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AON PLC

FORM 10-Q
(Quarterly Report)

Filed 11/13/98 for the Period Ending 09/30/98

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

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AON CORP

FORM 10-Q
(Quarterly Report)

Filed 11/13/1998 For Period Ending 9/30/1998

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

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998

OR

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

Commission file number 1-7933

Aon Corporation
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	36-3051915
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
123 N. WACKER DR, CHICAGO, ILLINOIS	60606
(Address of Principal Executive Offices)	(Zip Code)

(312) 701-3000
(Registrant's Telephone Number)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Number of shares of common stock outstanding:

Class	No. Outstanding as of 9-30-98
$1.00 par value Common	170,077,937

Part 1
Financial Information
Aon CORPORATION
Condensed Consolidated Statements of Financial Position

(millions)	As of Sept. 30, 1998	As of Dec. 31, 1997
Assets	(Unaudited)	
Investments		
Fixed maturities at fair value	$ 3,190.4	$ 3,143.6
Equity securities at fair value	713.2	806.3
Short-term investments	2,169.7	1,697.7
Other investments	322.1	274.5
Total investments	6,395.4	5,922.1
Cash	1,170.9	1,084.7
Receivables		
Insurance brokerage and consulting services	5,488.3	5,320.5
Premiums and other	1,085.3	862.6
Accrued investment income	82.4	66.8
Total receivables	6,656.0	6,249.9
Intangible assets	3,341.3	3,094.5
Other assets	2,373.9	2,340.0
Total Assets	$ 19,937.5	$ 18,691.2

(millions)	As of Sept. 30, 1998	As of Dec. 31, 1997
Liabilities and Equity	(Unaudited)	
Policy Liabilities		
Future policy benefits	$ 952.9	$ 942.6
Policy and contract claims	782.2	809.4
Unearned and advance premiums	1,856.8	1,869.7
Other policyholder funds	1,200.7	828.1
Total policy liabilities	4,792.6	4,449.8
General Liabilities		
Insurance premiums payable	6,675.8	6,379.8
Commissions and general expenses	1,601.7	1,488.8
Short-term borrowings	1,052.7	764.2
Notes payable	594.7	637.1
Other liabilities	1,373.0	1,299.4
Total Liabilities	16,090.5	15,019.1
Commitments and Contingent Liabilities		
Redeemable Preferred Stock	50.0	50.0
Company-obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely the Company's Junior Subordinated Debentures	800.0	800.0

Stockholders' Equity		
Common stock - $1 par value	171.5	171.5
Paid-in additional capital	422.4	377.0
Net unrealized investment gains	107.3	189.0
Net foreign exchange losses	(82.2)	(85.6)
Retained earnings	2,642.5	2,463.4
Less - Treasury stock at cost	(50.6)	(93.2)
Deferred compensation	(213.9)	(200.0)
Total Stockholders' Equity	2,997.0	2,822.1
Total Liabilities and Equity	$ 19,937.5	$ 18,691.2

See the accompanying notes to the condensed consolidated financial statements.

Aon CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(millions except per share data)	Third Quarter Ended			Nine Months Ended		
	Sept. 30, 1998	Sept. 30, 1997	Percent Change	Sept. 30, 1998	Sept. 30, 1997	Percent Change
Revenue						
Brokerage commissions and fees	$ 1,023.3	$ 923.3	10.8%	$ 3,079.0	$ 2,650.0	16.2%
Premiums and other	431.2	405.4	6.4	1,271.4	1,221.7	4.1
Investment income	152.2	122.3	24.4	440.8	358.1	23.1
Total revenue	1,606.7	1,451.0	10.7	4,791.2	4,229.8	13.3
Expenses						
General expenses	1,119.0	1,013.5	10.4	3,271.4	2,937.1	11.4
Benefits to policyholders	219.9	212.7	3.4	672.6	633.5	6.2
Interest expense	22.2	18.7	18.7	63.5	49.3	28.8
Amortization of intangible assets	30.7	28.3	8.5	91.4	93.0	(1.7)
Special charges	-	-	-	-	172.0	-
Total expenses	1,391.8	1,273.2	9.3	4,098.9	3,884.9	5.5
Income Before Income Tax and Minority Interest	214.9	177.8	20.9	692.3	344.9	100.7
Provision for income tax	80.6	66.6	21.0	259.6	129.3	100.8
Income Before Minority Interest	134.3	111.2	20.8	432.7	215.6	100.7
Minority interest - 8.205% mandatorily redeemable preferred capital securities	(10.2)	(10.2)	N/A	(30.8)	(29.7)	N/A
Net Income	$ 124.1	$ 101.0	22.9%	$ 401.9	$ 185.9	116.2%
Preferred stock dividends	(0.6)	(3.4)	N/A	(1.9)	(10.1)	N/A
Net Income Available for Common Stockholders	$ 123.5	$ 97.6	26.5%	$ 400.0	$ 175.8	127.5%
Net Income Per Share:						
Basic net income per share	$ 0.72	$ 0.58	24.1%	$ 2.36	$ 1.05	124.8%
Dilutive net income per share	$ 0.71	$ 0.57	24.6%	$ 2.32	$ 1.03	125.2%
Cash dividends paid on common stock	$ 0.28	$ 0.26		$ 0.82	$ 0.76	
Dilutive average common and common equivalent shares outstanding	173.9	171.1		172.6	170.3	

