AON PLC

FORM 10-K
(Annual Report)

Filed 03/26/97 for the Period Ending 12/31/96

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 3/26/1997 For Period Ending 12/31/1996

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)

|X| 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, 1996

OR

| | 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 (Address of Principal Executive Offices)	60606 (Zip Code)
(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*
8% Cumulative Perpetual Preferred Stock	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 |X| 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. |X|

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 26, 1997 was $5,717,654,603.

Number of shares of $1.00 par value Common Stock outstanding as of February 26, 1997: 110,945,346.

Documents From Which Information Is Incorporated By Reference:
Annual Report to Stockholders of the Registrant for the Year 1996 (Parts I, II and IV) Notice of Annual Meeting of Holders of Common Stock and Series C Cumulative Preferred Stock and Proxy Statement for Annual Meeting of Stockholders on April 18, 1997 of the Registrant (Part III)

PART I

ITEM 1. BUSINESS.

The Registrant is a holding company comprised of two distinct segments:
insurance brokerage and consulting services and 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 ("Aon Group"): Aon Risk Services Companies, Inc.;Aon Holdings bv; Aon Consulting Worldwide, Inc.; Aon Specialty Group, Inc.; Aon Re Worldwide, Inc.; and Nicholson Jenner Leslie Group Limited provide reinsurance intermediary services, benefits consulting and commercial insurance brokerage services. Aon Group revenues grew significantly in fiscal 1997 and 1996, respectively, when the Registrant acquired Alexander & Alexander Services Inc. in early 1997 and Bain Hogg Group plc in October 1996.

Combined Insurance Company of America ("Combined Insurance") and Ryan Insurance Group, Inc. engage in the marketing of life and accident and health insurance products. Ryan Insurance Group, Inc.; 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 6 through 15 of the Annual Report to Stockholders of the Registrant for the Year 1996 ("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"); Alexander & Alexander Services Inc. ("A&A"); Aon Holdings bv ("Aon Holdings"); Aon Specialty Group, Inc. ("Aon Specialty Group"); Aon Consulting Worldwide, Inc. ("Aon Consulting"); Aon Re Worldwide,Inc. ("Aon Re"); Nicholson Jenner Leslie Group Limited ("Nicholson Jenner Leslie"); and Bain Hogg Group plc ("Bain Hogg").

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 400 owned offices around the world in approximately 60 countries. In 1996, Aon Group employed approximately 20,000 professionals and support personnel to serve the diverse needs of clients.

Aon Risk Services Companies' (formerly Rollins Hudig Hall Co.), A&A's and Bain Hogg's 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.

Aon Holdings (formerly Rollins Hudig Hall Holdings bv) traces its commercial broking roots to 1688 and is one of the premier brokers in Continental Europe with approximately 3,500 employees and subsidiaries in more than 30 countries.

Subsidiaries of Aon Risk Services Companies, Aon Holdings, A&A and Bain Hogg operate through owned offices in North America and Europe, as well as in South America, Africa, Australia and Asia. In 1996, Aon Holdings subsidiaries opened offices in Australia, Germany, France, Portugal, The Netherlands, South Africa, Singapore, New Zealand, Norway and Finland. The acquisitions of A&A and Bain Hogg will significantly augment the Registrant's presence in Latin America, Asia, Africa and Australia.

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 Specialty Group operating subsidiaries market and broker both the primary and reinsurance risks of these programs. For individuals and busineses, ASG provides affinity products for professional liability, life and personal lines.

Subsidiaries of Aon Consulting (formerly Godwins International, Inc.) 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, IPO's, recent mergers or 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.

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.

Nicholson Jenner Leslie 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. A majority of Nicholson Jenner Leslie's revenue is derived from sources unaffiliated with Aon.

(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").

In April 1996, the Registrant and Combined Insurance Combined Insurance completed the sales of Combined Insurance's direct response life and health subsidiary, Union Fidelity Life Insurance Company ("UFLIC"), and Combined Insurance's capital accumulation insurance subsidiary, The Life Insurance Company of Virginia ("LOV").

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 that are directly owned by the Registrant's subsidiaries.

The accident and health distribution network encompasses primarily the agents of Combined Insurance. With more than five million policyholders, Combined Insurance has more individual accident and health policies in force than any other United States company. Combined Insurance, the Registrant's principal 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 its wholly-owned subsidiary CLICNY (which operates exclusively in the State of New York) market whole life products through direct sales career agents in the United States. Combined Insurance ranked among the top 100 life insurance companies in the United States in terms of total life premiums in 1995. Life insurance business is conducted by the Registrant's life insurance subsidiaries in the United States, Canada, Ireland, Germany, and New Zealand.

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 Europe.

In second quarter 1996, Aon completed the sale of its North American auto credit underwriting and distribution operations, including the distribution of auto extended warranties throughout North America. The extended warranty products will continue to be underwritten by VSC.

(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.

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 was enacted. The Act requires the states to take action to implement the requirements of the Act or to become subject to federal oversight. The Registrant does not believe tht the state action required by the Act will materially affect the business of the Registrant's subsidiaries. In addition, federal laws mandating specific prectices by medical insurers have recently been enacted from which, because of the nature of the business of the Registrant's subsidiaries, the Registrant's subsidiaries are exempt. 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 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 28,000 employees at the end of 1996 of whom approximately three-fourths are salaried and hourly employees and the remaining one-fourth 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 eight 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 40 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 19, 1996 to serve until the meeting of the Board following the annual meeting of stockholders on April 18, 1997. Ages shown are as of December 31, 1996.

For information concerning certain executive officers of the Registrant, see item 10 below. As of March 26, 1997, 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, 60 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, 50 Executive Vice President	1986	Mr. Cox was elected to his current position in 1991 and, prior to their sale, had served as Chairman and Chief Executive Officer of LOV since 1988 and of Union Fidelity since 1989. Mr. Cox had 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, 49 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, 46 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.

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 43 of the Annual Report.

The Registrant had approximately 12,900 holders of record of its Common Shares as of February 26, 1997.

The Registrant hereby incorporates by reference note 8 of the Notes to Consolidated Financial Statements on pages 34 and 35 of the Annual Report.

ITEM 6. SELECTED FINANCIAL DATA.

The Registrant hereby incorporates by reference the "Selected Financial Data" table on page 42 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 17 through 23 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	24-28
Notes to Consolidated Financial Statements.....	29-40
Report of Ernst & Young LLP, Independent Auditors.....	41
Quarterly Financial Data	43

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 Notice of Annual Meeting of Holders of Common Stock and Series C Preferred Stock and Proxy Statement For Annual Meeting of the Stockholders on April 18, 1997, 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.

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 1996 Fiscal Year" and "Pension Plan Table" on pages 12 through 15 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, 8 and 9 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 20 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 Financial Position-- As of December 31, 1996 and 1995	24-25
Consolidated Statements of Income -- Years Ended December 31, 1996, 1995 and 1994	26
Consolidated Statements of Stockholders' Equity -- Years Ended December 31, 1996, 1995 and 1994	27
Consolidated Statements of Cash Flows -- Years Ended December 31, 1996, 1995 and 1994	28
Notes to Consolidated Financial Statements	29-40
Report of Ernst & Young LLP, Independent Auditors	41

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 10-Q").

(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 Exhibit 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) Certificate of Designation for the Registrant's 8% Cumulative Perpetual Preferred Stock, $1.00 par value -- incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992 (the "Third Quarter 1992 Form 10-Q").

(h) 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.

(i) 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.

(j) 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.

(k) 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").

(l) 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.

(m) Statement regarding Computation of Per Share Earnings.

(n) Statement regarding Computation of Ratio of Earnings to Fixed Charges.

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

(p) 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.

(q) Annual Report to Stockholders of the Registrant for the year ended December 31, 1996 (for information, and not to be deemed filed, except for those portions specifically incorporated by reference herein).

(r) List of subsidiaries of the Registrant.

(s) 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 1996 Annual Report to Stockholders and into Aon's Registration Statement Nos. 33-27984, 33-42575, 33-57562, 33-59037 and 333-21237.

(t) Annual Report to the Securities and Exchange Commission on Form 11-K for the Aon Savings Plan for the year ended December 31, 1996 -- to be filed by amendment as provided in Rule 15d-21(b).

(u) Executive Compensation Plans and Arrangements:

(A) Aon Stock Option Plan -- incorporated by reference to Exhibit 10(a) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1990 (the "1990 Form 10-K").

(B) First Amendment to Aon Stock Option Plan -- incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994 (the "Second Quarter 1994 Form 10-Q").

(C) Second Amendment to Aon Stock Option Plan -- incorporated by reference to Exhibit 10(c) to the Second Quarter 1994 Form 10-Q.

(D) 1994 Restatement of Aon Savings Plan-- incorporated by reference to Exhibit 10(f) of the 1994 Form 10-K.

(E) 1994 Restatement of Aon Employee Stock Ownership Plan -- incorporated by reference to Exhibit 10(g) of the 1994 Form 10-K.

(F) Ryan Insurance Group, Inc. Stock Option Plan together with Stock Option Assumption Agreement providing for amendment of the plan -- incorporated by reference to Exhibit 4(b) to Registration Statement No. 2-79114 on Form S-8.

(G) Aon Stock Award Plan, as amended -- incorporated by reference to Exhibit 10(a) to the First Quarter 1994 Form 10-Q.

(H) First Amendment to the Aon Stock Award Plan -- incorporated by reference to Exhibit 10(b) to the Second Quarter 1994 Form 10-Q.

(I) Second Amendment to Aon Stock Award Plan -- incorporated by reference to Exhibit 10(d) to the Second Quarter 1994 Form 10-Q.

(J) 1994 Restatement of Aon Pension Plan-- incorporated by reference to Exhibit 10(h) of the 1994 Form 10-K.

(K) 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").

(L) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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")

(z) 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, 1996.

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 26th day of March, 1997.

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 26, 1997
/s/DANIEL T. CARROLL Daniel T. Carroll	Director	March 26, 1997
/s/FRANKLIN A. COLE Franklin A. Cole	Director	March 26, 1997
/s/EDGAR D. JANNOTTA Edgar D. Jannotta	Director	March 26, 1997
/s/PERRY J. LEWIS Perry J. Lewis	Director	March 26, 1997
/s/JOAN D. MANLEY Joan D. Manley	Director	March 26, 1997

/s/ANDREW J. MCKENNA - ---------- Andrew J. McKenna	Director	March 26, 1997

Director
Newton N. Minow

/s/PEER PEDERSEN - ---------- Peer Pedersen	Director	March 26, 1997
/s/DONALD S. PERKINS - ---------- Donald S. Perkins	Director	March 26, 1997
/s/JOHN W. ROGERS, JR. - ---------- John W. Rogers, Jr.	Director	March 26, 1997
/s/GEORGE A. SCHAEFER - ---------- George A. Schaefer	Director	March 26, 1997
/s/RAYMOND I. SKILLING - ---------- Raymond I. Skilling	Director	March 26, 1997
/s/FRED L. TURNER - ---------- Fred L. Turner	Director	March 26, 1997
/s/ARNOLD R. WEBER - ---------- Arnold R. Weber	Director	March 26, 1997
/s/HARVEY N. MEDVIN - ---------- Harvey N. Medvin	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 26, 1997

Aon Corporation and Subsidiaries

CONSOLIDATED SUMMARY OF INVESTMENTS - OTHER
THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 1996

(millions)	Amortized Cost	Fair Value	Amount shown in Statement of Financial Position
Fixed Maturities - available for sale:			
US government and agencies	$ 45.4	$ 47.1	$ 47.1
States and political subdivisions	491.1	514.2	514.2
Debt securities of foreign governments not classified as loans	948.2	989.9	989.9
Corporate securities	976.0	1,021.6	1,021.6
Public utilities	79.7	81.0	81.0
Mortgage-backed securities	63.6	65.3	65.3
Other fixed maturities	110.6	107.0	107.0
TOTAL FIXED MATURITIES	2,714.6	2,826.1	2,826.1
Equity securities - available for sale:			
Common stocks:			
Banks, trusts, and insurance companies	201.7	255.7	255.7
Industrial, miscellaneous, and all other	70.3	138.1	138.1
Nonredeemable preferred stocks	479.0	485.4	485.4
TOTAL EQUITY SECURITIES	751.0	$ 879.2	879.2
Mortgage loans on real estate	29.7*		29.0*
Real estate - net of depreciation	17.8		17.8
Policy loans	58.2		58.2
Other long-term investments	141.4*		136.2*
Short-term investments	1,266.3		1,266.3
TOTAL INVESTMENTS	$ 4,979.0		$ 5,212.8

* Differences between amortized 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, 1996	1995
ASSETS		
Investments in subsidiaries	$ 3,268.9	$ 3,617.2
Notes receivable - subsidiaries	482.6	468.2
Cash and cash equivalents	216.9	2.1
Other assets	34.4	6.6
Total Assets	$ 4,002.8	$ 4,094.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Short-term borrowings	$ 213.4	$ 352.7
6.3% long-term debt securities	99.8	99.7
7.4% long-term debt securities	99.9	99.8
6.875% long-term debt securities	99.9	99.8
6.7% long-term debt securities	149.7	149.7
Notes payable - subsidiaries	351.4	457.0
Notes payable - other	--	15.7
Debt guarantee of employee stock ownership plan	46.1	56.8
Accrued expenses and other liabilities	59.7	39.2
Total Liabilities	1,119.9	1,370.4
Redeemable Preferred Stock	50.0	50.0
STOCKHOLDERS' EQUITY		
Preferred stock	5.5	8.1
Common stock	114.1	111.4
Paid-in additional capital	475.4	431.8
Net unrealized investment gains of subsidiaries	153.1	123.1
Net foreign exchange gains of subsidiaries	1.0	1.8
Retained earnings	2,356.8	2,212.1
Less treasury stock at cost	(121.5)	(97.3)
Less deferred compensation	(151.5)	(117.3)
Total Stockholders' Equity	2,832.9	2,673.7
Total Liabilities and Stockholders' Equity	$ 4,002.8	$ 4,094.1

See notes to condensed financial statements.

