companies under regulatory supervision for the years ended December 31, 1997, 1996 and 1995 were \$0.8 million, \$1.4 million and \$5.0 million, respectively.

(3) Generally, the net assets of Aon's insurance subsidiaries available for transfer to the parent company are limited to the amounts that the insurance subsidiaries' statutory net assets exceed minimum statutory capital requirements; however, payments of the amounts as dividends in excess of \$360 million may be subject to approval by regulatory authorities.

(4) Subsequent Events On February 5, 1998, Aon announced an agreement to acquire Gil y Carvajal, the leading broker in Spain. In addition, Aon announced an agreement in principle to acquire Le Blanc de Nicolay, subject to normal regulatory consents and due diligence. Le Blanc de Nicolay is the largest reinsurance broker in France and is also prominent in retail brokerage and consulting services. Annual revenues of these acquisitions are approximately \$125 million.

Aon Corporation
(Parent Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(5) Below is a reconciliation of the combined statutory stockholders' equity and net income of Aon's insurance subsidiaries to the consolidated stockholders' equity and net income on a basis in accordance with generally accepted accounting principles (GAAP):

(millions)

	As of December 31, 1997		
	Life/A&H	P&C	Combined
Statutory Stockholders' Equity	\$ 724.3	\$ 438.3	\$ 1,162.6
Insurance business related adjustments:			
Deferred policy acquisition costs	421.7	127.3	549.0
Excess of cost over net assets purchased	2.2	-	2.2
Policy liabilities and reinsurance assets	126.3	-	126.3
Deferred income taxes	(264.0)	16.9	(247.1)
Investment valuation reserves	184.4	-	184.4
Non admitted assets	60.9	7.4	68.3
Unrealized capital gains (FAS 115)	89.9	39.8	129.7
Subtotal	\$ 1,345.7	\$ 629.7	1,975.4
Investment in other operations and other			2,692.5
Investments in subsidiaries			4,667.9
Elimination of parent company contributions			(1,845.8)
Consolidated Stockholders' Equity			\$ 2,822.1

(millions)

	As of December 31, 1996		
	Life/A&H	P&C	Combined
Statutory Stockholders' Equity	\$ 611.7	\$ 363.8	\$ 975.5
Insurance business related adjustments:			
Deferred policy acquisition costs	488.8	110.0	598.8
Excess of cost over net assets purchased	2.6	-	2.6
Policy liabilities and reinsurance assets	112.1	-	112.1
Deferred income taxes	(185.9)	24.1	(161.8)
Investment valuation reserves	133.7	-	133.7
Non admitted assets	47.3	5.9	53.2
Unrealized capital gains (FAS 115)	76.8	34.8	111.6
Subtotal	\$ 1,287.1	\$ 538.6	1,825.7
Investment in other operations and other			1,443.2
Investments in subsidiaries			3,268.9
Elimination of parent company contributions			(436.0)
Consolidated Stockholders' Equity			\$ 2,832.9

(millions)

	As of December 31, 1997		
	Life/A&H	P&C	Combined
Statutory Net Income *	\$ 264.7	\$ 65.8	\$ 330.5
Insurance business related adjustments:			
Deferred policy acquisition costs	65.3	98.3	163.6
Amortization of deferred policy acquisition costs	(127.2)	(81.0)	(208.2)
Amortization of cost of insurance purchased	-	-	-
Amortization of excess of cost over net assets purchased	(0.8)	-	(0.8)
Policy liabilities and reinsurance assets	14.2	-	14.2
Deferred income taxes	(80.1)	(6.1)	(86.2)
Change in valuation reserves	(3.1)	-	(3.1)
Deferred income (losses)	(69.9)	3.2	(66.7)
Difference in realized gain on sale of subsidiaries	-	-	-
Realized gain on transfer of subsidiary	-	-	-
Subtotal	\$ 63.2	\$ 80.2	143.3
Investment in other operations and other			155.5

Consolidated Net Income - GAAP Basis	\$ 298.8
--------------------------------------	----------

* net of intercompany dividends

(millions)

	As of December 31, 1996		
	Life/A&H	P&C	Combined
	\$	\$	\$
Statutory Net Income *	807.4	70.7	878.1
Insurance business related adjustments:			
Deferred policy acquisition costs	121.6	95.1	216.7
Amortization of deferred policy acquisition costs	(166.9)	(68.7)	(235.6)
Amortization of cost of insurance purchased	(2.0)	-	(2.0)
Amortization of excess of cost over net assets purchased	(0.9)	-	(0.9)
Policy liabilities and reinsurance assets	11.8	-	11.8
Deferred income taxes	(4.0)	(9.2)	(13.3)
Change in valuation reserves	4.1	-	4.1
Deferred income (losses)	2.8	(3.5)	(0.7)
Difference in realized gain on sale of subsidiaries	(551.2)	-	(551.2)
Realized gain on transfer of subsidiary	-	-	-
Subtotal	222.8	84.4	307.1
Investment in other operations and other			28.1
Consolidated Net Income - GAAP Basis			\$ 335.2

* net of intercompany dividends

(millions)

	As of December 31, 1995		
	Life/A&H	P&C	Combined
	\$	\$	\$
Statutory Net Income *	196.7	57.5	254.2
Insurance business related adjustments:			
Deferred policy acquisition costs	325.6	84.7	410.3
Amortization of deferred policy acquisition costs	(240.3)	(62.4)	(302.7)
Amortization of cost of insurance purchased	(10.4)	-	(10.4)
Amortization of excess of cost over net assets purchased	(4.9)	-	(4.9)
Policy liabilities and reinsurance assets	(31.0)	-	(31.0)
Deferred income taxes	(17.1)	(7.8)	(24.9)
Change in valuation reserves	5.6	-	5.6
Deferred income (losses)	34.3	5.9	40.2
Difference in realized gain on sale of subsidiaries	-	-	-
Realized gain on transfer of subsidiary	7.0	-	7.0
Subtotal	265.5	77.9	343.4
Investment in other operations and other			59.4
Consolidated Net Income - GAAP Basis			\$ 402.8

* net of intercompany dividends

Aon Corporation and Subsidiaries
SUPPLEMENTARY INSURANCE INFORMATION

	Deferred policy acquisition costs	Future policy benefits, losses, claims and loss expenses	Unearned premiums and other policy- holders' funds	Premium revenue	Net investment income(1)	Commis- sions, fees and other	Benefits, claims, losses and settlement expenses	Amorti- zation of deferred policy acqui- sition costs	Other oper- ating expenses	Premiums written(2)
(millions)										
Year ended December 31, 1997										
Insurance brokerage and consulting services .	\$ --	\$ --	\$ --	\$ --	\$ 168.6	\$3,605.2	\$ --	\$ --	\$ 3,425.0	\$ --
Insurance underwriting .	549.0	1,752.0	2,697.8	1,608.9	214.3	34.6	842.3	208.2	529.0	1,596.2
Corporate and other.....	--	--	--	--	111.1	7.9	--	--	204.5	--
Total	\$ 549.0	\$ 1,752.0	\$ 2,697.8	\$ 1,608.9	\$ 494.0	\$ 3,647.7	\$ 842.3	\$ 208.2	\$ 4,158.5	\$ 1,596.2
Year ended December 31, 1996										
Insurance brokerage and consulting services .	\$ --	\$ --	\$ --	\$ --	\$ 83.5	\$1,918.8	\$ --	\$ --	\$1,820.2	\$ --
Insurance underwriting .	598.8	1,920.3	2,439.3	1,526.7	197.0	50.1	789.5	207.9	524.1	1,581.6
Corporate and other....	--	--	--	--	103.5	8.6	--	--	100.9	--
Total	\$ 598.8	\$ 1,920.3	\$ 2,439.3	\$ 1,526.7	\$ 384.0	\$ 1,977.5	\$ 789.5	\$ 207.9	\$ 2,445.2	\$ 1,581.6
Year ended December 31, 1995										
Insurance brokerage and consulting services ..	\$ --	\$ --	\$ --	\$ --	\$ 75.7	\$1,651.3	\$ --	\$ --	\$1,515.1	\$ --
Insurance underwriting .	1,348.7	2,446.0	7,110.4	1,426.5	168.5	44.9	698.5	207.5	487.5	1,596.2
Corporate and other.....	--	--	--	--	85.2	13.6	--	--	99.1	--
Total	\$ 1,348.7	\$ 2,446.0	\$ 7,110.4	\$ 1,426.5	\$ 329.4	\$ 1,709.8	\$ 698.5	\$ 207.5	\$ 2,101.7	\$ 1,596.2

(1) The above results reflect allocations of investment income and certain expense elements considered reasonable under the circumstances.

(2) Net of reinsurance ceded.

SCHEDULE IV
Aon Corporation and Subsidiaries
REINSURANCE

Year Ended December 31, 1997					
(millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Life insurance in force (1)	\$ 10,437.8	\$ 12,514.9	\$ 8,822.7	\$ 6,745.6	130.8%
Premiums and policy fees					
Life Insurance	\$ 214.0	\$ 153.5	\$ 85.8	\$ 146.3	58.6%
A&H Insurance	1,072.7	277.7	139.7	934.7	14.9
Specialty Property & Casualty (2)	634.2	178.3	72.0	527.9	13.6
Total premiums and policy fees	\$ 1,920.9	\$ 609.5	\$ 297.5	\$ 1,608.9	18.5%

(1) Includes credit life insurance.
(2) Includes mechanical repair insurance sold through automobile dealers,
appliance warranty insurance and property liability insurance.

Year Ended December 31, 1996					
(millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Life insurance in force (1)	\$ 10,996.7	\$ 12,749.8	\$ 10,304.1	\$ 8,551.0	120.5%
Premiums and policy fees					
Life Insurance	\$ 206.5	\$ 133.0	\$ 87.7	\$ 161.2	54.4%
A&H Insurance	1,045.3	213.9	112.7	944.1	11.9
Specialty Property & Casualty (2)	490.3	160.8	91.9	421.4	21.8
Total premiums and policy fees	\$ 1,742.1	\$ 507.7	\$ 292.3	\$ 1,526.7	19.1%

(1) Includes credit life insurance.
(2) Includes mechanical repair insurance sold through automobile dealers,
appliance warranty insurance and property liability insurance.

Year Ended December 31, 1995					
(millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Life insurance in force (1)	\$ 80,176.6	\$ 27,936.6	\$ 991.4	\$ 53,231.4	1.9%
Premiums and policy fees					
Life Insurance	\$ 251.9	\$ 83.9	\$ 4.0	\$ 172.0	2.3%
A&H Insurance	1,032.9	98.5	5.1	939.5	0.5
Specialty Property & Casualty (2)	375.0	133.9	73.9	315.0	23.5
Total premiums and policy fees	\$ 1,659.8	\$ 316.3	\$ 83.0	\$ 1,426.5	5.8%

(1) Includes credit life insurance.
(2) Includes mechanical repair insurance sold through automobile dealers,
appliance warranty insurance and property liability insurance.

Aon CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1997, 1996 and 1995

(millions)	Description	Additions				Balance at end of year
		Balance at beginning of year	Charged to cost and expenses	Charged/(credited) to other accounts	Deductions (1)	
Year ended December 31, 1997						
	Reserve for losses (3) (deducted from mortgage loans on real estate)	\$ 0.7	\$ -	\$ (0.4)	\$ -	\$ 0.3
	Reserve for losses (3) (deducted from other long-term investments)	5.2	-	3.5	-	8.7
	Allowance for doubtful accounts (4) (deducted from insurance brokerage and consulting services receivables)	59.9	9.3	66.7	(14.4)	121.5
	Allowance for doubtful accounts (deducted from premiums and other)	3.1	2.2	-	(0.3)	5.0
Year ended December 31, 1996						
	Reserve for losses (2) (deducted from mortgage loans on real estate)	\$ 25.6	\$ -	\$ (24.9)	\$ -	\$ 0.7
	Reserve for losses (deducted from other long-term investments)	5.2	-	-	-	5.2
	Allowance for doubtful accounts (4) (deducted from insurance brokerage and consulting services receivables)	47.4	9.5	13.4	(10.5)	59.9
	Allowance for doubtful accounts (2) (deducted from premiums and other)	3.9	2.1	(2.9)	-	3.1
Year ended December 31, 1995						
	Reserve for losses (3) (deducted from mortgage loans on real estate)	\$ 29.7	\$ -	\$ (4.1)	\$ -	\$ 25.6
	Reserve for losses (3) (deducted from other long-term investments)	6.7	-	1.0	(2.5)	5.2
	Allowance for doubtful accounts (deducted from insurance brokerage and consulting services receivables)	45.2	6.0	-	(3.8)	47.4
	Allowance for doubtful accounts (deducted from premiums and other)	3.2	2.0	-	(1.3)	3.9

- (1) Amounts deemed to be uncollectible.
(2) Amounts shown in additions credited to other accounts primarily represent reduction due to sale of discontinued operations.
(3) Amounts shown in additions charged/(credited) to other accounts represent realized investment (gains)/losses.
(4) Amounts shown in additions charged to other accounts represent reserves related to acquired business.

Cross Reference Sheet, Pursuant
to General Instruction G(4)

ITEM IN FORM 10-K

Part I

Item 1. Business

INCORPORATED BY REFERENCE TO

Annual Report to Stockholders of the Registrant for the Year 1997 ("Annual Report") pages 7 through 16, and 32 and 33.

Item 3. Legal Proceedings

Annual Report page 42 (note 12 of Notes to Consolidated Financial Statements).

Part II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

Annual Report page 36 (note 8 of Notes to Consolidated Financial Statements) and page 45 ("Dividends paid per share" and "Price range").

Item 6. Selected Financial Data

Annual Report page 44.

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

Annual Report pages 18 through 24.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Annual Report page 24 ("Market Risk Exposure").

Item 8. Financial Statements and Supplementary Data

Annual Report pages 25 through 43 and 45.

Part III

Item 10. Directors and Executive Officers of the Registrant

Proxy Statement For Annual Meeting of Stockholders on April 17, 1998 of the Registrant ("Proxy Statement") pages 3, 7, 11 and 12 .

Item 11. Executive Compensation

Proxy Statement pages 14 through 17.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Proxy Statement pages 2, 9 and 10.

Item 13. Certain Relationships and Related Transactions

Proxy Statement page 22 ("Transactions With Management").

Part IV

Item 14. Exhibits, Financial Statement Schedules, And Reports on Form 8-K

Annual Report pages 25 through 43.

EXHIBIT INDEX

Exhibit Number
Regulation
S-K, Item 601

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- (3) Articles of incorporation and bylaws:
- (a) Second Restated Certificate of Incorporation of the Registrant incorporated by reference to Exhibit 3(a) to the 1991 Form 10-K.
 - (b) Certificate of Amendment of the Registrant's Second Restated Certificate of Incorporation - incorporated by reference to Exhibit 3 to the First Quarter 1994 Form 10-Q.
 - (c) Bylaws of the Registrant - incorporated by reference to Exhibit (d) to the 1982 Form 10-K.
 - (d) Certificate of Designation for the Registrant's Series C Cumulative Preferred Stock - incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 9, 1994.
- (4) Instruments defining the rights of security holders, including indentures:
- (a) Indenture dated September 15, 1992 between the Registrant and Continental Bank Corporation (now known as Bank of America Illinois), as Trustee - incorporated by reference to Exhibit 4(a) of the Registrant's Current Report on Form 8-K dated September 23, 1992.
 - (b) Resolutions establishing terms of 6.875% Notes Due 1999 and 7.40% Notes Due 2002 - incorporated by reference to Exhibit 4(d) to the 1992 Form 10-K.
 - (c) Resolutions establishing the terms of 6.70% Notes Due 2003 incorporated by reference to Exhibit 4(c) to the 1993 Form 10-K.
 - (d) Resolutions establishing the terms of 6.30% Notes Due 2004 incorporated by reference to Exhibit 4(d) to the 1993 Form 10-K.
 - (e) Junior Subordinated Indenture dated as of January 13, 1997 between the Registrant and The Bank of New York, as trustee - incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to Registration Statement on Form S-4 No. 333-21237 dated March 27, 1997 (the "Capital Securities Registration").
 - (f) First Supplemental Indenture dated as of January 13, 1997 between the Registrant and the Bank of New York, as trustee - incorporated by reference to Exhibit 4.2 of the Capital Securities Registration.
 - (g) Certificate of Trust of Aon Capital A - incorporated by reference to Exhibit 4.3 of the Capital Securities Registration.

EXHIBIT INDEX

Exhibit Number
Regulation
S-K, Item 601

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- (h) Amended and Restated Trust Agreement of Aon Capital A dated as of January 13, 1997 among the Registrant, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, the Administrative Trustees named therein and the holders, from time to time, of the Capital Securities - incorporated by reference to Exhibit 4.5 of the Capital Securities Registration.
 - (i) Capital Securities Guarantee Agreement dated as of January 13, 1997 between the Registrant and the Bank of New York, as guarantee trustee - incorporated by reference to Exhibit 4.8 of the Capital Securities Registration.
 - (j) Capital Securities Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.10 of the Capital Securities Registration.
 - (k) Debenture Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.11 of the Capital Securities Registration.
 - (l) Guarantee Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.12 of the Capital Securities Registration.
- (10) Material Contracts:
- (a) Aon Stock Option Plan (as amended and restated through 1997)- incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended March 31, 1997 (the "First Quarter 1997 Form 10-Q").
 - (b) Registration Rights Agreement by and among the Registrant and certain affiliates of Ryan Insurance Group, Inc. (Including Patrick G. Ryan and Andrew J. McKenna) - incorporated by reference to Exhibit (f) to the 1982 Form 10-K.
 - (c) Deferred Compensation Agreement by and among Registrant and Registrant's directors who are not salaried employees of Registrant or Registrant's affiliates - incorporated by reference to Exhibit 10(i) to the 1987 Form 10-K.

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- (d) Aon Stock Award Plan (as amended and restated through 1997)- incorporated by reference to Exhibit 10(b) to the First Quarter 1997 Form 10-Q.
- (e) Amendment and Waiver Agreement dated as of November 4, 1991 among the Registrant and each of Patrick G. Ryan, Shirley Ryan, Ryan Enterprises Corporation and Harvey N. Medvin - incorporated by reference to Exhibit 10(j) to the 1991 Form 10-K.
- (f) Registration Rights Agreement dated November 2, 1992 by and between the Registrant and Frank B. Hall & Co., Inc. - incorporated by reference to Exhibit 4(c) to the Third Quarter 1992 Form 10-Q.
- (g) Aon Corporation 1994 Amended and Restated Outside Director Stock Award Plan - incorporated by reference to Exhibit 10(b) to the First Quarter 1994 Form 10-Q.
- (h) Aon Corporation 1995 Senior Officer Incentive Compensation Plan - incorporated by reference to Exhibit 10(p) to the 1995 Form 10-K.
- (i) Aon Deferred Compensation Plan and First Amendment to the Aon Deferred Compensation Plan - incorporated by reference to Exhibit 10(q) to the 1995 Form 10-K.
- (j) Aon Severance Plan - incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended June 30, 1997.
- (k) Asset Purchase Agreement dated July 24, 1992 between the Registrant and Frank B. Hall & Co. Inc. - incorporated by reference to Exhibit 10(c) to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1992.
- (l) Stock Purchase Agreement by and among the Registrant, Combined Insurance Company of America, Union Fidelity Life Insurance Company and General Electric Capital Corporation dated as of November 11, 1995 - incorporated by reference to Exhibit 10(s) of the 1995 Form 10-K.
- (m) Stock Purchase Agreement by and among the Registrant; Combined Insurance Company of America; The Life Insurance Company of Virginia; Forth Financial Resources, Ltd.; Newco Properties, Inc.; and General Electric Capital Corporation dated as of December 22, 1995 - incorporated by reference to Exhibit 10(t) to the 1995 Form 10-K.

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- (n) Agreement and Plan of Merger among the Registrant, Purchaser and A&A dated as of December 11, 1996 - incorporated by reference to Exhibit (c)(1) to the Registrant's Schedule 14D-1 filed with the SEC on December 16, 1996.
- (o) First Amendment to Agreement and Plan of Merger dated as of January 7, 1997 among the Registrant, Purchaser and A&A incorporated by reference to Exhibit (c)(3) to Schedule 14D-1 filed by the Registrant with the SEC on January 9, 1997.
- (p) Employment Agreement dated June 1, 1993 by and among the Registrant, Aon Risk Services, Inc. and Michael D. O'Halleran.
- (12) Statements regarding Computation of Ratios.
 - (a) Statement regarding Computation of Ratio of Earnings of Fixed Charges.
 - (b) Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- (13) Annual Report to Stockholders of the Registrant for the year ended December 31, 1997.
- (21) List of subsidiaries of the Registrant.
- (23) Consent of Ernst & Young LLP to the incorporation by reference into Aon's Annual Report on Form 10-K of their report included in the 1997 Annual Report to Stockholders and into Aon's Registration Statement Nos. 33-27984, 33-42575, 33-59037 and 333-21237.
- (99) Annual Report to the Securities and Exchange Commission on Form 11-K for the Aon Savings Plan for the year ended December 31, 1997 - to be filed by amendment as provided in Rule 15d-21(b).

EXHIBIT 10(P)
EMPLOYMENT AGREEMENT

This Employment Agreement dated as of June 1, 1993 among Aon Corporation, a Delaware corporation ("Aon"), Aon's wholly-owned subsidiary, Aon Risk Services, Inc., a Delaware corporation ("Aon Risk"), and Michael D. O'Halleran ("O'Halleran").

WHEREAS, pursuant to an Employment Agreement dated as of April 15, 1988 (the "Prior Agreement"), O'Halleran has been Chairman and Chief Executive Officer of Aon Risk, and has served as a director and/or officer of subsidiaries of Aon Risk; and

WHEREAS, while the term of the Prior Agreement does not end until November 1, 1997, the parties to the Prior Agreement and this Agreement desire to continue the services of O'Halleran beyond November 1, 1997 and provide for new terms and conditions governing O'Halleran's employment by Aon Risk.

NOW, THEREFORE, in consideration of the mutual covenant contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I: Scope of Employment

1.1 TERM. O'Halleran will continue to be an employee of one or more of Aon's subsidiaries for a term ending on December 31, 1998 (the "Initial Term"). The term of O'Halleran's employment will be subject to automatic renewal for successive twelve-month periods thereafter unless this Agreement is terminated by O'Halleran or the Aon subsidiary by which he is then principally employed as of the expiration of any such twelve-month period upon not less than 30 days' prior written notice to the other party.

1.2 DUTIES. Aon Risk has caused O'Halleran to be elected, and O'Halleran agrees to serve, as Chairman, Chief executive officer and a director of Aon Risk. O'Halleran will report directly to Aon Risk's board of directors.

1.3 BOARD REPRESENTATION. While Aon, Aon Risk and O'Halleran recognize that the right to elect directors is by law vested in stockholders, it is nevertheless mutually contemplated, subject to such right, that during the entire time that O'Halleran is principally employed by Aon Risk, O'Halleran shall continue to serve as a director of Aon Risk; provided, however, that O'Halleran's removal from Aon Risk's board of directors shall not be deemed a breach of this Agreement.

1.4 EXCLUSIVE EMPLOYMENT. So long as O'Halleran is an employee of any of Aon's subsidiaries, O'Halleran (i) will devote his best efforts and all of his business time, efforts, and attention to furthering the interests of such subsidiaries; and (ii) will not, directly or indirectly, engage in any business activity which is competitive with any business activity conducted by such subsidiaries.

1.5 NO VIOLATION OF COVENANTS AND RESTRICTIONS. O'Halleran agrees not to violate any legally enforceable covenants or restrictions affecting his work for any of Aon's subsidiaries, as set forth in any agreements into which he may have entered, including, but not limited to, employment agreements, sales agreements, deferred compensation agreements, restricted stock or option agreements. O'Halleran will not act in any capacity as a reinsurance intermediary that would violate any then-legally enforceable covenants or restrictions affecting his work.

1.6 REPRESENTATION REGARDING PRIOR EMPLOYMENT. O'Halleran represents and warrants to Aon that he has provided Aon with copies of all covenants and restrictions which may be applicable to his employment hereunder and that all such covenants and restrictions are accurately identified in Exhibit A attached to this Agreement.

1.7 TERMINATION. O'Halleran's employment with any of Aon's subsidiaries may be terminated at any time by the Aon subsidiary by which O'Halleran is then principally employed in the event of O'Halleran's dishonesty as determined by the Compensation Committee of Aon's Board of Directors ("Dishonesty"). Such termination is hereinafter referred to as a "Termination for Dishonesty." O'Halleran's employment with any Aon subsidiary may also be terminated at any time for any or no reason by O'Halleran or the Aon Subsidiary by which O'Halleran is then principally employed, upon 10 days' prior written notice given by O'Halleran to such Aon subsidiary ("Voluntary Termination") or given by such Aon subsidiary to O'Halleran ("Involuntary Termination").

ARTICLE II: Compensation

2.1 BASE COMPENSATION. From the date of this Agreement until January 1, 1994, O'Halleran's base salary shall continue at its' current rate per annum. Thereafter, O'Halleran's base salary shall be determined annually by the Board of Directors of the Aon subsidiary by which he is then principally employed, but shall be at a rate not less than \$750,000 per year, and shall be subject to the approval of the Compensation Committee of the Board of Directors of Aon. O'Halleran's base compensation shall be payable on the same dates and in the same manner as the base compensation of senior executives of other Aon subsidiaries.

2.2 EXECUTIVE BENEFITS. Subject to the terms of such plans and so long as O'Halleran remains employed by any of Aon's subsidiaries, O'Halleran will be covered under all retirement, employee investment, medical and dental, short-term and long-term disability, life insurance, accident insurance and other similar benefit plans substantially equivalent to such plans maintained from time to time by Aon's subsidiary, Rollins Hudig Hall Group, Inc. for its senior executives. If any such plan bases payments thereunder on the amount of O'Halleran's compensation, his

compensation for purposes of such plan shall, unless such plan provides otherwise, be deemed to be his base compensation as determined pursuant to Section 2.1 of this Agreement.

2.3 PAYMENTS IN THE EVENT OF INVOLUNTARY TERMINATION. In the event of O'Halleran's Involuntary Termination before December 31, 1998 and so long as O'Halleran continues to satisfy his obligations under Sections 3.2 and 3.3 of this Agreement, he will be paid compensation at the rate of \$750,000 per year for the period following such Involuntary Termination (in addition to any amount which may be payable pursuant to Section 2.7 of this Agreement) until (i) December 31, 1998, or (ii) the expiration of two years following such Involuntary Termination, whichever is longer.

In addition, if this Agreement is not renewed in accordance with the provisions of Section 1.1 of this Agreement after December 31, 1998 (unless sooner terminated in which case the provisions of the preceding sentence of this section shall only apply), O'Halleran will be paid compensation at the rate of \$750,000 per year for the two years following December 31, 1998.

2.4 LOANS. O'Halleran currently owes Aon \$300,000 pursuant to an unsecured promissory note (the "Note") which bears interest at the rate of 8% per annum, without compounding. The principal amount and all accrued interest under such Note will become due and payable in full on the second anniversary of such Note; provided, however, that, as additional consideration for the performance of services by O'Halleran, all principal and interest due and payable on the Note will be forgiven (x) if O'Halleran remains an employee of any of Aon's subsidiaries until the date such amounts would otherwise become due and payable on such Note or (y) as provided in Section 2.7.

2.5 RESTRICTED STOCK. Pursuant to the provisions of the Aon Stock Award Plan (the "Plan") Aon will cause to be granted to O'Halleran Aon common stock, par value \$1.00 per share ("Aon Stock") in the following amounts effective on the dates set forth opposite such amounts:

- (a) 20,000 January 1, 1994
- (b) 20,000 January 1, 1996
- (c) 20,000 January 1, 1998

Each of (a), (b), and (c) above shall be considered separate grants under the Plan, and shall be subject to all the terms and conditions of the Plan. Each of the grants outlined hereinabove shall be adjusted accordingly in the event Aon Stock is subject to split, stock dividend, recapitalization or exchange. Notwithstanding anything to the contrary herein, should O'Halleran's employment terminate hereunder for any reason, no subsequent grant shall be effective.

2.6 CLUB MEMBERSHIPS. Aon will pay all initiation fees, periodic membership dues and reasonable client entertainment expenses incurred by O'Halleran at the Big Foot Country Club, the Royal Melbourne Country Club, the Tower Club and the Tavern Club during his employment by any of Aon's subsidiaries pursuant to this Agreement.

2.7 ADDITIONAL COMPENSATION UPON DEATH, EXTENDED TOTAL DISABILITY OR INVOLUNTARY TERMINATION. During the Initial Term, within 30 days after (i) the first date on which O'Halleran has continuously been Totally Disabled (defined and determined in a manner consistent with the long-term disability plan or plans under which O'Halleran is covered pursuant to Section 2.2) for at least one year, (ii) the date of O'Halleran's death while employed by any of Aon's subsidiaries or (iii) the date of O'Halleran's Involuntary Termination (any such date, the "Payment Date"), (a) O'Halleran or the executors or administrators of his estate, as the case may be, shall receive a payment equal to the base compensation set forth in Section 2.1, (b) the principal of and accrued interest on all Notes made pursuant to Section 2.4 shall be forgiven, and (c) the unvested portion of any grant made pursuant to Section 2.5 herein shall accelerate and become fully vested.

ARTICLE III: CONFIDENTIALITY AND NON-COMPETITION

3.1 ACCESS TO INFORMATION. As an employee and officer of one or more of Aon's subsidiaries, O'Halleran acknowledges that he is expected to obtain access to proprietary, secret or confidential information relating to (i) business, conduct or operations of such subsidiaries and their clients, (ii) research, processes, methods, techniques, computer programs, client lists, client requirements, reports and similar materials used in connection with such subsidiaries' business, and (iii) the enhancement of, or possible uses or applications for, such items or services.

3.2 CONFIDENTIALITY. While O'Halleran is an employee or officer of any subsidiary of Aon and at all times thereafter, he agrees to respect the confidentiality of any information received as a result of his association with any subsidiary of Aon and agrees not to disclose to others any proprietary, secret or confidential information. Upon termination of O'Halleran's employment for any reason, he agrees not to take any confidential, proprietary or secret information or copies thereof with him, nor will he use, duplicate or disclose such information to anyone else.

3.3 NON-SOLICITATION. In light of the special and unique nature of the relationship described herein, as consideration for O'Halleran's employment and in order to protect the legitimate and protectible business interest of Aon Risk and Aon Risk's subsidiaries, including, but not limited to, any confidential and proprietary information to which O'Halleran will obtain access, O'Halleran agrees that for a period of two years following Voluntary Termination of his employment, Termination for Dishonesty or other expiration of his employment under this Agreement, O'Halleran will not directly or indirectly:

(a) solicit business from, or assist others in soliciting business from or performing work for, any client of Aon Risk or any subsidiary of Aon Risk which O'Halleran personally handled or

serviced at any time during the one year period immediately preceding termination; or

(b) attempt to hire, hire, assist in hiring or cause to be hired by another, any person who was an employee of Aon Risk or any subsidiary of Aon Risk at any time during the six months preceding termination.