See the accompanying notes to the condensed consolidated financial statements

Aon CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(millions)	Nine Months Ended Sept. 30, 1998	Nine Months Ended Sept. 30, 1997
Cash Provided by Operating Activities	$ 707.4	$ 472.0
Cash Flows from Investing Activities:		
Sale of investments		
Fixed maturities		
Maturities	82.0	88.0
Calls and prepayments	71.6	108.2
Sales	1,848.1	1,277.0
Equity securities	1,754.8	1,257.6
Other investments	58.9	21.6
Purchase of investments		
Fixed maturities	(2,040.7)	(1,661.6)
Equity securities	(1,768.7)	(1,139.5)
Other investments	(104.2)	(57.6)
Sale (purchase) of short-term investments - net	(484.3)	190.0
Acquisition of subsidiaries	(322.5)	(1,344.7)
Acquired fiduciary funds from acquisitions	-	734.0
Property and equipment and other	(170.4)	(40.4)
Cash Used by Investing Activities	(1,075.4)	(567.4)
Cash Flows from Financing Activities:		
Treasury stock transactions - net	10.0	23.7
Issuance of short-term borrowings - net	288.5	370.0
Issuance of mandatorily redeemable preferred capital securities	-	800.0
Repayment of long-term debt	(27.1)	(72.4)
Interest sensitive life, annuity and investment contracts		
Deposits	400.5	167.7
Withdrawals	(79.7)	(18.3)
Cash dividends to stockholders	(145.8)	(135.5)
Cash Provided by Financing Activities	446.4	1,135.2
Effect of Exchange Rate Changes on Cash	7.8	(45.5)
Increase in Cash	86.2	994.3
Cash at Beginning of Period	1,084.7	410.1
Cash at End of Period	$ 1,170.9	$ 1,404.4

See the accompanying notes to condensed consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of Accounting Principles

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

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

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

2. Statements of Financial Accounting Standards (SFAS)

Comprehensive Income

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

The components of comprehensive income, net of related tax, for the third quarter ended September 30, 1998 and 1997 are as follows:

(millions)	1998	1997
Net income	$ 124.1	$ 101.0
Net unrealized investment gains (losses)	(69.3)	64.6
Net foreign exchange gains (losses)	9.2	(11.7)
Comprehensive income	$ 64.0	$ 153.9

The components of comprehensive income, net of related tax, for the nine months ended September 30, 1998 and 1997 are as follows:

(millions)	1998	1997
Net income	$ 401.9	$ 185.9
Net unrealized investment gains (losses)	(81.7)	70.7
Net foreign exchange gains (losses)	3.4	(58.8)
Comprehensive income	$ 323.6	$ 197.8

The components of accumulated other comprehensive income, net of related tax, at September 30, 1998 and December 31, 1997, are as follows:

(millions)	1998	1997
Net unrealized investment gains	$ 107.3	$ 189.0
Net foreign exchange losses	(82.2)	(85.6)
Accumulated other comprehensive income	$ 25.1	$ 103.4

Segments Disclosure

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

Derivatives Disclosure

In June 1998, the FASB issued Statement No. 133 (Accounting for Derivative Instruments and Hedging Activities). This Statement is required to be adopted in fiscal years beginning after June 15, 1999 with early adoption permitted as of the beginning of any quarter subsequent to its issuance. Aon has not yet decided when it will adopt the new statement. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities and will require Aon to recognize all derivatives on the statement of financial position at fair value. Aon has not yet determined the effect this statement will have on Aon's earnings and financial position.

3. Capital Stock

During nine months 1998, Aon reissued 748,900 shares of common stock from treasury for employee benefit plans. Aon purchased 390,100 shares of its common stock at a total cost of $26.2 million during nine months 1998. In addition, Aon reissued 1.7 million shares of common stock from treasury in connection with business combinations (see note 5). There were 1.4 million shares of common stock held in treasury at September 30, 1998.

4. Capital Securities

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

5. Business Combinations

In third quarter 1998, operating results were impacted by the insurance brokerage merger with Auto Insurance Specialists (AIS), an insurance broker specializing in automobile insurance coverage. This acquisition was financed by the reissuance of approximately 1.3 million shares of common stock from treasury and was accounted for by the pooling of interests method.

During nine months 1998, operating results were impacted by the insurance brokerage acquisitions of Le Blanc de Nicolay (the largest reinsurance broker in France) and Gil y Carvajal (the largest retail and reinsurance broker in Spain). These acquisitions were accounted for by the purchase method.

The effect of the above acquisitions was not material to Aon's consolidated financial statements.

6. Earnings Per Share

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

(millions except per share data)	Third Quarter Ended September 30, 1998	Third Quarter Ended September 30, 1997
Net income	$ 124.1	$ 101.0
8% preferred stock dividends	-	2.8
Redeemable preferred stock dividends	0.6	0.6
Net income for dilutive and basic	$ 123.5	$ 97.6
Basic shares outstanding	170.5	168.2
Common stock equivalents	3.4	2.9
Dilutive potential common shares	173.9	171.1
Basic net income per share	$0.72	$0.58
Dilutive net income per share	$0.71	$0.57

(millions except per share data)	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
Net income	$ 401.9	$ 185.9
8% preferred stock dividends	-	8.2
Redeemable preferred stock dividends	1.9	1.9
Net income for dilutive and basic	$ 400.0	$ 175.8
Basic shares outstanding	169.6	167.8
Common stock equivalents	3.0	2.5
Dilutive potential common shares	172.6	170.3
Basic net income per share	$2.36	$1.05
Dilutive net income per share	$2.32	$1.03

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

A&A discontinued its insurance underwriting operations in 1985, some of which were then placed into run-off, with 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 September 30, 1998, the liabilities associated with the foregoing indemnities and liabilities of insurance underwriting subsidiaries that are currently in run-off were included in other liabilities in the accompanying condensed consolidated statement of financial position and amounted to $153 million. Such liabilities are net of reinsurance recoverables and other assets of $185 million.