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF INCOME

(millions)	Years ended December 31 1996	1995	1994
REVENUE			
Dividends from subsidiaries	$ 1,026.6	$ 199.3	$ 166.2
Other investment income	44.1	34.3	34.8
Realized investment losses	(11.0)	(4.1)	--
Total Revenue	1,059.7	229.5	201.0
EXPENSES			
Operating and administrative	5.7	3.0	2.3
Interest - subsidiaries	20.6	20.0	12.2
Interest - other	43.2	53.6	45.1
Total Expenses (1)	69.5	76.6	59.6
INCOME BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	990.2	152.9	141.4
Equity in undistributed income of subsidiaries	(655.0)	249.9	218.6
NET INCOME	335.2	402.8	360.0

See notes to condensed financial statements.

(1) Interest expense - other allocated to discontinued operations was $5 million, $18 million and $14 million for the years ended December 31, 1996, 1995 and 1994, respectively.

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF CASH FLOWS

(millions)	Years ended December 31 1996	1995	1994
Cash Flows From Operating Activities	$ 1,016.9	$ 164.5	$ 164.1
Cash Flows From Investing Activities:			
Investments in subsidiaries	(319.3)	(62.6)	(31.3)
Notes receivables from subsidiaries	(10.8)	1.5	(15.5)
Cash Used by Investing Activities	(330.1)	(61.1)	(46.8)
Cash Flows From Financing Activities:			
Treasury stock transactions - net	(40.1)	(46.4)	(15.4)
Issuance (repayment) of short-term borrowings - net	(139.2)	108.8	75.3
Issuance of notes payable and long-term debt	--	73.6	174.5
Repayment of notes payable and long-term debt	(105.6)	--	(125.0)
Retirement of preferred stock	(14.2)	(75.4)	(58.3)
Cash dividends to stockholders	(172.9)	(171.3)	(162.3)
Cash Used by Financing Activities	(472.0)	(110.7)	(111.2)
Increase (Decrease) in Cash and Cash Equivalents	214.8	(7.3)	6.1
Cash and Cash Equivalents at Beginning of Year	2.1	9.4	3.3
Cash and Cash Equivalents at end of Year	$ 216.9	$ 2.1	$ 9.4

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. Cash and cash equivalents on the condensed statements of financial position include short-term investments.

3. 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, 1996, 1995 and 1994 were $1.4 million, $5 million and $6.9 million, respectively. In addition, Aon's reserve for the recognition of probable assessments for known industry insolvencies was $0 million and $7 million at December 31, 1996 and 1995, respectively.

4. 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, payment of the amounts as dividends in excess of $987 million may be subject to approval by regulatory authorities.

5. Subsequent Event On March 21, 1997, Aon's directors approved a three-for-two stock split, payable on May 14, 1997 in the form of a stock dividend of one common share for every two shares held, to stockholders of record as of the close of business on May 1, 1997. Because the stock split was approved subsequent to the distribution of Aon's 1996 Annual Report to Stockholders, references to common stock and earnings per share data in the Annual Report to Stockholders and in this Annual Report on Form 10-K have not been retroactively adjusted. Retroactively adjusting such information to give effect to the stock split for 1996, 1995 and 1994, respectively, would result in net income per share of $1.91, $2.32 and $2.09 and dividends per share of $0.95, $0.89 and $0.84.

Aon Corporation
(Parent Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(6) 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, 1996			As of December 31, 1995		
	Life/A&H	P&C	Combined	Life/A&H	P&C	Combined
Statutory Stockholders' Equity	$ 611.7	$ 363.8	$ 975.5	$ 766.2	$ 296.6	$ 1,062.8
Insurance business related adjustments:						
Deferred policy acquisition costs	488.8	110.0	598.8	1,177.9	83.6	1,261.5
Cost of insurance purchased	--	--	--	87.2	--	87.2
Excess of cost over net assets purchased	2.6	--	2.6	143.4	--	143.4
Policy liabilities and reinsurance assets	112.1	--	112.1	100.3	--	100.3
Deferred income taxes	(186.1)	24.3	(161.8)	(301.8)	32.1	(269.7)
Investment valuation reserves	133.7	--	133.7	176.3	--	176.3
Non Admitted Assets	47.3	5.9	53.2	79.6	5.1	84.6
Unrealized capital gains (losses) (FAS 115)	76.8	34.8	111.6	74.8	40.2	115.0
Subtotal	$ 1,287.0	$ 538.8	1,825.7	$ 2,303.9	$ 457.6	2,761.4
Investment in other operations and other			1,443.2			855.8
Investments in subsidiaries			3,268.9			3,617.2
Elimination of parent company contributions			(436.0)			(943.5)
Consolidated Stockholders' Equity			$ 2,832.9			$ 2,673.7

	As of December 31, 1996			As of December 31, 1995		
	Life/A&H	P&C	Combined	Life/A&H	P&C	Combined
Statutory Net Income *	$ 807.4	$ 70.7	$ 878.1	$ 196.7	$ 57.5	$ 254.2
Insurance business related adjustments:						
Deferred policy acquisition costs	121.6	95.1	216.7	325.6	84.7	410.3
Amortization of deferred policy acquisition costs	(166.9)	(68.7)	(235.6)	(240.3)	(62.4)	(302.7)
Amortization of cost of insurance purchased	(2.0)	--	(2.0)	(10.4)	--	(10.4)
Amortization of excess of cost over net assets purchased	(0.9)	--	(0.9)	(4.9)	--	(4.9)
Policy liabilities and reinsurance assets	11.8	--	11.8	--	--	(31.0)
Deferred income taxes	(4.0)	(9.2)	(13.3)	(24.9)	--	(24.9)
Change in valuation reserves	4.1	--	4.1	5.6	--	5.6
Deferred capital losses	2.8	(3.5)	(0.7)	34.3	5.9	40.2
Difference in realized gain on sale of subsidiar net of tax	(551.2)		(551.2)			
Realized (gain)/loss on transfer of subsidiary	--	--	--	7.0	--	7.0
Subtotal	$ 222.8	$ 84.4	307.1	$ 288.8	$ 85.7	343.4
Investment in other operations and other			28.1			59.4
Consolidated Net Income - GAAP Basis			$ 335.2			$ 402.8

* net of intercompany dividends

	As of December 31, 1994		
	Life/A&H	P&C	Combined
Statutory Net Income *	$ 271.9	$ 34.1	$ 306.0
Insurance business related adjustments:			
Deferred policy acquisition costs	337.7	76.8	414.5
Amortization of deferred policy acquisition costs	(227.7)	(48.5)	(276.2)
Amortization of cost of insurance purchased	(13.9)	--	(13.9)
Amortization of excess of cost over net assets purchased	(4.8)	--	(4.8)
Policy liabilities and reinsurance assets	19.2	--	19.2
Deferred income taxes	(64.7)	(6.9)	(71.6)
Change in valuation reserves	26.6	--	26.6
Deferred capital losses	--	--	--
Difference in realized gain on sale of subsidiary net of tax			
Realized (gain)/loss on transfer of			

subsidiary	(89.4)	--	(89.4)
Subtotal	$ 254.9	$ 55.5	310.4
Investment in other operations and other			49.6
Consolidated Net Income - GAAP Basis			$ 360.0

* net of intercompany dividends

Aon Corporation and Subsidiaries
SUPPLEMENTARY INSURANCE INFORMATION

(millions)	Deferred policy acquisition costs(1)	Future policy benefits, losses, claims and loss expenses	Unearned premiums and other policy-holders funds	Premium revenue	Net invest-ment income(2)	Commis-sions fees & other	Benefit, claims, losses and settle-ment expenses	Amort-ization deferred policy acqui-sition costs(1)	Other oper-ating expenses	Premiums written(3)
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 (4)										
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
Year ended December 31, 1994 (4)										
Insurance brokerage and consulting services	$ --	$ --	$ --	$ --	$ 47.7	$1,388.7	$ --	$ --	$1,279.0	$ --
Insurance underwriting	1,290.6	2,378.7	6,931.7	1,322.3	142.3	44.9	626.2	189.7	458.3	1,478.2
Corporate and other	--	--	--	--	67.1	28.2	--	--	91.0	--
Total	$1,290.6	$2,378.7	$6,931.7	$1,322.3	$ 257.1	$1,461.8	$ 626.2	$ 189.7	1,828.3	$1,478.2

(1) Includes cost of insurance purchased.

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

(3) Net of reinsurance ceded.

(4) Reclassified to conform to the 1996 presentation.

Aon Corporation and Subsidiaries
REINSURANCE

(millions)	Year Ended December 31, 1996				
	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%

(millions)	Year Ended December 31, 1995				
	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%

(millions)	Year Ended December 31, 1994				
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
Life insurance in force (1)	$ 74,047.9	$ 25,109.7	$ 1,173.9	$ 50,112.1	2.3%
Premiums and policy fees					
Life Insurance	$ 245.0	$ 81.7	$ 5.1	$ 168.4	3.0%
A&H Insurance	996.2	98.6	6.4	904.0	0.7
Specialty Property & Casualty (2)	309.9	139.1	79.1	249.9	31.7
Total premiums and policy fees	$ 1,551.1	$ 319.4	$ 90.6	$ 1,322.3	6.9%

(1) Includes credit life insurance.

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

SCHEDULE V

Aon CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1996, 1995 and 1994

(millions) Description	Balance at beginning of year	Additions: Charged to cost and expenses	Additions: Charged/ (credited) to other accounts	Deductions (1)	Balance at end of year
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
Year Ended December 31, 1994					
Reserve for losses (3) (deducted from mortgage loans on real estate)	$ 42.0	$ --	$ (12.3)	$ --	$ 29.7
Reserve for losses (deducted from long-term bonds)	11.7	--	--	(11.7)	--
Reserve for losses (3) (deducted from other long-term investments)	9.3	--	(2.6)	--	6.7
Allowance for doubtful accounts (4) (deducted from insurance brokerage and consulting services receivables)	41.2	7.0	1.3	(4.3)	45.2
Allowance for doubtful accounts (deducted from premiums and other)	3.1	1.4	--	(1.3)	3.2

(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		Incorporated by Reference to
Part I		
Item 1.	Business	Annual Report to Stockholders of the Registrant for the Year 1996 ("Annual Report")pages 6 through 15.
Item 3.	Legal Proceedings	Annual Report page 40 (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 pages 34 and 35 (note 8 of Notes to Consolidated Financial Statements) and page 43 ("Dividends paid per share" and "Price range").
Item 6.	Selected Financial Data	Annual Report page 42.
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	Annual Report pages 17 through 23.
Item 8.	Financial Statements and Supplementary Data	Annual Report pages 24 through 41 and 43.

Part III

Item 10. Directors and Executive Officers Notice of Annual Meeting of
of the Registrant Holders of Common Stock and Series C Preferred Stock and Proxy Statement For Annual Meeting of Stockholders on April 18, 1997 of the Registrant ("Proxy Statement") pages 3 and 7.

Item 11. Executive Compensation Proxy Statement pages 12 through
15.

Item 12. Security Ownership of Certain Proxy Statement pages 2, 8 and 9.
Beneficial Owners and Management

Item 13. Certain Relationships and Proxy Statement page 20
Related Transactions ("Transactions With Management").

Part IV

Item 14. Exhibits, Financial Statement Annual Report pages 24 through
Schedules, and Reports on 41. Form 8-K

EXHIBIT INDEX

Exhibit Number Regulation S-K, Item 601	Page Number of Sequentially Numbered Copy

(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 8% Cumulative Perpetual Preferred Stock, $1.00 par value -- incorporated by reference to Exhibit 4(a) to the Third Quarter 1992 Form 10-Q.

(e) 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.

(10) Material Contracts:

(a) Aon Stock Option Plan -- incorporated by reference to Exhibit 10(a) to the 1990 Form 10-K.

EXHIBIT INDEX

Exhibit Number Regulation S-K, Item 601	Page Number of Sequentially Numbered Copy

(b) First Amendment to Aon Stock Option Plan -- incorporated by reference to the Exhibit 10(a) to the Second Quarter 1994 Form 10-Q.

(c) Second Amendment to Aon Stock Option Plan -- incorporated by reference to Exhibit 10(c) to the Second Quarter 1994 Form 10-Q.

(d) Ryan Insurance Group, Inc. Stock Option Plan together with Stock Option Assumption Agreement providing for amendment of the plan -- incorporated by reference to Exhibit 4(b) to the Registration Statement No. 2-79114 on Form S-8.

(e) 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.

(f) 1994 Restatement of Aon Savings Plan -- incorporated by reference to Exhibit 10(f) to the 1994 Form 10-K.

(g) 1994 Restatement of Aon Employee Stock Ownership Plan -- incorporated by reference to Exhibit 10(g) to the 1994 Form 10-K.

(h) 1994 Restatement of Aon Pension Plan -- incorporated by reference to Exhibit 10(h) to the 1994 Form 10-K.

(i) 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.

(j) Aon Stock Award Plan, as amended -- incorporated by reference to Exhibit 10(a) to the First Quarter 1994 Form 10-Q.

(k) 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.

(l) 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.

(m) 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.

(n) First Amendment to the Aon Stock Award Plan -- incorporated by reference to Exhibit 10(b) to the Second Quarter 1994 Form 10-Q.

EXHIBIT INDEX

Exhibit Number Regulation S-K, Item 601	Page Number of Sequentially Numbered Copy

(o) Second Amendment to Aon Stock Award Plan -- incorporated by reference to Exhibit 10(d) to the Second Quarter 1994 Form 10-Q.