3.4 IRREPARABLE INJURY. O'Halleran expressly acknowledges, recognizes and understands that a breach of any of the provisions of Section 3.2 or Section 3.3 will cause irreparable damage to the business of one or more of Aon's subsidiaries and that such damage will be difficult or impossible to measure. O'Halleran agrees that in the event of any such breach, any Aon subsidiary which may be injured thereby, in addition to such other rights and remedies as it may have, may apply to any court of competent jurisdiction for an order requiring specific performance of the provisions of Section 3.2 and 3.3 and seek temporary, preliminary and permanent injunction relief against any act which would violate any such provision. If any provision of Section 3.2 or Section 3.3 shall be held invalid or unenforceable as written, such provision shall be construed a restricting the activities of O'Halleran to the extent such activities may be lawfully restricted.

3.5 O'HALLERAN'S ACKNOWLEDGEMENT. O'Halleran understands and expressly acknowledges that each of the foregoing provisions is reasonable and necessary to protect and preserve the legitimate and protectible business interest of Aon's subsidiaries, and the economic benefit derived therefrom, and that such restrictions will not prevent O'Halleran from earning a livelihood in his chosen business and are not an undue restraint on him.

3.6 SURVIVAL. The provisions of this Article III shall survive any termination of this Agreement.

ARTICLE IV: Miscellaneous

4.1 AON GUARANTEE. Aon guarantees the payment of its subsidiaries' obligations to O'Halleran hereunder.

4.2 EXPENSES. Aon will reimburse O'Halleran for all fees and expenses of legal counsel and accountants reasonably incurred by him in connection with the negotiation of this Agreement. As O'Halleran will comply with any legally enforceable covenants and restrictions applicable to his employment hereunder, it is unlikely that litigation will arise regarding such covenants and restrictions. However, in the unlikely event that an action is filed against O'Halleran, Aon will indemnify him and hold him harmless for the fees and expenses of legal counsel selected by Aon subject to O'Halleran's approval (which approval shall not unreasonably be withheld) for the defense of any claim by any of his present or former employers which is based primarily on his alleged violation of the covenants and restrictions identified on Exhibit A.

4.3 GOVERNING LAW. This agreement will be governed by and construed in accordance with the laws of the State of Illinois.

4.4 NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and sent by certified mail to his residence address as it appears on Aon's records in the case of O'Halleran, or to Aon's principal office in the case of Aon or any of its subsidiaries, addressed to the Secretary of Aon.

4.5 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of Aon and its successors and assigns, including any successor by merger, consolidation or transfer of substantially all of the assets of Aon. Such successor shall assume its performance, and shall have the same duties and obligations as Aon. This Agreement shall be binding upon and inure to the benefit of O'Halleran and his heirs and personal representatives; provided, however, that O'Halleran shall make no assignment of any right or benefit hereunder, except as authorized by

specific provision hereof.

4.6 SEVERABILITY. If for any reason any provision of this Agreement shall be held invalid in whole or in part, such invalidity shall not affect such provision to the extent not so held invalid, or any other provisions of this Agreement not so held invalid, and such provision and all other such provisions shall to the full extent consistent with law continue in full force and effect.

4.7 ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties and supersedes all prior agreements or understandings between the parties, including without limitation the Prior Agreement. This Agreement may not be changed orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

4.8 HEADINGS. The article and section headings and captions in this Agreement are for convenience only and shall not affect the construction or interpretation of this Agreement.

AON CORPORATION

By: /S/PATRICK G. RYAN

Chairman, President and
Chief Executive Officer

AON RISK SERVICES, INC.

By: /S/JEROME S. HANNER

Vice President

By: /S/MICHAEL D. O'HALLERAN

EXHIBIT A

Covenants and Restrictions

1. Those covenants and restrictions affecting Michael D. O'Halleran as contained in that certain Agreement dated July 10, 1981 pertaining to the purchase of assets of First Manhattan Intermediaries, Inc. by Thomas A. Greene & Company, Inc. ("TAG").
2. Those covenants and restrictions affecting Michael D. O'Halleran as contained in any stock option plan or grant made by agreement between Alexander & Alexander Services, Inc. (A&A) and Michael D. O'Halleran, including but not limited to agreements dated March 31, 1983 and August 18, 1986.
3. Those covenants and restrictions affecting Michael D. O'Halleran as contained in any plan of deferred compensation of TAG or A&A, including but not limited to a participation and deferral election agreement between TAG and Michael D. O'Halleran dated November 26, 1986.

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

(millions except ratios)	Years Ended December 31,				
	1997	1996	1995	1994	1993
Income from continuing operations before provision for income tax (1)	\$ 541.6	\$ 445.6	\$ 458.0	\$ 397.0	\$ 331.6
Add back fixed charges:					
Interest on indebtedness	69.5	44.7	55.5	46.4	42.3
Interest on ESOP	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	44.3	28.6	21.4	28.7	26.1
Income as adjusted	\$ 658.9	\$ 523.2	\$ 540.2	\$ 478.0	\$ 406.5
Fixed charges:					
Interest on indebtedness	\$ 69.5	\$ 44.7	\$ 55.5	\$ 46.4	\$ 42.3
Interest on ESOP	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	44.3	28.6	21.4	28.7	26.1
Total fixed charges	\$ 117.3	\$ 77.6	\$ 82.2	\$ 81.0	\$ 74.9
Ratio of earnings to fixed charges	5.6	6.7	6.6	5.9	5.4
Ratio of earnings to fixed charges (2)	7.1	7.9			

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of \$172 million and \$91 million in the years ended December 31, 1997 and 1996, respectively.

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

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

(millions except ratios)	Years Ended December 31,				
	1997	1996	1995	1994	1993
Income from continuing operations before provision for income tax (1)	\$ 541.6	\$ 445.6	\$ 458.0	\$ 397.0	\$ 331.6
Add back fixed charges:					
Interest on indebtedness	69.5	44.7	55.5	46.4	42.3
Interest on ESOP	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	44.3	28.6	21.4	28.7	26.1
Income as adjusted	\$ 658.9	\$ 523.2	\$ 540.2	\$ 478.0	\$ 406.5
Fixed charges and preferred stock dividends:					
Interest on indebtedness	\$ 69.5	\$ 44.7	\$ 55.5	\$ 46.4	\$ 42.3
Preferred stock dividends	82.1	28.7	37.5	48.4	47.5
Interest and dividends	151.6	73.4	93.0	94.8	89.8
Interest on ESOP	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	44.3	28.6	21.4	28.7	26.1
Total fixed charges and preferred stock dividends	\$ 199.4	\$ 106.3	\$ 119.7	\$ 129.4	\$ 122.4
Ratio of earnings to combined fixed charges and preferred stock dividends (2)	3.3	4.9	4.5	3.7	3.3
Ratio of earnings to combined fixed charges and preferred stock dividends (3)	4.2	5.8			

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of \$172 million and \$91 million in the years ended December 31, 1997 and 1996, respectively.

(2) Included in total fixed charges and preferred stock dividends for the year ended December 31, 1997 are \$64 million of pretax distributions on the 8.205% trust preferred capital securities which are classified as "minority interest" on the condensed consolidated statements of operations.

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

Aon Risk Services

A leading global retail insurance brokerage and risk management services company, Aon Risk Services (ARS) offers comprehensive risk management services, including insurance placement, administrative services, program development, risk management and loss control consulting, claims management consulting, premium financing and other fee-based services.

ARS strengths are in its global, industry-focused practice groups, which include aviation, energy, marine, entertainment, construction, health care, utilities, railroads and financial institutions. Product-specific services include directors' and officers' liability, workers' compensation, professional liability, export credit, expropriation, property, casualty and fine arts. Technical services, delivered through Aon Worldwide Resources, include loss control, actuarial analysis, risk management consulting and specialized claims adjusting.

HIGHLIGHTS During 1997, ARS continued to invest in the talent, technology and product development needed to better serve new and existing clients. We launched AonLine, an innovative, cost-effective network of electronic services designed to meet the information needs of risk managers. As a secure "extranet," it is capitalizing on the Internet for personalized and accessible communications and is available exclusively to Aon clients.

OUTLOOK Aon is continually redefining the way we deliver brokerage services. For example, through Aon Enterprise, we are developing fundamental process changes that will improve efficiency and deliver core services to our customers more effectively.

ARS continues to be at the forefront in developing alternative risk financing mechanisms ranging from captive insurance companies to multi-line, multi-year, high-aggregate excess programs. ARS provides risk management services to companies of all sizes in every corner of the globe. Through our Strategic Account Management initiative, we are able to streamline the delivery of the full range of Aon resources to larger clients. Many of these companies are focusing on a broader definition of risk management, requiring more complex services, a responsive and far-reaching network and the expertise necessary to provide innovative solutions. They want value-added strategic partnerships, and we expect Aon will be their choice for long-term risk management.

Aon Risk Services is a leading global insurance broker, providing a comprehensive range of risk management services to assist clients in evaluating and managing risk exposures.

Aon Risk Services in brief:

- o Fastest-growing global broker
- o Owned offices in more than 100 countries
- o Offers a variety of services to complement traditional brokerage needs, including:

risk identification

risk control

strategic risk planning

creative risk financing

risk management information systems

merger and acquisition due diligence

Aon Re Worldwide

Aon's global reinsurance operations are coordinated under the Aon Re Worldwide (ARW) umbrella. With offices in 50 countries, ARW is a leader in the major insurance markets of North America, the U.K., Continental Europe, Japan and Australia as well as rapidly emerging markets in Latin America and Asia-Pacific.

ARW provides an array of services to aid its clients in the design, structure and implementation of risk transfer programs. We offer traditional treaty and facultative reinsurance placement services as well as capital market products and sophisticated risk portfolio analysis.

HIGHLIGHTS During 1997, ARW expanded its global reinsurance network through organic growth and strategic acquisitions. We enhanced our North American presence by adding offices in Canada and the southeastern United States. We deepened our penetration in Europe, Australia, Canada, Asia and Latin America through Aon Group Limited, which brought together the collective expertise of the Alexander Howden Group, Bain Hogg, Jauch & Hubener, the Minet Group and Nicholson Jenner Leslie.

We continued to strengthen our position as a leader in developing capital market and risk transfer innovations. For example, we placed three CatEPuts (Catastrophe Equity Put programs) for clients. And, we worked with newly launched Aon Capital Markets to enhance our ability to assist clients in managing their risks on a comprehensive basis.

OUTLOOK The global reinsurance market is undergoing significant changes as consolidation occurs in all sectors. ARW is at the forefront of the industry and continues to look for opportunities to extend its global reach. We also will continue to make significant investments in technology and value-added services in order to provide the most comprehensive risk management services. We will further strengthen our global reinsurance network to ensure that the most advanced products and services are available to Aon clients anywhere in the world.

Aon Re Worldwide is the world's largest reinsurance intermediary, providing treaty and facultative placements, industry- and coverage-specific expertise as well as analytical consulting services.

Aon Re Worldwide in brief:

- o Offices in 50 countries
- o Traditional reinsurance coverage and alternative risk financing solutions
- o Clients include global, national and regional insurance companies, reinsurance companies, Lloyd's syndicates, affinity groups, risk retention groups and single parent captives
- o Services include actuarial analysis, catastrophe exposure modeling, non-traditional financial products, risk portfolio analysis and security analysis
- o Product line expertise includes accident and health, aviation, life, marine and energy and specialty non-marine

Look up the definition of global business and you should find the name Sara Lee Corporation. This \$20 billion company is one of Aon's most prominent clients and one that really brings out the best in our global network, which now stretches across 550 offices and more than 100 countries.

As Sara Lee's primary insurance broker, everything Aon does for them must have a global reach. "We manage global risks, global resources, global communication systems," says Carol Murphy, Strategic Account Manager of the Aon/Sara Lee team. "And, we deliver on a local level, supplying local risk management needs in a program coordinated globally." All of Aon's offices are electronically linked via several proprietary computer systems, providing up-to-the-minute client information.

"With operations in more than 40 countries and a global distribution system that enables us to market branded consumer products in more than 140 countries, we rely on solid partnerships to support our broad global presence," says Vincent Coffey, Sara Lee Corporation's Director, Risk Management. "Aon has put together a team that meets our needs in virtually every corner of the world. With 42% of our sales now coming from business conducted outside the U.S., Aon has grown with us to support our risk management needs worldwide."

In the Chicago office, 20 of our risk specialists are dedicated to Sara Lee while more than 100 others are strategically located around the world. "We use our global network to help Sara Lee achieve its global growth strategies," adds Carol. "For instance, we were part of the planning team for Sara Lee's integration of Aoste, a French acquisition with \$800 million in revenues. We had to make sure that in addition to providing the best local insurance service, we were in sync with the company's global standards and objectives."

Sara Lee also benefits from Aon's Strategic Account Management (SAM) initiative designed to build stronger partnerships with its major clients. The SAM team responsible for Sara Lee deeply understands its business, its expectations and its goals. As a result, Aon has been able to help Sara Lee strengthen the risk management synergy between its U.S. and European businesses as well as help with recent divestitures as Sara Lee focuses on building leadership brands on a global basis.

"Aon people know our business, act with a sense of urgency, know where to find solutions in the global marketplace and, above all, have great integrity," adds Vince, who has worked with Aon since 1989. "We share a philosophy of business. Aon believes in a collaborative partnership and progressive business management. That's the way we like to do business."

Anytime,

anywhere,

Aon's global

network

delivers

Insuring Sara Lee's global brands is a round-the-clock job for Carol Murphy, Aon Strategic Account Manager, and Vincent Coffey, Sara Lee Director, Risk Management (as shown in photo).

Aon Services Group

Aon Services Group (ASG) designs and delivers specialized retail and wholesale insurance products and services for associations and affinity groups, service businesses, insurance companies, independent insurance agents and brokers, governments, health care providers and commercial organizations. Through its subsidiaries, ASG provides wholesale brokerage capabilities, as well as program administration and claims management expertise for insurance organizations. ASG's thorough knowledge of targeted industries and market segments, together with leading-edge products and multiple-channel distribution systems, has produced recognized experts in program administration for professional liability, with specialized expertise in the accounting, health care and legal professions.

HIGHLIGHTS In 1997, Aon Services Group changed its name from Aon Specialty Group to reflect the fact that it provides not only highly specialized insurance products but many comprehensive, value-added services as well. We concentrated our efforts on consolidating existing ASG units and assimilating several key acquisitions. We integrated Alexander Howden North America and Swett & Crawford into ASG's wholesale brokerage unit, merged Alexander & Alexander's health care practice unit with the Aon Healthcare Alliance, and added segments of several other acquisitions into our Affinity Insurance Services unit.

OUTLOOK ASG has a solid position as a premier provider of wholesale brokerage services. Additional resources have strengthened Aon Healthcare Alliance's ability to offer a wide array of products and services to all segments of the health care industry. We are increasing our efforts to distribute insurance to affinity groups in Europe, Latin America and other global markets. We also are developing our reputation and expertise in third-party claims administration. In order to offer more products and services to more clients, we are enhancing existing distribution networks and promoting greater interdependence with other Aon units.

Aon Services Group consists of several highly focused specialty companies, providing industry-specific expertise, unique insurance coverages and wholesale brokerage services.

Aon Services Group in brief:

- o A premier direct marketer of specialty coverages to affinity groups and associations
- o A leading provider of products, services, resources and expertise to the health care industry
- o The largest U.S. wholesale insurance brokerage operation
- o A rapidly growing third-party claims administration organization
- o A leading provider of comprehensive underwriting management programs for various industries, including financial services, media, entertainment, sports and leisure and government entities
- o Our Affinity Insurance Services produces \$1 billion in premiums from more than 5 million policyholders

At Aon, our concept of teamwork is called "interdependence," meaning two or more companies working together for the benefit of a client. In bringing together the best of Aon, we believe our culture of interdependent, innovative problem solving clearly distinguishes our service from the competition.

By breaking down barriers that often exist between brokerage specialties, Aon professionals can pool the best expertise and resources to provide a full range of solutions. Working as an integrated, networked global team, we can meet our clients' risk management, risk transfer and consulting needs anywhere in the world.

A good example is our developing partnership with Philips Electronics N.V., the Dutch company of more than 100 businesses ranging from lighting, medical products, electronics and consumer products to film and music. Aon has been managing most of Philips' risk exposures since 1996 when Philips remarketed its insurance programs. Soft market pricing and Aon's expanded service base convinced the company to rethink its traditional internal captive-based insurance programs and turn to Aon.

"When Philips restructured its risk management operations, Aon was ready to step in," says Kik Thole, Strategic Account Manager. "We are able to bring all the resources of Aon together and deliver them to Philips seamlessly."

Philips Risk Manager Arjen Ronner explains, "Risk management reengineering is an ongoing process, involving both strategy and implementation. Aon is able to assist our local managers with many of the administrative tasks so that they can focus their efforts on the critical risk management issues."

For Philips' diverse businesses, Aon developed a comprehensive multi-line, multi-year program, which is managed out of Holland and supported by global practices in New York and London. Most recently, our Hong Kong office was instrumental in securing insurance coverage for Philips' joint ventures throughout China.

"We need an experienced, competent team of marketing and technical specialists," adds Arjen Ronner. "Our Aon account team in Rotterdam is able to access resources from around the world and deliver them to our door."

Resourceful

interdependence

brings

the best of

Aon to

every client

Philips Risk Manager Arjen Ronner (left) and Kik Thole, Aon Strategic Account Manager (as shown in photo), work together with Aon companies worldwide.

Aon Consulting Worldwide

Focused on linking people strategies to business strategies, Aon Consulting Worldwide (ACW) specializes in human resources consulting services. From offices on five continents, Aon consultants help clients maximize their performance and improve bottom-line results. The ACW approach ensures that clients attract, retain and develop the best people.

ACW is organized into four consulting groups: Employee Benefits, Human Resources, Compensation and Change Management. Within these groups, we offer organizational analysis and HR strategic planning, job design and competency modeling, recruitment and selection, compensation and reward systems, benefits design and management, training and development, HR compliance and risk management, individual and organizational change management.

HIGHLIGHTS During 1997, ACW solidified its position in several key markets. In employee benefit programs, our services are increasingly in demand as clients cope with the pressures of health care industry reform. In human resources management, the outsourcing trend is growing and the demand is strong for our services. We are seeing significant gains in the middle market, where companies are finding our outsourcing services to be very cost effective. ACW is a leader in innovative retirement plan consulting and creative compensation strategies. To help clients manage these activities, we work in conjunction with Aon Risk Services to offer a full package of services in risk management, employee benefits, compensation, human resources and change management.

OUTLOOK In a marketplace where many companies offer various human resources consulting services, ACW is growing and distinguishing itself as a fully integrated human resources consulting organization. Building from a strong Aon Group client base, ACW is able to offer clients a full spectrum of services and the scale of a truly global organization, both in reach and expertise. Increasingly, multinationals are looking to us for an integrated approach for the delivery of the diverse products and services that Aon offers worldwide.

Aon Consulting

Worldwide serves the growing demand for integrated, cost-effective ways to align human resources solutions with business strategies.

Aon Consulting Worldwide in brief:

- o One of the world's leading global human resources consulting firms
- o More than 110 offices worldwide
- o Designs and administers benefits packages that balance employer and employee needs
- o Develops innovative compensation and reward programs
- o Implements comprehensive change management programs
- o Improves employee selections systems, skills assessment and performance measurements

The business of risk management demands innovative solutions, teamwork, in-depth industry knowledge and absolute client focus. Aon has become a global leader in risk management because it has been able to attract, retain and develop the best people with the best skills in the industry.

Because of our depth of talent and expertise, we've been able to establish long-term relationships with the world's top businesses. Our 40,000 employees worldwide share goals aligned with the interests of our clients and other stakeholders. A good example is our relationship with Tomkins PLC, a \$7 billion multinational company. Managing risk for Tomkins' more than 100 different businesses is a totally engaging responsibility for Aon risk management experts.

"We have some of the industry's best people working on the Tomkins account," explains Charlie Miller, Strategic Account Director in Cincinnati, Ohio, the U.S. hub office for Aon's Tomkins service team.

"We always give them a very high level of customer service."

London-based Tomkins produces everything from Murray lawn mowers in the U.S. to Ranks Hovis McDougall food products in the U.K. Aon's accomplished team of risk and liability specialists is involved in the administration of the Tomkins account, providing needs assessment, strategic planning and project management as a platform for the day-to-day service delivery.

"Risk management is an expertise we outsource," says Richard Marchant, Tomkins Administration Director and Company Secretary. "We look to our colleagues at Aon for the expertise and knowledge we need. We work with individuals we rely on. That's what makes this relationship work so well."

To fully serve the needs of Tomkins and its many businesses worldwide, the team uses a combination of Anistics Omega, Aon's comprehensive database of claims, exposure, policy, premium allocation and property information, along with e-mail and document management systems, all tailored to Tomkins' needs. Together, these give Tomkins and Aon instant access to quality risk management information.

"We couldn't manage the extensive needs of a diverse global company without a comprehensive database and fast, reliable communications," explains Julia Harrop, Worldwide Account Director, and head of the Aon-Tomkins team in Shrewsbury, England. "This is a complex account that requires careful selection of appropriate resources for the many different businesses we serve."

From Tomkins' point of view, working with the Aon team means working with the best. "As far as I'm concerned, Aon is the number one broker," adds Richard Marchant. "They have the resources and the expertise we need for the future."

Knowledgeable,

responsive,

creative . . .

Aon people are

determined to
be the best

The Tomkins-Aon team is headed by Richard Marchant, Tomkins Company Secretary, (left) and Aon Account Directors Charlie Miller and Julia Harrop (as shown in photo).

Virginia Surety Company and London General Insurance Company

Virginia Surety Company (VSC) and its sister company, London General Insurance Company (LGI), provide innovative insurance programs as well as underwriting expertise for a variety of traditional and non-traditional insurance programs. Their expertise and capabilities in consumer extended warranties are unsurpassed.

In addition, Aon Warranty Group (AWG) offers a range of fee-based services that include premium administration, claim processing, information systems and accounting support, customer service, customer care management, value-added after-sale products, training and profit management services.

Our distribution channels include auto dealerships, manufacturers, retailers, distributors, financial institutions, direct mail, telemarketing, affinity groups, associations and the Internet.

HIGHLIGHTS During 1997, we maintained our position as the world's largest independent provider and administrator of warranties for consumer products such as automotive, consumer electronics and appliances, personal computers and homes. We're experiencing significant growth in our specialty insurance products for credit card enhancement programs, cellular phones, power sports and involuntary unemployment.

Through new operations in Argentina, Australia, Brazil and Japan, AWG is creating new business opportunities and strengthening Aon's global development.

In April, AWG acquired Innovative Services International and expanded its offerings to include a new Customer Care Management program, a fast-growing call center service that enhances our core products.

OUTLOOK Through operations on five continents, VSC, LGI and AWG will continue to expand their reach, product offerings and distribution systems into new and existing markets. As we expand, we expect our fastest growing business will continue to be our warranty operations. We'll build our consumer care services by providing customer service, technical support and claims services for an ever-growing list of retailers and consumer brand marketers.

Virginia Surety and its sister companies offer comprehensive consumer extended warranty and consumer service programs.

Virginia Surety in brief:

- o VSC is rated A+ by A. M. Best
- o VSC/LGI is the world's largest independent underwriter of extended warranties
- o More than 4 million policies issued in 1997

Aon Warranty Group in brief:

- o One of the largest independent service contract administrators in the world
- o Call centers average 183,000 service calls daily

Imagine dealing with more than 180,000 phone calls daily. And, for each call, you have a smile in your voice and an answer at the ready. That's just what the customer service representatives at Aon Warranty Group and Virginia Surety Company are doing every day for their manufacturing and retail clients.

A comprehensive operation of three independent call centers, Aon's new customer care service is being provided as an added-value service to our clients. It's just one of the new opportunities Aon has developed to serve customers' evolving needs. For example, when consumers call the local store of a national retail chain, the phone line connects to an Aon call center. The call center representative can pull up all the vital information about that particular store on his or her PC screen and can give a quick and efficient response. The consumer is satisfied and the retailer doesn't have to employ in-store staff to handle phone inquiries.

In addition to this rapidly growing service, three other Aon call centers in the U.S. answer claim center calls for auto, home, appliance and electronic warranties as well as 24-hour-a-day technical service support calls for manufacturers of computers and other consumer products.

And every caller gets an answer. While handling calls for a leading manufacturer of consumer brand clothing, Aon's customer service was able to find one thrifty caller the right button to match his 40-year-old pair of blue jeans.

From risk management, loss control and claims management to added-value services such as extended product warranties and customer service programs, Aon provides the services and products that serve the spectrum of client needs.

For example, we underwrite and administer service contracts for household names across America and around the globe, including Office Depot, the world's largest office products retailer, operating over 600 retail stores.

"When we looked for the ideal partner to help us develop our service contract business, the clear choice was Aon Warranty Group," says Julie Siderfin, Office Depot's Manager of Service Contract Sales.

Aon Warranty Group has served Office Depot for several years. "In that time, we've seen service contract sales rise dramatically," she adds. "And, in the months and years ahead, we're looking forward to expanding our relationship with Aon Warranty Group."

Distinctive

products

and services

create

value-added

opportunities

Aon Customer Service Representative Denise Black (as shown in photo) responds to hundreds of consumer calls daily.

Combined Insurance Company of America

Serving the needs of both individuals and businesses, Combined Insurance Company of America (CICA) is a leading distributor and underwriter of supplemental insurance policies, including life, health, accident and disability income.

Many of CICA's nearly 5 million insureds are self-employed or work in firms with modest employee benefits. CICA's competitively priced policies help the insured supplement their employer-provided benefit plans to maintain financial stability in a time of need. We offer a full range of supplemental insurance products with additional services for the worksite, including voluntary benefit enrollment administration and preparation of benefit statements.

HIGHLIGHTS During 1997, CICA took steps to develop new markets and strengthen existing lines. For our traditional product lines, we introduced higher benefit accident policies with convenient monthly payment options. We aggressively pursued our target market with an array of new worksite products -- all capable of being customized to the individual employee and paid through payroll deduction. We introduced administrative services specifically designed for small employers to enhance the value of their benefit programs. In addition to offering these products directly into the market, CICA is working closely with Aon Risk Services retail brokers to introduce CICA services to existing ARS clients.

OUTLOOK CICA will continue expanding its product lines, its customer base and its geographic presence. As baby boomers age, the senior market represents a significant opportunity and CICA is launching a comprehensive portfolio of insurance products aimed at the growing senior population, including a new long-term care policy. Internationally, CICA is expanding its worksite marketing in the United Kingdom and Latin America. In its traditional market, CICA is introducing improved products attuned to market needs with affordable payment options. CICA will continue its tradition of selling to individuals in the workplace by using enhanced products, payroll deduction and other worksite marketing techniques.

For more than 75 years, Combined Insurance Company of America has sold supplemental life, health and accident coverage to individuals in their homes and at their place of work.

Combined Insurance Company of America in brief:

- o Operations in the U.S., U.K., Canada, Australia, Ireland, Germany, Mexico, New Zealand, The Netherlands and Argentina
- o Individual and employer insurance programs
- o The largest issuer of individual accident policies in the U.S., Canada, Australia and Ireland
- o The 4th largest writer of individual accident and health insurance premiums among U.S. companies
- o The 2nd largest writer of individual accident and health premiums in Canada

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Management's Analysis of Operating Results and Financial Condition

CONSOLIDATED RESULTS

General

In 1997, Aon invested approximately \$1.6 billion in business combinations in its brokerage and consulting businesses. These business combinations were financed primarily by the issuance of capital securities, internal funds and the issuance of commercial paper. The major 1997 acquisitions include: Alexander & Alexander Services Inc. (A&A)--a leading global insurance brokerage and consulting company; Minet--a worldwide specialty reinsurance and wholesale brokerage operation; Sodarcac--a Canadian insurance brokerage and consulting company; and Jauch & Hubener--the largest insurance brokerage and consulting firm in Germany. In fourth quarter 1996, Aon acquired Bain Hogg Group plc (Bain Hogg), a leading insurance broker in the United Kingdom and Asia, for approximately \$260 million. These items were accounted for using the purchase method of accounting and the goodwill created is amortized principally over forty years. Because of these acquisitions all brokerage revenue and income comparisons are significantly impacted.

In 1996, Aon sold two of its domestic insurance underwriting subsidiaries, Union Fidelity Life Insurance Company (UFLIC) and The Life Insurance Company of Virginia (LOV) (see note 3). The after-tax proceeds from the sales were \$1.2 billion. The sales resulted in a \$21 million after-tax gain on sale. UFLIC and LOV results are classified in the consolidated statements of income as discontinued operations in 1996 and 1995. For purposes of the following consolidated results discussions (1997 compared to 1996 and 1996 compared to 1995), comparisons against prior years' results are based on continuing operations.

In 1996, Aon sold the distribution rights of its North American auto extended warranty business. However, it is still being underwritten by Aon's subsidiary, Virginia Surety Company, Inc. As part of the same transaction, Aon sold its North American auto credit insurance and distribution operations. Results of the auto credit underwriting business written prior to the sale are continuing to run off as planned.

Special Charges

All of Aon's special charges are reflected in commissions and general expenses in the consolidated statements of income. In first quarter 1997, Aon recorded pretax special charges of \$145 million (\$91 million after-tax or \$0.54 per share), primarily related to management's commitment to a formal plan of restructuring Aon's brokerage operations as a result of the acquisition of A&A. Pretax restructuring charges include approximately \$105 million associated with real estate activities including the closure, abandonment and consolidation of duplicate facilities around the world, and other consolidation costs. The restructuring charges related to consolidating real estate space are expected to be paid out over several years. Special charges for severance and related costs, involving over 600 positions, were approximately \$40 million. Terminations resulting from workforce reductions are substantially complete. In connection with the first quarter 1997 special charges, Aon had approximately \$80 million remaining unpaid in the commissions and general expenses liability at December 31, 1997.

In 1997, as a result of the acquisition of A&A, Aon had established approximately \$200 million of purchase accounting liabilities primarily relating to costs associated with the consolidation of real estate activities and severance liabilities for approximately 2,000 positions. In connection with these items, Aon had approximately \$100 million remaining unpaid in the commission and general expense liability at December 31, 1997.

In second quarter 1997, Aon recorded pretax special charges of \$27 million (\$17 million after-tax or \$0.10 per share) to recognize investment losses incurred at A&A before Aon acquired A&A. Aon discovered in the second quarter that A&A's investment portfolio, as it had been constructed before Aon's acquisition, had included certain highly volatile securities which had been incorrectly classified as high quality money market instruments. At Aon's acquisition date, the carrying value of certain securities in A&A's portfolio was overstated by the previously unrecognized investment losses.

In second quarter 1996, Aon recorded a \$30 million pretax charge (\$19 million after-tax or \$0.12 per share) related to a voluntary early retirement program for all eligible employees of Aon's United States (U.S.) operating subsidiaries and similar programs in parts of Europe. Approximately 450 employees, 60% of whom were in the U.S., participated in the early retirement program.

In fourth quarter 1996, Aon's management committed to a formal plan of restructuring Aon's European brokerage operations primarily as a result of the Bain Hogg acquisition and recorded pretax special charges of \$60 million (\$40 million after-tax or \$0.24 per share) primarily relating to this activity. The restructuring charges include \$32 million relating to consolidating real estate space and data processing facilities and equipment, primarily in Europe, in order to merge Aon's existing operations with those of Bain Hogg. The restructuring charges related to consolidating real estate space are expected to be paid out over several years. Special charges for workforce reductions, involving approximately 300 positions, were \$12 million. Terminations resulting from work-force reductions took place within one year from the date of acquisition. Costs associated with special assessments to be paid relating to the reconstruction of the Lloyd's of London insurance market were \$11 million. The remaining charges primarily reflect Aon's exit from certain U.S. insurance underwriting markets.