8. Contingencies

Aon and its subsidiaries are subject to numerous claims, tax assessments 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 contingencies have been provided to the extent that losses are deemed probable and are estimable.

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

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

REVENUE AND INCOME BEFORE INCOME TAX FOR THIRD QUARTER AND NINE MONTHS 1998

Consolidated Results

Information Concerning Forward-Looking Statements

General

This quarterly report contains forward-looking statements relating to such matters as future financial performance, the business of Aon and Year 2000. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors such as changes in worldwide and national economic conditions, fluctuations in foreign currencies, changes in securities and fixed income markets, downward commercial property and casualty premium pressures, and the competitive environment. In addition, Aon notes that a variety of factors could cause Aon's actual results and experience relating to compliance with Year 2000 to differ materially from the anticipated results or other expectations expressed in Aon's forward-looking statements concerning Year 2000 issues. These factors include (i) the unanticipated material impact of a system fault of Aon relating to Year 2000, (ii) the failure to successfully remediate, in spite of testing, material systems of Aon, (iii) the time it may take to successfully remediate a failure once it occurs, as well as the resulting costs and loss of revenues, and (iv) the failure of third parties to properly remediate material Year 2000 problems.

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

Brokerage commissions and fees increased $100 million or 10.8% and $429 million or 16.2% in third quarter and nine months 1998, respectively, primarily reflecting business combination activity related to the acquisitions of AIS in third quarter 1998, Le Blanc de Nicolay (Le Blanc) in second quarter 1998, Gil y Carvajal in first quarter 1998, Jauch & Hubener in fourth quarter 1997 and, to a lesser extent, certain other brokerage acquisitions.

Premiums and other is primarily related to insurance underwriting operations. Premiums and other increased $25.8 million or 6.4% and $49.7 million or 4.1% in third quarter and nine months 1998, respectively, compared with the same period last year. Extended warranty premiums earned increased $19.2 million or 15.5% in the quarter reflecting continued growth, primarily in the mechanical extended warranty line, and to a lesser extent, the appliance and electronics lines. Direct sales premiums earned increased 2.7% reflecting a decline in domestic accident production and good growth in other products and locations. The runoff of North American auto credit business partially offset this growth in premiums earned.

Investment income, which includes related expenses and realized investment gains, increased $29.9 million or 24.4% and $82.7 million or 23.1% in the third quarter and nine months 1998, respectively, when compared to prior year. Higher levels of income from private equity and other investment holdings in third quarter 1998 and nine months 1998 contributed to overall investment income growth when compared to prior year. Investment income from insurance brokerage and consulting operations, primarily relating to fiduciary funds, increased to $50 million in third quarter 1998 from $43 million in 1997, and to $144 million in nine months 1998 from $120 million in 1997, due to brokerage acquisition activity and internal growth.

Total revenue increased $155.7 million or 10.7% and $561.4 million or 13.3% in the third quarter and nine months 1998, respectively, primarily attributable to brokerage acquisition activity .

Benefits to policyholders increased $7.2 million or 3.4% and $39.1 million or 6.2% million in third quarter and nine months 1998, respectively, reflecting a higher volume of new extended warranty and capital accumulation business. This growth was partially offset by the run-off of auto credit business as planned.

In second quarter 1997, Aon reported special charges of $27 million ($16.9 million after-tax) to recognize investment losses incurred at Alexander & Alexander Services Inc. (A&A) before Aon acquired A&A. 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 first quarter 1997, Aon reported special charges of $145 million ($90.6 million after-tax) related to the restructuring of Aon's brokerage operations as a result of the acquisition of A&A. The special charges included costs related to severance and other costs and the consolidation of systems and real estate space. The 1997 special charges were reflected as a separate component of total expenses in the condensed consolidated statements of income.

Total expenses increased $118.6 million or 9.3% and $214 million or 5.5% in third quarter and nine months 1998, respectively, when compared to prior year. The nine months 1998 increase reflects the inclusion of 1997 pretax special charges. Third quarter 1998 expenses increased over the same period last year primarily due to investments in new business initiatives, technology and product development. During nine months 1998, restructuring liabilities related to valuation adjustments for recent acquisitions and 1997 special charges have been reduced by payments as planned. Total expenses, excluding the 1997 special charges, increased 10.4% in nine months 1998. Income before income tax increased $347.4 million or 100.7% in nine months 1998 when compared to prior year, primarily due to the inclusion of special charges in nine months 1997. Excluding special charges, income before income tax increased $37.1 million or 20.9% and $175.4 million or 33.9% in third quarter and nine months 1998, respectively, when compared to prior year, largely due to growth in the insurance brokerage and consulting services segment and to the achievement of cost savings resulting from the consolidation of brokerage operations. Total cost savings approximated $237 million for nine months 1998 and on an annualized basis, are projected to be approximately $300 million.