(p) Aon Corporation 1995 Senior Officer Incentive Compensation Plan -- incorporated by reference to Exhibit 10(p) to the 1995 Form 10-K.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) Second Amendment to Aon Employee Stock Option Plan - incorporated by reference to Exhibit 10(a) to the Second Quarter 1996 Form 10-Q.

(x) Fifth Amendment to Aon Pension Plan - incorporated by reference to Exhibit 10(b) to the Second Quarter 1996 Form 10-Q.

(y) Third Amendment to Aon Savings Plan - incorporated by reference to Exhibit 10(c) to the Second Quarter 1996 Form 10-Q.

(z) Third Amendment ot Aon Pension Plan - incorporated by reference to Exhibit 10(d) to Second Quarter 1996 Form 10-Q.

EXHIBIT INDEX

Exhibit Number Regulation S-K, Item 601	Page Number of Sequentially Numbered Copy

(a)(a) Share Purchase Agreement between the Registrant and Inchape plc dated 15 October 1996(to be filed by amendment to this form 10-K).

(11) Statement regarding Computation of Per Share Earnings.

(12) Statements regarding Computation of Ratios.

(a) Statement regarding Computation of Ratio of Earnings to Fixed Charges.

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

(13) Annual Report to Stockholders of the Registrant for the year ended December 31, 1996 (for information, and not to be deemed filed, except for those portions specifically incorporated by reference herein).

(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 1996 Annual Report to Stockholders and into Aon's Registration Statement Nos. 33-27984, 33-42575, 33-57562, 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, 1996 -- to be filed by amendment as provided in Rule 15d-21(b).

EXHIBIT 11

Aon Corporation and Subsidiaries

CONSOLIDATED NET INCOME PER SHARE COMPUTATION

(millions except per share data)	Years Ended December 31		
	1996	1995	1994
EARNINGS PER SHARE			
Net income	$ 335.2	$ 402.8	$ 360.0
Preferred stock dividends	18.8	24.7	26.8
Net income less preferred stock dividends	$ 316.4	$ 378.1	$ 333.2
Average common shares issued	111.9	110.8	107.1
Net effect of treasury stock activity	(3.0)	(2.8)	(4.4)
Weighted average effect of Series B preferred stock	--	--	2.8
Net effect of dilutive stock compensation plans based on the treasury stock method	1.3	0.7	0.7
Average common and common equivalent shares outstanding	110.2	108.7	106.2
NET INCOME PER SHARE (1) (2)	$ 2.87	$ 3.48	$ 3.14

(1) Primary and fully diluted net income per share are materially the same.
(2) See note 5 to condensed financial statements.

EXHIBIT 12(a)

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

(millions except ratios)	Years Ended December 31, 1996	1995	1994	1993	1992(1)
Income from continuing operations before provision for income tax	$ 445.6	$ 458.0	$ 397.0	$ 331.6	$ 179.1
Add back fixed charges:					
Interest on indebtedness	44.7	55.5	46.4	42.3	41.9
Interest on ESOP	4.3	5.3	5.9	6.5	6.9
Portion of rents representative of interest factor	28.6	21.4	28.7	26.1	19.2
Income as adjusted	$ 523.2	$ 540.2	$ 478.0	$ 406.5	$ 247.1
Fixed charges:					
Interest on indebtedness	$ 44.7	$ 55.5	$ 46.4	$ 42.3	$ 41.9
Interest on ESOP	4.3	5.3	5.9	6.5	6.9
Portion of rents representative of interest factor	28.6	21.4	28.7	26.1	19.2
Total fixed charges	77.6	82.2	81.0	74.9	68.0
Ratio of earnings to fixed charges	6.7	6.6	5.9	5.4	3.6
Ratio of earnings to fixed charges (2)	7.2	8.4	7.6	7.4	5.3

(1) Income from continuing operations before provision for income taxes excludes the cumulative effect of changes in accounting principles.
(2) The calculation of this ratio of earnings to fixed charges reflects the addition of the income from discontinued operations before the provision for income tax component.

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)	Years Ended December 31, 1996	1995	1994	1993	1992(1)
Income from continuing operations before provision for income tax	$ 445.6	$ 458.0	$ 397.0	$ 331.6	$ 179.1
Add back fixed charges:					
Interest on indebtedness	44.7	55.5	46.4	42.3	41.9
Interest on ESOP	4.3	5.3	5.9	6.5	6.9
Portion of rents representative of interest factor	28.6	21.4	28.7	26.1	19.2
Income as adjusted	$ 523.2	$ 540.2	$ 478.0	$ 406.5	$ 247.1
Fixed charges and preferred stock dividends:					
Interest on indebtedness	$ 44.7	$ 55.5	$ 46.4	$ 42.3	$ 41.9
Preferred stock dividends	28.7	37.5	48.4	47.5	20.3
Interest and dividends	73.4	93.0	94.8	89.8	62.2
Interest on ESOP	4.3	5.3	5.9	6.5	6.9
Portion of rents representative of interest factor	28.6	21.4	28.7	26.1	19.2
Total fixed charges and preferred stock dividends	$ 106.3	$ 119.7	$ 129.4	$ 122.4	$ 88.3
Ratio of earnings to combined fixed charges and preferred stock dividends	4.9	4.5	3.7	3.3	2.8
Ratio of earnings to combined fixed charges and preferred stock dividends (2)	5.2	5.8	4.8	4.5	4.1

(1) Income from continuing operations before provision for income taxes excludes the cumulative effect of changes in accounting principles.
(2) This calculation of ratio of earnings to combined fixed charges and preferred stock dividends reflects the addition of the income from discontinued operations before the provision for income tax component.

BROKERAGE AND CONSULTING

As the world's fastest-growing global insurance brokerage and consulting services organization, Aon Group is combining its collective knowledge, technological expertise and global distribution capabilities to provide clients with cost-effective, value-added solutions.

In the rapidly changing, consolidating insurance industry, Aon pursues a sharply focused strategy, concentrating more of its resources in insurance brokerage and consulting. Consistent with our strategy, we acquired Bain Hogg Group plc last October and, in early 1997, we completed the merger with Alexander & Alexander Services Inc. These companies provide Aon with enhanced resources, access to more insurance markets and a wider range of specialist capabilities. Together, we provide our clients with creative insurance and consulting solutions through local representation supported by a network of more than 400 owned offices in some 60 countries.

OPERATIONS REVIEW

Aon Group comprises four major operating units: Aon Risk Services, Aon Specialty Group, Aon Re Worldwide and Aon Consulting Worldwide. Despite increasingly competitive market conditions, Aon Group had good growth and earnings in 1996, through its acquisition program and internal growth initiatives. The company generated major new business and maintained high retention rates by focusing on strategies to address all of our client segments (global accounts, middle market and small commercial business). To counter the industry's pricing pressures, the company is reducing operating costs through consolidation and elimination of redundancies, and increasing efficiency while maintaining its high standard of services. By focusing on specialized lines of business and our interdependent strategy, the company has improved its ability to offer insurance solutions and distribution on a global basis.

OPPORTUNITIES

Aon Group differentiates itself through a niche focus on industry and product specializations, by its ability to attract and maintain top professionals, and its unmatched worldwide distribution capabilities. Aon's culture enables synergies to develop among insurance and reinsurance brokerage, risk management and consulting services. Through our collective organizations, Aon Group sees a number of attractive, long-term growth opportunities: enhancing its insurance management services to commercial and industrial organizations and insurance underwriting/distribution organizations; increasing its presence in international markets and emerging markets; bringing capital markets expertise and resources to our clients; and developing and implementing advanced technology applications.

OUTLOOK

The intermediary role is no longer confined solely to obtaining coverage for clients. Instead, our industry is consolidating into single-source providers of insurance and reinsurance brokerage, consulting services and funding solutions to access non-traditional insurance capital. To adapt to this change, a brokerage and consulting organization must become integral to the process of managing and transferring risk. As our diverse client base demands solutions to increasingly complex risks, Aon Group provides a complete approach to risk management, offering services beyond traditional risk-transfer to include access to alternative markets. The company is well positioned to address the changing needs of the insurance marketplace by offering value-added risk management advice, innovative risk-transfer solutions, and thorough, reliable knowledge of global markets and local customs.

BROKERAGE AND CONSULTING

Services for Today and Tomorrow

Aon Group focuses on providing an expanding range of insurance and consulting services, beyond brokerage, to meet the demands of our clients.Our mission is to continue being the preeminent provider of risk management, insurance and reinsurance brokerage and consulting services delivered through an extensive worldwide network of local offices.

In cooperation with our clients, we are dedicated to developing innovative ideas and solutions to address risk management issues. Through an interdependent strategy, Aon's expert teams work to deliver seamless, consistent, high-quality service to meet our clients' ever-changing needs. Our clients are large and small, some are global and some are local. Directed by the goal of putting the client first, Aon focuses its vast global resources through local offices and account executives, thereby delivering the best of Aon to every client, anywhere in the world.

ENHANCED GLOBAL PRESENCE

Outside the United States, London is the international focal point of the insurance and reinsurance marketplace. With the addition of Bain Hogg and Alexander & Alexander, Aon is the leading specialist broker in London. Aon's U.K.-based reinsurance and specialty brokerage companies, Nicholson Jenner Leslie, Bain Hogg International and Alexander Howden, operate under the combined name Aon Group Limited. As the preeminent London broker, Aon Group Limited places reinsurance and specialty business into Lloyd's, the London market and worldwide markets. The company is involved in key specialty areas, such as aviation, energy, financial institutions, marine, and directors' and officers' liability. The inclusion of Bain Hogg and Alexander Howden adds significant depth to the company's resources, particularly in reinsurance, accident and health, construction, energy, international property and professional indemnity.

In addition to an enhanced London market presence, the additions of Bain Hogg and Alexander & Alexander significantly expand Aon's capabilities, depth and geographic reach of its global insurance and consulting services. Overall, these combinations solidify Aon's position as one of the premier insurance, reinsurance and specialty brokers in the world. Aon is a market leader in the following retail brokerage markets: the United States, the United Kingdom, Australia, Asia, Canada, Mexico, The Netherlands and New Zealand. The combinations also significantly strengthen Aon's brokerage presence in Africa, France, Germany, Latin America and the Middle East. The consulting businesses of Alexander & Alexander add further depth to Aon's integrated human resources consulting operations and its global market position, particularly in the United States, the United Kingdom, Australia and Canada.

As an example of our overall service and distribution capabilities, Aon offers premium financing products to the commercial clients of Aon Group and other independent organizations. Also, as part of Aon's services to the automotive industry, our finance company acts principally as a servicer of finance receivables and provides all the key elements to assist auto retailers in establishing captive finance companies.

BROKERAGE AND CONSULTING GEOGRAPHIC PRESENCE

Argentina	Hong Kong	Russia
Aruba	Hungary	Saipan
Australia	India	Singapore
Austria	Indonesia	Slovak Republic
Bahrain	Ireland	Solomon Islands
Belgium	Italy	South Africa
Bermuda	Japan	South Korea
Brazil	Kenya	Spain
Canada	Lithuania	Swaziland
Chile	Luxembourg	Sweden
China	Malawi	Switzerland
Colombia	Malaysia	Taiwan
Czech Republic	Malta	Thailand
Denmark	Mexico	Turkey
Estonia	The Netherlands	Uganda
Fiji	The Netherlands Antilles	United Arab Emirates
Finland	New Zealand	United Kingdom
France	Nigeria	United States
Germany	Norway	Venezuela
Greece	Philippines	Vietnam
Guam	Poland	Zimbabwe
	Portugal	

The two pie charts on the top of page 11 show the 1996 brokerage and consulting services revenue and pretax income (before special charges) by geographic segmentation. Revenue from United States, Europe, and rest of world represents 64%, 30%, and 6%, respectively, of the 1996 total brokerage and consulting revenue. Pretax income from United States, Europe, and rest of world represents 64%, 30%, and 6%, respectively, of the 1996 total brokerage and consulting pretax income.

Aon RISK SERVICES

OVERVIEW
Aon Risk Services (ARS) is Aon's global retail insurance brokerage and risk management services company. The combination of ARS with the retail operations of Alexander & Alexander and Bain Hogg, provides Aon with an enhanced retail distribution network.

SERVICES
Through its worldwide distribution system, ARS provides complete risk services, including insurance placement, specialized brokerage services, program development and administration, premium financing services, risk management and loss-control consulting. ARS focuses its efforts on industry specialties such as aviation, construction, credit insurance, energy, entertainment, financial institutions and marine, as well as specific product coverages that include accident and health, directors' and officers' liability, international property, workers' compensation, and errors and omissions coverages for major law firms and other professional organizations.

MARKETS
ARS provides insurance management solutions to targeted markets in varying industries. Aon's resources are delivered by local account executives to global and diverse clients, encompassing large corporate, middle-market and small commercial enterprises.

STRENGTHS
Market demand has shifted from "insurance buying" to financial and risk management, where knowledge-based solutions are at a premium. Through its proprietary Knowledge Network, ARS combines global knowledge and experience to offer value-added solutions. As a non-hierarchical, highly responsive organization, ARS adds greater value through its targeted focus, industry experience, local expertise and interdependent network of company resources.

STRATEGIES
ARS will continue to create expert groups focused on developing specialty product coverages, such as workers' compensation, disability and employee services. ARS anticipates growing opportunities in offering services to support banks and other financial institutions as they enter the insurance market. The company is further expanding the global reach of several specialty practices such as construction, energy and health care.

Aon SPECIALTY GROUP

OVERVIEW
Aon Specialty Group (ASG) delivers highly specialized insurance products and services for professional groups, service businesses, governments, health-care providers and commercial organizations. It also provides custom services in managing general underwriting and wholesale brokerage for insurance organizations.