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

In connection with the 1996 special charges, Aon had approximately \$30 million remaining in the commissions and general expenses liability at December 31, 1997 representing amounts related to the special charges that have not yet been paid.

As a result of the Bain Hogg acquisition, approximately \$85 million of purchase accounting liabilities were established primarily relating to both the costs associated with the consolidation of real estate activities and severance liabilities. In connection with these items, Aon had approximately \$55 million remaining unpaid in the commission and general expense liability at December 31, 1997.

Revenue and Income Before Income Tax Consolidated Results for 1997 Compared to 1996

Total revenues amounted to \$5.8 billion, an increase of 48% in 1997. This increase was largely attributable to growth in brokerage commissions and fees resulting from business combination activity. Brokerage commissions and fees increased 88% to \$3.6 billion.

Premiums earned of \$1.6 billion increased 5% in 1997. Extended warranty premiums earned increased \$110 million or 24% reflecting continued growth of new business in the mechanical, appliance and the electronic lines. There was minimal growth in direct sales business as a result of changes in the consumer insurance market. The planned run-off of North American auto credit business partially offset this growth in premiums earned.

Net investment income of \$494 million increased 29% for the year primarily attributable to brokerage acquisitions, and to income received on certain private equity investment holdings. The investment portfolio yield declined five basis points as a result of investment of new cash flows in lower yielding investments, as well as the change in portfolio mix attributable to acquisitions.

Pretax realized investment gains were \$6 million in 1997 compared to \$8 million in 1996. Revenue excluding realized investment gains increased 48% or \$1.9 billion when compared to 1996.

Commissions and general expenses (excluding interest expense) increased 70% for the year primarily due to growth in the brokerage businesses. Benefits to policyholders increased 7% when compared to 1996, reflecting a higher volume of new extended warranty business, as well as growth in capital accumulation products. This increase was partially offset by the profitable phase out of certain specialty liability programs and the run-off of auto credit business as planned. It is anticipated that this business will continue to run-off as planned. Interest expense increased 73% as a result of acquisition financing. Amortization of intangibles, which excludes deferred policy acquisition costs (DPAC), increased \$44 million or 58%, reflecting brokerage acquisitions.

Overall, benefit and expense margins for the insurance underwriting segment did not suggest any significant shift in operating trends in 1997. Total benefits and expenses increased 51% or \$1.8 billion over 1996. The increase reflects the inclusion of 1997 and 1996 pretax special charges of \$172 million and \$90 million, respectively. Total benefits and expenses, excluding the 1997 and 1996 special charges, increased 50% over 1996, primarily reflecting brokerage acquisition activity.

References to income before income tax exclude minority interest related to the issuance of 8.205% mandatorily redeemable preferred capital securities (capital securities) (see note 8).

Income before income tax increased \$96 million or 22% in 1997, primarily due to acquisition activity. Excluding special charges, income before income tax increased 33% or \$178 million.

Fourth quarter revenue increased 42% to \$1.5 billion when compared to 1996, primarily reflecting brokerage business combination activity. Total benefits and expenses, excluding special charges, increased 41% to \$1.3 billion for the quarter. Pretax income increased \$126 million or 178% to \$197 million. The increase in pretax earnings reflects growth in the insurance brokerage and consulting segment related to business combination activity. Excluding special charges, pretax earnings increased 50% compared to fourth quarter 1996.

CONSOLIDATED GEOGRAPHIC DATA

(millions)	Years ended December 31	1997	1996	1995
Revenue:				
United States		\$ 3,413	\$ 2,646	\$ 2,449
United Kingdom		1,158	535	453
Continental Europe		439	394	316
Rest of world		741	313	248
Total revenue		\$ 5,751	\$ 3,888	\$ 3,466
Income before income tax:				
United States		\$ 413	\$ 357	\$ 328
United Kingdom		168	87	61
Continental Europe		33	23	20
Rest of world		100	69	49

Income before income tax excluding special charges	714	536	458
Special charges	172	90	-
Total income before income tax	\$ 542	\$ 446	\$ 458
Identifiable assets (continuing operations):			
United States	\$10,122	\$ 8,825	\$ 6,427
United Kingdom	4,990	2,157	1,577
Continental Europe	2,139	1,764	1,344
Rest of world	1,440	977	679
Identifiable assets at December 31	\$18,691	\$13,723	\$10,027

Of the \$172 million special charges in 1997, \$60 million were U.S., \$107 million were European, and \$5 million were rest of world. Of the \$90 million special charges in 1996, \$35 million were U.S. and \$55 million were European.

U.S. revenues increased 29% in 1997 compared to 1996, while pretax income before special charges increased 16% over prior year, both due to acquisition activity, organic growth and overall expense controls.

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

European revenue increased 72% in 1997 to \$1.6 billion, and rest of world revenue of \$0.7 billion rose 137%. European pretax income before special charges increased 83% to \$201 million and rest of world pretax income before special charges increased to \$100 million. Both the revenue and pretax income before special charges have increased primarily due to acquisitions.

Revenue and Income Before Income Tax Consolidated Results for 1996 Compared to 1995

Total revenue amounted to \$3.9 billion in 1996, an increase of 12%. Brokerage commissions and fees increased 16% to \$1.9 billion resulting from business combination activity and internal growth. Premiums earned were \$1.5 billion or 7% above 1995. A higher volume of new business in the auto extended warranty line and in both the electronic and appliance lines was partially offset by the continued phase-out of certain specialty liability programs. Net investment income of \$384 million increased 17% for the year primarily attributable to investment income associated with the proceeds from the sales of UFLIC and LOV.

Commissions and general expenses (excluding interest expense) increased 17% for the year primarily reflecting brokerage growth. Benefits to policyholders increased 13% when compared to 1995 primarily due to a higher volume of new extended warranty business. This increase was partially offset by lower claims paid on auto credit business that has been in run-off since second quarter 1996. Interest expense increased 8% reflecting higher levels of short-term borrowings for the year. Total benefits and expenses increased 14% over 1995. Income before income tax decreased by 3% or \$12 million due largely to the inclusion of special charges. Excluding special charges, income before income tax increased 17% or \$78 million, largely due to growth in the insurance brokerage and consulting segment related to business combination activity, as well as the earnings associated with the proceeds from the sale of discontinued operations.

MAJOR LINES OF BUSINESS

General

For purposes of the major lines of business discussion, comparisons against 1996 results exclude the discontinued operations and the special charges. A discussion of discontinued operations follows the Major Lines of Business section.

Insurance Brokerage and Consulting Services

Aon's retail brokerage, reinsurance and wholesale operations are included in "Insurance and other services." Also included is Aon Warranty Group which provides marketing and administrative services to clients. In addition, "Insurance and other services" includes revenue from financing services operations related to placement of insurance premiums and retail auto financing receivables. Further, the start-up of Aon Capital Markets has been included.

INSURANCE BROKERAGE AND CONSULTING SERVICES				
(millions)	Years ended December 31	1997	1996	1995

Revenue:				
Insurance and other services		\$3,221	\$1,728	\$1,477
Consulting		553	274	250

Total revenue		3,774	2,002	1,727

Operating expenses		3,240	1,705	1,467
Amortization of intangibles		40	40	48

Total expenses		3,280	1,745	1,515

Income before income tax excluding special charges		494	257	212
Special charges		145	75	-

Income before income tax		\$ 349	\$ 182	\$ 212
=====				
Identifiable assets at December 31		\$8,523	\$5,025	\$3,343
=====				

Total 1997 brokerage and consulting services revenue was \$3.8 billion, up 89%. Included in insurance and other services is retail revenue of \$2.3 billion and reinsurance & wholesale revenue of \$0.9 billion. Acquisitions accounted for the majority of this revenue growth. Excluding the impact of acquisitions, revenue and income before income tax results related to brokerage core businesses grew approximately 5% in a very competitive environment.

Insurance and other services results were positively impacted by acquisitions, especially the inclusion of A&A in 1997. Retail brokerage results continued to reflect highly competitive property and casualty pricing in the U.S. market. Pretax income growth was slowed primarily due to market pressures experienced in the reinsurance brokerage business.

Aon Warranty Group provides warranty marketing and administrative services to clients. This activity generated revenue of \$75 million in 1997. Also included in insurance and other services revenue are financing service fees of \$52 million, an increase of 49% over 1996.

In the consulting line of business, 1997 revenue increased 102% to \$553 million. Revenue growth was primarily influenced by acquisition activity and, to a lesser extent, expansion of integrated human resources consulting programs. The growth of consulting revenue and pretax income was offset by a decline in revenues in the automotive consulting operations.

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

INSURANCE BROKERAGE AND CONSULTING SERVICES GEOGRAPHIC DATA

(millions)	Years ended December 31	1997	1996	1995

Revenue:				
United States		\$2,028	\$1,291	\$1,202
United Kingdom		864	297	194
Continental Europe		335	302	258
Rest of world		547	112	73

Total revenue		\$3,774	\$2,002	\$1,727

Income before income tax:				
United States		\$ 265	\$ 165	\$ 153
United Kingdom		120	47	30
Continental Europe		40	29	26
Rest of world		69	16	3

Income before income tax excluding special charges		494	257	212
Special charges		145	75	-

Total income before income tax		\$ 349	\$ 182	\$ 212
=====				

U.S. revenue of \$2.0 billion in 1997 was up 57% from 1996, European revenue of \$1.2 billion increased 100% from 1996, and rest of world revenue increased to \$547 million. Total pretax income was \$494 million in 1997, up 92% from \$257 million in 1996. U.S. pretax income was up 61% from 1996. European pretax income rose 111%, and rest of world pretax income was \$69 million.

Insurance Underwriting

The insurance underwriting line of business provides a variety of direct sales life and accident and health products, and extended warranty products to individuals.

INSURANCE UNDERWRITING

(millions)	Years ended December 31	1997	1996	1995

Revenue:				
Direct sales		\$1,035	\$1,030	\$1,014
Extended warranty		574	464	332
Specialty and other		249	280	294

Total revenue		1,858	1,774	1,640

Benefits to policyholders		842	790	699
Operating expenses		530	512	488
Amortization of DPAC		208	208	207

Total benefits and expenses		1,580	1,510	1,394

Income before income tax excluding special charges		278	264	246
Special charges		-	12	-

Income before income tax		\$ 278	\$ 252	\$ 246
=====				
Identifiable assets at December 31		\$4,936	\$4,786	\$3,736
=====				

Revenue was \$1.9 billion in 1997, up 5% from \$1.8 billion in 1996, primarily due to growth in the worldwide extended warranty lines. Direct sales business had minimal growth reflecting difficult market conditions for accident, while life and health grew satisfactorily. Direct sales continued to expand its product distribution through work-site marketing programs. Direct sales accident and health business improved its pretax margin in part due to good general expense controls and good international health product sales. The run-off of certain specialty liability programs is now substantially complete, while auto credit business continues to run-off. Pretax income was \$278 million in 1997, up 5% from \$264 million last year.

INSURANCE UNDERWRITING GEOGRAPHIC DATA

(millions)	Years ended December 31	1997	1996	1995
------------	-------------------------	------	------	------

Revenue:			
United States	\$1,308	\$1,287	\$1,188
United Kingdom	274	223	209
Continental Europe	102	84	81
Rest of world	174	180	162

Total revenue	\$1,858	\$1,774	\$1,640

Income before income tax:			
United States	\$ 200	\$ 187	\$ 180
United Kingdom	41	31	27
Continental Europe	9	9	7
Rest of world	28	37	32

Income before income tax excluding special charges	278	264	246
Special charges	-	12	-

Total income before income tax	\$ 278	\$ 252	\$ 246
=====			

U.S. revenue of \$1.3 billion was up 2% in 1997 while European revenue of \$376 million rose 22%, principally due to growth in premiums earned in both the extended warranty and capital accumulation products. Rest of world revenue declined slightly. In addition, there was a higher volume of new business in the appliance and electronics extended warranty lines, both domestically and internationally. U.S. pretax income before special charges rose 7% in 1997. European pretax income increased 25% while rest of world pretax income declined \$9 million.

Corporate and Other

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

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

CORPORATE AND OTHER

(millions)	Years ended December 31	1997	1996	1995

Revenue:				
Investment income on capital and other		\$ 113	\$ 104	\$ 86
Realized investment gains		6	8	13

Total revenue		119	112	99

Operating expenses		26	20	27
Interest expense		70	40	37
Amortization of intangibles		81	37	35

Total expenses		177	97	99

Income (loss) before income tax excluding special charges		(58)	15	-
Special charges		27	3	-

Income (loss) before income tax		\$ (85)	\$ 12	\$ -
=====				
Identifiable assets at December 31		\$5,232	\$3,912	\$2,948
=====				

Revenue increased 6% over 1996 to \$119 million. Higher levels of investment income received on certain private equity investment holdings contributed to the increase. Realized investment gains declined \$2 million in 1997 when compared to 1996. Excluding these gains from both years, revenue increased 9%.

Pretax income decreased \$73 million in 1997. Contributing to the decrease were interest expense and goodwill amortization related to acquisitions. Excluding realized investment gains from both years, pretax income decreased \$71 million.

Discontinued Operations

Discontinued operations in 1997 are comprised of certain insurance underwriting subsidiaries acquired with A&A that are currently in run-off and the indemnification of certain liabilities relating to subsidiaries sold by A&A prior to Aon's acquisition. Management believes that, based on current estimates, these discontinued operations are adequately reserved. The liability is included as a component of other liabilities on the consolidated statement of financial position. The liability increased during the fourth quarter of 1997 due to the commutation of a finite risk reinsurance contract (see note 3).

Discontinued operations in 1996 and prior were composed principally of U.S. based capital accumulation products and direct response insurance products. After-tax income on these businesses has been segregated as "Income From Discontinued Operations" in the consolidated statements of income. With the completion of the sales of UFLIC and LOV on April 1, 1996, there were no operating results from these discontinued operations going forward.

INCOME TAX AND NET INCOME

On March 21, 1997, the Board of Directors authorized a three-for-two stock split, payable in the form of a stock dividend, of Aon's \$1.00 par value common stock. All references to share data in the accompanying management's discussion and analysis and financial statements reflect the three-for-two stock split. The earnings per share and average shares outstanding have been restated for Financial Accounting Standards Board (FASB) Statement No. 128 "Earnings Per Share," and the following discussion is on a dilutive basis. Basic net income on a per share basis was \$1.71 and \$1.93 in 1997 and 1996, respectively.

Net income for 1997 was \$299 million or \$1.68 per share compared to \$335 million or \$1.90 per share in 1996. Net income for fourth quarter 1997 amounted to \$113 million or \$0.65 per share compared to \$46 million or \$0.25 per share for 1996. The decrease in 1997 net income and related per share amount is primarily influenced by: (1) after-tax 1997 special charges of \$108 million (\$0.64 per share) compared to after-tax 1996 special charges of \$59 million (\$0.36 per share); (2) the 1997 deduction for after-tax distributions on the capital securities (reflected as "minority interest" on the consolidated statement of income); (3) operating results from 1996 discontinued operations due to the completion of the sales of UFLIC and LOV in second quarter 1996 (\$0.13 per share); and (4) after-tax gain on sale of discontinued operations in 1996 (\$0.13 per share). Dividends on the 8% and redeemable preferred stocks in 1997 and dividends on the 8%, 6.25% and redeemable preferred stocks in 1996 and 1995 have been deducted from net income to compute earnings per share.

Operating income from continuing operations before special charges and realized investment gains, was \$402 million or \$2.30 per share in 1997 compared to \$346 million or \$1.97 per share in 1996. Aon's effective operating income tax rate on continuing operations was 37.5% in 1997 and 34.5% in 1996. Realized investment gains were taxed at 37.5% and 36% for 1997 and 1996, respectively.

Average shares outstanding for 1997 increased 1% primarily due to business combinations.

LIQUIDITY

Consistent with financial statement presentation, the following cash flow and financial position discussion primarily reflects brokerage acquisitions. In addition, the sales of UFLIC and LOV in 1996 have significantly impacted the consolidated statements of equity and cash flows.

Aon's operating subsidiaries anticipate that there will be adequate liquidity to meet their needs in the foreseeable future. Aon's routine liquidity needs are primarily for servicing its debt and for the payment of dividends on stock issues and the capital securities. Dividends from Aon's subsidiaries are the primary source for meeting these requirements. After meeting its routine dividend and debt servicing requirements, Aon used a majority of the remaining dividends received throughout the year to invest in the operational segments of its businesses. There are certain regulatory restrictions relating to dividend capacity of insurance subsidiaries that are discussed in note 8. Insurance subsidiaries' statutory capital and surplus at year end 1997 again exceeded the risk-based capital target set by the National Association of Insurance Commissioners by a satisfactory level. At December 31, 1997, Aon had back-up lines of credit available of \$900 million.

The businesses of Aon's operating subsidiaries continue to provide substantial positive cash flow. Brokerage cash flow has

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

been used primarily for acquisition related activities. Given Aon's fixed maturity portfolio's average life of 6.3 years, access to lines of credit, and an uninterrupted trend in Aon's positive cash flow, Aon expects sufficient cash flow to meet both short-term and long-term cash needs.

In 1997, Aon completed various acquisitions with an aggregate purchase price of approximately \$1.6 billion, which were funded by the issuance of commercial paper, internal funds, and the issuance of \$800 million of capital securities. The capital securities are designated on the consolidated statements of financial position as "Company-obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely the Company's Junior Subordinated Debentures" (see note 8).

Cash flow from operations per the Consolidated Statements of Cash Flows increased \$430 million from 1996 to \$784 million. This increase primarily reflects 1997 brokerage acquisitions, the timing of the settlement of insurance segment receivables and payables, and payments on special charges and valuation adjustments relating to the acquisitions.

Investing activities used cash of \$1.4 billion in 1997, which was made available from financing and operating activities. Investing activities provided cash of \$238 million in 1996.

Cash totaling \$1.3 billion was provided by financing activities in 1997. The increase primarily reflected the issuance of commercial paper and the proceeds from the sale of the capital securities. Partially offsetting this increase was the use of funds to purchase and retire 5,446,000 shares of the 8% preferred stock at a total cost of \$136 million. The net cash provided from capital accumulation product deposits and withdrawals was \$329 million in 1997. Cash was used to pay dividends of \$169 million on common stock, \$11 million on the 8% preferred stock, and \$2 million on redeemable preferred stock.

Total assets increased \$5.0 billion to \$18.7 billion, primarily due to the brokerage acquisitions. Invested assets at December 31, 1997 increased \$709 million from year end 1996 levels.

Year 2000

Aon began work on the computer Year 2000 issue in 1995 and expects to complete its efforts by mid 1999. Software applications, hardware, and technology infrastructure have been upgraded or replaced both to improve the computing capabilities for all businesses and ensure that all systems are Year 2000 compliant. Replacing hardware and software in this fashion is considered a normal cost of doing business and is being expensed or capitalized as appropriate. Aon's Year 2000 remediation cost for all lines of business is expected to be less than \$50 million through 1999.

Aon has established a full-time Year 2000 project coordinator and a global contact for all major business units. The effort includes representatives from Aon's legal and internal audit staffs. In addition, individual Aon business units have formally evaluated their Year 2000 compliance status in a survey and are identifying specific hardware and software compliance issues where appropriate. These inventories include Aon's internal systems and services as well as exposure from suppliers, service providers, and customers. The individual business units will be making the necessary changes to become compliant according to their plans and the progress will be monitored by Aon's Year 2000 compliance coordinating team.

Aon has established a program to contact insurance underwriters and external business partners in connection with their Year 2000 compliance programs. Aon does not warrant, however, that these companies' Year 2000 compliance activities will be completely successful.

INVESTMENT OPERATIONS

Aon invests in broad asset categories related to its diversified operations. Investments are managed with the objective of maximizing earnings while matching asset and liability durations and considering regulatory requirements.

Aon maintains well-capitalized operating companies. The financial strength of these companies permits an overall diversified investment portfolio for stability in volatile financial markets.

Investment characteristics mirror liability characteristics of the respective operating units. Aon's insurance brokerage and consulting businesses invest fiduciary funds in shorter-term obligations. Investments underlying interest-sensitive capital accumulation insurance products are primarily intermediate-term obligations, while indemnity and other types of non-interest sensitive insurance liabilities are primarily supported by intermediate to long-term instruments. Longer-term assets which support capital include private equity investments that are expected to generate returns in excess of those available in the public capital markets.

With a carrying value of \$3.1 billion, Aon's total fixed maturity portfolio is invested primarily in investment grade holdings (96.4%) and has a fair value which is 104.3% of amortized cost.

(millions)	As of December 31	1997	1996

Short-term investments:			
Brokerage and consulting		\$1,473	\$ 875
Insurance and other		225	392
Fixed maturities		3,144	2,826
Equity securities		806	879
Other		274	241

Total invested assets		\$5,922	\$5,213
=====			

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

INVESTMENT INCOME (millions)	As of December 31	1997	1996

Short-term investments:			
Brokerage and consulting		\$ 164	\$ 83
Insurance and other		14	22
Fixed maturities		210	197
Equity securities		95	61
Other		23	31

Gross investment income		506	394
Investment expenses		12	10

Net investment income		\$ 494	\$ 384
=====			

Market Risk Exposure

Aon is subject to various market risk exposures including foreign exchange rate risk, interest rate risk, and equity price risk. The following disclosure reflects estimates of future performance and economic conditions. Actual results may differ.

Aon is subject to foreign exchange rate risk associated with translating financial statements of its foreign subsidiaries into U.S. dollars. Additionally, certain of Aon's foreign subsidiaries receive revenues in currencies that differ from the currency in which their operating expenses are denominated. Aon's primary exposures are associated with the British Pound, the Dutch Guilder, the Canadian Dollar, the Australian Dollar, and the German Mark. Aon uses forward contracts and foreign currency futures and options to protect against adverse transaction and translation effects due to exchange rate fluctuations. The potential decrease to Aon's consolidated equity resulting from a hypothetical 10% adverse change in quoted year end foreign currency exchange rates amounts to \$120 million. The impact to pretax net income in the event of a hypothetical 10% adverse change in the quoted year end exchange rates would not be material after consideration of derivative positions.

Due to the nature of Aon's businesses, operating earnings are affected by changes in international and domestic short-term interest rates. Aon hedges against fluctuations in short-term interest rates with Eurodollar and Eurosterling futures contracts, interest rate swaps, and interest rate caps. A hypothetical 1% decrease in interest rates would have a decrease, net of derivative positions, of \$24 million to pretax income. Aon's earnings are also affected by interest rate risks related to short-term borrowings. A hypothetical 1% decrease in short-term interest rates would correspondingly decrease Aon's interest expense by \$8 million, partially offsetting the loss of short-term investment income.

The valuation of Aon's fixed maturity portfolio is subject to long-term interest rate risk. Aon generally uses treasury options and futures and interest rate swaps to hedge the value of the fixed maturity portfolio. A hypothetical 1% increase in long-term interest rates would decrease the fair value of the portfolio, net of derivative positions, by approximately \$155 million. Aon has long-term notes payable and capital securities outstanding at December 31, 1997 with a fair value of \$1.5 billion. Such fair value exceeded the carrying value by approximately \$100 million. A hypothetical 1% decrease in interest rates would increase the fair value by approximately 10%.

The valuation of Aon's marketable equity portfolio is subject to equity price risk. If market prices were to decrease 10%, the fair value of the equity portfolio would have a corresponding decrease of \$81 million. At December 31, 1997 there were no outstanding derivatives hedging the price risk on the equity portfolio.

CAPITAL RESOURCES In 1997, short-term borrowings increased \$551 million. This increase was primarily attributable to commercial paper used primarily for acquisition activity. Notes payable increased in 1997 by \$116 million when compared to year end 1996, due to both acquisition financing and acquired debt.

On November 3, 1997, Aon exercised its option to redeem all of the remaining outstanding shares of 8% preferred stock at a redemption price of \$25.00 per share plus accrued dividends. The cost of repurchasing these shares was approximately \$136 million, financed primarily by short-term borrowings.

Aon Corporation borrows funds from and lends funds to its various subsidiaries. As of December 31, 1997, Aon Corporation held obligations to its subsidiaries of approximately \$0.5 billion. Generally, these obligations have competitive interest rates.

In 1997, common stockholders' equity per share increased to \$16.80, up from \$16.21 in 1996. Total stockholders' equity decreased \$11 million primarily due to the retirement of the 8% preferred stock and the foreign exchange loss. The foreign exchange loss results from lower exchange rates at year end 1997 compared to year end 1996 for most major European currencies. Principal factors favorably contributing to equity were net income and net unrealized investment gains.

CONSOLIDATED STATEMENTS OF INCOME

(millions except per share data)	Years ended December 31	1997	1996	1995
REVENUE				
Brokerage commissions and fees		\$3,605.2	\$1,918.8	\$1,651.3
Premiums earned		1,608.9	1,526.7	1,426.5
Net investment income (note 4)		494.0	384.0	329.4
Realized investment gains (note 4)		6.3	8.1	13.1
Other income		36.2	50.6	45.4
Total revenue		5,750.6	3,888.2	3,465.7
BENEFITS AND EXPENSES				
Commissions and general expenses		3,968.3	2,328.6	1,982.3
Benefits to policyholders		842.3	789.5	698.5
Interest expense		69.5	40.1	37.3
Amortization of deferred policy acquisition costs		208.2	207.9	207.5
Amortization of intangible assets		120.7	76.5	82.1
Total benefits and expenses		5,209.0	3,442.6	3,007.7
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND MINORITY INTEREST				
Provision for income tax (note 6)		541.6	445.6	458.0
		203.1	153.8	154.3
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST		338.5	291.8	303.7
Minority interest, net of tax--Company-obligated mandatorily redeemable preferred capital securities (note 8)		(39.7)	-	-
INCOME FROM CONTINUING OPERATIONS		298.8	291.8	303.7
DISCONTINUED OPERATIONS (note 3):				
Income from discontinued operations, net of tax		-	22.4	99.1
Gain on sale of discontinued operations, net of tax		-	21.0	-
NET INCOME		\$ 298.8	\$ 335.2	\$ 402.8
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS				
		\$ 287.2	\$ 316.4	\$ 378.1
DILUTIVE PER SHARE				
Income from continuing operations		\$ 1.68	\$ 1.64	\$ 1.71
Discontinued operations		-	0.26	0.59
Net income		1.68	1.90	2.30
BASIC PER SHARE				
Income from continuing operations		1.71	1.67	1.72
Discontinued operations		-	0.26	0.61
Net income		1.71	1.93	2.33
CASH DIVIDENDS PAID ON COMMON STOCK		\$ 1.02	\$ 0.95	\$ 0.89
AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING--DILUTIVE				
		170.5	168.9	167.3

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions)	As of December 31	1997	1996

ASSETS			
INVESTMENTS			
Fixed maturities -- at fair value		\$ 3,143.6	\$ 2,826.1
Equity securities -- at fair value		806.3	879.2
Short-term investments		1,697.7	1,266.3
Other investments		274.5	241.2
		-----	-----
Total investments		5,922.1	5,212.8
=====			
CASH		1,084.7	410.1
RECEIVABLES			
Insurance brokerage and consulting services receivables		5,320.5	3,565.9
Premiums and other		862.6	989.3
Accrued investment income		66.8	69.2
		-----	-----
Total receivables (net of allowance for doubtful accounts: 1997--\$126; 1996--\$63)		6,249.9	4,624.4
=====			
DEFERRED INCOME TAXES		137.0	-
DEFERRED POLICY ACQUISITION COSTS		549.0	598.8
INTANGIBLE ASSETS (net of accumulated amortization: 1997--\$979; 1996--\$859)		3,094.5	1,597.7
PROPERTY AND EQUIPMENT AT COST (net of accumulated depreciation: 1997--\$446; 1996--\$339)		456.8	323.2
OTHER ASSETS		1,197.2	955.7
=====			
TOTAL ASSETS		\$18,691.2	\$13,722.7
=====			

See accompanying notes to consolidated financial statements.