Major Lines of Business

General

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

Insurance Brokerage and Consulting Services

Nine months 1998 revenue and income before income tax have been impacted by the merger of AIS in third quarter 1998, Le Blanc and Gil y Carvajal acquisitions in second and first quarter 1998, respectively, and Jauch & Hubener, and certain other brokerage acquisitions in fourth quarter 1997.

Insurance and other services (retail, reinsurance and wholesale brokerage) revenue increased $89.1 million or 10.7% and $402.6 million or 17% in the third quarter and nine months 1998, respectively, when compared with the same period last year, largely due to acquisition activity. Insurance and other services continued to reflect highly competitive property and casualty pricing.

Consulting provides a full range of employee benefits and compensation consulting, specialized employee assessment and training programs, and administrative services. This business showed revenue growth of $17.5 million or 13.2% and $49.5 million or 12.2% for the third quarter and nine months 1998, respectively, when compared to prior year, primarily due to third quarter 1998 and late 1997 acquisitions. A decline in human resources consulting revenue partially offset growth in the quarter.

Overall, revenue for the insurance brokerage and consulting services segment increased $106.6 million or 11% and $452.1 million or 16.3% in the third quarter and nine months 1998, respectively. Acquisitions made in 1998 and fourth quarter 1997 accounted for a majority of the above mentioned revenue growth in the quarter. Excluding the impact of acquisitions, revenue related to brokerage core businesses grew approximately 1% in the quarter and 3% in nine months in a very competitive environment. Income before income tax increased $33.9 million or 27.6% and $178.1 million or 49.6% when compared to third quarter and nine months 1997, respectively. The brokerage segment continues to be impacted by a soft property and casualty market, particularly in the reinsurance brokerage business. Investments in new initiatives in nine months 1998, with little or no corresponding revenue growth in the current period, also impacted revenue and pretax income growth. Pretax margins in this segment improved for the quarter reflecting cost savings resulting from the consolidation of businesses acquired in 1997.

U.S./International Results

Third quarter 1998 international insurance brokerage and consulting services revenue represents 45% of the worldwide total and international income before income tax represents 30% of the worldwide total. International brokerage revenue of $482 million increased 10.8% for the third quarter, primarily reflecting 1998 and fourth quarter 1997 acquisitions. International brokerage income before income tax decreased 7.6% for the third quarter primarily reflecting acquisition related start-up costs related to 1998 acquisitions and pricing pressures resulting from consolidation in the reinsurance underwriting market. International brokerage revenues for retail brokerage services generally are strongest during the first quarter of the year, particularly for continental Europe, while expenses are incurred on a more even basis throughout the year.

Insurance Underwriting

The insurance underwriting line of business primarily provides direct sales life and accident and health products, and extended warranty products to individuals. Revenue increased $33.6 million or 7.3% and $72 million or 5.2% for the third quarter and nine months 1998, respectively, when compared to prior year, primarily due to growth in the international mechanical extended warranty line and in the U.S. electronic and appliance lines. Direct sales business also continued to grow modestly.

Pretax income from insurance underwriting increased $2.7 million or 3.7% in third quarter 1998 and $1 million or 0.5% in nine months 1998 when compared to prior year. Improvement in direct sales and extended warranty benefit ratios, in addition to growth in the electronics and appliances line for the quarter and nine months, was partially offset by planned start-up costs in the worksite marketing initiative, and the run-off of auto credit business and specialty liability programs. Overall, benefit and expense margins in third quarter 1998 did not suggest any significant shift in operating trends. Extended warranty profits improved in the nine months, primarily due to the mechanical extended warranty line of business and to a lesser extent, the appliance and electronics line.

U.S./International Results

Third quarter 1998 U.S. insurance underwriting revenue represents 70% of the worldwide total and U.S. income before income tax represents 73% of the worldwide total. Third quarter U.S. insurance underwriting revenue and income before income tax increased 7.1% and 8.7%, respectively, when compared to the 1997 level. Results primarily reflect growth in the appliance and electronics and mechanical extended warranty lines. Partially offsetting this growth is the runoff of the auto credit business and specialty liability programs. International insurance underwriting revenue of $147.8 million increased 7.9% in the quarter principally due to growth in the mechanical extended warranty line. International pretax income decreased 8.6% in the quarter primarily reflecting higher expense ratios associated with start-up costs in the worksite marketing initiative and investments in new product development in the extended warranty lines.

Corporate and Other

Revenue in this category consists primarily of investment income (including realized investment gains) on capital. Insurance company investment income is allocated to the underwriting segment based on the invested assets which underlie policyholder liabilities. Investment income generated by insurance brokerage operations is included in the insurance brokerage and consulting services line of business. Invested assets and related investment income not directly required to support underwriting and insurance brokerage businesses are reported in this segment. Since these assets represent Aon's capital, they are primarily invested in equities including longer-term, less liquid instruments than employed in the other segments. This provides an opportunity for greater yields through private placement and partnership investments as well as other marketable securities. These enhanced returns serve to counter the additional expenses associated with recent acquisitions, namely goodwill amortization and financing costs. Other corporate expenses include interest, corporate administrative and certain information technology costs.

Revenue increased 61% or $15.5 million and 45.8% or $37.3 million in the third quarter and nine months 1998, respectively, primarily due to higher levels of investment income from private equity and other investment holdings. Income from these investments varies significantly between periods and can result from liquidation of investments as well as distributions in the form of securities in addition to cash. The loss before income tax decreased $0.5 million in the quarter over the same period last year. Contributing to the loss in the quarter were financing costs and goodwill amortization related to acquisitions, additional interest expense on short-term debt related to acquisition financing, and costs related to investments in information technology.