SERVICES
For insurance companies, ASG provides underwriting management skills, claims and risk management expertise, and third-party

administration services. It serves agents and brokers through a network of underwriting managers and wholesale brokerage operations, providing access to markets for specialized business. For individuals and businesses, it provides affinity products for professional liability, life and personal lines. The Aon Healthcare Alliance unit brings a fully integrated line of Aon services to health-care providers.

MARKETS
ASG is a source of alternative distribution for the products and services of both Aon and the insurance markets it represents. Clients include insurance companies, individual insurance agents and brokers, individual professionals and businesses such as health care providers. Ongoing soft-market conditions will make certain insurance products too costly for traditional distribution sources, resulting in increased opportunities for Aon's alternative distribution methods.

STRENGTHS
ASG brings an innovative niche focus to the industry, concentrating on thorough knowledge of clients' profession or industry. It excels at multiple-channel distribution systems, state-of-the-art products for specific industries and professionals, and cost-effective delivery of products and services. ASG is the largest program administrator for professional liability, with strong emphasis on accounting, law and health care.

STRATEGIES
ASG is creating a new program business devoted exclusively to national associations. Using existing back-room capabilities, the new unit will focus on the particular needs of associations and their members. Also, ASG has recently established a network to provide an exchange of people, ideas and technology that facilitates global affinity business growth.

Aon RE WORLDWIDE

OVERVIEW
Aon's reinsurance brokerage activities are organized under Aon Re Worldwide (ARW). With the additional reinsurance business of Alexander & Alexander and Bain Hogg, ARW is a global leader in the reinsurance and specialist brokerage industry.

SERVICES
ARW provides clients with reinsurance placement, alternative risk services, captive management services and catastrophe information forecasting. It offers reinsurance expertise in niche industries, including aviation, marine and energy, as well as in specialty lines such as professional liability, directors' and officers' liability, errors and omissions, and excess and surplus lines. ARW provides in-depth analysis of clients' exposures and alternative reinsurance options, using sophisticated security and risk portfolio analysis.

MARKETS
ARW has a strong global presence in most of the major insurance markets. To complement its market leadership in the United States and the United Kingdom, ARW is strengthening its presence in many of the developing regions, such as Latin America and the Pacific. Its primary clients are global, national and regional insurance companies, reinsurance companies, Lloyd's syndicates, affinity and risk retention groups.

STRENGTHS
ARW's approach is designed to provide the best global brokerage expertise, market intelligence and analytical tools available so their clients can make informed buying decisions. Through a combination of product line and geographical expertise, including significant presence in the United States and London, ARW provides clients with efficient and cost-effective means of reinsuring their exposures.

STRATEGIES
ARW continues to make significant investments in its technological capabilities. The company provides a unique combination of risk management knowledge, software technology and engineering expertise to provide clients with advanced catastrophic risk management services. Through the development of Aon Capital Markets, ARW is drawing upon Aon's collective expertise and worldwide resources to access non-traditional insurance capital from the global capital markets.

Aon CONSULTING WORLDWIDE

OVERVIEW
Aon Consulting Worldwide (ACW) is one of the world's largest consulting organizations, offering fully integrated human resources consulting services. Its innovative professionals specialize in linking people strategies to business initiatives for improved performance. ACW's approach ensures that our clients are effectively attracting, retaining and utilizing their people "assets."

SERVICES
ACW offers services in employee benefits, human resources, compensation and change management. Specific services include 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.

MARKETS
ACW serves small, mid-size and large corporations by integrating its services into all aspects of the client's human resources programs. Focusing on the increasing demand for outsourcing solutions, ACW targets emerging businesses, IPOs, recent mergers or acquisitions and

corporations that are reengineering staff functions. ACW is well-positioned to provide its services to a variety of industries. For example, the company is the automotive industry's primary provider of employee selection services such as screening, testing and hiring.

STRENGTHS

ACW offers companies an objective, global perspective that provides integrated solutions and consistent administration, ensuring effective design and implementation of client programs. To enhance efficiencies, ACW creatively uses technology such as computerized testing systems and voice response systems.

STATEGIES

ACW is targeting a larger share of the global human resources management marketplace. Rather than making large capital investments in "administration centers," ACW creates consulting and administration programs tailored to individual clients' needs. Opportunities also exist by providing services to meet the growing demand for stock-based compensation programs and innovative reward systems.

INSURANCE UNDERWRITING

Aon's insurance underwriting businesses are focused on meeting the changing needs of individuals throughout the world by offering distinctive products distributed through directly owned and operated networks.

In today's unpredictable world, Aon's well-established insurance underwriting companies provide their policyholders with security and confidence about the future. These underwriting companies focus on markets in North America, Europe, Latin America and the Pacific by providing a variety of consumer insurance products, including accident and health coverage, traditional life insurance and extended warranties. Since 1919, Combined Insurance Company of America has maintained a leading position in the supplemental insurance market by providing accident, health and life coverages directly to individual consumers. Aon's specialty property/casualty underwriters, Virginia Surety and its U.K. affiliate, London General Insurance, serve consumers with a variety of extended warranty coverages.

OPERATIONS REVIEW

In early 1996, Aon refined its insurance underwriting focus by completing the sales of two of its insurance underwriting companies and its North American auto credit insurance business. Aon's insurance underwriting business now consists of Combined Insurance Company of America (CICA) and Virginia Surety Company (VSC)/London General Insurance (LGI). These companies demonstrate strong market positions in their primary niche businesses, superior capitalization and liquidity, and generate significant cash flow.

For the year, CICA's operating performance reflected modest revenue growth while maintaining strong margins, as it expanded into worksite marketing. VSC/LGI's 1996 results continued to produce strong global revenue and earnings growth by gaining new accounts and enhanced distribution relationships through Aon Warranty Group (AWG), one of the world's largest independent marketers and administrators of consumer extended warranties. AWG's service revenues and income are included in the insurance brokerage and consulting line of business.

OPPORTUNITIES

CICA is a foundation of Aon's insurance underwriting business through a directly owned and managed global network of more than 7,500 exclusive sales agents. Its key growth strategy is to apply its extensive sales expertise and management techniques to a new worksite marketing program, capitalizing on opportunities in this emerging distribution channel for insurance. CICA is approaching this market on a direct basis, using dedicated account executives, and by partnering with existing Aon Group brokers and consultants to offer a broad range of voluntary benefits.

The operations of VSC/LGI and Aon Warranty Group anticipate attractive business opportunities resulting from their link with the Aon Group companies. VSC/LGI's growth will come from new products, such as home warranty programs, enhancements in established consumer markets, and expansion in growing markets such as Asia, the Pacific and South America.

OUTLOOK

CICA is a strong market leader in its primary niche business with the potential to enhance premium growth through its worksite sales strategy. The company's extensive distribution network of career sales people, who sell directly to individuals and families, gives it a distinct competitive advantage. CICA's focus on the supplemental marketplace enables it to expand premiums on a profitable basis.

The extended warranty market is expected to continue growing as more expensive and complex consumer goods are introduced worldwide. VSC/LGI has attractive global growth prospects for additional warranty-related services which are strengthened through synergies with Aon Group.

Insurance Underwriting Geographic Presence Australia
Belgium
Canada
France
Germany
Ireland
Japan
Mexico
The Netherlands
New Zealand
Spain
United Kingdom
United States

The pie charts on the top of page 15 show the 1996 revenue and pretax income (before special charges) for total insurance underwriting and the revenue for direct sales and extended warranty, specialty, and other by geographic segmentation.

Total Insurance Underwriting Revenue
As shown on the pie chart on the top on the left side, revenue from United States, Europe, and rest of world represents 73%, 17%, and 10%, respectively, of the 1996 total insurance underwriting revenue.

As shown on the pie chart below the revenue chart on the left side, pretax income from United States, Europe, and rest of world represents 71%, 15%, and 14%, respectively, of the 1996 total insurance underwriting pretax income.

Direct Sales Revenue
As shown in the pie chart on the top in the middle, revenue from United States, Europe, and rest of world represents 69%, 15%, and 16%, respectively, of the 1996 total direct sales revenue.

Extended Warranty, Specialty and Other Revenue As shown in the pie chart on the top on the right side, revenue from United States, Europe, and rest of world represents 78%, 20%, and 2%, respectively, of the 1996 total extended warranty, specialty and other revenue.

Combined Insurance Company of America

Overview
For more than 77 years, Combined Insurance Company of America (CICA) has been a leading underwriter of supplemental accident, health and life insurance products to individuals and small businesses. CICA's business is conducted primarily through a direct sales division that distributes its products through a 7,500-strong sales force of career insurance agents.

Services
CICA insures more than five million individual policyholders worldwide. Major product lines include disability income, supplemental accident and health and a basic portfolio of life insurance products. CICA's products are primarily indemnity-type, paying fixed benefits directly to the policyholder. The products provide additional income that the policyholders can use to supplement their existing medical coverage or maintain their lifestyle should an accident or sickness cause them to become disabled or hospitalized. Life insurance protection is offered through a basic portfolio of traditional whole life and term life coverages.

Markets
CICA is a unique organization focused on providing basic insurance products to customers not served by most insurers. Many of CICA's insureds are self-employed or work for small firms with limited insurance plans. The company writes supplemental insurance policies primarily in North America, as well as in Europe, Australia and New Zealand. In addition to its traditional business, CICA is expanding its product distribution through payroll deduction, worksite marketing programs.

Strengths
CICA's strengths are due to a unique combination of factors. These factors include: (i) a loyal policyholder base comprising more than five million individuals worldwide; (ii) operations in major countries around the world;
(iii) a line of fixed indemnity products at affordable prices which is attractive to the policyholder base in each country; (iv) utilization of opportunities for add-on sales that are created by the marketing approaches; (v) a broad spread of risk resulting directly from the distribution process; and
(vi) an effective and well-managed global network of more than 7,500 exclusive sales agents. The combination of these factors results in stable cash flow and earnings with the opportunity for continued growth.

Strategies
CICA is expanding the distribution of supplemental products to a worksite marketing system. In this environment, CICA is taking advantage of the benefits of payroll deduction as a premium collection method. In addition, the company's traditional direct sales business is offering larger scale policies to individuals, with the option of payment through convenient monthly electronic funds transfer.

Virginia Surety/London General

Overview
Aon's specialty, property and casualty underwriting companies, Virginia Surety Company in North America and London General Insurance Company in Europe (VSC/LGI), are among the world's largest underwriters of consumer extended warranties. Through Aon Warranty Group (AWG), the company offers worldwide administrative services, compliance support, merchandising, direct marketing, training and one of the largest service networks in the world.

Services
The company designs consumer extended warranty programs tailored to client needs, including the development of contract terms, conditions and pricing. The company provides extended warranty coverages for new and used autos, consumer electronics and appliances, home warranty, and specialty insurance products for cellular phones, credit card enhancements, travel, involuntary unemployment and consumer product property insurance.

Markets
Extended warranty products are distributed through auto dealers, manufacturers, distributors and retailers of major worldwide consumer product and financial institutions, associations and affinity groups, who offer the warranties to the end consumer.

Strengths
Leveraging its market experience with its extensive actuarial database of extended warranty service contracts, the company monitors product profitability and success. Extended warranty policies are supplemental products and not catastrophic in nature. The company's knowledge, geographic reach, flexibility, financial stability and commitment to the client and their consumers are unparalleled in its markets.

Strategies
VSC/LGI will continue to thrive in established markets through expansion and acquisitions while adapting existing programs in emerging markets. Through Aon Warranty Group's interdependent initiatives with Aon Group, the company will further increase its worldwide market presence.

MANAGEMENT'S ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

CONSOLIDATED

GENERAL

At the beginning of second quarter 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 aftertax proceeds from the sales were $1.2 billion. The sales resulted in a $21 million aftertax gain on sale. Consequently, UFLIC and LOV results are classified in the consolidated statements of income as discontinued operations. For purposes of the following consolidated results discussions (1996 compared to 1995 and 1995 compared to 1994), comparisons against prior years' results are based on continuing operations.

Also in second quarter 1996, Aon completed the sale of its North American auto credit underwriting and distribution operations, including the distribution of auto extended warranties throughout North America. The extended warranty products will continue to be underwritten by Aon's subsidiary, Virginia Surety Company, Inc. Results of the auto credit underwriting business written prior to the sale are expected to continue to run off as planned.

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.

SPECIAL CHARGES

In second quarter 1996, Aon recorded a $30 million pretax charge ($19 million after tax or $0.18 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. These charges were reflected in commissions and general expenses in the consolidated statements of income.

In fourth quarter 1996, Aon's management committed to a formal plan of restructuring Aon's European brokerage operations and recorded pretax special charges of $60 million ($40 million aftertax or $0.36 per share) primarily relating to this activity. These charges were reflected in commissions and general expenses in the consolidated statements of income. 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 workforce reductions are planned to take place within one year. 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. In fourth quarter 1996, pretax special charges related to the restructuring of existing operations were principally associated with the Bain Hogg acquisition.

REVENUE AND INCOME BEFORE INCOME TAX
CONSOLIDATED RESULTS FOR 1996 COMPARED TO 1995

Total revenues amounted to $3.9 billion, an increase of 12%. This increase was primarily due to the growth in brokerage commissions and fees resulting from business combination activity and internal growth. Brokerage commissions and fees increased 16% to $1.9 billion.

Premiums earned of $1.5 billion increased 7% in 1996. Extended warranty premiums earned increased $110 million or 40%, reflecting a higher volume of new business in both the electronic and appliance lines and the auto extended warranty line. The continued phase-out of certain specialty liability programs partially offset this increase. There was also continued modest growth in direct sales business.

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. The pretax investment portfolio yield declined resulting from the investment of new cash flows in lower yielding investments. Investable funds to continuing operations grew approximately $1 billion during 1996. This increase was attributable to the use of the sales proceeds and brokerage cash flows, as well as strong growth in extended warranty business. In addition, net investment income from insurance brokerage and consulting operations increased to $83 million in 1996 from $76 million the prior year, primarily due to brokerage acquisition activity.