(millions)	As of December 31	1997	1996

LIABILITIES AND STOCKHOLDERS' EQUITY			
POLICY LIABILITIES			
Future policy benefits		\$ 942.6	\$ 1,079.4
Policy and contract claims		809.4	840.9
Unearned and advance premiums		1,869.7	1,925.2
Other policyholder funds		828.1	514.1
		-----	-----
Total policy liabilities		4,449.8	4,359.6
=====			
INSURANCE PREMIUMS PAYABLE		6,379.8	4,143.7
GENERAL LIABILITIES			
Commissions and general expenses		1,488.8	776.8
Accrued income taxes			
Current		180.1	80.1
Deferred		-	16.5
Short-term borrowings		764.2	213.4
Notes payable		637.1	521.2
Other liabilities		1,119.3	728.5
		-----	-----
TOTAL LIABILITIES		15,019.1	10,839.8
=====			
COMMITMENTS AND CONTINGENT LIABILITIES			
REDEEMABLE PREFERRED STOCK		50.0	50.0
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED CAPITAL			
SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY THE COMPANY'S			
JUNIOR SUBORDINATED DEBENTURES		800.0	-
STOCKHOLDERS' EQUITY			
Preferred stock--\$1 par value			
Authorized --25 shares; issued			
8% cumulative perpetual preferred stock		-	5.5
Common stock--\$1 par value			
Authorized --300 shares; issued		171.5	114.1
Paid-in additional capital		377.0	475.4
Net unrealized investment gains		189.0	153.1
Net foreign exchange gains (losses)		(85.6)	1.0
Retained earnings		2,463.4	2,356.8
Less treasury stock at cost (shares: 1997--3.5; 1996--4.8)		(93.2)	(121.5)
Less deferred compensation		(200.0)	(151.5)
		-----	-----
TOTAL STOCKHOLDERS' EQUITY		2,822.1	2,832.9
=====			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$18,691.2	\$13,722.7
=====			

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(millions)	Years ended December 31		
	1997	1996	1995
=====			
PREFERRED STOCK Balance at January 1	\$ 5.5	\$ 8.1	\$ 11.1
Retirement of preferred stock	(5.5)	(0.5)	(3.0)
Conversion of preferred stock to common stock	-	(2.1)	-
	-----	-----	-----
	-	5.5	8.1
=====			
COMMON STOCK Balance at January 1	114.1	111.4	110.6
Effect of three-for-two stock split	57.1	-	-
Shares issued for business combinations	0.3	0.1	0.8
Conversion of preferred stock to common stock	-	2.6	-
	-----	-----	-----
	171.5	114.1	111.4
=====			
PAID-IN ADDITIONAL CAPITAL Balance at January 1	475.4	431.8	485.2
Effect of three-for-two stock split	(57.1)	-	-
Stock awards	79.1	55.2	19.2
Adjustment for business combinations	10.3	2.2	(0.6)
Retirement and conversion of preferred stock	(130.7)	(3.8)	(72.0)
	-----	-----	-----
	377.0	475.4	431.8
=====			
NET UNREALIZED INVESTMENT GAINS (LOSSES) Balance at January 1	153.1	123.1	(142.8)
Net unrealized investment gains	35.9	30.0	265.9
	-----	-----	-----
	189.0	153.1	123.1
=====			
NET FOREIGN EXCHANGE GAINS (LOSSES) Balance at January 1	1.0	1.8	(19.7)
Net foreign exchange gains (losses)	(86.6)	(0.8)	21.5
	-----	-----	-----
	(85.6)	1.0	1.8
=====			
RETAINED EARNINGS Balance at January 1	2,356.8	2,212.1	1,998.1
Net income	298.8	335.2	402.8
Dividends to stockholders	(180.2)	(171.8)	(170.4)
Loss on treasury stock reissued	(6.9)	(16.0)	(21.7)
Adjustment for business combinations	(5.0)	(2.4)	3.7
Retirement of preferred stock	(0.1)	(0.3)	(0.4)
	-----	-----	-----
	2,463.4	2,356.8	2,212.1
=====			
TREASURY STOCK Balance at January 1	(121.5)	(97.3)	(72.9)
Cost of shares acquired	(11.4)	(66.1)	(71.8)
Shares reissued at average cost	39.7	41.9	47.4
	-----	-----	-----
	(93.2)	(121.5)	(97.3)
=====			
DEFERRED COMPENSATION Balance at January 1	(151.5)	(117.3)	(112.2)
Issuance of stock awards	(80.6)	(56.8)	(21.2)
Debt guarantee of employee stock ownership plan	13.0	10.7	8.7
Amortization of deferred compensation	19.1	11.9	7.4
	-----	-----	-----
	(200.0)	(151.5)	(117.3)
=====			
STOCKHOLDERS' EQUITY AT DECEMBER 31	\$2,822.1	\$2,832.9	\$2,673.7
=====			

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)	Years ended December 31	1997	1996	1995

CASH FLOWS FROM OPERATING ACTIVITIES				
Net income		\$ 298.8	\$ 335.2	\$ 402.8
Adjustments to reconcile net income to cash provided by operating activities				
Policy liabilities		(154.6)	766.7	445.4
Deferred policy acquisition costs		(163.6)	(213.1)	(410.3)
Amortization of deferred policy acquisition costs		208.2	235.6	302.7
Amortization of intangible assets		120.7	79.0	94.2
Other amortization and depreciation		120.5	65.0	63.7
Other operating assets and liabilities		358.4	(887.7)	(284.6)
Realized investment gains, net of tax		(4.3)	(5.1)	(4.3)
Gain on sale of discontinued operations		-	(21.0)	-
		-----	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES		784.1	354.6	609.6
=====				
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments				
Fixed maturities				
Maturities		104.7	135.5	125.1
Calls and prepayments		155.6	204.5	391.5
Sales		2,175.0	979.7	2,428.8
Equity securities		1,827.3	636.1	1,215.6
Other investments		54.6	200.6	265.2
Purchase of investments				
Short-term--net		(31.3)	(65.2)	(126.9)
Fixed maturities		(2,766.5)	(1,843.3)	(3,222.1)
Equity securities		(1,723.7)	(661.3)	(1,131.0)
Other investments		(111.2)	(302.1)	(362.9)
Acquisition of subsidiaries		(1,648.9)	(342.2)	(109.6)
Disposition of subsidiaries		-	1,370.0	-
Acquired fiduciary funds from acquisitions		734.0	-	-
Property and equipment and other		(145.9)	(74.8)	(97.9)
		-----	-----	-----
CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(1,376.3)	237.5	(624.2)
=====				
CASH FLOWS FROM FINANCING ACTIVITIES				
Treasury stock transactions --net		21.4	(40.1)	(46.4)
Issuance (repayment) of short-term borrowings--net		541.7	(139.2)	108.8
Issuance of mandatorily redeemable preferred capital securities		800.0	-	-
Issuance of long-term debt		-	-	20.1
Repayment of long-term debt		(74.1)	(5.7)	(12.5)
Interest sensitive life, annuity and investment contracts				
Deposits		373.2	508.1	1,287.5
Withdrawals		(44.2)	(437.4)	(1,487.6)
Retirement of preferred stock		(136.2)	(14.2)	(75.4)
Cash dividends to stockholders		(182.1)	(172.9)	(171.3)
		-----	-----	-----
CASH PROVIDED (USED) BY FINANCING ACTIVITIES		1,299.7	(301.4)	(376.8)
=====				
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(32.9)	4.1	(2.1)
INCREASE (DECREASE) IN CASH		674.6	294.8	(393.5)
CASH AT BEGINNING OF YEAR		410.1	115.3	508.8
		-----	-----	-----
CASH AT END OF YEAR		\$ 1,084.7	\$ 410.1	\$ 115.3
=====				

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND PRACTICES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include the accounts of Aon Corporation and its operating subsidiaries (Aon). These statements include informed estimates and assumptions that affect the amounts reported. Actual results could differ from the amounts reported. All material intercompany accounts and transactions have been eliminated.

Segment Information

Aon Corporation is a multinational holding company. Its businesses serve consumers and commercial operations in North America, South America, Europe, Africa, Asia and Australia. Aon's continuing operations are concentrated into two core businesses. Insurance brokerage and consulting services provide services for commercial, industrial and insurance company clients. Insurance underwriting provides life, accident and health insurance and extended warranty products for individual consumers, delivered through controlled distribution channels.

The segment information located in the tables on pages 19 through 22 is incorporated herein by reference.

Brokerage Commissions and Fees

In general, commission income is recognized at the later of the billing or effective date of the related insurance policies. Contingent commissions, certain life insurance commissions and commissions on premiums billed directly by insurance companies are generally recognized as income when received. Commissions on premium adjustments, including policy cancellations, are recognized as they occur. Fees for claim administration services, benefit consulting, reinsurance services and other services are recognized when the services are rendered.

Recognition of Premium Revenue

In general, for accident and health and extended warranty products, premiums collected are reported as earned in proportion to insurance protection provided over the period covered by the policies. For life products, premiums are recognized as revenue when due.

Reinsurance

Reinsurance premiums, commissions, and expense reimbursements on reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and benefits ceded to other companies have been reported as a reduction of premium revenue and benefits. Expense reimbursements received in connection with reinsurance ceded have been accounted for as a reduction of the related policy acquisition costs or, to the extent such reimbursements exceed the related acquisition costs, as other revenue. Reinsurance receivables and prepaid reinsurance premium amounts are reported as assets.

Special Charges

The special charges information located on pages 18 and 19 is incorporated herein by reference.

Income Tax

Deferred income tax has been provided for the effects of temporary differences between financial reporting and tax bases of assets and liabilities and has been measured using the enacted marginal tax rates and laws that are currently in effect.

Earnings Per Share

Earnings per share is computed in accordance with the Financial Accounting Standards Board (FASB) Statement No. 128 "Earnings Per Share."

Basic earnings per share is computed based on the weighted average number of common shares outstanding, excluding any dilutive effects of options, awards and convertible securities. Common shares outstanding include 4,230,000 shares, 4,520,000 shares and 4,901,000 shares held by the employee stock ownership plan in 1997, 1996 and 1995, respectively. Income available to common shareholders is net of all preferred dividends. Dilutive earnings per share is computed based on the weighted average number of common shares outstanding plus the dilutive effects of options, awards and convertible securities. The dilutive effect of options and awards is calculated under the treasury stock method using the average market price for the period. Earnings per share is calculated as follows:

(millions except per share data)

1997

1996

1995

Income from continuing operations	\$ 299	\$ 292	\$ 304
8% preferred stock dividends	(9)	(11)	(16)
Redeemable preferred stock dividends	(3)	(2)	(2)
Continuing income for dilutive 6.25% preferred stock dividends	\$ 287	\$ 279	\$ 286
	-	(5)	(7)
Continuing income for basic	\$ 287	\$ 274	\$ 279
Basic shares outstanding	168	164	162
Common stock equivalents	3	2	1
6.25% convertible preferred shares	-	3	4
Dilutive potential common shares	171	169	167
Dilutive earnings per share	\$1.68	\$1.64	\$1.71
Basic earnings per share	\$1.71	\$1.67	\$1.72

A three-for-two stock split of Aon's \$1.00 par value common stock was effected on May 14, 1997 with 57 million shares issued to common stockholders of record as of May 1, 1997. All references in the accompanying financial statements and retroactively restated to reflect the stock split.

Investments

Fixed maturities are available for sale and are carried at fair value. The amortized cost of fixed maturities is adjusted for amortization of premiums to the first call date and the accretion

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of discounts to maturity that are included in net investment income. Equity securities are valued at fair value. Unrealized gains and temporary unrealized losses on fixed maturities available for sale and equity securities are excluded from income and are recorded directly to stockholders' equity, net of related deferred income taxes. Other investments are carried generally at cost. Realized investment gains or losses are computed using specific costs of securities sold.

Investments that have declines in fair value below cost, which are judged to be other than temporary, are written down to estimated fair values. Reserves for certain other investments are established based on an evaluation of the respective investment portfolio and current economic conditions. Write-downs and changes in reserves are included in realized investment gains and losses in the consolidated statements of income. In general, Aon ceases to accrue investment income where interest or dividend payments are in arrears.

Accounting policies relating to derivative financial instruments are discussed in note 11.

Deferred Policy Acquisition Costs

Costs of acquiring new and renewal insurance underwriting business, principally the excess of new commissions over renewal commissions, underwriting and sales expenses that vary with and are primarily related to the production of new business, are deferred. For long-duration life and health products, amortization of deferred policy acquisition costs is related to and based on the expected premium revenues of the policies. In general, such amortization is adjusted to reflect current withdrawal experience. Expected premium revenues are estimated by using the same assumptions used in estimating future policy benefits. For extended warranty and short-duration health insurance, costs of acquiring and renewing business, which are deferred, are amortized as the related premium is earned.

Other Intangible Assets

In general, the excess of cost over net assets purchased relating to business acquisitions is being amortized into income over periods not exceeding forty years using the straight-line method. The cost of other intangible assets purchased of certain subsidiaries is being amortized over a range of 4 to 25 years.

Property and Equipment

Property and equipment are generally depreciated using the straight-line method over their estimated useful lives.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair values for financial instruments. The carrying amounts in the consolidated statements of financial position for cash and cash equivalents, including short-term investments, approximate their fair value. Fair value for fixed maturity and equity securities is based on quoted market prices or, if they are not actively traded, on estimated values obtained from independent pricing services. Fair value of derivatives is based on quoted prices for exchange-traded instruments or the cost to terminate or offset with other contracts.

In general, other investments are comprised of mortgage loans, policy loans, real estate joint ventures and limited partnerships. The fair value for mortgage loans and policy loans is estimated using discounted cash flow analyses, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. It was not practicable to estimate the fair value of joint ventures and limited partnerships because of the inability to estimate fair value without incurring excessive costs. In addition, the determination of the fair value of investment commitments was deemed impractical due to the inability to estimate future cash flows.

Fair value for liabilities for investment-type contracts is estimated using discounted cash flow calculations based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The fair value for notes payable is based on quoted market prices for the publicly traded portion and on estimates using discounted cash flow analyses based on current borrowing rates for similar types of borrowing arrangements for the non-publicly traded portion.

Future Policy Benefits, Unearned Premiums, and Policy and Contract Claims

Future policy benefit liabilities on non-universal life and accident and health products have been provided on the net level premium method. The liabilities are calculated based on assumptions as to investment yield, mortality, morbidity, and withdrawal rates that were determined at the date of issue, and provide for possible adverse deviations. Interest assumptions are graded and range from 7.0% to 5.0% at December 31, 1997. Withdrawal assumptions are based principally on insurance subsidiaries' experience and vary by plan, year of issue, and duration. Policyholder liabilities on universal life and investment products are generally based on policy account values.

Unearned premiums generally are calculated using the pro rata method based on gross premiums. However, in the case of extended warranty products, the unearned premiums are calculated such that the premiums are earned over the period of risk in a reasonable relationship to anticipated claims.

Policy and contract claim liabilities represent estimates for reported claims, as well as provisions for losses incurred, but not yet reported. These claim liabilities are based on historical experience and are estimates of the ultimate amount to be paid when the claims are settled. Changes in the estimated liability are reflected in income as the estimates are revised.

Foreign Currency Translation

In general, foreign revenues and expenses are translated at average exchange rates. Foreign assets and liabilities are translated at year-end exchange rates. Net foreign exchange gains and losses on translation are generally reported in stockholders' equity, net of deferred income tax. The deferred tax benefit of foreign exchange losses is \$51 million at December 31, 1997, compared to the deferred tax effect of foreign exchange gains of \$1 million at December 31, 1996 and 1995.

Accounting Changes

In 1997, the FASB issued Statement No. 128, "Earnings Per Share." Aon adopted this statement in its December 31,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1997 financial statements and has restated prior periods presented as required. Implementation of this Statement did not have a material effect on Aon's financial statements.

In 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income." This Statement establishes standards for reporting and classifying components of comprehensive income in the financial statements and requires that the accumulated balance of other comprehensive income be displayed separately from retained earnings and additional paid-in-capital in the equity section of a statement of financial position. The FASB also issued Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information" in 1997. This Statement establishes standards for providing disclosures related to products and services, geographic area, and major customers. Aon anticipates adopting these statements in its 1998 financial statements as required. Implementation of these statements is not expected to have a material effect on Aon's financial statements.

In 1997, Aon adopted FASB Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Implementation of this Statement did not have a material effect on Aon's financial statements.

In 1996, Aon adopted the disclosure requirements of FASB Statement No. 123, "Accounting for Stock-Based Compensation." As allowed by Statement No. 123, Aon chose to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations (see note 10).

Reclassification

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 1997 presentation.

2. BUSINESS COMBINATIONS

Purchase Method

In 1997, Aon acquired Alexander & Alexander Services Inc. (A&A), the Minet Group (Minet) and Jauch & Hubener for approximately \$1.6 billion in transactions accounted for by the purchase method. Certain purchase price allocations for 1997 acquisitions will be finalized in 1998. Additionally, Aon acquired certain other operations at an aggregate cost of \$86 million and \$110 million in 1996 and 1995, respectively. The 1997 acquisitions were financed primarily by the issuance of capital securities (see note 8), issuance of commercial paper and internal funds. Intangible assets of approximately \$1.5 billion were created by these acquisitions. In 1997, as a result of the A&A acquisition, Aon established approximately \$200 million of purchase accounting liabilities, primarily relating to severance and related costs for approximately 2,000 terminations and the consolidation of real estate space. In connection with these items, Aon had approximately \$100 million remaining unpaid in the commission and general expense liability at December 31, 1997. The 1997 consolidated statement of income included the operations of A&A since January 1, 1997. If the A&A acquisition had been consummated on January 1, 1996, the unaudited proforma consolidation results of operations would have resulted in total revenues of \$5.2 billion, income from continuing operations of \$258 million and net income of \$291 million.

In October 1996, Aon acquired Bain Hogg for approximately \$260 million. This acquisition was financed by internal funds. The 1996 consolidated statement of income includes the operations of Bain Hogg since the date of acquisition. Aon's 1996 revenues would have been approximately \$260 million greater had the acquisition occurred on January 1, 1996. As a result of this acquisition, approximately \$85 million of purchase accounting liabilities were established primarily relating to both the costs associated with the consolidation of real estate activities and severance liabilities. In connection with these items, Aon had approximately \$55 million remaining unpaid in the commission and general expense liability at December 31, 1997.

Pursuant to a 1994 purchase agreement, Aon is contingently liable through 1999 to issue up to 292,000 additional shares of common stock based on a formula relating to future earnings of that operation. In accordance with a 1992 purchase agreement, securities with a value of \$50 million are being held in escrow. The escrowed securities will be released on a predetermined schedule between 1998 and 2007.

Pooling of Interests Method

In 1997, 1996 and 1995, Aon issued 274,000 shares, 819,000 shares and 2,106,000 shares of common stock, respectively, for mergers with insurance brokerage and consulting organizations. In connection with several of the mergers, 760,000 shares issued to sellers are being held in escrow at December 31, 1997, pending the resolution of contingencies. Aon's prior period financial statements have not been restated for the mergers because the effect of the above mergers was not material.

3. DISCONTINUED OPERATIONS

In April 1996, Aon completed the sales of its domestic direct response life and health subsidiary, Union Fidelity Life Insurance Company (UFLIC) and its capital accumulation life insurance subsidiary, The Life Insurance Company of Virginia (LOV) to General Electric Capital Corporation and received after-tax sales proceeds of approximately \$1.2 billion. The gain on sale of discontinued operations was \$21 million, net of taxes.

For 1996 and 1995, the discontinued operations had revenues of \$293 million and \$1,145 million, respectively. The revenues and corresponding benefits and expenses were reported on a net basis in the consolidated statements of income, and were net of taxes of \$12 million and \$53 million in 1996 and 1995, respectively. Income from discontinued operations that was earned subsequent to the commitment to the plan to dispose was \$22 million and \$15 million, net of taxes, in 1996 and 1995, respectively.

Included in discontinued operations is pretax interest expense of \$5 million and \$18 million in 1996 and 1995, respectively. The allocation of interest expense was based on the ratio of discontinued net assets to total consolidated equity and debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A&A's Discontinued Operations

A&A discontinued its insurance underwriting operations in 1985, some of which were then placed into run-off, the remainder sold in 1987. In connection with those sales, A&A provided indemnities to the purchaser for various estimated and potential liabilities, including provisions to cover future losses attributable to insurance pooling arrangements, a stop-loss reinsurance agreement, and actions or omissions by various underwriting agencies previously managed by an A&A subsidiary.

As of December 31, 1997, the liabilities associated with the foregoing indemnities and liabilities of insurance underwriting subsidiaries that are currently in run-off were included in other liabilities in the accompanying statement of financial position and amount to \$152 million. Such liabilities are net of reinsurance recoverables and other assets of \$176 million.

The insurance liabilities represent estimates of known and future claims expected to be made under occurrence-based insurance policies and reinsurance business covering principally asbestos, environmental pollution, and latent disease risks in the United States along with substantial litigation-related expenses. Those claims are expected to develop and be settled over the next twenty to thirty years.

The insurance liabilities cannot be estimated using conventional actuarial reserving techniques because of, among other matters, the inadequacy of available historical experience to support such techniques and because case law and scientific standards for measuring the adequacy of site clean-up are still evolving. Therefore, independent actuaries have combined available exposure information with other relevant industry data and have used various projection techniques to estimate the insurance liabilities, which liabilities consist principally of incurred but not reported losses.

Although these insurance liabilities represent A&A's best estimate of the probable liabilities, adverse developments may occur due to the nature of the information available to A&A and the variables inherent in the estimation processes. Based on current estimates, management believes that the established liabilities of discontinued operations are sufficient to cover A&A's exposures.

4. INVESTMENTS The components of net investment income are as follows:

(millions)	Years ended	December 31	1997	1996	1995
Fixed maturities			\$210	\$197	\$164
Equity securities			95	61	59
Short-term investments			178	105	86
Other			23	31	28
Gross investment income			506	394	337
Investment expenses			12	10	8
Net investment income			\$494	\$384	\$329

Realized gains (losses) on investments are as follows:

(millions)	Years ended	December 31	1997	1996	1995
Fixed maturities:					
Gross gains			\$ 27	\$13	\$ 8
Gross losses			(14)	(9)	(3)
Equity securities			20	12	12
Other			(27)	(8)	(4)
Total before tax			6	8	13
Less applicable tax			2	3	5
Total net realized investment gains			\$ 4	\$ 5	\$ 8

The components of net unrealized gains (losses) are as follows:

(millions)	Years ended	December 31	1997	1996	1995
Fixed maturities			\$130	\$112	\$115
Equity securities			167	128	78
Deferred tax charge			(108)	(87)	(70)
Net unrealized investment gains			\$189	\$153	\$123

The changes in net unrealized investment gains (losses) are as follows:

(millions)	Years ended	December 31	1997	1996	1995
Fixed maturities:					
Available for sale			\$18	\$(3)	\$273
Held to maturity			-	-	234
Equity securities			39	50	128
Total			\$57	\$47	\$635

The amortized cost and fair value of investments in fixed maturities and equity securities are as follows:

As of December 31, 1997 (millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	\$ 209	\$ 4	\$ -	\$ 213
States and political subdivisions	524	31	-	555
Foreign governments	842	51	(1)	892
Corporate securities	1,342	53	(10)	1,385
Mortgage-backed securities	42	2	-	44
Other fixed maturities	55	1	(1)	55
Total fixed maturities	3,014	142	(12)	3,144
Total equity securities	639	175	(8)	806
Total	\$3,653	\$317	\$(20)	\$3,950

As of December 31, 1997 (millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	\$ 45	\$ 2	\$ -	\$ 47
States and political subdivisions	491	24	(1)	514
Foreign governments	948	44	(2)	990
Corporate securities	1,056	54	(7)	1,103
Mortgage-backed securities	64	1	-	65
Other fixed maturities	110	-	(3)	107
Total fixed maturities	2,714	125	(13)	2,826
Total equity securities	751	142	(14)	879
Total	\$3,465	\$267	\$(27)	\$3,705

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The amortized cost and fair value of fixed maturities, by contractual maturity as of December 31, 1997, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(millions)	Amortized Cost	Fair Value
Due in one year or less	\$ 109	\$ 110
Due after one year through five years	858	891
Due after five years through ten years	937	991
Due after ten years	1,068	1,108
Mortgage-backed securities	42	44
Total	\$3,014	\$3,144

Securities on deposit for regulatory authorities as required by law amounted to \$309 million at December 31, 1997 and \$308 million at December 31, 1996. As required by the by-laws of Lloyd's brokers, assets subject to floating charges for the benefit of insurance creditors amounted to \$953 million and \$853 million at December 31, 1997 and 1996, respectively. Aon maintains premium trust bank accounts for premiums collected from insureds but not yet remitted to insurance companies of \$1.4 billion and \$0.6 billion at December 31, 1997 and 1996, respectively.

At December 31, 1997 and 1996, respectively, Aon had \$96 million and \$42 million of non-income producing investments.

5. DEBT AND LEASE COMMITMENTS

Notes Payable

The following is a summary of notes payable:

(millions)	As of December 31	1997	1996
6.3% debt securities, due January 2004		\$ 100	\$ 100
6.7% debt securities, due June 2003		150	150
6.875% debt securities, due October 1999		100	100
7.4% debt securities, due October 2002		100	100
Debt guarantee of employee stock ownership plan (ESOP)		33	46
Notes payable, due in varying installments, with interest at 6% to 8%		154	25
Total notes payable		\$637	\$521

Interest is payable semiannually on all debt securities. In addition, the debt securities are not redeemable by Aon prior to maturity and contain no sinking fund provisions. Maturities of notes payable, excluding the debt guarantee of ESOP, are \$27 million, \$108 million, \$6 million, \$2 million and \$100 million in 1998, 1999, 2000, 2001 and 2002, respectively. In addition, Aon has \$900 million of committed bank credit facilities at December 31, 1997 to support its commercial paper program.

Information related to notes payable (excluding the debt guarantee of ESOP) and short-term borrowings is as follows:

Years ended December 31	1997	1996	1995
Interest paid (millions)	\$70	\$45	\$54
Weighted average interest rates -- short-term borrowings	5.6%	5.3%	5.9%

Debt Guarantee of ESOP

Aon's ESOP has entered into loan agreements to purchase Aon common stock. The loans are unconditionally guaranteed by Aon and therefore the unpaid balance of the loans is classified as notes payable in the accompanying statements of financial position. An equivalent amount, representing deferred compensation, is recorded as a deduction from stockholders' equity. The ESOP paid \$16 million, \$15 million and \$14 million in 1997, 1996 and 1995, respectively, in loan principal and interest from contributions made by Aon to the ESOP as well as dividend proceeds of common stock held by the ESOP. The loans have an interest rate of 8.35% and serially mature through 1999. Future contributions, as determined by Aon's Board of Directors, plus dividends earned on shares held by the ESOP will be used to service the loans. The ESOP allocated 642,000 shares in 1997. The remaining unallocated shares at December 31, 1997, will be released for allocation annually through 1999.

The following table details the shares held by the ESOP:

(thousands)	As of December 31	1997	1996
Allocated		2,787	2,435
Committed to be released		709	642
Unallocated		734	1,443
Total		4,230	4,520

Lease Commitments

Aon has noncancelable operating leases for certain office space, equipment and automobiles. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1997 are:

(millions)	Minimum Lease Payments
1998	\$ 177
1999	160
2000	143
2001	121
2002	95
Later years	417
Total minimum payments required	\$1,113

Rental expenses for all operating leases for the years ended December 31, 1997, 1996 and 1995, amounted to \$177 million, \$114 million and \$103 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAX

Aon and its principal domestic subsidiaries are included in a consolidated life-nonlife federal income tax return. Aon's foreign subsidiaries file various income tax returns in their foreign jurisdictions. A reconciliation of the income tax provisions based on the U.S. statutory corporate tax rate to the provisions reflected in the consolidated financial statements is as follows:

Years ended December 31	1997	1996	1995
Statutory tax rate	35.0%	35.0%	35.0%
Tax-exempt investment income	(3.1)	(3.7)	(3.8)
State income taxes	2.8	3.5	2.8
Other--net	2.8	(0.3)	(0.3)
Effective tax rate	37.5%	34.5%	33.7%

The provision for income tax is made up of the following components:

(millions)	Years ended December 31	1997	1996	1995
Current:				
Federal		\$ 21	\$115	\$111
Foreign		35	55	45
State		18	25	20
Total current		\$74	\$195	\$176
Deferred (credit):				
Federal		\$100	\$ (9)	\$(17)
Foreign		24	(31)	(4)
State		5	(1)	(1)
Total deferred		129	(41)	(22)
Provision for income tax		\$203	\$154	\$154

During 1997, Aon's consolidated statement of income reflects a tax benefit of \$24 million on the capital securities.

Significant components of Aon's deferred tax assets and liabilities are as follows:

(millions)	As of December 31	1997	1996
Deferred tax assets:			
Insurance reserve amounts		\$ 129	\$ 140
Net operating loss and tax credit carryforwards		86	-
Certain purchase accounting and restructuring liabilities		100	40
Other--net		83	54
Total deferred tax assets		398	234
Deferred tax liabilities:			
Policy acquisition costs		(54)	(65)
Unrealized investment gains		(108)	(87)
Other--net		(43)	(99)
Total deferred tax liabilities		(205)	(251)
Valuation allowance		(56)	-
Net deferred tax assets (liabilities)		\$ 137	\$ (17)

As of December 31, 1997, a U.S. subsidiary of Aon (A&A) had U.S. federal net operating loss carryforwards of \$96 million which expire in years 2008 through 2010, and federal foreign tax credit carryforwards of \$18 million which expire in years 1998 through 2000.

The Internal Revenue Code imposes limitations on the utilization of federal net operating loss and tax credit carry-forwards after a change of control, consequently, there will be annual limitations on the realization of these tax assets. Accordingly, in connection with the purchase of A&A, a \$56 million valuation allowance was established. Subsequently recognized tax benefits for these items would reduce goodwill. Although future earnings cannot be predicted with certainty, management currently believes that realization of the net deferred tax asset after

consideration of the valuation allowance is more likely than not.

Prior to 1984, the life insurance companies were required to accumulate certain untaxed amounts in a memorandum "policyholders' surplus account." Under the Tax Reform Act of 1984, the "policyholders' surplus account" balances were "capped" at December 31, 1983 and the balances will be taxed only to the extent distributed to stockholders or when they exceed certain prescribed limits. As of December 31, 1997, the combined "policyholders' surplus account" of Aon's life insurance subsidiaries approximates \$363 million. Aon's life insurance subsidiaries do not intend to make any taxable distributions or exceed the prescribed limits in the foreseeable future; therefore, no income tax provision has been made. However, if such taxes were assessed, the amount of taxes payable would be \$127 million.

The amount of income taxes paid in 1997, 1996 and 1995 was \$137 million, \$387 million and \$256 million, respectively.

7. REINSURANCE AND CLAIM RESERVES

Aon's insurance subsidiaries are involved in both the cession and assumption of reinsurance with other companies. Aon's reinsurance consists primarily of short-duration contracts that are entered into with numerous automobile dealerships and insurers. Aon's insurance subsidiaries would remain liable to the extent that the reinsuring companies were unable to meet their obligations.

A summary of reinsurance activity is as follows:

(millions)	Years ended December 31	1997	1996	1995
Ceded premiums earned		\$609	\$508	\$316
Ceded premiums written		713	667	369
Assumed premiums earned		298	292	83
Assumed premiums written		284	276	101
Ceded benefits to policyholders		286	220	153

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Activity in the liability for policy contract claims is summarized as follows:

(millions)	Years ended December 31	1997	1996	1995
Liabilities at beginning of year		\$ 535	\$ 715	\$ 681
Incurred losses:				
Continuing operations --current year		814	774	672
Continuing operations --prior year		(50)	(36)	(17)
Discontinued operations*		-	90	361
Total		764	828	1,016
Payment of claims:				
Current year		(538)	(552)	(651)
Prior years		(241)	(283)	(331)
Total		(779)	(835)	(982)
Liability for business sold		-	(173)	-
Liabilities at end of year (net of reinsurance recoverables: 1997--\$289, 1996--\$306, 1995--\$256)		\$ 520	\$ 535	\$ 715

*excludes A&A discontinued operations.

8. REDEEMABLE PREFERRED STOCK, CAPITAL SECURITIES AND STOCKHOLDERS' EQUITY

Redeemable Preferred Stock

At December 31, 1997, 1,000,000 shares of redeemable preferred stock are outstanding. Dividends are cumulative at an annual rate of \$2.55 per share. The shares of redeemable preferred stock will be redeemable at the option of Aon or the holders, in whole or in part, at \$50.00 per share no sooner than February 9, 1999.

Capital Securities

In January 1997, Aon created Aon Capital A, a wholly-owned statutory business trust, for the purpose of issuing mandatorily redeemable preferred capital securities (Capital Securities). The sole asset of Aon Capital A is \$824 million aggregate principal amount of Aon's 8.205% Junior Subordinated Deferrable Interest Debentures due January 1, 2027. The back-up guarantees, in the aggregate, provide a full and unconditional guarantee of the Trust's obligations under the Capital Securities.

Aon Capital A issued \$800 million of 8.205% capital securities in January 1997. The proceeds from the issuance of the capital securities were used to finance a portion of the A&A acquisition. The capital securities are subject to mandatory redemption on January 1, 2027 or, are redeemable in whole, but not in part, at the option of Aon upon the occurrence of certain events. Interest is payable semi-annually on the capital securities. The capital securities are categorized on the consolidated statement of financial position as "Company-obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely the Company's Junior Subordinated Debentures." The after-tax interest incurred on the capital securities is reported as minority interest on the consolidated statement of income.

8% Cumulative Perpetual Preferred Stock

At December 31, 1996, 5,446,000 shares of 8% cumulative perpetual preferred stock were outstanding. Dividends were cumulative at the annual rate of \$2.00 per share. In November 1997, Aon purchased and retired all of the remaining outstanding shares at a total cost of \$136 million.

6.25% Cumulative Convertible Exchangeable Preferred Stock

At December 31, 1995, 2,136,000 shares of 6.25% cumulative convertible exchangeable preferred stock were outstanding. Dividends were cumulative at the annual rate of \$3.125 per share. In November 1996, each share of 6.25% preferred stock was converted by the holders into 1.83 shares of com-mon stock for a total of 3,909,000 common shares.