Aon Corporation
MAJOR LINES OF BUSINESS

(millions except per share data)	Third Quarter Ended Sept. 30, 1998	Third Quarter Ended Sept. 30, 1997	Third Quarter Ended Percent Change	Nine Months Ended Sept. 30, 1998	Nine Months Ended Sept. 30, 1997	Nine Months Ended Percent Change
Revenue						
Insurance brokerage and consulting services:						
Insurance and other services	$ 923.6	$ 834.5	10.7%	$ 2,767.5	$ 2,364.9	17.0%
Consulting	149.7	132.2	13.2	455.0	405.5	12.2
Total revenue	1,073.3	966.7	11.0	3,222.5	2,770.4	16.3
Insurance underwriting:						
Direct sales - life, accident and health	265.6	258.5	2.7	784.5	772.9	1.5
Extended warranty	164.2	142.0	15.6	480.6	419.2	14.6
Other	62.7	58.4	7.4	184.9	185.9	(0.5)
Total revenue	492.5	458.9	7.3	1,450.0	1,378.0	5.2
Corporate and other	40.9	25.4	61.0	118.7	81.4	45.8
Total revenue	$ 1,606.7 $	$ 1,451.0	$ 10.7%	$ 4,791.2	$ 4,229.8	13.3%
Income Before Income Tax						
Insurance brokerage and consulting services .	$ 156.8	$ 122.9	27.6%	$ 537.0	$ 358.9	49.6%
Special charges	-	-	-	-	(145.0)	-
Including special charges	156.8	122.9	27.6	537.0	213.9	151.1
Insurance underwriting	75.0	72.3	3.7	208.6	207.6	0.5
Corporate and other	(16.9)	(17.4)	N/A	(53.3)	(49.6)	N/A
Special charges	-	-	-	-	(27.0)	-
Including special charges	(16.9)	(17.4)	N/A	(53.3)	(76.6)	N/A
Total income before income tax	$ 214.9	$ 177.8	$ 20.9%	$ 692.3	$ 344.9	100.7%

NET INCOME FOR THIRD QUARTER AND NINE MONTHS 1998

Third quarter 1998 net income was $124.1 million ($0.71 dilutive per share) compared to $101 million ($0.57 dilutive per share) in 1997.Nine months 1998 net income was $401.9 million ($2.32 dilutive per share) compared to $185.9 million ($1.03 dilutive per share) in 1997. Nine months 1997 net income was primarily influenced by after-tax 1997 special charges of $107.5 million ($0.64 per share) with no comparable amount in nine months 1998. Basic net income per share was $0.72 and $0.58 in third quarter and $2.36 and $1.05 in nine months 1998 and 1997, respectively.

The effective tax rate was 37.5% for both 1998 and 1997. Dilutive average shares outstanding for third quarter 1998 increased 1.6% when compared to 1997 primarily due to the reissuance of common shares from treasury for employee benefits and business combinations.

CASH FLOW AND FINANCIAL POSITION AT THE END OF NINE MONTHS 1998

Cash flows provided by operating activities in nine months 1998 were $707.4 million, an increase of $235.4 million from nine months 1997. The increase represents growth in the insurance brokerage businesses and the timing of the settlement of brokerage receivables and payables.

Investing activities used cash of $1.1 billion which was made available from financing and operating activities. Cash of $484.3 million was used during nine months 1998 for the purchase of short-term investments. Cash used for acquisition activity during nine months 1998 was $322.5 million, primarily reflecting the Gil y Carvajal and Le Blanc de Nicolay acquisitions.

Cash totaling $446.4 million was provided during nine months 1998 from financing activities. The decrease of $688.8 million from nine months 1997 is primarily a result of the 1997 issuance of capital securities. Cash was used to pay dividends of $143.9 million on common stock and $1.9 million on redeemable preferred stock during nine months 1998.

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

Due to the contractual nature of its insurance policyholder liabilities which are intermediate to long-term in nature, Aon has invested primarily in fixed maturities. With a carrying value of $3.2 billion, Aon's total fixed maturity portfolio is invested primarily in investment grade holdings (95.8%) and has a fair value which is 104.3% of amortized cost.

Total assets increased $1.2 billion to $19.9 billion since year-end 1997. Invested assets at September 30, 1998 increased $473.3 million from year-end levels, primarily due to higher levels of short-term investments relating to brokerage fiduciary funds. The amortized cost and fair value of less than investment grade fixed maturity investments, at September 30, 1998, were $117.1 million and $112.1 million, respectively. The carrying value of non-income producing investments in Aon's portfolio at September 30, 1998 was $122.2 million, or 1.9% of total invested assets.

Aon uses derivative financial instruments (primarily financial futures, swaps, options and foreign exchange forwards) to: (a) hedge foreign currency translation and transaction risks and other business risks (i.e. interest rate and credit risk); (b) hedge asset price risk associated with financial instruments whose change in value is reported under SFAS 115; and (c) manage its overall asset/liability duration match. As of September 30, 1998, Aon had open contracts, related to the above, which had unrealized gains of approximately $6.7 million.

Insurance brokerage and consulting services receivables increased $167.8 million when compared to year-end 1997. Insurance premiums payable increased $296 million in nine months 1998, reflecting acquisitions and the receipt of client fiduciary funds.