Net realized investment gains were $8 million in 1996 compared to $13 million in 1995. Revenue excluding realized investment gains increased 12% or $428 million when compared to 1995.

Commissions and general expenses (excluding interest expense) increased 17% for the year primarily due to growth in the brokerage businesses. 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 runoff since second quarter 1996. It is anticipated that this business will continue to run off as planned. Interest expense increased 8%. Amortization of intangibles, which excludes deferred policy acquisition costs (DPAC), decreased $6 million or 7%, reflecting fully amortized intangibles, particularly in the insurance and other services brokerage business, and offset in part by continued growth in acquired businesses.

Overall, benefit and expense margins for the insurance underwriting segment did not suggest any significant shift in operating trends in 1996. Total benefits and expenses increased 14% or $435 million over 1995. The increase reflects the inclusion of pretax special charges of $90 million. Total benefits and expenses, excluding the 1996 special charges, increased 12% over 1995.

Income before income tax decreased $12 million or 3% in 1996, primarily due 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.

Fourth quarter revenue increased 20% to $1.1 billion when compared to 1995, primarily reflecting brokerage business combination activity and internal growth. Total benefits and expenses, excluding special charges, increased 18% to $938 million for the quarter. Pretax income decreased $26 million or 27% to $71 million. The decrease in pretax earnings reflects special charges of $60 million recorded in fourth quarter 1996. Excluding special charges, pretax earnings increased 35% when compared to fourth quarter 1995.

CONSOLIDATED GEOGRAPHIC DATA

(millions) Years ended December 31	1996	1995	1994
Revenue:			
United States	$ 2,646	$ 2,449	$2,208
Europe	929	769	635
Rest of World	313	248	198
Total Revenue	$ 3,888	$ 3,466	$3,041
Income Before Income Tax:			
United States	$ 357	$ 328	$ 279
Europe	110	81	78
Rest of World	69	49	40
Income before income tax excluding special charges	536	458	397
Special charges*	90	--	--
Total Income Before Income Tax	$ 446	$ 458	$ 397
Identifiable Assets (continuing operations):			
United States	$ 8,825	$ 6,427	$6,086
Europe	3,921	2,921	2,343
Rest of World	977	679	494
Identifiable Assets at December 31	$13,723	$10,027	$8,923

*Of the $90 million special charges in 1996, $35 million were U.S. and $55 million were European.

U.S. revenues increased 8% in 1996 compared to 1995, primarily reflecting internal growth and brokerage acquisition activity. U.S. pretax income before special charges increased 9% over prior year, primarily on the strength of acquisition activity and overall expense controls.

Total non-U.S. revenue increased 22% in 1996 to $1.2 billion reflecting the improvement in brokerage revenue from acquisitions and internal growth. 1996 European revenue of $929 million rose 21%, while all other non-U.S. revenues increased 26% when compared to prior year.

Non-U.S. pretax income before special charges increased 38% to $179 million. Pretax income before special charges from European operations increased 36% while all other non-U.S. pretax income before special charges rose 41% or $20 million in 1996.

REVENUE AND INCOME BEFORE INCOME TAX
CONSOLIDATED RESULTS FOR 1995 COMPARED TO 1994

Total revenue amounted to $3.5 billion in 1995, an increase of 14%. Brokerage commissions and fees increased 19% to $1.7 billion resulting from business combination activity and internal growth. Premiums earned were $1.4 billion or 8% above 1994. A higher volume of new business in the extended warranty electronic and appliance lines was partially offset by the continued phase-out of certain specialty liability programs. Net investment income of $329 million increased 28% for the year. Higher levels of short-term investments, primarily due to brokerage acquisition activity and internal growth, contributed to the increase.

Commissions and general expenses (excluding interest expense) increased 15% for the year primarily reflecting brokerage growth. Benefits to policyholders increased 12% when compared to 1994 primarily due to a higher volume of new extended warranty business. Partially offsetting this increase were lower benefits, related to the runoff of certain specialty programs. Interest expense increased 14% reflecting higher levels of short-term borrowings for the year. Total benefits and expenses increased 14% over 1994. Income before income tax increased by 15% or $61 million due largely to growth in the insurance brokerage and consulting businesses, and to a lesser extent, growth in the insurance underwriting extended warranty business and the continued favorable phase-out of certain specialty liability underwriting programs.

MAJOR LINES OF BUSINESS
GENERAL

In second quarter 1996, Aon reported an aftertax gain on sale of discontinued operations of $21 million related to the sales of UFLIC and LOV. Aon also reported pretax special charges of $90 million in 1996 related principally to early retirement programs and consolidation of global brokerage operations, particularly in Europe.

For purposes of the major lines of business discussion, comparisons against 1995 results exclude the discontinued operations and the special charges. A discussion of discontinued operations performance follows the major lines of business section.

INSURANCE BROKERAGE AND CONSULTING SERVICES

Beginning in 1996, Aon's retail brokerage and reinsurance and wholesale segments were combined into one segment called "Insurance and other services." Also included in this segment is revenue from financing services operations which includes service fees received from the placement of insurance premiums and retail auto financing receivables with unaffiliated parties; this was previously reported in the corporate segment. All prior period data has been reclassified to conform to the 1996 presentation.

In 1996, Aon invested approximately $370 million in business combinations in its brokerage and consulting businesses. These business combinations were financed primarily by internal funds and the issuance of common stock. The major 1996 acquisitions include: Bain Hogg-a leading insurance brokerage company in the United Kingdom and Asia; Wesselhoeft Ahlers & Schues OHG-a retail brokerage and consulting operation in Germany; and S. Mark Brockington & Associates, Inc.-a U.S. retail operation specializing in providing insurance products to the transportation industry.

INSURANCE BROKERAGE AND CONSULTING SERVICES

(millions) Years ended December 31	1996	1995	1994
Revenue:			
Insurance and other services	$1,728	$1,477	$1,220
Consulting	274	250	222
Total revenue*	2,002	1,727	1,442
Operating expenses	1,705	1,467	1,232
Amortization of intangibles	40	48	47
Total expenses	1,745	1,515	1,279
Income before income tax excluding special charges	257	212	163
Special charges	75	--	--
Income before income tax	$ 182	$ 212	$ 163
Identifiable assets at December 31	$5,025	$3,343	$3,009

*Includes net investment income, primarily relating to fiduciary funds, of $83 million, $76 million and $48 million in 1996, 1995 and 1994, respectively.

Total 1996 brokerage and consulting services revenue was $2 billion, up 16%. Acquisitions accounted for approximately one-half of this revenue growth. Excluding the impact of acquisitions, revenue and income before income tax results demonstrated satisfactory growth given a very competitive environment.

Insurance and other services (retail, reinsurance and wholesale brokerage) results were positively impacted by acquisitions, especially the

inclusion of Bain Hogg in fourth quarter 1996, and good internal growth, particularly in non-U.S. operations. Insurance and other services retail brokerage results continued to be influenced by 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.

Included in insurance and other services revenue are financing service fees of $35 million, an increase of 37% over 1995. In addition, Aon Warranty Group provided warranty marketing and administrative services to the warranty underwriting operations. This activity generated revenue of $21 million in 1996.

In the consulting line of business, 1996 revenue increased 10% to $274 million. Expansion of the integrated human resources consulting programs contributed to this improvement. Limiting the growth of consulting revenue and pretax income was a decline in revenues in the automotive consulting operations. Measures were taken to reduce costs in the automotive operations.

INSURANCE BROKERAGE AND CONSULTING SERVICES GEOGRAPHIC DATA

(millions) Years ended December 31	1996	1995	1994
Revenue:			
United States	$1,291	$1,202	$1,053
Europe	599	452	353
Rest of World	112	73	36
Total Revenue	$2,002	$1,727	$1,442
Income Before Income Tax:			
United States	$ 165	$ 153	$ 118
Europe	76	56	47
Rest of World	16	3	(2)
Income before income tax excluding special charges	257	212	163
Special charges	75	--	--
Total Income Before Income Tax	$ 182	$ 212	$ 163

U.S. revenue of $1.3 billion in 1996 was up 7% over 1995 while non-U.S. revenue increased 35%. Total pretax income was $257 million in 1996, up 21% from $212 million in 1995. U.S. pretax income was up 8% from 1995. Non-U.S. pretax income rose 56%, partially influenced by the fourth quarter 1996 acquisition of Bain Hogg.

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	1996	1995	1994
Revenue:			
Direct sales	$1,030	$1,014	$ 976
Extended warranty and specialty	514	386	316
Other	230	240	217
Total revenue	1,774	1,640	1,509
Benefits to policyholders	790	699	626
Operating expenses	512	488	458
Amortization of DPAC and intangibles	208	207	190
Total benefits and expenses	1,510	1,394	1,274
Income before income tax excluding special charges	264	246	235
Special charges	12	--	--
Income before income tax	$ 252	$ 246	$ 235
Identifiable assets at December 31	$4,786	$3,736	$3,119

Revenue was $1.8 billion in 1996, up 8% from $1.6 billion in 1995. Direct sales business grew modestly, with 1996 revenue up 2% to $1 billion as the company continued to expand its product distribution through payroll deduction, worksite marketing programs. In general, expense margins decreased while benefit levels increased slightly, particularly in the extended warranty line. Direct sales accident and health business maintained its pretax margin in part due to good general expense controls and strong international health product sales. Certain specialty liability programs and auto credit business continued to be run off profitably. Pretax income was $264 million in 1996, up 7% from $246 million last year.

INSURANCE UNDERWRITING GEOGRAPHIC DATA

(millions) Years ended December 31	1996	1995	1994
Revenue:			
United States	$1,287	$1,188	$1,105
Europe	307	290	252
Rest of World	180	162	152
Total Revenue	$1,774	$1,640	$1,509
Income Before Income Tax:			
United States	$ 187	$ 180	$ 172
Europe	40	34	35
Rest of World	37	32	28
Income before income tax excluding special charges	264	246	235
Special charges	12	--	--
Total Income Before Income Tax	$ 252	$ 246	$ 235

U.S. revenue of $1.3 billion was up 8% in 1996 while non-U.S. revenue of $487 million rose 8% principally due to improved premiums earned in the extended warranty lines. Traditional life business in Europe and the Pacific continued to run off as planned. 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 rose 4% in 1996. Non-U.S. pretax income increased 17%, reflecting reduced expense levels pertaining to unit-linked business, which was sold in late 1996 with no significant gain or loss.

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. Excess invested assets and related investment income, which do not underlie these liabilities, are reported in this segment. Expenses include interest and other financing expenses, goodwill amortization associated with insurance brokerage and consulting acquisitions and corporate administrative costs.

CORPORATE AND OTHER

(millions) Years ended December 31	1996	1995	1994
Revenue:			
Investment income on capital and other	$ 104	$ 86	$ 71
Realized investment gains	8	13	19
Total revenue	112	99	90
Operating expenses	20	27	29
Interest expense	40	37	33
Amortization of intangibles	37	35	29
Total expenses	97	99	91
Income before income tax excluding special charges	15	--	(1)
Special charges	3	--	--
Income before income tax	$ 12	$ --	$ (1)
Identifiable assets at December 31	$3,912	$2,948	$2,795

Revenue increased 13% over 1995 to $112 million. Realized investment gains declined $5 million in 1996 when compared to 1995. Excluding these gains from both years, revenue increased 21%, benefiting from investment income associated with a portion of the proceeds from the sales of UFLIC and LOV.

Pretax income increased $15 million in 1996 largely due to availability of the sales proceeds. Partially offsetting this increase was a reduction in realized investment gains. Excluding realized investment gains from both years, pretax income increased $20 million over 1995. In addition, financing costs and certain goodwill amortization related to acquisitions grew more slowly when compared to the growth in revenue.

DISCONTINUED OPERATIONS

Discontinued operations are composed principally of capital accumulation products and direct response insurance products. Substantially all of the revenue and income before income tax, generated from discontinued operations, was U.S. Aftertax 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. In addition, in second quarter 1996, a $21 million gain on sale of discontinued operations, net of taxes, was recorded.

INCOME TAX AND NET INCOME

Net income for 1996 was $335 million or $2.87 per share compared to $403 million or $3.48 per share in 1995. Net income for fourth quarter 1996 amounted to $46 million or $0.38 per share compared to $93 million or $0.80 per share for 1995. Dividends on the 8%, 6.25% and redeemable preferred stock have been deducted from net income to compute earnings per share.

Operating income from continuing operations before special charges and realized investment gains, was $346 million or $2.97 per share in 1996 compared to $295 million or $2.49 per share in 1995. Aon's effective operating income tax rate on continuing operations was 34.5% in 1996 and 33.7% in 1995, while realized investment gains were taxed at a 36% rate for both years.

Average shares outstanding for 1996 increased 1% primarily due to the issuance of common shares related to business combinations and the conversion of preferred stock to common stock.

LIQUIDITY

Consistent with financial statement presentation, the following cash flow and financial position discussion reflects the completion of the sales of UFLIC and LOV in April 1996. As a result of the sales, the consolidated statement of financial position at December 31, 1996, and the related consolidated statements of stockholders' equity and cash flows have been significantly impacted when compared to year-end 1995 and year-end 1994.

Aon's operating subsidiaries anticipate 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. Dividends from Aon's subsidiaries are the primary source for meeting these requirements. 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 1996 again exceeded the risk-based capital target set by the National Association of Insurance Commissioners by a satisfactory level. At December 31, 1996, Aon had short-term, back-up lines of credit available of $335 million.

Aon measures capital accumulation product asset and liability durations to determine its net exposure to changes in interest rates. Aon's exposure to interest-sensitive products was substantially diminished following the sale of LOV because their products were principally interest-sensitive and investment-type.