Common Stock

Aon repurchased 202,000, 1,931,000 and 2,969,000 shares in 1997, 1996 and 1995, respectively, of its common stock, primarily to provide shares for stock compensation plans and the conversion of preferred stock.

Dividends

A summary of dividends incurred is as follows:

(millions)	Years ended December 31	1997	1996	1995
Redeemable preferred stock		\$ 2	\$ 2	\$ 2
8% cumulative perpetual preferred stock		9	11	16
6.25% cumulative convertible exchangeable preferred stock		-	5	7
Common stock		169	154	145
Total dividends incurred		\$180	\$172	\$170

Statutory Capital and Surplus

Generally, the capital and surplus of Aon's insurance subsidiaries available for transfer to the parent company are limited to the amounts that the insurance subsidiaries' statutory capital and surplus exceed minimum statutory capital requirements; however, payments of the amounts as dividends may be subject to approval by regulatory authorities. See note 6 for possible tax effects of distributions made out of untaxed earnings.

Net statutory income of the insurance subsidiaries (including LOV and UFLIC in 1995 and the statutory gain on the sale of LOV and UFLIC in 1996), is summarized as follows:

(millions)	Years ended December 31	1997	1996	1995
Life insurance		\$265	\$807	\$197
Property casualty		66	71	58

Statutory capital and surplus of the insurance subsidiaries is summarized as follows:

(millions)	As of December 31	1997	1996	1995
Life insurance		\$724	\$612	\$766
Property casualty		438	364	296

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE BENEFITS

Savings and Profit Sharing Plans

Certain of Aon's subsidiaries maintain contributory savings plans for the benefit of United States salaried and commissioned employees and a contributory profit sharing plan for the benefit of Canadian salaried employees and commissioned agents. The company contribution for the savings plans are based on a match of 100% of employee contributions up to a maximum of 3% of eligible compensation. Provisions made for these plans were \$22 million in 1997, and \$14 million in 1996 and 1995, respectively. The provision made in 1997 increased as compared to 1996 primarily due to the acquisition of A&A.

Employee Stock Ownership Plan

Certain of Aon's subsidiaries maintain a leveraged ESOP for the benefit of the United States salaried and certain commissioned employees. Shares are allocated to eligible employees over a period of ten years through 1998. Contributions to the ESOP amounted to \$14 million, \$12 million and \$11 million in 1997, 1996 and 1995, respectively.

Domestic Pension Plan

Certain of Aon's subsidiaries maintain non-contributory defined benefit pension plans providing retirement benefits for salaried employees and certain commissioned employees in the United States based on years of service and salary. Aon's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as Aon determines to be appropriate from time to time.

A summary of the components of net periodic pension cost for the defined benefit plans in 1997, 1996 and 1995 is as follows:

(millions)	Years ended December 31	1997	1996	1995

Defined benefit plan:				
Service cost-benefit earned		\$ 32	\$ 21	\$ 17
Interest cost on projected benefit obligation		46	21	19
Actual return on plan assets		(159)	(51)	(66)
Net amortization and deferral		97	29	44

Net periodic pension cost		\$ 16	\$ 20	\$ 14
=====				

The weighted average assumptions used in accounting for the defined benefit plan were:

	Years ended December 31	1997	1996	1995

Assumed discount rate		7.5%	7.8%	7.5%
Rate of compensation increase		5.0%	5.0%	5.0%
Expected long-term rate of return on plan assets		9.0%	9.0%	9.0%
=====				

In April 1996, Aon established a limited time early retirement incentive program that provided benefits through the defined benefit plan. The additional cost of termination benefits applicable for 1996 resulting from the program was \$19 million. Also in 1996, Aon completed the sales of LOV and UFLIC which resulted in a curtailment gain of \$8 million which is included in the gain on sale of discontinued operations. As a result of the sales of these units, affected employees became fully vested in their accrued benefits in the defined benefit plan.

The following table sets forth the funded status and amounts recognized in the consolidated statements of financial position for Aon's U.S. defined benefit pension plans.

(millions) As of December 31 1997 1996

Actuarial present value of benefit obligations:

Vested benefit obligation	\$ (580)	\$ (255)
Accumulated benefit obligation	(595)	(261)

Projected benefit obligation	(692)	(305)
Plan assets at fair value	853	317

Difference between projected		

benefit obligation and plan assets	161	12
Unrecognized net gain	(123)	(63)
Unrecognized prior service cost	1	1

Pension cost included in other assets (liabilities)	\$ 37	\$ (50)

1997 includes the A&A pension plan, including a projected benefit obligation of \$336 million and plan assets at fair value of \$469 million.

Plan assets include marketable equity securities and corporate and government debt securities, including securities issued by Aon totaling \$50 million and \$35 million in 1997 and 1996, respectively.

Foreign Pension Plans

Certain of Aon's foreign subsidiaries maintain contributory and non-contributory defined benefit pension plans for employees outside of the United States that provide retirement benefits based on service and salary. Material plans are maintained in the United Kingdom and The Netherlands. The funding policy for these plans is to contribute the amounts required by the plan provisions or applicable regulations, although additional amounts may be contributed from time to time.

A summary of the components of net periodic pension cost for the material defined benefit plans, grouped by country, is as follows:

(millions)	Years ended December 31	1997	1996	1995

United Kingdom:				
Service cost-benefit earned		\$ 44	\$ 11	\$ 11
Interest cost on projected benefit obligation		85	17	15
Actual return on plan assets		(197)	(28)	(29)
Net amortization and deferral		71	6	11

Net periodic pension cost		\$ 3	\$ 6	\$ 8
=====				
The Netherlands:				
Service cost-benefit earned		\$ 4	\$ 4	\$ 4
Interest cost on projected benefit obligation		8	9	9
Actual return on plan assets		(10)	(11)	(11)
Net amortization and deferral		-	-	-

Net periodic pension cost		\$ 2	\$ 2	\$ 2
=====				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The weighted average assumptions used in accounting for these defined benefit plans were:

Years ended December 31	1997	1996	1995

United Kingdom:			
Assumed discount rate	7.0%	8.0%	9.0%
Rate of compensation increase	5.5%	5.5%	7.0%
Expected long-term rate of return on plan assets	10.0%	10.0%	10.0%
=====			
The Netherlands:			
Assumed discount rate	7.0%	7.0%	7.0%
Rate of compensation increase	4.0%	4.0%	4.0%
Expected long-term rate of return on plan assets	7.0%	7.0%	7.0%
=====			

The following tables set forth the funded status and the amounts recognized in the 1997 and 1996 consolidated statements of financial position for Aon's foreign defined benefit pension plans.

United Kingdom:

(millions)	As of December 31	1997	1996

Projected benefit obligation		\$(1,501)	\$(617)
Plan assets at fair value		1,602	680

Plan assets in excess of projected benefit obligation		101	63
Unrecognized net loss		138	6
Unrecognized prior service cost		-	1
Unrecognized net transition obligation		1	1

Prepaid pension cost included in other assets		\$ 240	\$71
=====			

The Netherlands:

(millions)	As of December 31	1997	1996

Projected benefit obligation		\$(122)	\$(136)
Plan assets at fair value		149	165

Plan assets in excess of projected benefit obligation		27	29
Unrecognized net loss		15	18

Prepaid pension cost included in other assets		\$ 42	\$ 47
=====			

The funded status and the amounts recognized in the consolidated statements of financial position increased in 1997 as compared to 1996 primarily due to acquisitions.

Postretirement Benefits Other Than Pensions

Aon sponsors defined benefit postretirement health and welfare plans that cover both salaried and nonsalaried employees in the U.S., as well as certain other salaried employees in Canada. In the U.S., one plan provides medical benefits, prior to and subsequent to Medicare eligibility, and the other provides life insurance benefits. In Canada, the plans provide both extended health care benefits and life insurance benefits. The postretirement health care plans are contributory, with retiree contributions adjusted annually; the life insurance plans are noncontributory. The employer's liability for future plan cost increase is limited in any year to 5% per annum. All plans are funded on a pay-as-you go basis.

In 1996, Aon completed the sales of LOV and UFLIC resulting in a curtailment gain of \$5 million which was included in the gain on sale of discontinued operations.

The following table sets forth the plans' combined funded status:

As of December 31, (millions)	1997		1996	
	Medical	Life	Medical	Life

Accumulated postretirement benefit obligation:				
Retirees	\$ (30)	\$ (11)	\$ (17)	\$ (7)
Fully eligible active plan participants	(5)	(1)	(5)	(2)
Other active plan participants	(12)	(2)	(7)	(2)
	(47)	(14)	(29)	(11)

Plan assets at fair value	-	7	-	-

Unrecognized prior service	(12)	(4)	(16)	(5)
Unrecognized net gain	(15)	(8)	(20)	(7)

Accrued postretirement benefit liability	\$ (74)	\$ (19)	\$ (65)	\$ (23)
=====				

Net periodic postretirement benefit cost includes the following components:

(millions)	Years ended December 31	1997	1996	1995

Service cost		\$ 2	\$ 1	\$ 1
Interest cost		4	3	3
Return on assets		(1)	-	-
Amortization of prior service		(6)	(7)	(7)

Net periodic postretirement benefit credit		\$ (1)	\$ (3)	\$ (3)
=====				

For measurement purposes in 1997, 1996 and 1995, an 8.5%, 9.5% and 10.5%, respectively, annual rate of increase in the per capita cost of covered health care benefits (trend rate) adjusted for actual current year cost experience was assumed, decreasing gradually to 6% in year 2000 and remaining the same thereafter. However, with the employer funding increase cap limited to 5% per year, net employer trend rates are effectively limited to 5% per year in the future.

Assumptions used in determining the APBO are summarized below:

	As of December 31	1997	1996	1995

Weighted-average discount rate		7.5%	7.8%	7.5%
Weighted-average rate of compensation increase		5.0%	5.0%	5.0%
=====				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. STOCK COMPENSATION PLANS

Stock Award Plan

In 1997, Aon's stockholders approved an amendment to the Aon Stock Award Plan that increased the aggregate number of common stock that Aon could award up to 12,900,000 shares. Generally, the award plan requires the employees to complete three continuous years of service before the award begins to vest in increments until the completion of a ten-year period of continuous employment. In general, most awarded shares are issued as they become vested. With certain limited exceptions, any break in continuous employment will cause forfeiture of all unvested awards. The compensation cost associated with each award is deferred and amortized over the period of continuous employment using the straight line method.

Aon common stock awards outstanding consist of the following:

(thousands)	Years ended December 31	1997	1996	1995
Shares outstanding at beginning of year		5,210	3,914	3,254
Granted		1,869	1,793	1,063
Vested and exercised		(570)	(398)	(324)
Canceled		(95)	(99)	(79)
Shares outstanding at end of year		6,414	5,210	3,914

Stock Option Plan

Under a nonqualified stock option plan, options to purchase common stock were granted to certain officers and employees of Aon and its subsidiaries at 100% of market value on the date of grant. In 1997, Aon's stockholders approved an amendment to the Aon Stock Option Plan that increased the aggregate number of common stock that Aon could issue up to 23,300,000 shares. Generally, the option plan requires employees to complete three continuous years of service before the options begin to vest in increments until the completion of a seven-year period of continuous employment.

Aon applies Accounting Principles Board Option No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than the Aon Stock Award Plan. Had compensation cost for the stock award and the stock option plans been determined based upon the fair value at the grant date for these plans consistent with the methodology prescribed under Statement No. 123, Aon's net income and net income per share for 1997, 1996 and 1995 would have been reduced to the following pro forma amounts:

(millions except per share data)	Years ended December 31	1997	1996	1995
Net income:				
As reported		\$299	\$335	\$403
Pro forma		292	330	401
Net income per share:				
Diluted				
As reported		1.68	1.90	2.30
Pro forma		1.64	1.87	2.29
Basic				
As reported		1.71	1.93	2.33
Pro forma		1.67	1.90	2.32

The fair value per share of options and awards granted is estimated as \$8.97 and \$41.59 in 1997, \$8.19 and \$30.87 in 1996, and \$5.60 and \$22.39 in 1995, respectively, on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 2.5%; expected volatility of 20%, risk-free interest rate of 6%; and an expected term life of 1.35 years and 0 years for the stock option plan and the stock award plan, respectively. The compensation cost as generated by the Black-Scholes model, may not be indicative of the future benefit, if any, that may be received by the option holder.

The proforma information reflected above may not be representative of the amounts to be expected in future years as the fair value method of accounting contained in FASB Statement No. 123 has not been applied to options granted prior to January 1995.

A summary of Aon's stock option activity and related information consists of the following:

Years ended December 31,	1997	1996	1995
	Weighted	Weighted	

(shares in thousands)	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Price Range
Beginning Outstanding	5,276	\$26	5,212	\$21	5,019	\$ 9-24
Granted (at fair value)	1,646	48	1,535	35	1,629	21-25
Exercised	(579)	20	(732)	17	(1,121)	9-19
Canceled	(291)	29	(739)	23	(315)	11-24
Ending outstanding	6,052	31	5,276	26	5,212	13-25
Exercisable at end of year	696	21	465	19	638	13-23
Options available for grant	5,727		1,295		2,175	

A summary of options outstanding and options exercisable is as follows:

As of December 31, 1997 (shares in thousands)						
	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Shares Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price	
\$17.33-\$22.29	651	2.2	\$20.00	296	\$18.92	
22.64- 22.64	1,070	3.2	22.64	251	22.64	
22.83- 23.83	1,052	3.2	23.41	23	23.07	
23.89- 32.58	382	2.7	24.57	126	24.47	
34.33- 54.97	2,897	8.0	44.95	-	-	
\$17.33-\$54.97	6,052	5.2	\$31.10	696	\$21.41	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 1996 (shares in thousands)		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price
\$16.33-\$22.29	1,038	2.7	\$19.29	353	\$17.63
22.64- 22.64	1,203	4.2	22.64	-	-
22.83- 23.83	1,119	5.1	23.77	21	22.97
23.89- 32.58	465	3.7	24.51	91	24.00
34.33- 40.17	1,451	6.3	34.75	-	-
\$16.33-\$40.17	5,276	4.6	\$25.71	465	\$19.12

11. FINANCIAL INSTRUMENTS

Financial Risk Management

Aon is exposed to market risk from changes in foreign currency exchange rates, interest rates and equity prices. To manage the volatility related to these exposures, Aon enters into various derivative transactions that have the effect of reducing these risks by creating offsetting market exposures. If Aon did not use derivative contracts, its exposure and market risk would be higher.

Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored using techniques such as market value and sensitivity analyses.

In addition to creating market risks that offset the underlying business exposures, certain derivatives also give rise to credit risks due to possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to Aon. Aon has limited its credit risk by restricting investments in derivative contracts to a diverse group of highly rated major financial institutions and by using exchange-traded instruments. Aon closely monitors the creditworthiness of and exposure to its counterparties and considers its credit risk to be minimal. At December 31, 1997 and 1996, Aon placed securities in escrow amounting to \$6 million and \$13 million, respectively, relating to these derivative contracts.

Foreign Exchange Risk Management

Aon uses foreign currency futures, options, and forward contracts to manage the effects of foreign currency fluctuations on the translation of the financial statements of Aon's foreign operations. Generally, related gains and losses on these contracts are reflected as an adjustment to income when settled. For contracts designated as hedges of a net investment in foreign subsidiary, realized and unrealized gains are recorded directly to stockholders' equity as a component of net unrealized foreign exchange gains and losses.

Certain of Aon's foreign brokerage subsidiaries receive revenues in currencies that differ from the currency in which their operating expenses are denominated. To reduce the variability of cash flows from these operations, foreign forward exchange contracts and options having settlement dates that are primarily less than one year are used. Related gains or losses on these contracts are reflected as an adjustment to the expense component on the statement of income when the currencies are exchanged to settle expense commitments. Forward contracts entered into require no up-front premium and settle at the expiration of the related contract.

Interest Rate Risk Management

Aon uses interest rate derivative contracts to manage the interest rate risk associated with assets and liabilities underlying its underwriting and brokerage businesses. Interest rate derivatives are also utilized to manage the company's funding and other corporate risks.

Interest rate swap agreements are used to manage asset and liability durations. Exchange-traded Eurodollar futures, used in conjunction with basis rate swaps, are used to manage asset liability durations related to various other crediting arrangements emanating from other insurance businesses. As of December 31, 1997 and 1996, these swap agreements had the net effect of shortening asset durations. Variable rates received on interest rate and basis rate swap agreements correlate with crediting rates paid on outstanding liabilities. The net effect of swap payments is settled periodically and reported in income. There is no settlement of underlying notional amounts.

Aon also enters into interest rate swap agreements, sells exchange-traded interest rate futures and purchases interest rate caps to limit its interest expense on short-term borrowings. The premium that Aon pays for interest rate caps represents the cost basis of the position until it expires or is closed.

Aon also enters into interest rate swap and cap agreements and purchases exchange-traded Eurodollar and Eurosterling futures to limit its exposure to decreasing short-term interest rates, primarily relating to brokerage fiduciary funds. The net effect of swap payments are settled periodically and reported in income. There is no settlement of underlying notional amounts. Exchange-traded Eurodollar and Eurosterling futures are valued and settled daily, with amounts reported in income when the contract expires. The commission paid for these futures contracts represents the cost basis of the position, until it is expired or closed.

Exchange-traded treasury futures and options are used primarily as a hedge against the value of Aon's available for sale fixed maturity and equity investments. Aon sells futures as well as writes call options. Exchange-traded futures and options are valued and settled daily. The premium that Aon pays for purchased options and receives for written options represents the cost basis of the option until it expires or is closed.

In most cases, derivatives hedging the invested asset portfolio are hedging groups of invested assets. The sale, maturity or extinguishment of a hedged invested asset within a group would not affect the accounting method for the derivative. The accounting relating to the termination of a hedge would differ from the company's regular accounting practices if the hedge ceases to meet the criteria for hedge accounting.

The following criteria must be met in order for a derivative to qualify for hedge accounting. The derivative must be designated as a hedge at inception and be consistent with Aon's policy for risk management. The hedged group of invested assets must have a reliably measurable fair value and changes in fair value must have the potential to affect future earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Aon performs frequent analyses to measure the degree of correlation associated with its derivative programs. Aon assesses the adequacy of the correlation analyses results in determining whether the derivatives qualify for hedge accounting. Changes in the fair value of the derivative must be expected to substantially offset changes in the fair value of the designated group of invested assets attributable to the risk being hedged.

If the criteria for hedge accounting is not met, the resulting gain or loss from the hedge would be realized through the statement of operations in the current period.

Realized gains and losses on derivatives that qualify as hedges are deferred and reported as an adjustment of the cost basis of the hedged item. Deferred gains and losses are amortized into income over the remaining life of the hedged item. Outstanding derivatives that are hedges of items carried at fair value are reflected in the financial statements at fair value with changes in the derivative fair value reported as unrealized gains and losses directly in stockholders' equity.

Notional and Other Data

The following are the notional amounts of Aon's outstanding derivatives grouped by the types of risks being managed:

(millions)	As of December 31	1997	1996

Foreign currency management			
Forwards		\$ 208	\$ 157
Futures		435	-
Interest rate and asset/liability			
duration management			
Eurodollar futures		639	1,741
Eurosterling futures		664	-
Treasury futures		-	220
Call options		4	72
Put options		60	-
Interest rate caps		120	-
Interest rate swaps --pay fixed		93	90
Interest rate swaps --receive fixed		502	85
Basis rate swaps --pay and receive variable		140	90
Interest rate management for anticipated transactions			
Treasury futures		-	100
Call options		-	250
Put options		-	500
Interest rate caps		-	22
=====			

Aon amortized \$3 million in 1997, 1996 and 1995, respectively, of net deferred gains relating to derivatives into income. Realized losses related to anticipated transactions were immaterial for the years ended December 31, 1997 and 1996.

The interest rates on Aon's outstanding swaps at December 31 are presented below:

	Receive Fixed	Pay Variable	Pay Fixed	Receive Variable
1997	4.0-8.4%	5.8%	6.0-9.7%	5.6-6.5%
1996	5.8-6.8%	5.6%	6.0-9.7%	5.6-6.0%
=====				

As of December 31, 1997, swaps have maturities ranging from January 1998 to January 2007. Aon receives variable rates based on the one month commercial paper and the six month London Interbank Offer Rate (LIBOR) rate. Aon pays variable rates based on the three- and six-month LIBOR rates. Basis rate swaps have maturities ranging from December 2000 to August 2002 and require payments based on the three month LIBOR index and provide for receipts based on the two-year treasury rate. Other outstanding contracts generally have terms that are less than one year.

Other Financial Instruments

Aon has certain investment commitments to provide capital and fixed-rate loans as well as certain forward contract purchase commitments. The investment commitments, which would be collateralized by related properties of the underlying investments, involve varying elements of credit and market risk. Investment commitments outstanding at December 31, 1997 and 1996 totaled \$173 million and \$154 million, respectively.

Subsidiaries of Aon have entered into agreements with financial institutions, whereby the subsidiaries sold certain receivables, with limited recourse. Agreements provide for sales of receivables on a continuing basis through September 1998. As of December 31, 1997 and 1996, the

maximum commitment contained in these agreements was \$2.0 billion and \$1.2 billion, respectively. Aon's credit risk relates to amounts that may be due under recourse provisions that could exceed recorded estimates. At December 31, 1997 and 1996, this exposure was approximately \$93 million and \$42 million, respectively.

Fair Value of Financial Instruments

Accounting standards require the disclosure of fair values for certain financial instruments. The fair value disclosures are not intended to encompass the majority of policy liabilities, various other non-financial instruments or other intangible assets related to Aon's business. Accordingly, care should be exercised in deriving conclusions about Aon's business or financial condition based on the fair value disclosures. The carrying value and fair value of certain of Aon's financial instruments are as follows:

As of December 31	1997		1996	
(in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities and equity securities	\$3,950	\$3,950	\$3,705	\$3,705
Other investments	248	247	241	240
Cash, receivables and short-term investments	9,169	9,169	6,301	6,301
Derivatives*	-	8	-	10
Liabilities:				
Investment type insurance contracts	\$ 823	\$ 831	\$ 507	\$ 509
Short-term borrowings, premium payables and commissions and general expenses	8,770	8,770	5,134	5,134
Notes payable	637	643	521	524
Capital securities	800	900	-	-

*Derivatives with a carrying value of \$21 million and a fair value of \$21 million are included in other asset categories at December 31, 1997 and 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. CONTINGENCIES

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

At the time of Aon's acquisition of A&A in January 1997, A&A was facing various legal claims, several of which remain ongoing. In a 1988 action, alleging that certain A&A subsidiaries placed risks with financially unsound reinsurance companies, plaintiffs sought \$36 million in damages. Most of the exposure to these claims was extinguished as a result of the Lloyd's of London Reconstruction and Renewal Plan. Aon currently believes the loss that might result from the remaining exposure would not be material to its financial position or results of operation. In 1992, the purchaser of a company A&A sold in 1987 asserted claims under the indemnification provision of the sales agreement. While the possibility of substantial exposure remains, based on current facts and circumstances, Aon believes the possibility of material loss resulting from these exposures is remote.

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

REPORTS BY INDEPENDENT AUDITORS AND MANAGEMENT

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

BOARD OF DIRECTORS AND STOCKHOLDERS AON CORPORATION

We have audited the accompanying consolidated statements of financial position of Aon Corporation as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aon Corporation at December 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Chicago, Illinois
February 10, 1998

REPORT BY MANAGEMENT

The management of Aon Corporation is responsible for the integrity and objectivity of the financial statements and other financial information in the annual report. The statements have been prepared in conformity with generally accepted accounting principles. These statements include informed estimates and judgments for those transactions not yet complete or for which the ultimate effects cannot be measured precisely. Financial information elsewhere in this report is consistent with that in the financial statements. The consolidated financial statements have been audited by our independent auditors. Their role is to render an independent professional opinion on Aon's financial statements.

Management maintains a system of internal control designed to meet its responsibilities for reliable financial statements. The system is designed to provide reasonable assurance, at appropriate costs, that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. Judgments are required to assess and balance the relative costs and expected benefits of those controls. It is management's opinion that its system of internal control as of December 31, 1997, was effective in providing reasonable assurance that its financial statements were free of material misstatement. In addition, management supports and maintains a professional staff of internal auditors who coordinate audit coverage with the independent auditors and conduct an extensive program of financial and operational audits.

The Board of Directors selects an Audit Committee from among its members. No member of the Audit Committee is an employee of Aon. The Audit Committee is responsible to the Board for reviewing the accounting and auditing procedures and financial practices of Aon and for recommending appointment of the independent auditors. The Audit Committee meets periodically with management, internal auditors and independent auditors to review the work of each and satisfy itself that those parties are properly discharging their responsibilities. Both the independent auditors and the internal auditors have free access to the Audit Committee, without the presence of management, to discuss the adequacy of internal control and to review the quality of financial reporting.

SELECTED FINANCIAL DATA

(millions except common stock and per share data)	1997	1996	1995	1994	1993
INCOME STATEMENT DATA					
Brokerage commissions and fees	\$ 3,605	\$ 1,919	\$ 1,651	\$ 1,389	\$ 1,190
Premiums earned	1,609	1,527	1,427	1,322	1,278
Net investment income	494	384	329	257	227
Realized investment gains	6	8	13	19	30
Other income	37	50	46	54	46
Total revenue	5,751	3,888	3,466	3,041	2,771
=====					
Operating income*	\$ 402	\$ 346	\$ 295	\$ 256	\$ 214
Income from continuing operations	299	292	304	269	228
Discontinued operations	-	43	99	91	96
Net income	299	335	403	360	324
=====					
DILUTIVE PER SHARE DATA**					
Operating income*	\$ 2.30	\$ 1.97	\$ 1.66	\$ 1.44	\$ 1.18
Income from continuing operations	1.68	1.64	1.71	1.51	1.27
Discontinued operations	-	0.26	0.59	0.57	0.63
Net income	1.68	1.90	2.30	2.08	1.90
BASIC PER SHARE DATA**					
Income from continuing operations	1.71	1.67	1.72	1.53	1.28
Net income	1.71	1.93	2.33	2.12	1.92
=====					
BALANCE SHEET DATA					
ASSETS					
Investments	\$ 5,922	\$ 5,213	\$10,639	\$ 9,783	\$ 9,652
Brokerage receivables	5,320	3,566	2,264	1,882	1,615
Other	7,449	4,944	6,833	6,257	5,012
Total assets	\$18,691	\$13,723	\$19,736	\$17,922	\$16,279
=====					
LIABILITIES AND STOCKHOLDERS' EQUITY					
Policy liabilities	\$ 4,450	\$ 4,360	\$ 9,556	\$ 9,310	\$ 8,776
Insurance premiums payable	6,380	4,144	2,723	2,409	1,948
Notes payable	637	521	554	561	594
General liabilities	3,552	1,815	4,179	3,335	2,673
Total liabilities	15,019	10,840	17,012	15,615	13,991
Redeemable preferred stock	50	50	50	50	-
Capital securities	800	-	-	-	-
Stockholders' equity	2,822	2,833	2,674	2,257	2,288
Total liabilities and stockholders' equity	\$18,691	\$13,723	\$19,736	\$17,922	\$16,279
=====					
COMMON STOCK DATA**					
Dividends paid per share	\$ 1.02	\$ 0.95	\$ 0.89	\$ 0.84	\$ 0.79
Stockholders' equity per share	16.80	16.21	15.18	12.20	12.63
Price range	587/8-403/16	431/8 -315/8	337/8-207/8	237/8-191/2	26-20
Market price at year-end	58.625	41.375	33.250	21.375	21.500
Common stockholders	12,698	13,030	13,520	14,163	14,615
Shares outstanding (in millions)	168.0	166.4	162.4	161.5	152.4
=====					

* Operating income is from continuing operations and excludes after-tax realized investment gains, 1997 special charges of \$108 million, 1996 special charges of \$59 million and a retroactive tax charge in 1993 of \$5 million.

** Per share and common stock data have been restated to reflect the 1997 three-for-two stock split. The earnings per share amounts prior to 1997 have been restated as required to comply with FASB Statement No. 128, "Earnings Per Share."

QUARTERLY FINANCIAL DATA

(millions except common stock and per share data)	1Q	2Q	3Q	4Q	1997
INCOME STATEMENT DATA					
Brokerage commissions and fees	\$ 842	\$ 885	\$ 923	\$ 955	\$3,605
Premiums earned	384	409	398	418	1,609
Net investment income	116	118	119	141	494
Realized investment gains	2	-	3	1	6
Other income	10	13	8	6	37
Total revenue	1,354	1,425	1,451	1,521	5,751
Operating income*	90	101	99	112	402
Net income	1	84	101	113	299

DILUTIVE PER SHARE DATA**					
Operating income*	\$ 0.52	\$ 0.58	\$ 0.56	\$ 0.65	\$ 2.30
Net income (loss)	(0.02)	0.48	0.57	0.65	1.68
BASIC NET INCOME (LOSS) PER SHARE**	(0.02)	0.48	0.58	0.66	1.71

COMMON STOCK DATA**					
Dividends paid per share	\$ 0.24	\$ 0.26	\$ 0.26	\$ 0.26	\$ 1.02
Stockholders' equity per share	15.34	16.04	16.60	16.80	16.80
Price range	447/8-405/8	533/8-403/16	561/8-501/16	587/8-501/4	587/8-403/16
Shares outstanding (in millions)	166.9	167.2	167.7	168.0	168.0
Average monthly trading volume (in millions)	3.3	3.7	3.9	4.1	3.8

* Operating income is from continuing operations and excludes after-tax realized investment gains of \$4 million and \$5 million in 1997 and 1996, respectively, after-tax special charges of \$91 million and \$17 million in first quarter 1997 and second quarter 1997, respectively, and after-tax special charges of \$19 million and \$40 million in second quarter 1996 and fourth quarter 1996, respectively.

** Per share and shares outstanding data have been restated to reflect the 1997 three-for-two stock split. The 1996 and first three quarters of 1997 earnings per share amounts have been restated as required to comply with FASB Statement No. 128, "Earnings Per Share."

(millions except common stock and per share data)	1Q	2Q	3Q	4Q	1996
INCOME STATEMENT DATA					
Brokerage commissions and fees	\$ 468	\$ 445	\$ 455	\$ 551	\$1,919
Premiums earned	378	381	382	386	1,527
Net investment income	85	93	92	114	384
Realized investment gains	-	-	3	5	8
Other income	11	13	12	14	50
Total revenue	942	932	944	1,070	3,888
Operating income*	97	85	82	82	346
Income from continuing operations	97	65	84	46	292
Discontinued operations	22	21	-	-	43
Net income	119	86	84	46	335

DILUTIVE PER SHARE DATA**					
Operating income*	\$ 0.55	\$ 0.48	\$ 0.47	\$ 0.47	\$ 1.97
Income from continuing operations	0.55	0.36	0.48	0.25	1.64
Discontinued operations	0.13	0.13	-	-	0.26
Net income	0.68	0.49	0.48	0.25	1.90
BASIC NET INCOME PER SHARE**	0.70	0.50	0.48	0.26	1.93

COMMON STOCK DATA**					
Dividends paid per share	\$ 0.23	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.95
Stockholders' equity per share	15.17	15.43	15.53	16.21	16.21
Price range	367/8-321/2	371/4-331/4	363/8-315/8	431/8-36	431/8-315/8
Shares outstanding (in millions)	162.7	161.9	162.4	166.4	166.4
Average monthly trading volume (in millions)	3.0	4.7	2.3	3.6	3.4

* Operating income is from continuing operations and excludes after-tax realized investment gains of \$4 million and \$5 million in 1997 and 1996, respectively, after-tax special charges of \$91 million and \$17 million in first quarter 1997 and second quarter 1997, respectively, and after-tax special charges of \$19 million and \$40 million in second quarter 1996 and fourth quarter 1996, respectively.