Short-term borrowings increased at the end of nine months 1998 by $288.5 million when compared to year-end 1997. The increase is primarily due to the financing of acquisitions. Notes payable decreased at the end of nine months 1998 by $42.4 million when compared to year-end 1997. Included in notes payable at September 30, 1998 is approximately $25 million which represents the principal amount of notes due within one year.

Stockholders' equity increased $174.9 million in nine months 1998 to $17.62 per share, an increase of $0.82 per share since year-end 1997. This increase consisted of net income partially offset by net unrealized investment losses of $81.7 million and dividends to common stockholders of $191.5 million. Included in the reduction for dividends is an accrual for the fourth quarter 1998 common stock dividend.

YEAR 2000

Aon's STATE OF READINESS

Aon is affected by both its own computer information systems and by third parties with which it has business relationships, in the processing of data relating to the Year 2000 and beyond. Aon began work on the computer Year 2000 issue in 1995 and expects to complete its efforts by mid-1999. In 1997, Aon designated a full time Year 2000 project coordinator who established Aon's Year 2000 project office to monitor the progress of and act as a central contact for its major business units worldwide. Year 2000 efforts under an Aon executive vice president and chief information officer are focused on two areas: internal systems readiness and readiness of carriers with whom Aon places insurance business on behalf of its clients.

INFORMATION TECHNOLOGY (IT)

In a corporate-wide Year 2000 readiness analysis completed in early 1998, individual business units were required to formally develop a plan, where they had not already done so, to achieve Year 2000 compliance, and to provide their specific plan to the project office. Each plan consisted of an evaluation of the compliance status of internal IT systems and an identification of specific hardware and software compliance issues. As a result of this effort, the project office is currently tracking over 200 worldwide business unit plans. Each business unit is required to report its progress against its plan on a monthly basis to the project office. It is each business unit's responsibility to ensure that adequate testing of systems is done to ensure Year 2000 functionality.

The readiness target date for most business units is December 31, 1998 with all business units expected to be fully compliant by mid-1999. Business unit progress has, and will continue to be, measured against a set of interim milestones: by July 1998, all business units with a target completion date of December 31, 1998 were expected to have completed their inventory and impact analysis and be in the process of remediating non-compliant applications and testing results. By November 1998, those units are expected to have completed all remediation work and final testing is expected to be in progress. As of September 30, 1998, substantially all business units acquired prior to June 30, 1998 have completed their inventories and nearly all have completed impact analyses and remediation plans. Most business units are well along in the process of replacing or modifying applications found to be non-compliant and testing results. An analysis of all newly acquired business units is completed immediately after acquisition and appropriate plans are put into action.

Progress toward interim milestones is reported to Aon's senior management. Aon's internal auditors and/or the Year 2000 project office will select certain business units that assert full compliance and some non-compliant units. Units selected will be reviewed to help provide assurance that reasonable documentation and testing results are available to support their position. Most of these reviews are expected to be completed in fourth quarter 1998 and in the first half of 1999 as units become compliant.

NON-IT

With respect to non-IT issues, a project coordinator is working with Aon's facilities management and third party leasing management company to ensure premises issues are addressed in Aon-owned and leased properties in the United States. Outside of the U.S., local chief financial officers have been instructed to make similar inquiries.

Aon has some risk on a location by location basis related to the possible failure of government agencies, public utilities and providers of telecommunication and transportation services. Due to Aon's dispersion of facilities, the largest concentrated risks in this regard are in the Chicago, New York and London locations.

THIRD PARTIES

Third parties having a material relationship with Aon have Year 2000 issues to address and resolve. Such third parties primarily include issuers of investment securities, financial institutions, governmental agencies, telecommunications, and insurance carriers. An aspect of the project is to identify these third parties and contact them to seek written assurance as to the third party's anticipation of being Year 2000 compliant. The nature of Aon's follow-up depends upon its assessment of the response and of the materiality of the effect of non-compliance by third parties on Aon. Significant third parties determined to be at risk for Year 2000 failure will be reported to appropriate Aon management for possible preemptive action to minimize adverse impact on Aon's operations. As of September 30, 1998, Aon is not aware of any significant third party with a Year 2000 issue that would materially impact Aon's results of operations, liquidity, or capital resources. However, Aon has no means of ensuring that such third parties will be Year 2000 ready. The inability of third parties to complete their Year 2000 resolution process in a timely fashion could materially impact Aon. The effect of non-compliance by third parties is not determinable.

Aon is compiling information on and assessing the compliance status of insurance carriers with whom it places business on behalf of its clients. In second quarter 1998, compliance questionnaires were sent to approximately 2,700 carriers worldwide. As of September 30, 1998, responses from approximately 60% of those carriers had been received. An intensive follow-up effort, focusing on U.S. carriers who receive the bulk of insurance placements by U.S. business units, has produced a response rate of close to 100%. A similar follow-up effort for non-U.S. carriers (to be executed in London) is in process and is expected to be completed by March 31, 1999. Further follow-up on non-priority carriers is also pending.

COSTS TO ADDRESS Aon's YEAR 2000 ISSUES

Aon's Year 2000 remediation costs for all business units is projected to be approximately $65 million through December 31, 1999. At year-end 1997, Aon estimated its Year 2000 costs to be approximately $50 million. The revised estimate was established as a part of Aon's comprehensive 1999 budget process which identified $65 million in total Year 2000 costs. These costs are being funded through business unit operating cash flows and remaining costs will be included in 1999 business plans.