Through the use of hedging programs utilizing derivative financial instruments (derivatives) (see note 11), Aon improved its overall asset and liability duration match and hedged fair values of its available for sale portfolio. In administering its hedging programs, Aon performs analyses that have demonstrated that Aon achieves a high degree of correlation. The businesses of Aon's operating subsidiaries continue to provide substantial positive cash flow. Brokerage cash flow has been used primarily for acquisition financing. Given Aon's fixed maturity portfolio's average life of 6.8 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.

Future cash flow to service debt and pay dividends was enhanced by the completion of the sales of UFLIC and LOV in 1996. Sales proceeds generated approximately $1.2 billion after taxes and other costs of sale. The aftertax proceeds in excess of the carrying value of the companies sold generated a statutory gain at CICA, the parent company of UFLIC and LOV. In April 1996, CICA dividended $650 million of this gain to Aon. CICA reinvested the remaining proceeds primarily in non-affiliated assets. After meeting its routine dividend and debt servicing requirements, Aon used a majority of the remaining dividends received throughout the year to both reduce short-term debt and invest in the operational segments of its businesses.

In early 1997, Aon completed the merger with Alexander and Alexander Services Inc. (A&A). The purchase price of approximately $1.2 billion was funded by the issuance of commercial paper, internal funds, and the issuance of trust preferred capital securities (capital securities) (see note 8). Aon's management anticipates a commitment to a restructuring plan primarily related to its brokerage operations in first quarter 1997 given the completion of the A&A acquisition.

Cash provided by operating activities in 1996 decreased $255 million from 1995 to $355 million. This decrease primarily reflects the federal income tax payments relating to the sales of UFLIC and LOV. The tax payments are included as a reduction in operating activity whereas the sales proceeds are treated as investment activity. The remaining decrease is partially attributable to the reduced return on the proceeds from discontinued operations.

Cash provided by investing activities was $238 million in 1996, up $862 million from 1995. This increase is primarily attributable to the sales of UFLIC and LOV. Cash used for acquisition activity during 1996 was $342 million, primarily reflecting the Bain Hogg acquisition.

Cash totaling $301 million was used in 1996 for financing activities. Aon repurchased 1.3 million shares of its common stock at a total cost of $66 million. In 1996, Aon purchased and retired 553,000 shares of its 8% preferred stock at a total cost of $14 million. The repurchase of capital stock was primarily funded by a portion of the proceeds received from the sales of UFLIC and LOV. The net cash provided from capital accumulation product deposits and withdrawals was $71 million in 1996. Cash was used to pay dividends of $154 million on common stock, $11 million on the 8% preferred stock, $6 million on 6.25% preferred stock and $2 million on redeemable preferred stock.

Assets and liabilities held under special contracts, which relate primarily to designated funds of group pension, variable life and annuity policyholders in 1996 and to discontinued operations in 1995, decreased $2.2 billion from 1995, reflecting the sale of discontinued operations. The net investment income generated from these assets is not included in the consolidated statements of income.

Total assets decreased $6 billion to $13.7 billion, while invested assets at December 31, 1996 decreased $5.4 billion from year-end levels, primarily due to the sales of UFLIC and LOV.

INVESTMENT OPERATIONS

Aon Corporation 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 and longer-term instruments. Longer-term assets also include private equity investments that are anticipated to generate returns in excess of those available in the public capital markets.

With a carrying value of $3 billion, Aon's total fixed maturity portfolio is invested primarily in investment grade holdings (97%) and has a market value which is 104% of amortized cost.

At December 31, 1996 and 1995, Aon's fixed maturity portfolio included mortgage-backed securities with an amortized cost of $64 million and $2 billion, respectively. The amortized cost and fair value of Aon's mortgage-backed securities are presented in note 4. Substantially all of the mortgage-backed securities included in Aon's fixed maturities portfolio at December 31, 1995 related to discontinued operations. After the sales of UFLIC and LOV in 1996, Aon's interest in and exposure to certain market risks associated with mortgage-backed securities was minimal.

Aon maintained investment reserves related to mortgage loan losses on real estate holdings and real estate ventures and limited partnerships. These reserves are a product of Aon's continuing review of the characteristics and risks of its investment portfolio and current environmental and economic conditions. These reserves totaled $6 million at year-end 1996, down $25 million from the year-end 1995 level of $31 million. Substantially all of the decrease in reserves was related to the removal of assets and liabilities of discontinued operations.

INVESTED ASSETS--CONTINUING OPERATIONS

(millions)	1996	1995
Short-term investments:		
Brokerage and consulting	$ 874	$ 724
Insurance and other	392	191
Fixed maturities	2,826	2,325
Non-redeemable preferred stock	485	490
Common stocks and partnerships	489	322
Mortgages and real estate	88	63
Policy loans and other	59	69
Total invested assets	$5,213	$4,184

Investment Income

(millions)	1996	1995
Short-term investments:		
Brokerage and consulting	$ 83	$ 76
Insurance and other	22	10
Fixed maturities	197	164
Non-redeemable preferred stock	45	33
Common stocks and partnerships	32	42
Mortgages and real estate	8	4
Policy loans and other	7	8
Gross investment income	394	337
Investment expenses	10	8
Net investment income	$384	$329

CAPITAL RESOURCES

In early 1997, Aon completed the merger with A&A for a purchase price of approximately $1.2 billion. This acquisition was financed by the issuance of capital securities (see note 8), internal funds, and the issuance of commercial paper.

In 1996, short-term borrowings decreased $139 million. This decrease was primarily attributable to the use of sales proceeds to paydown commercial paper. Credit agreements providing lines of credit for commercial paper contain no restrictive covenants.

In November 1996, each outstanding share of Aon's 6.25% Cumulative Convertible Exchangeable Preferred Stock (6.25% preferred stock) (see note 8) was converted by the holders into 1.22 shares of common stock for a total of 2,606,000 shares.

Commencing on or after November 1, 1997, Aon has the option to redeem all or any part of the 8% Cumulative Perpetual Preferred Stock (8% preferred stock) at a redemption price of $25.00 per share plus accrued dividends. It is anticipated that Aon will most likely exercise its option to redeem all of the remaining outstanding shares. At December 31, 1996, 5,446,000 shares of 8% preferred stock were outstanding.

Aon Corporation borrows funds from and lends funds to its various subsidiaries. As of December 31, 1996, Aon Corporation held obligations to its subsidiaries of approximately $350 million. Generally, these obligations have competitive interest rates.

In 1996, stockholders' equity per common share increased to $24.31, up from $22.77 in 1995. The principal factors influencing this increase were net income which includes the aftertax gain on sale of discontinued operations of $21 million, and a $30 million increase in net unrealized investment gains. Partially offsetting this increase was the repurchase of common stock for treasury at a cost of $66 million, the increase in deferred compensation and dividends.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions) As of December 31	1996	1995
ASSETS		
INVESTMENTS		
Fixed maturities available for sale--at fair value	$ 2,826.1	$ 7,687.1
Equity securities--at fair value	879.2	1,006.3
Mortgage loans on real estate (net of reserve for losses: 1996--$1; 1995--$26)	29.0	632.0
Real estate (net of accumulated depreciation: 1996--$8; 1995--$8)	17.8	36.5
Policy loans	58.2	226.3
Other long-term investments	136.2	112.6
Short-term investments	1,266.3	938.3
Total investments	5,212.8	10,639.1
CASH	410.1	115.3
RECEIVABLES		
Insurance brokerage and consulting services receivables	3,565.9	2,264.1
Premiums and other	989.3	580.2
Accrued investment income	69.2	152.4
Total receivables (net of allowance for doubtful accounts: 1996--$63; 1995--$51)	4,624.4	2,996.7
DEFERRED POLICY ACQUISITION COSTS	598.8	1,261.5
COST OF INSURANCE AND RENEWAL RIGHTS PURCHASED (net of accumulated amortization: 1996--$665; 1995--$625)	537.5	640.1
EXCESS OF COST OVER NET ASSETS PURCHASED (net of accumulated amortization: 1996--$194; 1995--$157)	1,060.2	957.6
PROPERTY AND EQUIPMENT AT COST (net of accumulated depreciation: 1996--$339; 1995--$307)	323.2	307.8
ASSETS HELD UNDER SPECIAL CONTRACTS	87.3	2,307.2
OTHER ASSETS	868.4	510.5
TOTAL ASSETS	$13,722.7	$19,735.8

See accompanying notes to consolidated financial statements.

(millions) As of December 31	1996	1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
POLICY LIABILITIES		
Future policy benefits	$ 1,079.4	$ 1,475.1
Policy and contract claims	840.9	970.9
Unearned and advance premiums	1,925.2	1,646.2
Other policyholder funds	514.1	5,464.2
Total policy liabilities	4,359.6	9,556.4
INSURANCE PREMIUMS PAYABLE	4,143.7	2,722.8
GENERAL LIABILITIES		
Commissions and general expenses	776.8	562.4
Accrued income taxes		
Current	80.1	107.1
Deferred	16.5	225.5
Short-term borrowings	213.4	352.7
Notes payable	475.1	497.5
Debt guarantee of employee stock ownership plan	46.1	56.8
Liabilities held under special contracts	87.3	2,307.2
Other liabilities	641.2	623.7
TOTAL LIABILITIES	10,839.8	17,012.1
COMMITMENTS AND CONTINGENT LIABILITIES		
REDEEMABLE PREFERRED STOCK	50.0	50.0
STOCKHOLDERS' EQUITY		
Preferred stock--$1 par value		
Authorized--25 shares; issued		
8% cumulative perpetual preferred stock	5.5	6.0
6.25% cumulative convertible exchangeable preferred stock	--	2.1
Common stock--$1 par value		
Authorized--300 shares; issued	114.1	111.4
Paid-in additional capital	475.4	431.8
Net unrealized investment gains	153.1	123.1
Net foreign exchange gains	1.0	1.8
Retained earnings	2,356.8	2,212.1
Less treasury stock at cost (shares: 1996--3.2; 1995--3.1)	(121.5)	(97.3)
Less deferred compensation	(151.5)	(117.3)
TOTAL STOCKHOLDERS' EQUITY	2,832.9	2,673.7
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$13,722.7	$19,735.8

CONSOLIDATED STATEMENTS OF INCOME

(millions except per share data) Years ended December 31	1996	1995	1994
REVENUE			
Brokerage commissions and fees	$1,918.8	$1,651.3	$1,388.7
Premiums earned	1,526.7	1,426.5	1,322.3
Net investment income (note 4)	384.0	329.4	257.1
Realized investment gains (note 4)	8.1	13.1	19.1
Other income	50.6	45.4	54.0
Total revenue	3,888.2	3,465.7	3,041.2
BENEFITS AND EXPENSES			
Commissions and general expenses	2,328.6	1,982.3	1,719.2
Benefits to policyholders	789.5	698.5	626.2
Interest expense	40.1	37.3	32.7
Amortization of deferred policy acquisition costs	207.9	207.5	189.3
Amortization of intangible assets	76.5	82.1	76.8
Total benefits and expenses	3,442.6	3,007.7	2,644.2
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	445.6	458.0	397.0
Provision for income tax (note 6)	153.8	154.3	128.5
INCOME FROM CONTINUING OPERATIONS	291.8	303.7	268.5
DISCONTINUED OPERATIONS (note 3):			
Income from discontinued operations, net of tax	22.4	99.1	91.5
Gain on sale of discontinued operations, net of tax	21.0	--	--
NET INCOME	$ 335.2	$ 402.8	$ 360.0
Net income available for common stockholders	$ 316.4	$ 378.1	$ 327.6
PER SHARE			
Income from continuing operations	$ 2.48	$ 2.57	$ 2.28
Discontinued operations	0.39	0.91	0.86
Net income	$ 2.87	$ 3.48	$ 3.14
Cash dividends paid on common stock	$ 1.42	$ 1.34	$ 1.26
AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	110.2	108.7	106.2