** Per share and shares outstanding data have been restated to reflect the 1997

three-for-two stock split. The 1996 and first three quarters of 1997 earnings per share amounts have been restated as required to comply with FASB Statement No. 128, "Earnings Per Share."

Aon Corporation	Delaware
120524 Canada Inc.	Canada
164226 Canada Inc.	Canada
1e Katharinastrase 29 Vermögensverwaltungsges mbH	Germany
2674025 Canada Inc.	Canada
2711613 Canada Inc.	Canada
2e Katharinastrase 29 Vermögensverwaltungsges mbH	Germany
3194680 Canada Inc.	Canada
3381455 Canada Inc.	Canada
A Morel & Cie Sa	France
A&A (UK) Limited	United Kingdom
A&A Real Estate Services Inc.	New York
A. J. Norcott & Company (Holdings) Limited	United Kingdom
A. J. Norcott & Partners (Northern) Limited	United Kingdom
A. J. Norcott & Partners (Scotland) Limited	United Kingdom
A. J. Norcott & Partners Limited	United Kingdom
A. J. Norcott Benefit Consultants Limited	United Kingdom
A.H. Laseur B.V.	Netherlands
A.H.E. Alexander Howden de Espana S.A.	Spain
A.H.G. Far East Ltd.	Hong Kong
A.H.O.H. (Bermuda) Limited	Bermuda
A/S Assurance	Norway
AA & JG Denison & Company Ltd.	United Kingdom
AAA Auto Club South Finance, L.P.	Illinois
AAA Missouri Automotive Financial Services	Illinois
AARE Corporation	New York
ABS Insurance Agency Ltd.	United Kingdom
ACGLRA Corp.	Texas
ACGMGA Corp.	Texas
ACN 006 278 226	Australia
ACN 008 497 318	Australia
ACN 051 158 984	Australia
ACP Insurance Agency, Inc.	Texas
AGR Disposition Company Inc.	California
AIS Affinity Insurance Agency, Inc.	California
AIV Beteiligungsgesellschaft mbh	Germany
AOPA Insurance Agency, Inc.	Maryland
AOPA Insurance Agency, Inc.	Texas
APM Services Limited	Hong Kong
APS International Limited	United Kingdom
APS Life & Pensions Limited	United Kingdom
APS Overseas Investments Limited	United Kingdom
ARM COVERAGE INC.	New York
ARS Holdings, Inc.	Illinois
ARS Holdings, Inc.	Louisiana
ASCOMIN S.A.	Belgium
ATJ Capital Forsakringsmakleri AB	Sweden
AUSCO, Inc.	Illinois
AV Agrar Versicherungsdienst GmbH	Germany
Acedale Co. Ltd.	Hong Kong
Adam & Adam Limited	New Zealand
Adams & Porter Financial Services, Inc.	Texas
Adams & Porter Services, Inc.	Texas
Advantage Plus Insurance Services, Inc.	Illinois
Adviser 151 Limited	United Kingdom
Affinity Insurance Services of Washington, Inc.	Washington
Affinity Insurance Services, Inc.	Pennsylvania
Agencia Interoceanica de Subscripcion y Administracion S. A.	Mexico
Agostini Insurance Brokers Ltd.	Trinidad
Agricola Training Limited	United Kingdom
Agricola Underwriting Limited	United Kingdom
Agricola Underwriting Management Limited	New Zealand
Agricola Underwriting Management Pty Ltd.	Australia
Agricultural Risk Management Chile	Chile
Agricultural Risk Management North America, Inc.	Kansas
Agricultural Risk Management Pacific Limited	New Zealand
Agricultural Risk Management Pty.	Australia
Agricultural Risk Management, Limited	United Kingdom
Agte Gebruder GmbH	Germany
Aidec Ciskei (Pty) Ltd.	South Africa
Aidec Gazankulu (Pty) Limited	South Africa
Aidec Kangwane (Pty) Limited	South Africa
Aidec Kwandebele (Pty) Limited	South Africa
Aidec Lebowa (Pty) Limited	South Africa
Aidec M.I.B. North West (Pty) Limited	South Africa
Aidec Venda (Pty) Limited	South Africa
Aircrew Underwriting Agencies Ltd.	United Kingdom
Airscope Insurance Services Limited	United Kingdom
Aldebaran S.R.L. Rome	Italy
Alexander & Alexander (Asia) Holdings Pte. Ltd.	Singapore

Alexander & Alexander (C.I.) Limited	Guernsey
Alexander & Alexander (Hong Kong) Holdings Ltd.	Hong Kong
Alexander & Alexander (Ireland) Limited	Ireland
Alexander & Alexander (Isle of Man) Limited	United Kingdom
Alexander & Alexander (Malaysia) Sdn. Bhd.	Malaysia
Alexander & Alexander (PNG) Pty. Ltd.	Papau New Guinea
Alexander & Alexander (Taiwan) Ltd.	Taiwan
Alexander & Alexander (Thailand) Ltd.	Thailand
Alexander & Alexander (UK) Ltd.	United Kingdom
Alexander & Alexander Australia Holdings Ltd.	Australia
Alexander & Alexander B.V.	Netherlands
Alexander & Alexander Benefits Services (Arizona) Inc.	Arizona
Alexander & Alexander Benefits Services Inc.	New Jersey
Alexander & Alexander Benefits Services Inc.	Ohio
Alexander & Alexander Benefits Services Inc.	Virginia
Alexander & Alexander Benefits Services Inc. (TX)	Texas
Alexander & Alexander Benefits Services of Louisiana	Louisiana
Alexander & Alexander Canada Inc.	Canada
Alexander & Alexander Consultants S.A.	France
Alexander & Alexander Consulting Group Inc.	New Jersey
Alexander & Alexander Consulting Group, Inc.	Texas
Alexander & Alexander Corretores e Consultores de Seguros Lda.	Portugal
Alexander & Alexander Europe B.V.	Netherlands
Alexander & Alexander Europe GmbH	Austria
Alexander & Alexander Europe Ltd.	United Kingdom
Alexander & Alexander Far East Inc.	California
Alexander & Alexander Far East Partners	Hong Kong
Alexander & Alexander Finance Limited	United Kingdom
Alexander & Alexander France S.A.	France
Alexander & Alexander Galicia, S.A.	Spain
Alexander & Alexander Holdings (NZ) Ltd.	New Zealand
Alexander & Alexander Holdings B.V.	Netherlands
Alexander & Alexander Inc.	Maryland
Alexander & Alexander Insurance Agency Ltd.	Taiwan
Alexander & Alexander Insurance Benefits Services Inc.	Massachusetts
Alexander & Alexander Insurance Brokers - Hungary	Hungary
Alexander & Alexander Insurance Brokers Ltd. Poland	Poland
Alexander & Alexander International Inc.	Maryland
Alexander & Alexander Italia S.P.A.	Italy
Alexander & Alexander Korea Inc.	Korea
Alexander & Alexander LTDA. Corretores de Seguros	Brazil
Alexander & Alexander Limited	Australia
Alexander & Alexander Limited	United Kingdom
Alexander & Alexander Ltd.	Fiji
Alexander & Alexander Ltd.	New Zealand
Alexander & Alexander Ltd. (Thailand)	Thailand
Alexander & Alexander Mexico Agente de Seguros y de Fianza S.A. de C.V.	Mexico
Alexander & Alexander Middle East Limited	Bermuda
Alexander & Alexander Pte. Ltd.	Singapore
Alexander & Alexander Risk Management Services, Inc.	Taiwan
Alexander & Alexander S.R.O. (Czech. Republic)	Czech Republic
Alexander & Alexander Scandinavia AB	Sweden
Alexander & Alexander Securities Corporation	Delaware
Alexander & Alexander Services (India) Pvt. Ltd.	India
Alexander & Alexander Services UK Limited	Scotland
Alexander & Alexander Sigorta Musavirlrk Anomim Sirketi	Turkey
Alexander & Alexander Spain Correduria de Seguros, S.A.	Spain
Alexander & Alexander Telemarketing	Brazil
Alexander & Alexander Trustee Jersey Ltd.	Jersey, Channel Islands
Alexander & Alexander U.K. Pension Trustees Ltd.	United Kingdom
Alexander & Alexander of California, Inc.	California
Alexander & Alexander of Colombia Ltda.	Colombia
Alexander & Alexander of Connecticut Inc.	Connecticut
Alexander & Alexander of Idaho, Inc.	Idaho
Alexander & Alexander of Japan, Inc.	Nevada
Alexander & Alexander of Kansas, Inc.	Kansas
Alexander & Alexander of Kentucky, Inc.	Kentucky
Alexander & Alexander of Long Island Inc.	Connecticut
Alexander & Alexander of Michigan, Inc.	Michigan
Alexander & Alexander of Mississippi Inc.	Mississippi
Alexander & Alexander of Missouri Inc.	Missouri
Alexander & Alexander of New York Inc.	New York
Alexander & Alexander of Ohio, Inc.	Ohio
Alexander & Alexander of Texas, Inc.	Texas
Alexander & Alexander of Virginia, Inc.	Virginia
Alexander & Alexander of Washington Inc.	Washington
Alexander & Alexander of Wyoming, Inc.	Wyoming
Alexander & Alexander of the Carolinas Inc.	North Carolina
Alexander & Alexander, Inc.	Florida
Alexander & Alexander, Inc.	Louisiana
Alexander & Alexander, Inc.	Massachusetts
Alexander & Alexander, Inc.	Oklahoma

Alexander & Alexander, Inc.	Tennessee
Alexander & Alexander, Inc.	West Virginia
Alexander & Associates Inc.	Texas
Alexander & Davidson de Colombia LTDA.	Colombia
Alexander Administration Services Ltd.	Isle of Man
Alexander Clay Communications Limited	United Kingdom
Alexander Clay and Partners Consulting	United Kingdom
Alexander Consulting Investment Services Inc.	Maryland
Alexander Coyle Hamilton Ltd.	Ireland
Alexander Financial Services Ltd.	Scotland
Alexander Hellas E.P.E.	Greece
Alexander Howden (Hellas) Ltd.	Guernsey
Alexander Howden (Kazakhstan) Ltd.	Kazakhstan
Alexander Howden Asia Pacific Ltd.	United Kingdom
Alexander Howden Brasil Ltda.	Brazil
Alexander Howden Canada Limited	Canada
Alexander Howden Del Peru S.A. Reinsurance Brokers	Peru
Alexander Howden Energy & Partners Scandinavia	Norway
Alexander Howden Far East Ptd. Ltd.	Singapore
Alexander Howden Financial Services Limited	United Kingdom
Alexander Howden Group (Asia) Pte. Ltd.	Singapore
Alexander Howden Group (Australia) Limited	Australia
Alexander Howden Group (Bermuda) Ltd.	Bermuda
Alexander Howden Group Agency Management Ltd.	United Kingdom
Alexander Howden Group Canada Limited	Canada
Alexander Howden Group Limited	Bermuda
Alexander Howden Holdings Limited	United Kingdom
Alexander Howden Insurance Services of Texas, Inc.	Texas
Alexander Howden International Limited	United Kingdom
Alexander Howden Leasing Ltd.	United Kingdom
Alexander Howden Limited	United Kingdom
Alexander Howden North America, Inc.	Georgia
Alexander Howden North America, Inc.	Massachusetts
Alexander Howden North America, Inc.	New York
Alexander Howden North America, Inc.	Ohio
Alexander Howden North America, Inc.	Texas
Alexander Howden Ossa De Colombia SA	Colombia
Alexander Howden Previsionales y Personas Ltda.	Colombia
Alexander Howden Reinsurance Brokers (Australia) Ltd.	Australia
Alexander Howden Reinsurance Brokers (NZ) Ltd.	New Zealand
Alexander Howden Reinsurance Intermediaries, Inc.	New York
Alexander Howden UK Limited	United Kingdom
Alexander Howden Underwriting Limited	United Kingdom
Alexander Howden Y Asociados S.A. de C.V.	Mexico
Alexander Howden de Espana	Spain
Alexander Howden de Venezuela	Venezuela
Alexander Insurance Managers (Barbados) Ltd.	Barbados
Alexander Insurance Managers (Cayman) Ltd.	Cayman Islands
Alexander Insurance Managers (Dublin) Ltd.	Ireland
Alexander Insurance Managers (Guernsey) Ltd.	Guernsey
Alexander Insurance Managers (Holdings) Ltd.	Guernsey
Alexander Insurance Managers (Isle of Man) Ltd.	Isle of Man
Alexander Insurance Managers (Jersey) Ltd.	Jersey, Channel Islands
Alexander Insurance Managers (Luxembourg) S.A.	Luxembourg
Alexander Insurance Managers (Singapore) Pte. Ltd.	Singapore
Alexander Insurance Managers Ltd.	Bermuda
Alexander Insurance Managers N.V.	Netherlands
Alexander Lippo (Hong Kong) Ltd.	Hong Kong
Alexander MacFarlane Corretora de Seguros Ltda.	Brazil
Alexander Portfolio Management Ltd.	New Zealand
Alexander R.M.C. Brown Partners Ltd.	Australia
Alexander Reinsurance Intermediaries, Inc.	New York
Alexander Risk Management and Consulting Services, Inc.	Texas
Alexander Stenhouse & Partners Limited	Scotland
Alexander Stenhouse Belgium International	Belgium
Alexander Stenhouse Insurance Agency, Inc.	Texas
Alexander Stenhouse Limited	United Kingdom
Alexander Stenhouse Magee Limited	Ireland
Alexander Stenhouse Management Services Ltd.	Scotland
Alexander Stenhouse Nominees Ltd.	Australia
Alexander Stenhouse Risk Management S.A.	Spain
Alexander Stenhouse UK Ltd.	United Kingdom
Alexander Underwriting Agencies Limited	Bermuda
Alexander Underwriting Services Inc.	Maryland
Alexander Underwriting Services Limited	United Kingdom
Alexander Watkins S.A. de C.V.	Mexico
Alexander of Hawaii Inc.	Hawaii
Alexander of Texas Inc.	Texas
Alexander y Alexander Chile Ltda.	Chile
Alexander, Ayling, Barrios & Cia, S.A.	Argentina
Allen Insurance Associates	California
Alpenbeck Limited	United Kingdom

American Associates, Inc.	Texas
American Insurance Brokers, Ltd.	Indiana
American National General Agencies, Inc.	Colorado
American Special Risk Insurance Company	Delaware
Anchor Reinsurance Company, Ltd.	Bermuda
Anchor Underwriting Managers, Ltd.	Bermuda
Anderson and Anderson Insurance Brokers, Inc.	California
Anderson and Anderson of Los Angeles Insurance Brokers, Inc.	California
Anderson and Anderson of Orange County Insurance Brokers, Inc.	California
Anderson and Anderson/Benefits Insurance Brokers, Inc.	California
Anderson and Anderson/D-K&S Insurance Brokers, Inc.	California
Anglo-Swiss Reinsurance Brokers Ltd.	Switzerland
Anistics Ltd.	United Kingdom
Anscor Insurance Brokers Inc.	Philippines
Aon WACUS Kreditversicherungsmakler GmbH & Co.	Germany
Aon WACUS Verwaltungs GmbH	Germany
Aon (Deutschland) GmbH	Germany
Aon (Panama) Ltd. S.A.	Panama
Aon Advisors (U.K.) Limited	United Kingdom
Aon Advisors, Inc.	Virginia
Aon Alexander & Alexander N.V.	Belgium
Aon Annuity Group, Inc.	Texas
Aon Antillen nv	Netherlands Antilles
Aon Artscope Kunstversicherungsmakler GmbH	Germany
Aon Aruba nv	Netherlands Antilles
Aon Asia Insurance Services bv	Netherlands
Aon Automotive Group, Inc.	Illinois
Aon Aviation, Inc.	Illinois
Aon Belgium nv	Belgium
Aon Benefit Services, Inc.	Massachusetts
Aon Benefits Insurance Brokers (Singapore) Pte. Ltd.	Singapore
Aon Boels & Begault S.A.	Belgium
Aon Broker Services, Inc.	Illinois
Aon Capital A	Delaware
Aon Capital Management, Inc.	Delaware
Aon Capital Markets, Inc.	Delaware
Aon Captive Management, Ltd.	U.S. Virgin Islands
Aon Captive Services (Nederland) bv	Netherlands
Aon Captive Services Antillen nv	Netherlands Antilles
Aon Captive Services Aruba nv	Netherlands Antilles
Aon Ceska republika spol. s.r.o.	Czech Republic
Aon Compensation and Benefits Limited	United Kingdom
Aon Construction Services International Limited	United Kingdom
Aon Consulting & Insurance Services	California
Aon Consulting Agency, Inc.	Texas
Aon Consulting Belgium S.A.	Belgium
Aon Consulting Denmark A/S	Denmark
Aon Consulting Financial Services Limited	United Kingdom
Aon Consulting GmbH	Germany
Aon Consulting Hong Kong Ltd.	Hong Kong
Aon Consulting Limited	United Kingdom
Aon Consulting Nederland cv	Netherlands
Aon Consulting Pty Limited	Australia
Aon Consulting South Africa (Pty) Ltd.	South Africa
Aon Consulting Thailand Ltd.	Thailand
Aon Consulting Worldwide, Inc.	Maryland
Aon Consulting, Inc.	Florida
Aon Consulting, Inc.	Michigan
Aon Consulting, Inc.	Minnesota
Aon Consulting, Inc.	New York
Aon Consulting, Inc.	Ohio
Aon Consulting, Inc.	Pennsylvania
Aon Consulting, Inc.	Texas
Aon Consulting, Limited Les Consultants Aon, Limitee	Quebec
Aon Credit Services Corporation	Delaware
Aon Denmark A/S	Denmark
Aon Direct Group Small Company Life and Health Agents	Illinois
Aon Eesti AS	Estland
Aon Employee Benefits of Ohio, Inc.	Ohio
Aon Enterprise Insurance Services, Inc.	Illinois
Aon Entertainment Risk Services Limited	United Kingdom
Aon Entertainment, Ltd.	New York
Aon European Investments Limited	United Kingdom
Aon Financial Institutions Services, Inc.	Illinois
Aon Financial Services Group of Colorado, Inc.	Colorado
Aon Financial Services Group of New York, Inc.	New York
Aon Financial Services Group, Inc.	California
Aon Financial Services Group, Inc.	Illinois
Aon Financial Services Group, Inc.	Pennsylvania
Aon Financial Services Group, Inc.	Texas
Aon Finland OY	Finland
Aon France S.A.	France

Aon Funds	Delaware
Aon GGI Acquisition Corporation, Inc.	Texas
Aon General Agency, Inc.	Texas
Aon Groep Nederland bv	Netherlands
Aon Group Limited	United Kingdom
Aon Group, Inc.	Maryland
Aon Hamond & Regine, Inc.	New York
Aon Hazard Limited	United Kingdom
Aon Health Services Inc.	Texas
Aon Healthcare Risk, Inc.	Florida
Aon Holdings (Scandinavia) A/S	Denmark
Aon Holdings Antillen nv	Netherland Antilles
Aon Holdings Asia Ltd.	Hong Kong
Aon Holdings Asia bv	Netherlands
Aon Holdings Australia Ltd.	Australia
Aon Holdings Deutschland GmbH	Germany
Aon Holdings New Zealand Pty. Ltd.	New Zealand
Aon Holdings bv	Netherlands
Aon Home Warranty Services, Inc.	Delaware
Aon Hudig Groningen bv	Netherlands
Aon Hudig Hengelo bv	Netherlands
Aon Hudig Nijmegen bv	Netherlands
Aon Hudig Noordwijk bv	Netherlands
Aon Hudig Tilburg bv	Netherlands
Aon Hudig Venlo bv	Netherlands
Aon Hudig cv	Netherlands
Aon Hudig-Schreinemacher V.O.F.	Netherlands
Aon ISI, Inc.	Colorado
Aon Iberia, Correduria de Seguros, S.A.	Spain
Aon India Limited	United Kingdom
Aon Insurance Management Services - Virgin Islands, Inc.	U.S. Virgin Islands
Aon Insurance Management Services, Inc.	Delaware
Aon Insurance Management of Texas, Inc.	Texas
Aon Insurance Managers (USA) Inc.	Vermont
Aon Insurance Services	California
Aon Insurance Services, Inc.	Pennsylvania
Aon Intermediaries (Bermuda) Ltd.	Bermuda
Aon International bv	Netherlands
Aon Investment Consulting Inc.	Florida
Aon Investment Holdings, Inc.	Delaware
Aon Italia SpA	Italy
Aon Life Agency of Texas, Inc.	Texas
Aon Lumley Consulting (Pty) Ltd.	South Africa
Aon Lumley South Africa (Pty) Ltd.	South Africa
Aon Magyarorszag Alkusz Kft.	Hungary
Aon Managed Care Risk & Insurance Services, Inc.	California
Aon Management Hong Kong Ltd.	Hong Kong
Aon Management Institute, Inc.	Connecticut
Aon Medical Consultants, Inc.	Delaware
Aon Mibrag Versicherungsvermittlungs GmbH	Germany
Aon Natural Resources Ltd.	Labuan
Aon Nominees Limited	United Kingdom
Aon Norway A/S	Norway
Aon OWA Insurance Services GmbH & Co.	Germany
Aon OWA Verwaltungs GmbH	Germany
Aon Overseas Holdings Limited	United Kingdom
Aon Partnership Limited	United Kingdom
Aon Pension Trustees Limited	United Kingdom
Aon Polska sp.z.o.o.	Poland
Aon Portugal, Corretores de Seguros, S.A.	Portugal
Aon Private Risk Management Insurance Agency, Inc.	Illinois
Aon Properties Limited	United Kingdom
Aon Pyramid International Limited	United Kingdom
Aon Re (Bermuda) Ltd.	Bermuda
Aon Re (Thailand) Ltd.	Thailand
Aon Re Accident & Health Limited	United Kingdom
Aon Re Asia Ltd.	Singapore
Aon Re Aviation Limited	United Kingdom
Aon Re China Ltd.	Hong Kong
Aon Re Inc.	Illinois
Aon Re International Limited	United Kingdom
Aon Re Latinoamericana, S.A.	Mexico
Aon Re Limited	United Kingdom
Aon Re Netherlands cv	Netherlands
Aon Re Non-Marine Limited	United Kingdom
Aon Re North American Limited	United Kingdom
Aon Re Panama, S.A.	Panama
Aon Re Special Risks Limited	United Kingdom
Aon Re UK Limited	United Kingdom
Aon Re Worldwide Limited	United Kingdom
Aon Re Worldwide, Inc.	Delaware
Aon Reed Stenhouse Acquisition Corp.	Canada

Aon Reed Stenhouse Inc.	Canada
Aon Risk Consultants (Bermuda) Ltd.	Bermuda
Aon Risk Consultants (Europe) Limited	United Kingdom
Aon Risk Consultants BV	Netherlands
Aon Risk Consultants, Inc.	Illinois
Aon Risk Management Services Italia srl.	Italy
Aon Risk Management Services Scandinavia A/S	Denmark
Aon Risk Managers, Inc.	Illinois
Aon Risk Resources Insurance Agency, Inc.	Illinois
Aon Risk Resources Limited	United Kingdom
Aon Risk Resources, Inc.	Delaware
Aon Risk Services (Antilles) nv	Netherland Antilles
Aon Risk Services (B.C.) Inc.	British Columbia
Aon Risk Services (Barbados) Ltd.	Barbados
Aon Risk Services (Bermuda) Ltd.	Bermuda
Aon Risk Services (Cayman) Ltd.	Cayman Islands
Aon Risk Services (Europe) S.A.	Luxembourg
Aon Risk Services (Holdings) of Latin America, Inc.	Delaware
Aon Risk Services (Holdings) of the Americas, Inc.	Illinois
Aon Risk Services (Ireland) Limited	Ireland
Aon Risk Services Australia Ltd.	Australia
Aon Risk Services Canada Inc.	Canada
Aon Risk Services Companies, Inc.	Maryland
Aon Risk Services France S.A.	France
Aon Risk Services Holdings UK Limited	United Kingdom
Aon Risk Services Hong Kong Ltd.	Hong Kong
Aon Risk Services Inc.	Ontario
Aon Risk Services International (Holdings) Inc.	Delaware
Aon Risk Services Japan Ltd.	Japan
Aon Risk Services Korea Ltd.	Korea
Aon Risk Services Limited	United Kingdom
Aon Risk Services New Zealand Pty. Ltd.	New Zealand
Aon Risk Services Singapore (Insurance Brokers) Pte. Ltd.	Singapore
Aon Risk Services Taiwan Ltd.	Taiwan
Aon Risk Services Thailand Ltd.	Thailand
Aon Risk Services UK Limited	United Kingdom
Aon Risk Services of Missouri, Inc.	Missouri
Aon Risk Services of Texas, Inc.	Texas
Aon Risk Services, Inc.	Delaware
Aon Risk Services, Inc. U.S.A.	New York
Aon Risk Services, Inc. of Alabama	Alabama
Aon Risk Services, Inc. of Arizona	Arizona
Aon Risk Services, Inc. of Arkansas	Arkansas
Aon Risk Services, Inc. of Central California Insurance Services	California
Aon Risk Services, Inc. of Colorado	Colorado
Aon Risk Services, Inc. of Connecticut	Connecticut
Aon Risk Services, Inc. of Florida	Florida
Aon Risk Services, Inc. of Georgia	Georgia
Aon Risk Services, Inc. of Hawaii	Hawaii
Aon Risk Services, Inc. of Idaho	Idaho
Aon Risk Services, Inc. of Illinois	Illinois
Aon Risk Services, Inc. of Indiana	Indiana
Aon Risk Services, Inc. of Kansas	Kansas
Aon Risk Services, Inc. of Kentucky	Kentucky
Aon Risk Services, Inc. of Louisiana	Louisiana
Aon Risk Services, Inc. of Massachusetts	Massachusetts
Aon Risk Services, Inc. of Michigan	Michigan
Aon Risk Services, Inc. of Minnesota	Minnesota
Aon Risk Services, Inc. of Montana	Montana
Aon Risk Services, Inc. of Nebraska	Nebraska
Aon Risk Services, Inc. of Nevada	Nevada
Aon Risk Services, Inc. of New Jersey	New Jersey
Aon Risk Services, Inc. of New Mexico	New Mexico
Aon Risk Services, Inc. of New York	New York
Aon Risk Services, Inc. of Northern California Insurance Services	California
Aon Risk Services, Inc. of Ohio	Ohio
Aon Risk Services, Inc. of Oklahoma	Oklahoma
Aon Risk Services, Inc. of Oregon	Oregon
Aon Risk Services, Inc. of Pennsylvania	Pennsylvania
Aon Risk Services, Inc. of Rhode Island	Rhode Island
Aon Risk Services, Inc. of Southern California Insurance Services	California
Aon Risk Services, Inc. of Tennessee	Tennessee
Aon Risk Services, Inc. of Utah	Utah
Aon Risk Services, Inc. of Virginia	Virginia
Aon Risk Services, Inc. of Washington	Washington
Aon Risk Services, Inc. of Washington, D.C.	District of Columbia
Aon Risk Services, Inc. of Wisconsin	Wisconsin
Aon Risk Services, Inc. of Wyoming	Wyoming
Aon Risk Services, Inc. of the Carolinas	North Carolina
Aon Risk Strategies, Inc.	Delaware
Aon Risk Technologies, Inc.	Delaware
Aon Securities Corporation	New York

Aon Select, Inc.	Pennsylvania
Aon Service Corporation	Illinois
Aon Services Group Limited	United Kingdom
Aon Services Group of Tennessee, Inc.	Tennessee
Aon Services Group, Inc.	Delaware
Aon Sigorta Brokerlik ve Musavirlik AS	Turkey
Aon Slovensko spol.s r.o.	Slovak Republic
Aon South Africa (Pty) Ltd.	South Africa
Aon Special Risks, Inc.	Illinois
Aon Specialty Denmark A/S	Denmark
Aon Stockholm AB	Sweden
Aon Superannuation Pty Limited	Australia
Aon Surety & Guarantee Limited	United Kingdom
Aon Sweden AB	Sweden
Aon Sweden Syd AB	Sweden
Aon Technical Insurance Services, Inc.	Illinois
Aon Technology Brokers, Inc.	California
Aon Telecom, Inc.	Illinois
Aon Trade Credit Insurance Services, Inc.	California
Aon Trade Credit, Inc.	Illinois
Aon Trade Credit, Inc.	New York
Aon UK Holdings Limited	United Kingdom
Aon UK Limited	United Kingdom
Aon Vietnam	Vietnam
Aon Warranty Group Limited (UK)	United Kingdom
Aon Warranty Group, Inc.	Illinois
Aon Warranty Services, Inc.	Illinois
Aon Worldwide Resources, Inc.	Illinois
Aon bv	Netherlands
Aon makelaars in assurantie bv	Netherlands
Aon/Albert G. Ruben Company (New York) Inc.	New York
Aon/Albert G. Ruben Insurance Services, Inc.	California
Aon/Brockinton Agency of Texas, Inc.	Texas
Aporia Leasing Limited	United Kingdom
Artscope Insurance Services Limited	United Kingdom
Artscope International Insurance Services Limited	United Kingdom
Ascom Nijmegen B.V.	Netherlands
Asesores Kennedy Agente de Seguros y de Fianzas, S.A. de C.V.	Mexico
Asesores y Corredores De Seguros, S.A.	Republica Dominica
Asia Area Underwriters Ltd.	Hong Kong
Asian American Finance Limited	Bermuda
Asian Reinsurance Underwriters Ltd.	Hong Kong
Assekurazkontor fur Industrie und Verkehr GmbH	Germany
Assistance Au Management Et A La Prevention Des Risques De L'Entreprise	France
Associated Brokers International	Zimbabwe
Associated Fund Administrators Botswana (Pty) Limited	Botswana
Associated Ins. Broker of Botswana	Botswana
Assuco Holdings Ltd.	Guernsey
Assurances D.M.L. Itee	Canada
Assurantie Groep Langeveldt c.v.	Netherlands
Atkins Kroll Insurance Inc.	Guam
Atlanta International Insurance Company	New York
Attorneys' Advantage Insurance Agency, Inc.	Illinois
Auto Conduit Corporation, The	Delaware
Automotive Development Centers, Inc.	Illinois
Automotive Warranty Services of Florida, Inc.	Florida
Automotive Warranty Services, Inc.	Delaware
Ayala-Bain Insurance Company	Philippines
B E P International (Canada) Holding Inc.	Canada
B E P International Corp.	New Jersey
B E P International Holding Inc.	Canada
B E P International US Inc.	Delaware
B.L. Carnie Hogg Robinson Ltd.	United Kingdom
B.N. Shepp Associates Ltd.	Alberta
B.N.H. Group Ltd.	United Kingdom
B.V. Assurantiekantoor Langeveldt-Schroder	Netherlands
BEC Insurance Services Limited	United Kingdom
BH No. 1 Ltd.	United Kingdom
BHR, Inc.	Delaware
BKB Direct Marketing Research Inc.	Canada
BRIC, Inc.	North Carolina
Bailiwick Consultancy & Management Co. Ltd.	Guernsey
Bain Clarkson (HK) Ltd.	Hong Kong
Bain Clarkson Forsakringskonsult AB, Stockholm	Sweden
Bain Clarkson Limited	United Kingdom
Bain Clarkson Members Underwriting Agency Ltd.	United Kingdom
Bain Clarkson R.B. Ltd.	United Kingdom
Bain Clarkson Sweden A.B.	Sweden
Bain Clarkson Underwriting Management Ltd.	United Kingdom
Bain Dawes (London) Ltd.	United Kingdom
Bain Dawes Services Ltd.	United Kingdom
Bain Hogg (Americas), Inc.	Florida