The increase from $50 million to $65 million for Aon's total Year 2000 costs is attributable to the following: (1) unplanned acquisitions which increase Year 2000 costs; (2) analysis and testing of Year 2000 issues which had not been anticipated at year-end 1997; and (3) the necessity in several instances to invoke contingency plans and remediate systems Aon originally planned to replace. Replacement was not considered a Year 2000 cost. The delay in systems replacement is not expected to have an adverse impact on Aon's financial condition or operating results.

As of September 30, 1998, Aon has incurred approximately $33 million related to all phases of the Year 2000 project. Of the total remaining project costs, approximately $10 million and $22 million will be incurred and expensed in the remainder of 1998 and in 1999, respectively.

RISKS OF Aon's YEAR 2000 ISSUES

Aon's management believes it has an effective program in place to resolve the Year 2000 issue in a timely manner. As noted above, Aon has not yet completed all necessary phases of the Year 2000 program. In addition, disruption in the economy generally resulting from Year 2000 issues could also materially adversely affect Aon. The amount of potential liability and lost revenue cannot be reasonably estimated at this time. With regard to non-compliance resulting from Aon's IT systems, Aon will devote its financial and personnel resources to remediate the problem as soon as it is detected. With regard to non-compliance resulting from third party failure, Aon is in the process of determining, through responses and other appropriate action, where there is any material likelihood of non-compliance having a potentially material impact; however, the potential impact and related costs are not known at this time.

Aon's CONTINGENCY PLANS

Contingency planning at Aon has two distinct components. First, where Aon's planned dates for IT system replacement or remediation are not being met, contingency plans are made and are continuously revised. These contingency issues are addressed business unit by business unit. Contingency plans have been successfully invoked for a number of business units to date. These include changing compliance strategies from replacement to remediation (and vice versa) and partial remediation to meet critical dates prior to January 1, 2000. The latter will require completion of remediation in 1999. Second, preparations must be made for IT software and hardware, which have Year 2000 "bugs" and which are not revealed until after December 31, 1999, despite testing. Aon anticipates handling these situations with immediate program fixes, swapped backup hardware or process work-arounds. Aon does not anticipate that problems of this nature will be significant due to thorough testing and the distributed nature of Aon's systems.

Business units that are not expected to be compliant by December 31, 1998 were asked to provide information on completing their plans in the first quarter 1999 or contingency plans, as appropriate, to the project office by year-end 1998. As business units come into compliance with Year 2000, a reevaluation of contingency plans will be undertaken.

REVIEW BY INDEPENDENT AUDITORS

The condensed consolidated financial statements at September 30, 1998, and for the third quarter and nine months then ended have been reviewed, prior to filing, by Ernst & Young LLP, Aon's independent auditors, and their report is included herein.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Stockholders
Aon Corporation

We have reviewed the accompanying condensed consolidated statement of financial position of Aon Corporation as of September 30, 1998, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 1998 and 1997, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 1998 and 1997. These financial statements are the responsibility of the Company's management.

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

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

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

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

Chicago, Illinois
November 3, 1998

PART II

OTHER INFORMATION

ITEM 5. CHANGE IN PROXY RULES

The Board of Directors of Aon solicits proxies from shareholders each year. The rules regarding discretionary voting (meaning as management chooses) of those proxies have been revised. Discretionary voting can be exercised when a matter not listed in the proxy materials is properly presented for vote at a meeting. Under the new rules, management can exercise discretionary voting of the proxy only if Aon does not have notice of the matter on or before January 24, 1999. If Aon receives proper notice before the January 24, 1999 deadline, the Board will advise the shareholders in the proxy materials of the nature of the proposal and how management intends to use its discretionary voting power. Management will not have the right to use its discretionary voting power if the stockholder independently solicits proxies of at least the number of voting shares required to carry a particular proposal.

The revised rules do not affect the other proxy rules regarding the procedure and deadline for submitting shareholder proposals for listing in the proxy materials. That deadline continues to be November 13, 1998.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

(b) Reports on Form 8-K - No Current Reports on Form 8-K were filed for the quarter ended September 30, 1998.

SIGNATURE

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

Aon Corporation
(Registrant)

November 13, 1998

/s/ Harvey N. Medvin

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

Aon CORPORATION

EXHIBIT INDEX

Exhibit Number
In Regulation S-K

Item 601 Exhibit Table

(12) Statements regarding Computation of Ratios.

(a) Statement regarding Computation of Ratio of Earnings to Fixed Charges.
(b) Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

(15) Letter re: Unaudited Interim Financial Information

(27) Financial Data Schedule

Exhibit 12(a)

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

(millions except ratios)	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997	Years Ended December 31, 1997	1996	1995	1994	1993
Income from continuing operations before provision for income taxes (1)	$692.3	$344.9	$541.6	$445.6	$458.0	397.0	$331.6
Add back fixed charges:							
Interest on indebtedness	63.5	49.3	69.5	44.7	55.5	46.4	42.3
Interest on ESOP	2.0	2.8	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	33.2	44.2	44.3	28.6	21.4	28.7	26.1
Income as adjusted	$791.0	$441.2	$658.9	$523.2	$540.2	$478.0	$406.5
Fixed charges:							
Interest on indebtedness	$ 63.5	$ 49.3	$ 69.5	$ 44.7	$ 55.5	$ 46.4	$ 42.3
Interest on ESOP	2.0	2.8	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	33.2	44.2	44.3	28.6	21.4	28.7	26.1
Total fixed charges	$ 98.7	$ 96.3	$117.3	$ 77.6	$ 82.2	$ 81.0	$ 74.9
Ratio of earnings to fixed charges	8.0	4.6	5.6	6.7	6.6	5.9	5.4
Ratio of earnings to fixed charges (2)		6.4	7.1	7.9			

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of $172 million for the nine months ended September 30, 1997 and the year ended December 31, 1997, and $90.5 million for the year ended December 31, 1996.