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(millions) Years ended December 31	1996	1995	1994
PREFERRED STOCK Balance at January 1	$ 8.1	$ 11.1	$ 13.8
Retirement of preferred stock	(0.5)	(3.0)	(1.3)
Conversion of preferred stock to common stock	(2.1)	--	(1.4)
	5.5	8.1	11.1
COMMON STOCK Balance at January 1	111.4	110.6	70.0
Shares issued for business combinations	0.1	0.8	5.3
Effect of three-for-two stock split	--	--	35.3
Conversion of preferred stock to common stock	2.6	--	--
	114.1	111.4	110.6
PAID-IN ADDITIONAL CAPITAL Balance at January 1	431.8	485.2	605.7
Stock awards	55.2	19.2	10.8
Adjustment for business combinations	2.2	(0.6)	1.9
Retirement and conversion of preferred stock	(13.8)	(72.0)	(97.9)
Effect of three-for-two stock split	--	--	(35.3)
	475.4	431.8	485.2
NET UNREALIZED INVESTMENT GAINS (LOSSES) Balance at January 1	123.1	(142.8)	50.3
Effect of a change in accounting principles at January 1	--	--	148.2
Net unrealized investment gains (losses)	30.0	265.9	(341.3)
	153.1	123.1	(142.8)
NET FOREIGN EXCHANGE GAINS (LOSSES) Balance at January 1	1.8	(19.7)	(61.0)
Net foreign exchange gains (losses)	(0.8)	21.5	41.3
	1.0	1.8	(19.7)
RETAINED EARNINGS Balance at January 1	2,212.1	1,998.1	1,784.9
Net income	335.2	402.8	360.0
Dividends to stockholders	(171.8)	(170.4)	(162.0)
Loss on treasury stock reissued	(16.0)	(21.7)	--
Adjustment for business combinations	(2.4)	3.7	27.6
Retirement of preferred stock	(0.3)	(0.4)	(12.4)
	2,356.8	2,212.1	1,998.1
TREASURY STOCK Balance at January 1	(97.3)	(72.9)	(69.3)
Cost of shares acquired	(66.1)	(71.8)	(26.6)
Shares reissued at average cost	41.9	47.4	73.0
Conversion of common stock to redeemable preferred stock	--	--	(50.0)
	(121.5)	(97.3)	(72.9)
DEFERRED COMPENSATION Balance at January 1	(117.3)	(112.2)	(106.6)
Issuance of stock awards	(56.8)	(21.2)	(18.3)
Debt guarantee of employee stock ownership plan	10.7	8.7	7.0
Amortization of deferred compensation	11.9	7.4	5.7
	(151.5)	(117.3)	(112.2)
STOCKHOLDERS' EQUITY AT DECEMBER 31	$2,832.9	$2,673.7	$2,257.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions) Years ended December 31	1996	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 335.2	$ 402.8	$ 360.0
Adjustments to reconcile net income to cash provided by operating activities			
Policy liabilities	766.7	445.4	298.6
Deferred policy acquisition costs	(213.1)	(410.3)	(414.5)
Amortization of deferred policy acquisition costs	235.6	302.7	276.2
Amortization of intangible assets	79.0	94.2	92.2
Other amortization and depreciation	65.0	63.7	57.3
Other operating assets and liabilities	(887.7)	(284.6)	31.8
Realized investment gains	(5.1)	(4.3)	(5.8)
Gain on sale of discontinued operations	(21.0)	--	--
CASH PROVIDED BY OPERATING ACTIVITIES	354.6	609.6	695.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of short-term investments--net	(65.2)	(126.9)	143.4
Sale or maturity of fixed maturities			
Available for sale--Maturities	135.5	121.2	109.5
Calls and prepayments	204.5	249.5	312.2
Sales	979.7	2,425.8	883.9
Held to maturity -- Maturities	--	3.9	49.2
Calls and prepayments	--	142.0	727.6
Sales	--	3.0	--
Sale of equity investments	636.1	1,215.6	686.5
Sale or maturity of other investments	200.6	265.2	292.7
Purchase of fixed maturities			
Available for sale	(1,843.3)	(3,222.1)	(1,591.2)
Held to maturity	--	--	(734.8)
Purchase of equity investments	(661.3)	(1,131.0)	(805.1)
Purchase of other investments	(302.1)	(362.9)	(336.5)
Acquisition of subsidiaries	(342.2)	(109.6)	(22.0)
Disposition of subsidiaries	1,370.0	--	--
Property and equipment and other	(74.8)	(97.9)	(76.9)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	237.5	(624.2)	(361.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury stock transactions--net	(40.1)	(46.4)	(15.4)
Issuance (repayment) of short-term borrowings--net	(139.2)	108.8	75.3
Issuance of long-term debt	--	20.1	99.7
Repayment of long-term debt	(5.7)	(12.5)	(128.0)
Interest sensitive life, annuity and investment contracts			
Deposits	508.1	1,287.5	1,557.5
Withdrawals	(437.4)	(1,487.6)	(1,362.4)
Retirement of preferred stock	(14.2)	(75.4)	(58.3)
Cash dividends to stockholders	(172.9)	(171.3)	(162.3)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(301.4)	(376.8)	6.1
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4.1	(2.1)	4.6
INCREASE (DECREASE) IN CASH	294.8	(393.5)	345.0
CASH AT BEGINNING OF YEAR	115.3	508.8	163.8
CASH AT END OF YEAR	$ 410.1	$ 115.3	$ 508.8

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.

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, extended warranty and credit products, premiums collected are reported as earned in proportion to insurance protection provided over the period covered by the policies. For life products other than credit, 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. All reinsurance receivables and prepaid reinsurance premium amounts are reported as assets.

SPECIAL CHARGES

In second quarter 1996, Aon recorded a $30 million pretax charge 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 recorded pretax special charges of $60 million primarily related to management's commitment to a formal plan of restructuring Aon's European brokerage operations. 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 Group plc (Bain Hogg). The restructuring charges related to consolidating real estate space are expected to be paid out over several years. Special charges of $12 million for workforce reductions are planned to take place within one year and involve approximately 300 positions. 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.

These charges were reflected in commissions and general expenses in the consolidated statements of income.

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 are computed based on the weighted average number of common and common equivalent shares outstanding during the respective period. Common shares outstanding include 3,013,000 shares, 3,267,000 shares and 3,386,000 shares held by the employee stock ownership plan in 1996, 1995 and 1994, respectively. Common equivalent shares include dilutive stock awards and stock options and, prior to 1995, Series B conversion preferred stock. The 8% cumulative perpetual preferred stock (8% preferred stock), the 6.25% cumulative convertible exchangeable preferred stock (6.25% preferred stock) and the redeemable preferred stock are not considered common equivalent shares. Accordingly, the dividends on the 8%, 6.25% and redeemable preferred stock have been deducted from net income to compute earnings per share. There is no material difference between primary and fully diluted per share amounts. Income available for common stockholders is net of dividends on all preferred stock.

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 of discounts to maturity that are included in net investment income. Included in fixed maturities are investments in collateralized mortgage obligations whose amortized cost is determined using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys. The retrospective adjustment method is used to adjust for prepayment activity. 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. Mortgage loans are carried at amortized cost, net of reserves. Real estate is carried generally at cost less accumulated depreciation. Policy loans are carried at unpaid principal balance. Other long-term 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. Additionally, reserves for mortgage loan losses are based on discounted cash flows using the loan's initial effective interest rate. Reserves for certain other long-term investments are established based on an evaluation of the respective investment portfolio and current economic conditions. Writedowns and changes in reserves are included in realized investment gains and losses in the 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 insurance and renewal rights 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. However, the fair value for fixed maturity and equity securities relating to the discontinued operations were based on the underlying purchase agreements at December 31, 1995. 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. 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 long-term investments are comprised of real estate joint ventures and limited partnerships. It was not practicable to estimate the fair value of other long-term investments 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.

ASSETS AND LIABILITIES HELD UNDER SPECIAL CONTRACTS

Assets held under special contracts principally represent designated funds of group pension, variable life, annuity and unit-linked policyholders. These assets are offset by liabilities that represent such policyholders' equity in those assets. The net investment income generated from these assets is not included in the consolidated statements of income.

FUTURE POLICY BENEFITS, UNEARNED PREMIUMS AND POLICY AND CONTRACT CLAIMS Future policy benefit liabilities on non-universal life-type 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, 1996. Withdrawal assumptions are based principally on insurance subsidiaries' experience and vary by plan, year of issue and duration. Policyholder liabilities on universal life-type 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 and credit 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 of $1 million at December 31, 1996 and 1995.

ACCOUNTING CHANGES

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement No. 123 "Accounting for Stock-

Based Compensation." As allowed by Statement No. 123, Aon has chosen 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. Accordingly, compensation cost for stock options and awards is measured as the excess, if any, of the quoted market price of Aon's stock at the grant date over the amount an employee must pay to acquire the stock. Aon has adopted the disclosure requirements of Statement No. 123. See note 10.

In 1996, Aon adopted FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Implementation of this Statement did not have a material effect on Aon's financial statements.

In 1996, the FASB issued Statement No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This Statement provides accounting and reporting standards for sales, securitization and servicing of receivables and other financial assets and extinguishments of liabilities. The provisions of this Statement are to be applied to transactions occurring after December 31, 1996. Aon anticipates adopting this Statement in its 1997 financial statements as required. Implementation of this Statement is not expected to have a material effect on Aon's financial statements.

Aon adopted FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities" in 1994. On November 15, 1995, the FASB issued a Special Report, "A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities." In accordance with provisions in that Special Report, Aon reclassified $2.9 billion of held to maturity securities, substantially all of which related to discontinued operations, to available for sale.

2. BUSINESS COMBINATIONS

PURCHASE METHOD

In October 1996, Aon acquired Bain Hogg for approximately $260 million. This acquisition was financed by internal funds. The 1996 statement of income included the operations of Bain Hogg since the date of acquisition. The purchase price allocation will be finalized during 1997. Aon's 1996 revenues would have been approximately $260 million greater had the acquisition occurred on January 1, 1996.

In addition, during 1996, 1995 and 1994, subsidiaries of Aon acquired certain insurance brokerage and consulting services operations that were financed primarily by internal funds and the reissuance of common stock from treasury. Pursuant to a 1994 purchase agreement with one of the brokerage operations, Aon is contingently liable through 1999 to issue up to 239,000 additional shares of common stock based on a formula relating to future earnings of that operation. The aggregate cost of these acquisitions, excluding Bain Hogg, was $86 million, $110 million and $22 million in 1996, 1995 and 1994, respectively. The pro forma results of these operations, as if the acquisitions had occurred as of the beginning of the year, have an immaterial effect on Aon's consolidated revenue and net income.

In accordance with a 1992 purchase agreement, securities with a value of $125 million are being held in escrow. The escrowed securities will be released on a pre-determined schedule between 1997 and 2007.

POOLING OF INTERESTS METHOD

In 1996, 1995 and 1994, Aon issued 546,000 shares, 1,404,000 shares and 5,546,000 shares of common stock, respectively, for mergers with insurance brokerage and consulting organizations. In connection with several of the mergers, 700,000 shares are being held in escrow at December 31, 1996, 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.

1997 ACQUISITION

In early 1997, Aon completed its acquisition of Alexander & Alexander Services Inc. (A&A) for a purchase price of approximately $1.2 billion. The acquisition was financed primarily by the issuance of trust preferred capital securities (see note 8), issuance of commercial paper and internal funds. Aon will account for this acquisition as a purchase, and the application of purchase accounting in 1997 will result in a significant increase in intangible assets.

Based on 1995 total insurance services and other revenue, A&A ranked as the world's fourth largest insurance brokerage company.

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 aftertax sales proceeds of approximately $1.2 billion. The gain on sale of discontinued operations was $21 million, net of taxes.

For 1996, 1995 and 1994, the discontinued operations had revenues of $293 million, $1,145 million and $1,116 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, $53 million and $49 million in 1996, 1995 and 1994, 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, $18 million and $14 million in 1996, 1995 and 1994, respectively. The allocation of interest expense was based on the ratio of discontinued net assets to total consolidated equity and debt.

The assets and liabilities after reinvestment of net sales proceeds of discontinued operations included in the consolidated statement of financial position at December 31, 1995 were as follows:

(millions)	
Investments	$5,470
Deferred policy acquisition costs	630
Intangible assets	150
Assets held under special contracts	2,020
Receivables and other assets	260
Total Assets	$8,530
Policy liabilities	$6,170
Liabilities held under special contracts	2,020
General and other liabilities	340
Total Liabilities	$8,530

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

(millions) Years ended December 31	1996	1995	1994
Fixed maturities	$197	$164	$132
Equity securities	61	59	56
Short-term investments	105	86	58
Other	31	28	19
Gross investment income	394	337	265
Investment expenses	10	8	8
Net investment income	$384	$329	$257

Realized gains (losses) on investments are as follows:

(millions) Years ended December 31	1996	1995	1994
Fixed maturities available for sale:			
Gross gains	$13	$ 8	$ 12
Gross losses	(9)	(3)	(4)
Equity securities	12	12	31
Other	(8)	(4)	(20)
Total before tax	8	13	19
Less applicable tax	3	5	7
Total net realized investment gains	$ 5	$ 8	$ 12

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

(millions) Years ended December 31	1996	1995	1994
Fixed maturities	$112	$115	$(158)
Equity securities	128	78	(50)
Deferred tax credit (charge)	(87)	(70)	35
Deferred policy acquisition costs	--	--	30
Net unrealized investment gains (losses)	$153	$123	$(143)

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

(millions) Years ended December 31	1996	1995	1994
Fixed maturities:			
Available for sale	$ (3)	$273	$(403)
Held to maturity	--	234	(351)
Equity securities	50	128	(131)
Total	$47	$635	$(885)

The cumulative effect of the adoption of Statement No. 115 on January 1, 1994, increased stockholders' equity by $148 million (net of adjustments to deferred policy acquisition costs of $14 million and deferred income taxes of $83 million) to reflect the net unrealized fixed maturities holding gains on securities previously carried at amortized cost; there was no effect on net income as a result of the adoption.

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

As of December 31, 1996

(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

As of December 31, 1995

(millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 151	$ 4	$ --	$ 155
States and political subdivisions	444	31	--	475
Foreign governments	798	34	--	832
Corporate securities	4,046	57	(11)	4,092
Mortgage-backed securities	2,033	2	--	2,035
Other fixed maturities	100	1	(3)	98
Total fixed maturities	7,572	129	(14)	7,687
Total equity securities	928	120	(42)	1,006
Total	$8,500	$249	$(56)	$8,693

The amortized cost and fair value of fixed maturities, by contractual maturity, as of December 31, 1996 is 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	$ 111
Due after one year through five years	712	742
Due after five years through ten years	1,119	1,175
Due after ten years	710	733
Mortgage-backed securities	64	65
Total available for sale	$2,714	$2,826

Securities on deposit for regulatory authorities as required by law amounted to $308 million at December 31, 1996 and $320 million at December 31, 1995. As required by the by-laws of Lloyd's brokers, assets subject to floating charges for the benefit of insurance creditors amounted to $853 million and $566 million at December 31, 1996 and 1995, respectively. Aon maintains premium trust bank accounts for premiums collected from insureds but not yet remitted to insurance companies of $580 million and $495 million at December 31, 1996 and 1995, respectively.

At December 31, 1996 and 1995, respectively, Aon had $42 million and $72 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	1996	1995
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

Notes payable, due in varying installments, with interest at 6% to 8% 25 48
Total notes payable $475 $498

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 are $4 million, $14 million, $104 million and $1 million in 1997, 1998, 1999 and 2000, respectively. In addition, Aon has credit agreements providing lines of credit for commercial paper. The available commercial paper back-up lines of credit totaled $335 million at December 31, 1996.