Bain Hogg (Fiji) Ltd.	Fiji
Bain Hogg (Vanuatu) Ltd.	Vanuatu
Bain Hogg Australia (Holdings) Ltd.	Australia
Bain Hogg Australia (Investments) Pty Ltd.	Australia
Bain Hogg Australia Ltd.	Australia
Bain Hogg Chile S.A. Corredoros de Reasguro	Chile
Bain Hogg Colombiana Ltd.	Colombia
Bain Hogg Group Limited	United Kingdom
Bain Hogg Hellas Ltd.	United Kingdom
Bain Hogg Holdings Limited	United Kingdom
Bain Hogg Insurance Management (Guernsey) Ltd.	Guernsey
Bain Hogg Insurance Management (Isle of Man) Ltd.	Isle of Man
Bain Hogg Intermediario de Reaseguro SA de CV	Mexico
Bain Hogg International Holdings Ltd.	United Kingdom
Bain Hogg International Ltd.	United Kingdom
Bain Hogg Ltd.	United Kingdom
Bain Hogg Malawi Ltd.	Malawi
Bain Hogg Management Ltd.	United Kingdom
Bain Hogg New Zealand Ltd.	New Zealand
Bain Hogg Pensions Pty Ltd.	Australia
Bain Hogg Robinson Pty Ltd.	Australia
Bain Hogg Russian Insurance Brokers Ltd.	Russia
Bain Hogg Solomon Islands Ltd.	Solomon Islands
Bain Hogg Trustees Ltd.	United Kingdom
Bain Hogg Uganda Ltd.	Uganda
Bain Insurance Brokers Kenya Ltd.	Kenya
Bankers Insurance Service Corp.	Illinois
Baoviet Inchcape Insurance Brokers Ltd.	Vietnam
Barros & Carrion, Inc.	Puerto Rico
Beck Kudlich Pacific Associates, Inc.	Hawaii
Beck Kudlich & Swartman, Inc.	Hawaii
Bekouw Mendes Reinsurance B.V.	Netherlands
Bekouw Mendes Risk Management B.V.	Netherlands
Bell Nicholson Henderson (Holdings) Ltd.	United Kingdom
Bell Nicholson Henderson Ltd.	United Kingdom
Bene-Fund Administrative Services Ltd.	Canada
BenefitsMedia, Inc.	Tennessee
Benoit & Borg (Europe) Limited	Ireland
Benoit & Borg Insurance Agencies Inc.	Canada
Berkely Agency Ltd.	New York
Berkely Coverage Corporation	New York
Berkely-ARM, Inc.	New York
BerkelyCare, LTD.	New York
Black Portch & Swain (Financial Services) Ltd.	United Kingdom
Black Portch & Swain Ltd.	United Kingdom
Bloemers & Co. Herverzekering bv	Netherlands
Blom & Van der Aa BV	Netherlands
Blom & Van der Aa Holding BV	Netherlands
Boels & Begault France S.A.	France
Boels & Begault Luxembourg S.a.r.l.	Luxembourg
Boels & Begault Re S.A.	Belgium
Boels & Begault Vlaanderen S.A.	Belgium
Boels Begault Holding SA	Belgium
Bonnor & Company A/S	Denmark
Bowes & Company, Inc., of New York	New York
Bowes Holdings, Inc.	Illinois
Bowring and Minet (Swaziland) (Pty) Ltd.	Swaziland
Brennan Group, Inc., The	Delaware
British Continental and Overseas Agencies (BCOA) SA	France
Broadgate Holdings Ltd.	United Kingdom
Brons Orobio Groep B.V.	Netherlands
Brons Van Lennep B.V.	Netherlands
Brons Van Lennep Den Haag B.V.	Netherlands
Bruno Sforini S.p.A.	Italy
Bruno Ten Brink & Co. b.v.	Netherlands
Bruno Ten Brink Groep b.v.	Netherlands
Bruno Ten Brink Herverzekeringen b.v.	Netherlands
Bryson Associates Incorporated	Ohio
Bryson Associates Incorporated	Pennsylvania
Bryson Associates Incorporated of Georgia	Georgia
Bureau d'Assurances Pirrotte GmbH	Luxembourg
Bureau d'Assurances Pirrotte GmbH & Co. KG	Luxembourg
Burlington Insurance Services Ltd.	United Kingdom
Burnio Enterprises Pty. Ltd.	Papau New Guinea
C A Rolinson & Partners Ltd.	United Kingdom
C.I.C. Realty, Inc.	Illinois
C.V. 'T Huys Ter Merwe	Netherlands
CAP Managers	Bermuda
CCC Agency, Inc. of Illinois	Illinois
CCM McGrath Berrigan Ltd.	Ireland
CECAR - Compagnie Europeene de Courtage d'Assurances et de Reassurances SAe	France
CECAR Deutschland GmbH	Germany

CECAR Inchcape Asia Ltd.	Hong Kong
CECAR Portugal	Portugal
CIA Deutschland Kreditversicherungsmakler und Beratungs GmbH	Germany
CIA Italia S.R.L.	Italy
CIA Link Ltd.	United Kingdom
CIA Supplier Finance Ltd.	United Kingdom
CIA USA Holdings, Inc.	Delaware
CIC - Hilldale, Inc.	Illinois
CIC - Wells, Inc.	Illinois
CIC - Westmont, Inc.	Illinois
CICA - Court, Inc.	Illinois
CICA Realty Corporation	Illinois
CICA Seguros de Mexico SA de CV	Mexico
CICA Superannuation Nominees Pty. Ltd.	Australia
CJP, Inc.	Delaware
CRION nv	Belgium
California Group Services	California
Campbell & Co., Inc.	Idaho
Camperdown 100 Limited	United Kingdom
Camperdown 101 Limited	United Kingdom
Cananwill Canada Limited	Ontario
Cananwill Corporation	Delaware
Cananwill, Inc.	California
Cananwill, Inc.	Pennsylvania
Captive Assurance Partners	California
Carstens & Schues GmbH & Co.	Germany
Carstens & Schues Poland Ltd.	Poland
Carstens & Schues Verwaltungs GmbH	Germany
Catz & Lips B.V.	Netherlands
Centris Services Limited	United Kingdom
Centurion, Agente de Seguros, S.A. de C.V.	Mexico
Chemical & Oil Insurance Brokers (Pty) Ltd.	South Africa
Christopher Paul Insurance Services Ltd.	United Kingdom
Cinema Completions International, Inc.	Delaware
Citadel Insurance Company	Texas
City and County Purchasing Group	Unknown
Citytrust Insurance Brokers Association	Philippines
Claims Control Ltd.	New Zealand
Clarkson Bain Japan Ltd.	United Kingdom
Clarkson LMS Ltd.	United Kingdom
Clarkson Puckle Group, Ltd.	Unknown
Clarkson Puckle Holdings Ltd.	United Kingdom
Clarkson Puckle Ibex Ltd.	United Kingdom
Clarkson Puckle Ltd.	United Kingdom
Clarkson Puckle Marine Holdings Ltd.	United Kingdom
Clarkson Puckle Overseas Holdings Ltd.	United Kingdom
Clay & Partners (1987) Limited	United Kingdom
Clay & Partners Independent Trust Corporation Ltd.	United Kingdom
Clay & Partners Ltd.	United Kingdom
Clay & Partners Pension Trustees Limited	United Kingdom
Claytime Ltd.	United Kingdom
Clinton, Curtis, Melling Ltd.	Ireland
Cogrup Correduria de Seguros, S.A.	Spain
Cogrup, S.L.	Spain
Cole Booth Potter of New Jersey, Inc.	New Jersey
Cole Booth Potter, Inc.	Pennsylvania
Columbia Automotive Services, Inc.	Illinois
Combined Administrative Services Corp.	Illinois
Combined Insurance Company of America	Illinois
Combined Insurance Company of Ireland Limited	Ireland
Combined Insurance Company of New Zealand Limited	New Zealand
Combined Life Assurance Company Limited	United Kingdom
Combined Life Assurance Company of Europe Limited	Ireland
Combined Life Insurance Company of Australia Limited	Australia
Combined Life Insurance Company of New York	New York
Commercial Credit Corporation	United Kingdom
Commercial and Political Risk Consultants Ltd.	United Kingdom
Commercial and Political Risk Services Ltd.	United Kingdom
CompLogic, Inc.	Rhode Island
Consumer Program Administrators, Inc.	Illinois
Contract & Investment Recoveries Ltd.	United Kingdom
Corks Bay & Fisher Ltd.	United Kingdom
Corks Bays & Fisher (Life & Pensions) Ltd.	United Kingdom
Corporation Long Island CA	Venezuela
Correteje de Reaseguros Bain Hogg Venezolana C.A.	Venezuela
Coughlan General Insurances Limited	Ireland
Couparey Nominees Ltd.	United Kingdom
Cranebox Ltd.	United Kingdom
Credit & Political Insurance Services Ltd.	United Kingdom
Credit & Political Risks Reinsurance Consultants Ltd.	United Kingdom
Credit Indemnity & Financial Services Ltd.	United Kingdom
Credit Insurance Research Unit Ltd.	United Kingdom

Crotty MacRedmond Insurance Limited	Ireland
Customer Loyalty Institute	Michigan
D. Hudig & Co. b.v.	Netherlands
DA&A Insurance Agency, Inc.	Texas
DUO A/S	Norway
Dale & Compagnie (1990) Itee	Canada
Dale Intermediaries Ltd.	Canada
Dale-Parizeau International Inc.	Canada
Dale-Parizeau Management Ltd.	Bermuda
Dealer Development Services, Ltd.	United Kingdom
Deanborne Limited	United Kingdom
Denison Pension Trustees Ltd.	United Kingdom
Diot Minet (France) SA	France
Dobson Park L. G. Limited	Guernsey
Document Risk Management Limited	United Kingdom
Dominion Mutual Insurance Brokers Ltd.	Canada
Don Flower Aviation Underwriters, Inc.	Kansas
Dormante Holdings Limited	United Kingdom
Downes & Burke (Special Risks) Ltd.	United Kingdom
Dreadnaught Insurance Company Limited	Bermuda
DuPage Care Administrators, Inc.	Illinois
Duggan Insurances Limited	Ireland
Dunn-Parizeau (1995) Inc.	Quebec
Duoband Enterprises Ltd.	United Kingdom
Durin Financial Corporation	Wisconsin
E. Lillie & Co. Limited	United Kingdom
ECCO Services, Inc.	Texas
ENTAB Insurance Services Ltd.	United Kingdom
ERAS (International) Ltd.	United Kingdom
EX-TRA Excesos y Tradados CA	Venezuela
EXKO Excess Versicherungsagentur GmbH	Germany
Eastaf Holdings Ltd.	United Kingdom
Eastward Insurance Services Limited	Unknown
Edgar Ward Ltd.	United Kingdom
Edward Lumley & Sons (Underwriting Agencies) Ltd.	United Kingdom
Elektrorisk Beheer bv	Netherlands
Elm Lane Limited	United Kingdom
Employee Benefit Communications, Inc.	Florida
Energy Insurance Brokers & Risk Management Consultants Ltd.	United Kingdom
Entertainment Managers Insurance Services, Inc.	California
Entertainment Managers Insurance Services, Inc.	Ontario
Ernest A. Notcutt & Co. Ltd.	United Kingdom
Ernest A. Notcutt (Overseas) Ltd.	United Kingdom
Ernest Notcutt Insurance Services Ltd.	United Kingdom
Essar Insurance Consultants Ltd.	Taiwan
Essar Insurance Services Ltd.	Hong Kong
Europa Services Ltd.	Malta
Ewbar Limited	United Kingdom
ExcelNet (Guernsey) Ltd.	Guernsey
ExcelNet Ltd.	United Kingdom
Excess Underwriters Agency, Inc.	New York
Excess Versicherungsagentur GmbH	Germany
Expatriate Consultancy Limited, The	United Kingdom
FS Insurance Agency of California, Inc.	California
FS Insurance Agency, Inc.	Ohio
Fabels-Versteeg b.v.	Netherlands
Far East Agency	Korea
Fides Alexander (A.G.) Switzerland	Switzerland
Figurecheck Ltd.	United Kingdom
Finance Associates, Inc.	Texas
Financial Solutions Insurance Services, Inc.	Illinois
France Cote D'Afrique	France
France Fenwick Limited	United Kingdom
Frank B. Hall & Co. (N.S.W.) Pty. Ltd.	Australia
Frank B. Hall & Co. Holdings (N.Z.) Limited	New Zealand
Frank B. Hall (Ireland) Limited	Ireland
Frank B. Hall (Reinsurance) France S.A.	France
Frank B. Hall (Underwriting Managers) Ltd.	Bermuda
Frank B. Hall Insurance Brokers (S) Pte. Ltd.	Singapore
Frank B. Hall Re (Latin America) Inc.	Panama
Friis & Company, Inc.	California
Futuro 3000 S.R.L.	Italy
G.E.F. Insurance Ltd.	U.S. Virgin Islands
Garantie Europeene de Publication S.A.	France
Gardner Mountain Barr, Inc.	New York
Gardner Mountain Financial Services Ltd.	United Kingdom
Gardner Mountain Management Services Ltd.	United Kingdom
Gardner Mountain Trustees Ltd.	United Kingdom
Gateway Alternatives, L.L.C.	Delaware
Gateway Insurance Company, Ltd.	Bermuda
Gestas (1995) Inc.	Canada
Gestionnaires Westpar (1995) Itee	Canada

Gilliland & McReynolds, Inc.	Texas
Gilman Swire Willis Ltd.	Hong Kong
Gilroy Broome & Scrini (Trustees) Ltd.	United Kingdom
Go Pro Agency, Inc. of San Antonio	Texas
Go Pro Life Agency, Inc. of San Antonio	Texas
Go Pro Underwriting Managers of Virginia, Inc.	Virginia
Go Pro Underwriting Managers, Inc.	Texas
Godwins (Overseas) Limited	United Kingdom
Godwins (Trustees) Limited	United Kingdom
Godwins Acquisition Co.	North Carolina
Godwins Group Limited	United Kingdom
Godwins Limited	United Kingdom
Godwins Securities, Inc.	Washington
Gotuaco del Rosario & Associates, Inc.	Philippines
Gras Savoye Rumania	Romania
Greville Baylis Parry & Associates Ltd.	United Kingdom
Greyfriars Marketing Services Pty Ltd.	Australia
Groupe DPI Inc.	Quebec
Groupement Europeen d'Assurances Generales	France
Growth Enterprises Ltd.	Bahamas
Guardrisk Insurance Company Limited	South Africa
Guernsey Nominees (Pty) Limited	Guernsey
Gwelforth Ltd.	United Kingdom
H.A.R.B. Ltd.	United Kingdom
H.L. Puckle (Underwriting) Ltd.	United Kingdom
H.Z. Financial, L.P.	Illinois
HHL (Taiwan) Ltd.	Taiwan
HHL Reinsurance Brokers Inc.	Philippines
HHL Reinsurance Brokers Pte. Ltd.	Singapore
HHL Reinsurance Services Sdn. Bhd.	Unknown
HRGM 1989 Ltd.	United Kingdom
HRGM Cargo Ltd.	United Kingdom
HRGM Ltd.	United Kingdom
HRGM Management Services Ltd.	United Kingdom
HRGM Marine Ltd.	United Kingdom
Hadenmead Ltd.	United Kingdom
Halford, Shead & Co. Limited	United Kingdom
Hall & Company (Overseas) Ltd.	United Kingdom
Hall & Company (UK) Ltd.	United Kingdom
Hamburger Gesellschaft zur Forderung des Versicherungswesen mbH	Germany
Hamburger Ruckversicherungs - Agentur GmbH	Germany
Hanse Assekuranz-Vermittlungs GmbH	Germany
Hanseatische Assekuranz Kontor GmbH	Germany
Hanseatische Assekuranz Vermittlungs AG	Germany
Harbour Pacific Holdings Pty., Ltd.	Australia
Harbour Pacific Underwriting Management Pty Limited	Australia
Harmony Home Warranty Company, Inc.	California
Heath Hudig Langeveldt Sdn. Bhd.	Malaysia
Heiland Versicherungs-Service GmbH	Germany
Heli Agency	Korea
Hellenic Bain Hogg S.A.	Greece
Hemisphere Marine & General Assurance Ltd.	Bermuda
Highplain Limited	United Kingdom
Hobbs & Partners Ltd.	United Kingdom
Hodgson McCreery & Company Limited	United Kingdom
Hogg Automotive Insurance Services Ltd.	United Kingdom
Hogg Group Overseas Ltd.	United Kingdom
Hogg Group plc	United Kingdom
Hogg Robinson & Gardner Mountain (Insurance) Ltd.	United Kingdom
Hogg Robinson (Nigeria) Unlimited	Nigeria
Hogg Robinson (Scotland) Ltd.	Scotland
Hogg Robinson Holdings (Pty) Ltd.	South Africa
Hogg Robinson North America, Inc.	Delaware
Hogg Robinson Services (Kenya) Ltd.	Kenya
Howden Chile Consultores Ltda.	Chile
Howden Chile Reaseguros Ltda.	Chile
Howden Cover Hispanoamericana (Bermuda) Ltd.	Bermuda
Howden Dastur Reinsurance Brokers (Private) Ltd.	India
Howden Management & Data Services Ltd.	United Kingdom
Howden Sterling Asia Limited	Hong Kong
Howell King & Company Ltd.	United Kingdom
Hudig Langeveldt Pte Ltd.	Singapore
Hudig-Langeveldt Coens N.V.	Belgium
Hudig-Langeveldt Janson Elffers B.V.	Netherlands
Hudig-Langeveldt Kyoritsu Ltd.	Japan
Hudig-Langeveldt Makelaardij in Assurantien bv	Netherlands
Hudig-Langeveldt Pensioenbureau B.V.	Netherlands
Hudig-Langeveldt Reinsurance B.V.	Netherlands
Hudig-Langeveldt Saat B.V.	Netherlands
Human Relations Strategies Limited	United Kingdom
Huntington T. Block Insurance Agency, Inc.	District of Columbia
Huntington T. Block Insurance Agency, Inc.	Ohio

Hydrocarbon Risk Consultants Ltd.	United Kingdom
IOC Reinsurance Brokers Ltd.	Canada
IRBJ Disposition Company	Illinois
IRBJ Disposition Company	United Kingdom
IRISC (London) Limited	United Kingdom
IRISC Limited	United Kingdom
IRISC Specialty, Inc.	Delaware
IRISC Technical Services (Hong Kong) Limited	Hong Kong
IRISC, Inc.	New Jersey
IRM France S.A.	France
ISPP Purchasing Group	Missouri
ITA Insurance, Inc.	Utah
Ibex Managers Ltd.	Kenya
Impact Forecasting, L.L.C.	Illinois
Inchcape Continental Insurance Holdings (Eastern Europe) Ltd.	Cyprus
Inchcape Continental Insurance Holdings BV	Netherlands
Inchcape H.R. (Asia) Ltd.	Hong Kong
Inchcape Insurance Agencies (HK) LTD.	Hong Kong
Inchcape Insurance Agencies Pte Ltd.	Singapore
Inchcape Insurance Brokers (HK) Ltd.	Hong Kong
Inchcape Insurance Brokers (M) Sdn Bhd	Malaysia
Inchcape Insurance Brokers (Thailand) Ltd.	Thailand
Inchcape Insurance Holdings (HK) Ltd.	Hong Kong
Inchcape Insurances (Macau) Ltd.	Macau
Indemnity Insurance Services (Pty) Limited	South Africa
Independent Dealer Services, Inc.	Missouri
Independent Engineering Services Ltd.	United Kingdom
Inmobiliaria Ramos Rosada, S.A. de C.V.	Mexico
Insurance Administrators Inc.	Texas
Insurance Brokers Service, Inc.	Illinois
Insurance Broking Services (Pty) Limited	Guernsey
Insurance Holdings Africa Ltd.	Kenya
Insurance Planning, Inc.	Nevada
Insurance Underwriters Agency, Inc.	Arizona
Integrated Risk Finance Limited	United Kingdom
Integrated Risk Resources Limited	United Kingdom
Interbroke Ltd.	Switzerland
Interglobe Management AG	Switzerland
Interims Limited	United Kingdom
International Industrial Insurances Limited	Ireland
International Insurance Brokers Ltd.	Jamaica
International Insurance Brokers Ltd.	New Zealand
International Shipowners Mutual Insurance Association Limited	Bermuda
Interocean (Italia) S.p.A.	Italy
Interocean Reinsurance Company, S.A.	Panama
Investment Facility Company Four One Two (Pty) Ltd.	South Africa
Investment Insurance International (Managers) Ltd.	United Kingdom
ItalCECAR S.p.A.	Italy
J H Minet (Insurance) Ltd.	Ireland
J H Minet & Company (Tanzania) Ltd.	Tanzania
J H Minet (Inter-Gremium) AG	Switzerland
J H Minet Agencies Ltd.	United Kingdom
J H Minet Puerto Rico Inc.	Puerto Rico
J H Minet Reinsurance Brokers Ltd.	United Kingdom
J&H Risk Management Consultants GmbH	Germany
J&H Unison Holdings BV	Netherlands
J&H Vorsorgefonds	Switzerland
J.H. Blades & Co. (Agency), Inc.	Texas
J.H. Blades & Co., Inc.	Texas
J.H. Blades Insurance Services	California
J.H. Blades, Inc.	Oklahoma
J.H. Lea & Company, Inc.	Illinois
J.S. Johnson & Co. Ltd.	Bahamas
JFS (Sudamerica) SA	Uruguay
JFS Fenchurch Limited	United Kingdom
JFS Greig Fester Limited	United Kingdom
JML-Minet A.G.	Switzerland
James S. Kemper & Co. International Ltd.	Bermuda
Jaspers Industrie Assekuranz GmbH & Co. KG	Germany
Jauch & Hubener (KG)	Austria
Jauch & Hubener AG	Switzerland
Jauch & Hubener Beratungs AG	Switzerland
Jauch & Hubener CSFR Spol s.r.o.	Slovak Republic
Jauch & Hubener Ges mbH & Co. KG	Austria
Jauch & Hubener GmbH	Austria
Jauch & Hubener KGaA	Germany
Jauch & Hubener Kft.	Hungary
Jauch & Hubener Management betriebliche Versorgungsungen	Germany
Jauch & Hubener Personalvorsorgestiftung	Switzerland
Jauch & Hubener Privates Vorsorgemanagement GmbH	Germany
Jauch & Hubener Reinsurance Brokers Ltd.	United Kingdom
Jauch & Hubener Reinsurance Inter. Services of North America	New Jersey

Jauch & Hubener Ruckversicherungs-Vermittlungsges mbH	Germany
Jauch & Hubener Vergutungs-und Vorsorgemanagement GmbH	Germany
Jauch & Hubener Verwaltungs- GmbH	Germany
Jauch & Hubener d.o.o.	Slovak Republic
Jauch & Hubener do Brasil Ltda.	Brazil
Jauch & Hubener spol sro	Czech Republic
Jenner Fenton Slade (Special Risks) Limited	United Kingdom
Jenner Fenton Slade Group Limited	United Kingdom
Jenner Fenton Slade Limited	United Kingdom
Jenner Fenton Slade Political Risks Limited	United Kingdom
Jenner Fenton Slade Reinsurance Brokers Limited	United Kingdom
Jenner Fenton Slade Surety and Specie Limited	United Kingdom
John C. Lloyd Reinsurance Brokers Ltd.	Australia
John Scott Insurance Brokers Limited	United Kingdom
Johnson & Higgins PB Co.	Thailand
Joost & Preuss GmbH	Germany
Joseph U. Moore, Inc.	Florida
Jover Prevision Correduria de Seguros	Spain
K & K Insurance Brokers, Inc. Canada	Ontario
K & K Insurance Group of Florida, Inc.	Florida
K & K Insurance Group, Inc.	Indiana
K & K Insurance Specialties, Inc.	Indiana
K & K Specialties, Inc.	Indiana
K & K of California Insurance Services, Inc.	California
K & K of Nevada, Inc.	Nevada
Karl Alt & Co. GmbH	Germany
Keeling & Company	California
Keith Rayment & Associates Ltd.	United Kingdom
Key-Royal Automotive Company, Inc.	Alabama
Keyaction Ltd.	United Kingdom
Kininmonth Limited	Ireland
Kroller Holdings B.V.	Netherlands
L & G LMX Limited	United Kingdom
L & G Seascope Insurance Holdings Limited	United Kingdom
L. & F. Longobardi SRL	Italy
LIB Financial Services Ltd.	United Kingdom
LIB Ltd.	United Kingdom
La Societe de Courtage Meloche Alexander Inc.	Canada
Langeveldt Groep B.V.	Netherlands
Langeveldt de Vos b.v.	Netherlands
Laurila, Kauriala & Grig Ltd.	Russia
Laverack & Haines, Inc.	New York
Les Intermediaires Dale-Parizeau Itee	Canada
Lescorp Limited	United Kingdom
Leslie & Godwin (C.I.) Limited	Guernsey
Leslie & Godwin (Reinsurance) Copenhagen A/S	Denmark
Leslie & Godwin (Scotland) Limited	Scotland
Leslie & Godwin (U.K.) Limited	United Kingdom
Leslie & Godwin (WFG) Limited	United Kingdom
Leslie & Godwin AXL Limited	United Kingdom
Leslie & Godwin Aviation Holdings Limited	United Kingdom
Leslie & Godwin Aviation Limited	United Kingdom
Leslie & Godwin Aviation Reinsurance Services Limited	United Kingdom
Leslie & Godwin Financial Risks Limited	United Kingdom
Leslie & Godwin GmbH	Germany
Leslie & Godwin Group Limited	United Kingdom
Leslie & Godwin Insurance Brokers Ltd.	Ontario
Leslie & Godwin Insurance Brokers, Inc.	New York
Leslie & Godwin International Limited	United Kingdom
Leslie & Godwin Investments Limited	United Kingdom
Leslie & Godwin Limited	United Kingdom
Leslie & Godwin Marine Holdings Limited	United Kingdom
Leslie & Godwin Non-Marine Limited	United Kingdom
Leslie & Godwin Overseas Reinsurance Holdings Limited	United Kingdom
Leslie & Godwin Reinsurance Holdings Limited	United Kingdom
Lloyd Paulista Corretores de Seguros e Reaseguros S.A.	Brazil
London General Holdings Limited	United Kingdom
London General Insurance Company Limited	United Kingdom
Loss Management Group Ltd.	United Kingdom
Lowndes Lambert Insurance Limited	Ireland
Lumley Insurance Brokers (Pty) Ltd.	South Africa
Lumley JFS Limited	United Kingdom
Lumley Municipal & General Insurance Brokers (Natal) (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Orange Free State) (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Transvaal) (Pty) Ltd.	South Africa
Lumley Petro-Energy Insurance Brokers (Pty) Ltd.	South Africa
Lynn & Schaller Insurance Brokers, Inc.	California
M Y A Ltda. Asesorias Integrales	Colombia
M Y A Salud - Agentes De Medicina Prepagada (Colombia)	Colombia
M&M Insurance Agency, Inc.	Texas
M.I. B. Healthcare Services (Pty) Limited	South Africa

M.I.B. Aidec (Pty) Limited	South Africa
M.I.B. Border (Pty) Limited	South Africa
M.I.B. Employee Benefits (Pty) Limited	South Africa
M.I.B. Group (Pty) Limited	South Africa
M.I.B. Holdings Co. Ltd.	Malta
M.I.B. House Investment (Pty) Limited	South Africa
M.I.B. Property Holdings (Pty) Limited	South Africa
M.I.B. Reinsurance Brokers (Namibia) (Pty) Limited	Namibia
M.I.B. Reinsurance Brokers (Pty) Limited	South Africa
MAB Insurance Services Ltd.	United Kingdom
MC Brokers Co. Ltd.	Thailand
MTB UK (Holdings) Ltd.	United Kingdom
MLH & A (Canada) Inc.	Canada
MLH & A Inc.	Canada
MLH International Inc.	Ontario
MTF Insurance Agency, Inc.	Texas
MacDonagh & Boland Group Limited	Ireland
MacDonagh Boland Beech Hill Limited	Ireland
MacDonagh Boland Crotty MacRedmond Limited	Ireland
MacDonagh Boland Cullen Duggan Limited	Ireland
MacDonagh Boland Foley Woollam Limited	Ireland
Macey Clifton Walters Limited	United Kingdom
Macey Williams Insurance Services Limited	United Kingdom
Macey Williams Limited	United Kingdom
Madison Intermediaries Pty. Limited	Australia
Madison Reinsurance Holdings, Inc.	Illinois
Mahamy Company plc (Rollins Hudig Hall Iran)	Iran
Management and Regulator Services, Inc.	New York
Mansell Investments Ltd.	Gibraltar
Mansfeld, Hubener & Partners Gmbh	Germany
Manzitti Howden Beck s.p.a.	Italy
Maritime Underwriters, Ltd.	Bermuda
Marketing and Training Resources, Inc.	Illinois
Martec Australia Pty Limited	Australia
Martec Finance Pty Limited	Australia
Martin Boyer Company, Inc.	Illinois
Marvyn Hughes International Ltd.	United Kingdom
Max Mattiessen AB	Sweden
Media/Professional Insurance Agency Limited	United Kingdom
Media/Professional Insurance Agency, Inc.	Missouri
Mediterranean Insurance Brokers Ltd.	Malta
Mediterranean Insurance Training Centre	Malta
Mibsa Investments (Namibia) (Pty) Limited	Namibia
Minahan Reinsurance Management Limited	United Kingdom
Minerva Holdings (Pvt) Limited	Zimbabwe
Minet (Singapore) Pte. Ltd.	Singapore
Minet (Taiwan) Ltd.	Taiwan
Minet AB	Sweden
Minet AS	Norway
Minet Africa Holdings Ltd.	United Kingdom
Minet Agricultural Insurance Brokers Pty. Ltd.	Australia
Minet Airport Insurance Services Ltd.	United Kingdom
Minet Archer Ltd.	New Zealand
Minet Australia Holdings Pty. Ltd.	Australia
Minet Australia Ltd.	Australia
Minet Benefit Services (International) Ltd.	Guernsey
Minet Botswana (Pty) Ltd.	Botswana
Minet Burn & Roche Pty. Ltd.	Australia
Minet China Ltd.	Hong Kong
Minet Commercial Ltd.	United Kingdom
Minet Consultancy Services Ltd. (Kenya)	Kenya
Minet Consultancy Services Ltd. (UK)	United Kingdom
Minet Denison Financial Services Ltd.	United Kingdom
Minet Denison Insurance Services Ltd.	United Kingdom
Minet Direct Marketing Services Ltd.	United Kingdom
Minet Duncan Insurance Brokers Ltd.	United Kingdom
Minet Employees' Trust Company Ltd.	United Kingdom
Minet Europe Holdings Ltd.	United Kingdom
Minet Financial Services Ltd.	United Kingdom
Minet Firstbrokers Oy	Finland
Minet Group Holdings	United Kingdom
Minet Group PLC	United Kingdom
Minet Group Services Ltd.	United Kingdom
Minet Holdings Guernsey Limited	Guernsey
Minet Holdings Inc.	New York
Minet Hong Kong Ltd.	Hong Kong
Minet ICDC Insurance Brokers Ltd.	Kenya
Minet Inc. (Canada)	Canada
Minet Ins. Brokers (Holdings) (NZ) Ltd.	New Zealand
Minet Ins. Brokers (Zimbabwe) (Pvt) Ltd.	Zimbabwe
Minet Insurance Brokers (Holdings) Ltd.	United Kingdom
Minet Insurance Brokers (Thailand) Ltd.	Thailand