(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 nine months ended September 30, 1997 and for the years ended December 31, 1997 and 1996, respectively.

Exhibit 12(b)

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

(millions except ratios)	Nine Months Ended September 30, 1998	1997	Years Ended December 31, 1997	1996	1995	1994	1993
Income from continuing operations before provision for income taxes (1)	$692.3	$344.9	$541.6	$445.6	$458.0	$397.0	$331.6
Add back fixed charges:							
Interest on indebtedness	63.5	49.3	69.5	44.7	55.5	46.4	42.3
Interest on ESOP	2.0	2.8	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	33.2	44.2	44.3	28.6	21.4	28.7	26.1
Income as adjusted	$791.0	$441.2	$658.9	$523.2	$540.2	$478.0	$406.5
Fixed charges and preferred stock dividends:							
Interest on indebtedness	$ 63.5	$ 49.3	$ 69.5	$ 44.7	$ 55.5	$ 46.4	$ 42.3
Preferred stock dividends	52.3	63.6	82.1	28.7	37.5	48.4	47.5
Interest and dividends	115.8	112.9	151.6	73.4	93.0	94.8	89.8
Interest on ESOP	2.0	2.8	3.5	4.3	5.3	5.9	6.5
Portion of rents representative of interest factor	33.2	44.2	44.3	28.6	21.4	28.7	26.1
Total fixed charges and preferred stock dividends	$151.0	$159.9	$199.4	$106.3	$119.7	$129.4	$122.4
Ratio of earnings to combined fixed charges and preferred stock dividends (2)	5.2	2.8	3.3	4.9	4.5	3.7	3.3
Ratio of earnings to combined fixed charges and preferred stock dividends (3)		3.8	4.2	5.8			

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of $172 million for the nine months ended September 30, 1997 and the year ended December 31, 1997, and $90.5 million for the year ended December 31, 1996.

(2) Included in total fixed charges and preferred stock dividends for the nine months ended September 30, 1998 and 1997 are $49 million and $48 million, respectively, and $64 million for the year ended December 31, 1997 of pretax distributions on the 8.205% mandatorily redeemable preferred capital securities which are classified as "minority interest" on the condensed consolidated statements of operations.

(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 nine months ended September 30, 1997 and for the years ended December 31, 1997 and 1996, respectively.

Exhibit 15

Board of Directors and Stockholders
Aon Corporation

We are aware of the incorporation by reference in the Registration Statements of Aon Corporation ("Aon") described in the following table of our report dated November 3, 1998 relating to the unaudited condensed consolidated interim financial statements of Aon Corporation that are included in its Form 10-Q for the quarter ended September 30, 1998:

Registration Statement

Form	Number	Purpose
S-8	33-27984	Pertaining to Aon's savings plan
S-8	33-42575	Pertaining to Aon's stock award plan and stock option plan
S-8	33-59037	Pertaining to Aon's stock award plan and stock option plan
S-8	333-55773	Pertaining to Aon's stock award plan, stock option plan and employee stock purchase plan
S-4	333-21237	Offer to exchange Capital Securities of Aon Capital A
S-3	333-50607	Pertaining to the registration of 369,000 shares of common stock

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

/s/ Ernst & Young LLP
ERNST & YOUNG LLP

Chicago, Illinois

November 3, 1998

ARTICLE 5

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

CURRENCY: USD

PERIOD TYPE	9 MOS	
FISCAL YEAR END	DEC 31 1998	
PERIOD START	JAN 01 1998	
PERIOD END	SEP 30 1998	
EXCHANGE RATE	1.0	
CASH	3,341	[1]
SECURITIES	3,904	[2]
RECEIVABLES	6,741	
ALLOWANCES	85	
INVENTORY	0	
CURRENT ASSETS	0	[3]
PP&E	1,303	
DEPRECIATION	729	
TOTAL ASSETS	19,938	
CURRENT LIABILITIES	0	[3]
BONDS	595	[4]
PREFERRED MANDATORY	850	[5]
PREFERRED	0	
COMMON	172	
OTHER SE	2,825	
TOTAL LIABILITY AND EQUITY	19,938	
SALES	0	
TOTAL REVENUES	4,791	
CGS	0	
TOTAL COSTS	0	
OTHER EXPENSES	4,099	[6]
LOSS PROVISION	0	
INTEREST EXPENSE	64	
INCOME PRETAX	692	
INCOME TAX	259	
INCOME CONTINUING	433	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	402	
EPS PRIMARY	2.36	
EPS DILUTED	2.32	

[1] Includes short term investments.

[2] Includes fixed maturities and equity securities at fair value.

[3] Not applicable based on current reporting format.

[4] Includes notes payable.

[5] Preferred stock at par value. Includes Company obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust holding solely to Company's Junior Subordinated Debentures.

[6] Represents total expenses.

End of Filing

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