Minet Insurance Brokers (Uganda) Limited	Uganda
Minet Insurance Brokers, Inc.	Unknown
Minet Insurance Services (UK) Ltd.	United Kingdom
Minet Insurance Services, Inc.	California
Minet Insurance Services, Inc. of Texas	Texas
Minet International (Holdings) Ltd.	United Kingdom
Minet Italia & Partners SpA	Italy
Minet Italia srl	Italy
Minet Kingsway (Lesotho) (Pty) Ltd.	Lesotho
Minet Limited	Uganda
Minet Limited (Bermuda)	Bermuda
Minet Lindgren i Helsingborg	Sweden
Minet Ltd.	United Kingdom
Minet Members Agency Holdings Ltd.	United Kingdom
Minet New Zealand Ltd.	New Zealand
Minet Nigeria	Nigeria
Minet Nominees Ltd.	United Kingdom
Minet Professional Services (Europe) Ltd.	United Kingdom
Minet Professional Services Ltd. (Australia)	Australia
Minet Professional Services Ltd. (UK)	United Kingdom
Minet Properties (1989) Ltd.	United Kingdom
Minet Properties Ltd.	United Kingdom
Minet RAA Insurance Brokers Limited	Hong Kong
Minet Re (Bermuda) Limited	Bermuda
Minet Re GmbH	Germany
Minet Re International Ltd.	United Kingdom
Minet Re North America, Inc.	Georgia
Minet Risk Services (Barbados) Ltd.	Barbados
Minet Risk Services (Bermuda) Ltd.	Bermuda
Minet Risk Services (Guernsey) Ltd.	Guernsey
Minet Risk Services (Jersey) Ltd.	Jersey, Channel Islands
Minet Risk Services (Singapore) Ltd.	Singapore
Minet Risk Services (Vermont), Inc. (USA)	Vermont
Minet S.A. de C.V.	Mexico
Minet Settlement Services, Inc.	Minnesota
Minet Trans Risk Services Ltd.	United Kingdom
Minet Trustees Ltd.	United Kingdom
Minet West Africa Ltd.	United Kingdom
Minet Zambia Limited	Zambia
Minet Zimbabwe (Pvt) Ltd.	Zimbabwe
Minet a.s.	Czech Republic
Minet, Inc. (USA)	New Jersey
Minken Properties Ltd.	Kenya
Montgomery General Agency of New Jersey, Inc.	New Jersey
Morency, Weible & Sapa, Inc.	Illinois
Motorists Service Corporation	Delaware
Motorplan Limited	United Kingdom
Muirfield Underwriters, Ltd.	Delaware
N.V. Verzekering Maatschappij Van 1890	Netherlands
NB Life Agents, Inc.	New York
NRC Reinsurance Company Ltd.	Bermuda
NSU Benefit Corporation	Indiana
National Care Provider Insurance, Inc.	California
National Product Care Company	Illinois
National Sports Underwriters, Inc.	Indiana
Needler Heath (UK) Ltd.	United Kingdom
Needler Heath Dixon Ltd.	United Kingdom
New Co. #1 L.L.C.	Delaware
Nicholson Chamberlain Colls Australia Limited	Australia
Nicholson Chamberlain Colls Group Limited	United Kingdom
Nicholson Chamberlain Colls Marine Limited	United Kingdom
Nicholson Jenner Leslie Group Limited	United Kingdom
Nicholson Leslie (North America) Limited	United Kingdom
Nicholson Leslie Accident & Health Limited	United Kingdom
Nicholson Leslie Agencies Limited	United Kingdom
Nicholson Leslie Asia Pte Ltd	Singapore
Nicholson Leslie Australia Holdings Limited	Australia
Nicholson Leslie Aviation Limited	United Kingdom
Nicholson Leslie Aviation Reinsurance Brokers	United Kingdom
Nicholson Leslie BankAssure Limited	United Kingdom
Nicholson Leslie Bankscope Insurance Services Limited	United Kingdom
Nicholson Leslie Bankscope Marine Insurance Consultants	United Kingdom
Nicholson Leslie Energy Resources Limited	United Kingdom
Nicholson Leslie Financial Institutions Limited	United Kingdom
Nicholson Leslie International (Reinsurance Brokers) Limited	United Kingdom
Nicholson Leslie International Limited	United Kingdom
Nicholson Leslie Investments Limited	United Kingdom
Nicholson Leslie Italia S.P.A.	Italy
Nicholson Leslie Limited	United Kingdom
Nicholson Leslie Management Services Limited	United Kingdom
Nicholson Leslie Marine Limited	United Kingdom
Nicholson Leslie Nederland Reinsurance brokers cv	Netherlands

Nicholson Leslie Non-Marine Reinsurance Brokers Limited	United Kingdom
Nicholson Leslie North American Reinsurance Brokers, Limited	United Kingdom
Nicholson Leslie Property Limited	United Kingdom
Nicholson Leslie Special Risks Limited	United Kingdom
Nicholson Leslie Special Risks Limited	United Kingdom
Nicholson Stewart-Brown Limited	United Kingdom
Nissho Iwai (Japan)	Japan
Nixon Constable & Company Ltd.	United Kingdom
North Derbyshire Finance Company Limited, The	United Kingdom
Norwegian Insurance Partners A/S	Norway
Norwegian Insurance Partners as (Non-Marine)	Norway
Nova Reinsurance Brokers, Inc.	Illinois
OLD ARS-AZ INC.	Arizona
OLD ARS-IN CORP.	Indiana
OUM & Associates of California, A Corporation	California
OUM & Associates of New York, A Corporation	New York
OUM & Associates of Ohio, A Corporation	Ohio
OWA Hoken (UK) Limited	United Kingdom
OWA Insurance Services (France) SA	France
OWA Insurance Services Austria Gesellschaft mbH	Austria
OWA Insurance Services Austria GmbH & Co. KG	Austria
Oak Brook Holding, Inc.	Delaware
Oak Brook Life Insurance Company	Arizona
Ohio Cap Insurance Company, Inc.	Unknown
Ohrinsoo Agency	Korea
Olarescu & B. I. Davis Asesores y Corredores de Seguros S.A.	Peru
Old RHH North, Inc.	California
Orobio Mees Herman B.V.	Netherlands
P I Insurance Brokers (Pty) Limited	South Africa
P M R Re, Inc.	New York
P.I. Consultants Ltd.	Hong Kong
P.T. Alexander Lippo Indonesia	Indonesia
PBA Inc.	Minnesota
PLCM Group, Inc.	Florida
PLCM Group, Inc.	Illinois
PLCM Group, Inc.	Pennsylvania
PROVIA Gessellschaft fur betriebliche Risikoanalyse mbH	Germany
PT RNJ Ratna Nusa Jaya	Indonesia
Pacific Wholesale Insurance Brokers Pty Limited	Australia
Paladin Reinsurance Corporation	New York
Pandimar Consultants, Inc.	New York
Paribas Assurantien B.V.	Netherlands
Parker Risk Management (Barbados) Ltd.	Barbados
Parker Risk Management (Bermuda) Ltd.	Bermuda
Parker Risk Management (Cayman) Ltd.	Cayman Islands
Parker Risk Management (Guernsey) Ltd.	Guernsey
Parker Risk Management (S) Pte Ltd	Singapore
Parker Risk Management, Inc.	Colorado
Pat Ryan & Associates, B.V.	Netherlands
Paul J.F. Schultz oHG	Germany
Pernas HHL Insurance Brokers Sdn Bhd	Malaysia
Pernas HHL Reinsurance Brokers Sdn. Bhd.	Malaysia
Pilots International Association	North Dakota
Pinerich Limited	Ireland
Poitras, Lavigueur (1995) Inc.	Quebec
Poland Puckle Insurance Brokers Ltd.	United Kingdom
Premier Auto Finance, Inc.	Delaware
Premier Auto Finance, L.P.	Illinois
Prescot Insurance Holdings Ltd.	United Kingdom
Private Client Trustees Ltd.	Ireland
Product Care, Inc.	Illinois
Professional & General Ins. Company (Bermuda) Ltd.	Bermuda
Professional Liability Services Limited	United Kingdom
Professional Sports Insurance Co. Ltd.	Bermuda
Progressive Ideal Sdn Bhd.	Malaysia
Promotora Zircon S.A. de C.V.	Mexico
Property Owners Database Limited	United Kingdom
Proruck Ruckversicherungs - AG	Germany
Provider Services, Ltd.	Bermuda
R&M Reinsurance Intermediaries Ltd.	Trinidad
R.B. Jones Corporation	Delaware
R.E.I. (NSW) Insurance Brokers Pty. Ltd.	Australia
R.E.I.A. Insurance Brokers Pty. Ltd.	Australia
R.G. Reis (Management Services) Ltd.	United Kingdom
R.G. Reis Life Consultants Ltd.	United Kingdom
R.G. Reis Pension Fund Trustees Ltd.	United Kingdom
RAMRO y Asociados, S.C.	Mexico
RBH Acquisition Co.	Delaware
RBH General Agencies (Canada) Inc.	Quebec
REISA Insurance Brokers Pty. Ltd.	Australia
REIV Insurance Brokers (Pty) Ltd.	Australia
RHH Empreendimentos e Servicos Ltda.	Brazil

RHH Surety & Guarantee Limited	United Kingdom
RIP Services Limited	Guernsey
Ralph S. Harris (Insurance) Pty. Ltd.	Zimbabwe
Rath & Strong, Inc.	Massachusetts
Reed Stenhouse Asia Pacific Ltd.	Scotland
Reed Stenhouse Companies Ltd.	Canada
Reed Stenhouse Europe Holdings B.V.	Netherlands
Reed Stenhouse Gmbh	Germany
Reed Stenhouse Netherlands B.V.	Netherlands
Reed Stenhouse Underwriting Management Ltd.	Scotland
Resource Insurance Services, Inc.	Indiana
Revasa S.p.A.	Italy
Risconcept Inc.	Canada
Risk Funding Services (Pty) Limited	South Africa
Risk Management Consultants Ltd.	United Kingdom
Risk Management Consultants of Canada Ltd.	Canada
RiskNet Worldwide, Inc.	Oregon
Risque et Finance SA	France
Rollins Heath (Japan) Ltd.	Japan
Rollins Heath Korea Co. Ltd.	Korea
Rollins Hudig Hall & Co. (N.S.W.) Pty. Ltd.	Australia
Rollins Hudig Hall (Hong Kong) Ltd.	Hong Kong
Rollins Hudig Hall (Nederland) Limited	United Kingdom
Rollins Hudig Hall (Scandinavia) A/S	Norway
Rollins Hudig Hall Associates B.V.	Netherlands
Rollins Hudig Hall Finance bv	Netherlands
Rollins Hudig Hall Mexico Agente De Seguros Y De Fianzas, S.A. De C.V.	Mexico
Rollins Hudig Hall Middle East	United Arab Emirates
Rollins Hudig Hall Netherlands b.v.	Netherlands
Rollins Hudig Hall Services Limited	United Kingdom
Rollins Hudig Hall Sweden AB	Sweden
Rollins Hudig Hall Versicherungsmakler Gesellschaft m.b.H.	Austria
Rollins Hudig Hall do Brazil Corretora de Seguros Ltda.	Brazil
Rollins Hudig Hall of Alaska, Inc.	Alaska
Rollins Technical Services Co.	Illinois
Ropeco Pty Ltd.	Australia
Rostron Hancock Ltd.	United Kingdom
Roundwise Limited	United Kingdom
Royal Home Protection Plan, Inc.	Delaware
Ruben Entertainment Insurance Services	United Kingdom
Ryan Insurance Group France S.A.R.L.	France
Ryan Insurance Group, Inc.	Delaware
Ryan Warranty Services Canada, Inc.	Canada
Ryan Warranty Services Quebec, Inc.	Ontario
Ryan/CSI, Inc.	Illinois
Rydata Limited	United Kingdom
S A Credit & Insurance Brokers (Pty) Limited	South Africa
S W Holdings (SA) (Pty) Limited	South Africa
S W Insurance Brokers (Pty) Limited	South Africa
S. Hammond Story Agency, Inc.	Georgia
S. Mark Brockinton & Associates of Texas, Inc.	Texas
S. Mark Brockinton & Associates, Inc.	Arkansas
SASE France Societe Des Assures Du Sud Set	France
SHL Pacific Regional Holdings Inc.	California
SIS Services of New York, Inc.	New York
SLE Worldwide Australia Pty Limited	Australia
SLE Worldwide Limited	United Kingdom
SLE Worldwide Mexico, Agente de Seguros, S.A. de C.V.	Mexico
SLE Worldwide, Inc.	Delaware
SRA, Inc.	Texas
SRS General Insurance Services, Inc.	California
SRS Insurance Services, Inc.	California
Saat Van Marwijk Beheer B.V.	Netherlands
Saat Van Marwijk Noordwijk B.V.	Netherlands
Sang Woon Agency	Korea
Santos da Cunha, Abreu & Associados, Lda.	Portugal
Savoy Insurance Brokers Ltd.	United Kingdom
Saxonbeech Ltd.	United Kingdom
Scarborough & Company, Inc.	Delaware
Scarborough Insurance Agency of Massachusetts, Inc.	Massachusetts
Sceptre Agency, Inc.	Texas
Scottish & Commonwealth Insurance Co. Ltd.	Bermuda
Seascope Cargo Insurance Services Limited	United Kingdom
Seascope Insurance Holdings Limited	United Kingdom
Seascope Insurance Services Limited	United Kingdom
Seascope Marine Insurance Services Limited	United Kingdom
Seascope Marine Limited	United Kingdom
Seascope Reinsurance Services Limited	United Kingdom
Securities Guarantee Company Limited	United Kingdom
Select Direct Limited	Scotland
Self-Insurers Service, Inc.	Delaware
Service Protection, Inc.	Illinois

Service Saver, Incorporated	Florida
ServicePlan of Florida, Inc.	Florida
ServicePlan of Ohio, Inc.	Ohio
ServicePlan of Virginia, Inc.	Virginia
ServicePlan, Inc.	Illinois
Services De Risques Aon Inc.	Canada
Servicios A.B.S., S.A.	Mexico
Servicios Inmobiliarios Guadalajara, S.C.	Mexico
Servicios Y Garantias Ryan S.L.	Spain
Sherwood Insurance Services	California
Sherwood Insurance Services of Washington, Inc.	Washington
Shoreline Insurance Agency, Inc.	Rhode Island
Simco Insurance Brokers Pte	Singapore
Singer Group, Inc., The	Texas
Singer Plan, Inc.	Delaware
Societe Generale de Courtage d'Assurances	France
Societe canadienne de gestion de reassurance, inc.	Quebec
Sodarcac Inc.	Canada
Sodartec Inc.	Canada
Soriero & Company, Inc.	Texas
Sorim (1987) Ltd.	United Kingdom
Sorim Services (1987) Ltd.	United Kingdom
Southern Cross Underwriting Pty. Limited	Australia
Special Risk Services Limited	United Kingdom
Special Risk Services, Inc.	New Jersey
Spicafab Limited	United Kingdom
Square One, Inc.	Texas
Steetley Leslie & Godwin Limited	Guernsey
Steeves Lumley Ltd.	Australia
Stenhouse (South East Asia) Pte. Ltd.	Singapore
Stenhouse Marketing Services (London) Ltd.	United Kingdom
Stenhouse Marketing Services, Inc.	Delaware
Stenhouse Reed Shaw Africa (Pty) Ltd.	South Africa
Sterling Life Insurance Company	Arizona
Stichting Employee Fund Aon	Netherlands
Stichting Werknemerscertificaten HLG	Netherlands
Structured Compensation Ltd.	United Kingdom
Sumner & McMillan	United Kingdom
Sumner & McMillan Limited (Ireland)	Ireland
Superannuation Fund (CICNZ) Limited	New Zealand
Surety & Guarantee Consultants Limited	United Kingdom
Surveyors Claims Services Ltd.	United Kingdom
Swaziland Construction Insurance Brokers (Pty) Ltd.	Swaziland
Swaziland Corporate Risk Management (Pty) Ltd.	Swaziland
Swaziland Employee Benefit Consultants (Pty) Ltd.	Swaziland
Swaziland Insurance Brokers (Pty) Ltd.	Swaziland
Swaziland Reinsurance Brokers (Pty) Ltd.	Swaziland
Swett & Crawford	California
Swett & Crawford Ins. Agency of Massachusetts, Inc.	Massachusetts
Swett & Crawford of Arizona, Inc.	Arizona
Swett & Crawford of Connecticut, Inc.	Connecticut
Swett & Crawford of Hawaii, Inc.	Hawaii
Swett & Crawford of Pennsylvania, Inc.	Pennsylvania
Swett & Crawford of Texas, Inc.	Texas
Swett Insurance Managers of California, Inc.	California
Swett Insurance Managers of Idaho, Inc.	Idaho
Swett Insurance Managers of Maine, Inc.	Maine
Swett Insurance Managers of Nevada, Inc.	Nevada
Swett Insurance Managers of Pennsylvania, Inc.	Pennsylvania
Swett Insurance Managers, Inc.	Colorado
T M Insurance Brokers (Pty) Limited	South Africa
TREV Properties Corporation	Delaware
TTF Insurance Services Ltd.	United Kingdom
Tabma-Hall Insurance Services Pty. Limited	Australia
Tethercrest Ltd.	United Kingdom
Texas Star Insurance Agency	Not Applicable
Texecur Versicherungs Vermittlungs GmbH	Germany
The Alexander Consulting Group Ltd.	Canada
The Alexander Consulting Group Ltd.	New Zealand
The Alexander Consulting Group Ltd.	Scotland
The Credit Insurance Association France SA	France
The Credit Insurance Association Ltd.	United Kingdom
The Entertainment Coalition	Not Applicable
The Swett & Crawford Group, Inc.	California
Tholwana MIB Pty Limited	South Africa
Trans Caribbean Insurance Services, Inc.	American Samoa
Travellers Club International Ltd.	United Kingdom
Trent Insurance Company Ltd.	Bermuda
Trust Property & Casualty Insurance Company	Vermont
U.S. Rating Bureau, Inc.	Delaware
Underwriters Marine Services Limited	United Kingdom
Underwriters Marine Services of Texas, Inc.	Texas

Underwriters Marine Services, Inc.	Louisiana
Union Centurion, S.A.de C.V.	Mexico
Unison Consultants Europe E.E.I.G.	Belgium
Unison GEIE	Belgium
Unison SA	Belgium
Unison Technical Services	Belgium
United Car & Van Rental Ltd.	United Kingdom
United Iranian Insurance Services plc Teheran	Iran
Uzbekugurta Howden Lihou	Republic of Uzbekistan
VECCI Insurance Services Ltd.	Australia
VOL Mortgage Corporation	Delaware
VOL Properties Corporation	Delaware
Valex Insurance Agency, Inc.	Texas
Varity Risk Management Services Ltd.	United Kingdom
Vassal Properties (Pty) Ltd.	Botswana
Verband der Jauch & Hubener Unterstutzungskassen	Germany
Vesselforward Ltd.	United Kingdom
Virginia Surety Company, Inc.	Illinois
WACUS Kreditversicherungsmaekler GmbH	Austria
WACUS Magyarorszag Hitelbitzositasi Tanacsado es Kozvetito Kft.	Hungary
WAS Betriebsfuhrungs-GmbH	Germany
WAVECA CA	Venezuela
WMD Underwriting Agencies Ltd.	United Kingdom
Wackerbarth H. Limited	United Kingdom
Wackerbarth Hardman (Holdings) Limited	United Kingdom
Wackerbarth International Holdings Bv	Netherlands
Wexford Underwriting Managers, Inc.	Delaware
Whitehouse Moorman Holdings Ltd.	United Kingdom
Wilfredo Armstrong S.A.	Argentina
William Gallagher Associates of California, Inc.	California
William Gallagher Associates of Maryland, Inc.	Maryland
William Gallagher Associates of New Jersey, Inc.	New Jersey
Willis Corroon (PVT) Ltd.	Zimbabwe
Winchester Financial Services (Pty) Limited	South Africa
Windhock Insurance Brokers (Pty) Limited	Namibia
World Insurance Network Ltd.	Cardiff
Worldwide Insurance Network Limited	United Kingdom
Worldwide Integrated Services Company	Texas
Wyrn Systems Pty Limited	South Africa
XB-Lumley Insurance Brokers (Pty) Ltd.	South Africa
Y&D Properties Ltd.	Canada
ZAO Aon Insurance Brokers	Russia
Zimbabwe Risk Managers (Pvt) Ltd.	Zimbabwe
nv Insurance Louis Delhaize (en abrege INSURDEL)	Belgium

Exhibit 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Aon Corporation of our report dated February 10, 1998, included in the 1997 Annual Report to Stockholders of Aon Corporation.

Our audits also included the financial statement schedules of Aon Corporation listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, with respect to which the date is February 10, 1998, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements pertaining to the employer's stock option, stock award and savings plans (Form S-8 Nos. 33-27984, 33-42575 and 33-59037) and the offer to exchange Capital Securities (Form S-4 No. 333-21237) of Aon Capital A of our report dated February 10, 1998, with respect to the consolidated financial statements incorporated herein by reference, and our report, included in the preceding paragraph with respect to the financial statement schedules included in this Annual Report (Form 10-K) of Aon Corporation.

ERNST & YOUNG LLP

Chicago, Illinois

March 24, 1998

ARTICLE 7

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

MULTIPLIER: 1,000,000

PERIOD TYPE	12 MOS	9 MOS	6 MOS	3 MOS	
FISCAL YEAR END	DEC 31 1997	DEC 31 1997	DEC 31 1997	DEC 31 1997	
PERIOD START	JAN 01 1997	JAN 01 1997	JAN 01 1997	JAN 01 1997	
PERIOD END	DEC 31 1997	SEP 30 1997	JUN 30 1997	MAR 31 1997	
DEBT HELD FOR SALE	3,144	3,027	2,903	2,734	
DEBT CARRYING VALUE	0	0	0	0	
DEBT MARKET VALUE	0	0	0	0	
EQUITIES	806	858	814	711	
MORTGAGE	15	22	24	25	
REAL ESTATE	12	12	12	14	
TOTAL INVEST	5,922	5,527	5,151	5,061	
CASH	1,085	1,404	1,332	1,270	
RECOVER REINSURE	7	61	0	0	0
DEFERRED ACQUISITION	549	560	570	575	
TOTAL ASSETS	18,691	17,832	17,407	17,317	
POLICY LOSSES	943	1,083	1,080	1,081	
UNEARNED PREMIUMS	1,870	2,015	2,017	1,980	
POLICY OTHER	809	834	835	841	
POLICY HOLDER FUNDS	828	695	679	558	
NOTES PAYABLE	1	1,401	1,272	1,147	964
PREFERRED MANDATORY	3	50	50	50	50
PREFERRED	4	0	6	6	6
COMMON	2	171	171	171	171
OTHER SE	2,651	2,744	2,641	2,519	
TOTAL LIABILITY AND EQUITY	18,691	17,832	17,407	17,317	
PREMIUMS	1,609	1,192	793	384	
INVESTMENT INCOME	494	353	233	116	
INVESTMENT GAINS	6	5	2	2	
OTHER INCOME	5	3,642	2,680	1,750	852
BENEFITS	842	634	421	205	
UNDERWRITING AMORTIZATION	208	159	112	54	
UNDERWRITING OTHER	4,159	2,921	1,907	935	
INCOME PRETAX	542	345	167	15	
INCOME TAX	203	129	63	6	
INCOME CONTINUING	299	186	104	9	
DISCONTINUED	0	0	0	0	
EXTRAORDINARY	0	0	0	0	
CHANGES	0	0	0	0	
NET INCOME	299	186	85	1	
EPS PRIMARY	6	1.71	1.05	0.47	(0.02)
EPS DILUTED	6	1.68	1.03	0.46	(0.02)
RESERVE OPEN	535	535	535	535	
PROVISION CURRENT	7	814	0	0	0
PROVISION PRIOR	7	(50)	0	0	0
PAYMENTS CURRENT	7	538	0	0	0
PAYMENTS PRIOR	7	241	0	0	0
RESERVE CLOSE	7	520	0	0	0
CUMULATIVE DEFICIENCY	7	0	0	0	0

¹ Includes short term borrowings and debt guarantee of ESOP.

² Common stock at par value; adjusted to reflect the three for two stock split on May 14, 1997.

³ Does not include Company obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely the Company's Junior Subordinated Debentures.

⁴ Preferred stock at par value; Aon purchased and retired all outstanding shares in November 1997.

⁵ Includes brokerage commissions and fees and other income.

⁶ Aon adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share" effective December 31, 1997 and announced a three-for-two stock split effective May 14, 1997. Accordingly, all prior period per share amounts have been restated.

⁷ Available on an annual basis only.

ARTICLE 7

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

MULTIPLIER: 1,000,000

PERIOD TYPE	12 MOS	9 MOS	6 MOS	3 MOS	
FISCAL YEAR END	DEC 31 1996	DEC 31 1996	DEC 31 1996	DEC 31 1996	
PERIOD START	JAN 01 1996	JAN 01 1996	JAN 01 1996	JAN 01 1996	
PERIOD END	DEC 31 1996	SEP 30 1996	JUN 30 1996	MAR 31 1996	
DEBT HELD FOR SALE	2,826	2,707	2,559	7,490	
DEBT CARRYING VALUE	0	0	0	0	
DEBT MARKET VALUE	0	0	0	0	
EQUITIES	879	821	773	975	
MORTGAGE	29	34	34	656	
REAL ESTATE	18	19	23	39	
TOTAL INVEST	5,213	4,923	5,047	10,679	
CASH	410	226	104	26	
RECOVER REINSURE	⁸	35	0	0	0
DEFERRED ACQUISITION	599	622	630	1,286	
TOTAL ASSETS	13,723	12,227	11,999	20,123	
POLICY LOSSES	1,080	886	877	1,483	
UNEARNED PREMIUMS	1,925	1,675	1,627	1,706	
POLICY OTHER	841	867	870	978	
POLICY HOLDER FUNDS	514	367	361	5,354	
NOTES PAYABLE	¹	735	583	624	890
PREFERRED MANDATORY	50	50	50	50	
PREFERRED	³	6	8	8	8
COMMON	²	114	112	112	111
OTHER SE	2,713	2,598	2,575	2,546	
TOTAL LIABILITY AND EQUITY	13,723	12,227	11,999	20,123	
PREMIUMS	1,527	1,141	759	378	
INVESTMENT INCOME	384	270	177	85	
INVESTMENT GAINS	8	3	0	0	
OTHER INCOME	⁴	1,969	1,405	938	479
BENEFITS	790	582	379	186	
UNDERWRITING AMORTIZATION	208	156	108	53	
UNDERWRITING OTHER	2,445	1,706	1,141	557	
INCOME PRETAX	446	375	247	146	
INCOME TAX	154	129	85	49	
INCOME CONTINUING	292	246	162	97	
DISCONTINUED	43	43	43	22	
EXTRAORDINARY	0	0	0	0	
CHANGES	0	0	0	0	
NET INCOME	335	289	205	119	
EPS PRIMARY	⁵	1.93	1.68	1.20	0.70
EPS DILUTED	⁵	1.90	1.65	1.17	0.68
RESERVE OPEN	715	715	715	715	
PROVISION CURRENT ^{6 8}	864	0	0	0	
PROVISION PRIOR	^{6 8}	(36)	0	0	0
PAYMENTS CURRENT	^{7 8}	725	0	0	0
PAYMENTS PRIOR	⁸	283	0	0	0
RESERVE CLOSE	⁸	535	0	0	0
CUMULATIVE DEFICIENCY	⁸	0	0	0	0

¹ Includes short term borrowings and debt guarantee of ESOP.

² Common stock at par value.

³ Preferred stock at par value.

⁴ Includes brokerage commissions and fees and other income.

⁵ Aon adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share" effective December 31, 1997 and announced a three-for-two stock split effective May 14, 1997. Accordingly, all prior period per share amounts have been restated.

⁶ Includes discontinued operations.

⁷ Includes liability for business sold of \$173 million.

⁸ Available on an annual basis only.

ARTICLE 7

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

MULTIPLIER: 1,000,000

PERIOD TYPE	12 MOS	
FISCAL YEAR END	DEC 31 1995	
PERIOD START	JAN 01 1995	
PERIOD END	DEC 31 1995	
DEBT HELD FOR SALE	7,687	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	1,006	
MORTGAGE	632	
REAL ESTATE	37	
TOTAL INVEST	10,639	
CASH	115	
RECOVER REINSURE	19	
DEFERRED ACQUISITION	1,262	
TOTAL ASSETS	19,736	
POLICY LOSSES	1,475	
UNEARNED PREMIUMS	1,646	
POLICY OTHER	971	
POLICY HOLDER FUNDS	5,464	
NOTES PAYABLE	907	1
PREFERRED MANDATORY	50	
PREFERRED	8	3
COMMON	111	2
OTHER SE	2,555	
TOTAL LIABILITY AND EQUITY	19,736	
PREMIUMS	1,427	
INVESTMENT INCOME	329	
INVESTMENT GAINS	13	
OTHER INCOME	1,697	4
BENEFITS	699	
UNDERWRITING AMORTIZATION	208	
UNDERWRITING OTHER	2,101	
INCOME PRETAX	458	
INCOME TAX	154	
INCOME CONTINUING	304	
DISCONTINUED	99	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	403	
EPS PRIMARY	2.33	5
EPS DILUTED	2.30	5
RESERVE OPEN	681	
PROVISION CURRENT	1,030	6
PROVISION PRIOR	(14)	6
PAYMENTS CURRENT	651	
PAYMENTS PRIOR	331	
RESERVE CLOSE	715	
CUMULATIVE DEFICIENCY	0	

¹ Includes short term borrowings and debt guarantee of ESOP.

² Common stock at par value.

³ Preferred stock at par value.

⁴ Includes brokerage commissions and fees and other income.

⁵ Aon adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share" effective December 31, 1997 and announced a three-for-two stock split effective May 14, 1997. Accordingly, all prior period per share amounts have been restated.

⁶ Includes discontinued operations.

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