Information related to notes payable and short-term borrowings is as follows:

Years ended December 31	1996	1995	1994
Interest paid (millions)	$45	$54	$44
Weighted average interest rates-- short-term borrowings	5.3%	5.9%	4.5%

Guaranteed Debt
Aon's employee stock ownership plan (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 reflected as debt in the accompanying statements of financial position. An equivalent amount, representing deferred compensation, is recorded as a deduction from stockholders' equity. The ESOP paid $15 million, $14 million and $13 million in 1996, 1995 and 1994, 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. Interest expense incurred by the ESOP related to these loans amounted to $4 million, $5 million and $6 million in 1996, 1995 and 1994, respectively. 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 396,000 shares in 1996. The remaining unallocated shares at December 31, 1996 will be released for allocation annually through early 1999.

The following table details the shares held in the ESOP:

(thousands) As of December 31	1996	1995
Allocated	1,623	1,481
Committed to be released	428	396
Unallocated	962	1,390
Total	3,013	3,267

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, 1996 are:

(millions) Minimum Lease Payments

1997	$ 134
1998	125
1999	118
2000	105
2001	93
Later years	485
Total minimum payments required	$1,060

Rental expenses for all operating leases for the years ended December 31, 1996, 1995 and 1994, amounted to $114 million, $103 million and $93 million, respectively.

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	1996	1995	1994
Statutory tax rate	35.0%	35.0%	35.0%
Tax-exempt investment income	(3.7)	(3.8)	(4.0)
State income taxes	3.5	2.8	2.3
Other--net	(0.3)	(0.3)	(0.9)
Effective tax rate	34.5%	33.7%	32.4%

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

(millions) Years ended December 31	1996	1995	1994
Current:			
Federal	$115	$111	$ 59
Foreign	55	45	62
State	25	20	14
Total current	$195	$176	$135
Deferred (credit):			
Federal	$ (9)	$ (17)	$ 3
Foreign	(31)	(4)	1
State	(1)	(1)	(10)
Total deferred	(41)	(22)	(6)
Provision for income tax	$154	$154	$129

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

(millions) As of December 31	1996	1995
Deferred tax liabilities:		
Policy acquisition costs	$ 65	$298
Unrealized investment gains	87	70
Other--net	99	197
Total deferred tax liabilities	251	565
Deferred tax assets:		
Insurance reserve amounts	140	217
Other--net	94	122
Total deferred tax assets	234	339
Net deferred tax liabilities	$ 17	$226

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, 1996, 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 tax payable would be $127 million.

The amount of income taxes paid in 1996, 1995 and 1994 was $387 million, $256 million and $167 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	1996	1995	1994
Ceded premiums earned	$508	$316	$319
Ceded premiums written	667	369	340
Assumed premiums earned	292	83	91
Assumed premiums written	276	101	99
Ceded benefits to policyholders	220	153	170

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

(millions) Years ended December 31	1996	1995	1994

Liabilities at beginning of year	$ 715	$ 681	$ 686
Incurred losses:			
Continuing operations--current year	830	726	596
Continuing operations--prior year	(92)	(71)	(59)
Discontinued operations	90	361	386
Total	828	1,016	923
Payment of claims:			
Current year	(552)	(651)	(582)
Prior years	(283)	(331)	(346)
Total	(835)	(982)	(928)
Liability for business sold	(173)	--	--
Liabilities at end of year (net of reinsurance recoverables: 1996--$306, 1995--$256, 1994--$263)	$ 535	$ 715	$ 681

8. REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

Redeemable Preferred Stock
In 1994, Aon issued 1,000,000 shares of redeemable preferred stock to a former officer in exchange for 1,500,000 shares of Aon common stock. 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.

8% Cumulative Perpetual Preferred Stock At December 31, 1996, 5,446,000 shares of cumulative 8% perpetual preferred stock are outstanding. In 1996 and 1995, 553,000 shares and 3,001,000 shares were purchased and retired at a total cost of $14 million and $75 million, respectively. Dividends are cumulative at the annual rate of $2.00 per share. At its option, Aon may redeem all or any part of the stock at any time on or after November 1, 1997 at a redemption price of $25.00 per share plus all accrued and unpaid dividends. The holders of the stock have limited voting rights.

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 1.22 shares of common stock for a total of 2,606,000 common shares.

Series B Conversion Preferred Stock
At December 1, 1994, 1,439,000 shares of Series B conversion preferred stock were outstanding and each share of stock was automatically converted, pursuant to the stock's terms, into one and one half shares of common stock issued from treasury. Dividends were cumulative at an annualized rate of $3.04 per share. Aon repurchased 1,210,000 shares of its outstanding stock for $58 million in 1994. These shares were canceled and retired.

Common Stock
Aon repurchased 1,287,000, 1,979,000 and 844,000 shares in 1996, 1995 and 1994, 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	1996	1995	1994
Redeemable preferred stock	$ 2	$ 2	$ 2
8% cumulative perpetual preferred stock	11	16	18
6.25% cumulative convertible exchangeable preferred stock	5	7	7
Series B conversion preferred stock	--	--	6
Common stock	154	145	129
Total dividends incurred	$172	$170	$162

Subsequent Event
In January 1997, Aon created Aon Capital A, a statutory business trust created for the purpose of issuing mandatorily redeemable preferred capital securities (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 acquisition of A&A. 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.

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 through 1995 and the statutory gain on the sale of LOV and UFLIC in 1996), is summarized as follows:

(millions)Years ended December 31	1996	1995	1994
Life insurance	$807	$197	$272
Property casualty	71	58	34

Statutory capital and surplus of the insurance subsidiaries (including LOV and UFLIC at December 31, 1995) is summarized as follows:

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

9. EMPLOYEE BENEFITS

Savings and Profit Sharing Plans
Certain of Aon's subsidiaries maintain a contributory savings plan 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 plan is based on a match of 100% of employee contributions up to a maximum of 3% of eligible compensation. Provisions made for these plans were $14 million, $14 million and $13 million in 1996, 1995 and 1994, respectively.

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 $12 million, $11 million and $9 million in 1996, 1995 and 1994, respectively.

Domestic Pension Plan

Certain of Aon's subsidiaries maintain a non-contributory defined benefit pension plan 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 plan 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 1996, 1995 and 1994 is as follows:

(millions)Years ended December 31	1996	1995	1994
Defined benefit plan:			
Service cost-benefit earned	$ 21	$ 17	$ 21
Interest cost on projected benefit obligation	21	19	17
Actual return on plan assets	(51)	(66)	(3)
Net amortization and deferral	29	44	(18)
Net periodic pension cost	$ 20	$ 14	$ 17

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

Years ended December 31	1996	1995	1994
Assumed discount rate	7.8%	7.5%	8.5%
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. During 1994, the Aon Pension Plan was amended to reduce the maximum amount of compensation that can be considered under the plan as required by law and to provide increases in benefits to current pensioners. Net periodic pension cost for 1994 decreased $2 million as a result of these amendments.

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 plan.

(millions) As of December 31	1996	1995
Actuarial present value of benefit obligations:		
Vested benefit obligation	$255	$218
Accumulated benefit obligation	261	224
Projected benefit obligation	305	286
Plan assets at fair value	317	282
Plan assets greater than (less than) projected benefit obligation	12	(4)
Unrecognized net gain	(63)	(26)
Unrecognized prior service cost	1	2
Pension cost included in other liabilities	$ (50)	$ (28)

Plan assets include marketable equity securities, deposit administration insurance contracts and corporate and government debt securities including securities issued by Aon totaling $35 million and $28 million in 1996 and 1995, respectively. In addition, $186 million of plan assets were held under a special contract with a subsidiary of Aon in 1995.

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	1996	1995	1994
United Kingdom:			
Service cost-benefit earned	$ 11	$ 11	$ 8
Interest cost on projected benefit obligation	17	15	10
Actual loss (return) on plan assets	(28)	(29)	6
Net amortization and deferral	6	11	(20)
Net periodic pension cost	$ 6	$ 8	$ 4
The Netherlands:			
Service cost-benefit earned	$ 4	$ 4	$ 2
Interest cost on projected benefit obligation	9	9	8
Actual return on plan assets	(11)	(11)	(9)
Net amortization and deferral	--	--	1
Net periodic pension cost	$ 2	$ 2	$ 2

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

Years ended December 31	1996	1995	1994
United Kingdom:			
Assumed discount rate	8.0%	9.0%	9.0%
Rate of compensation increase	5.5%	7.0%	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 1996 and 1995 consolidated statements of financial position for Aon's foreign defined benefit pension plans.

United Kingdom:

(millions) As of December 31	1996	1995
Projected benefit obligation	$617	$192
Plan assets at fair value	680	212
Plan assets in excess of projected benefit obligation	63	20
Unrecognized net loss	6	4
Unrecognized prior service cost	1	1
Unrecognized net transition obligation	1	1
Prepaid pension cost included in other assets	$ 71	$ 26

The Netherlands:

(millions) As of December 31	1996	1995
Projected benefit obligation	$136	$140
Plan assets at fair value	165	168
Plan assets in excess of projected benefit obligation	29	28
Unrecognized net loss	18	19
Prepaid pension cost included in other assets	$ 47	$ 47

The funded status and the amounts recognized in the consolidated statements of financial position increased in 1996 as compared to 1995 primarily due to the acquisition of Bain Hogg.

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	1996		1995	
(millions)	Medical	Life	Medical	Life
Accumulated postretirement benefit obligation:				
Retirees	$17	$ 7	$15	$ 8
Fully eligible active plan participants	5	2	8	4
Other active plan participants	7	2	9	2
	29	11	32	14
Unrecognized prior service	16	5	22	6
Unrecognized net gain	20	7	20	5
Accrued postretirement benefit liability	$65	$23	$74	$25

Net periodic postretirement benefit cost includes the following components:

(millions) Years ended December 31	1996	1995	1994
Service cost	$ 1	$ 1	$ 1
Interest cost	3	3	4
Amortization of prior service	(7)	(7)	(6)
Net periodic postretirement benefit credit	$(3)	$(3)	$(1)

For measurement purposes in 1996, 1995 and 1994, a 9.5%, 10.5% and 11.5%, 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.

Increasing the assumed health care cost trend rates by one percentage point would result in no change in the accumulated postretirement benefit obligation (APBO) as of December 31, 1996 because of the 5% cap on future employer funding increases.

Assumptions used in determining the APBO are summarized below:

As of December 31	1996	1995	1994
Weighted-average discount rate	7.8%	7.5%	8.5%
Weighted-average rate of compensation increase	5.0%	5.0%	5.0%

10. STOCK COMPENSATION PLANS

Stock Award Plan In 1994, Aon's stockholders approved an amendment to the Aon Stock Award Plan that increased the aggregate number of common stock that Aon could award to 5,025,000 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	1996	1995	1994
Shares outstanding at beginning of year	2,609	2,169	1,672
Granted	1,195	709	726
Vested and exercised	(265)	(216)	(214)
Canceled	(66)	(53)	(15)
Shares outstanding at end of year	3,473	2,609	2,169

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. 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 adopted the disclosure-only option under Statement No. 123, "Accounting for Stock-Based Compensation," as of December 31, 1996. If the accounting provisions of the new Statement had been adopted as of the beginning of 1996, the effect on both the 1996 and 1995 net income and net income per share would have been immaterial. Further, based on the current and anticipated use of stock options, it is not anticipated that the impact of Statement No. 123's accounting provisions would be material in future periods.

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

Years ended December 31	1996		1995		1994	
(shares in thousands)	Weighted Average Exercise Shares	Price	Shares	Price Range	Shares	Price Range
Beginning outstanding	3,475	$32	3,346	$14-36	2,699	$14-36
Granted (at fair value)	1,023	52	1,086	32-38	1,134	31-36
Exercised	(488)	26	(747)	14-29	(353)	14-26
Canceled	(493)	35	(210)	17-36	(134)	14-36
Ending outstanding	3,517	39	3,475	20-38	3,346	14-36
Exercisable at end of year	310	29	425	20-35	648	14-32
Options available for grant	863		1,450		2,326	

A summary of options outstanding and options exercisable at December 31, 1996 is as follows:

(shares in thousands)	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding As of 12/31/96	Weighted Average Remaining Contractual Life(Years)	Weighted Average Exercise Price	Number Exercisable As of 12/31/96	Weighted Average Exercise Price
$24.50-$33.44	692	2.7	$28.94	235	$26.44
33.96- 33.96	802	4.2	33.96	--	--
34.25- 35.75	746	5.1	35.65	14	34.46
35.83- 48.88	310	3.7	36.77	61	36.00
51.50- 60.25	967	6.3	52.13	--	--
$24.50-$60.25	3,517	4.6	$38.56	310	$28.68

11. FINANCIAL INSTRUMENTS

Financial Risk Management Aon is exposed to market risk from changes in interest rates and foreign currency exchange rates. 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, 1996 and 1995, Aon placed securities in escrow amounting to $13 million and $1 million, respectively, relating to these derivative contracts.

Interest Rate Risk Management

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

Interest rate swap agreements have been used primarily 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, 1996 and 1995, 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.

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 and limits its risk on these written options to a spread by purchasing 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.

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 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. The premium that Aon pays or receives for options (including interest rate caps and floors) represents the cost basis of the option until it expires or is closed. 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.

In January 1997, Aon issued $800 million of 8.205% capital securities (see note
8). To hedge its exposure to rising long-term interest rates associated with the anticipated debt issue, Aon entered into various exchange-traded derivative contracts including treasury futures and options. The hedge was in place from December 1996 until January 1997.

Foreign Exchange Risk Management
Aon uses foreign currency futures, options and forward contracts to hedge against the effects of foreign currency fluctuations on the translation of the financial statements of Aon's

foreign operations. Generally, realized and unrealized gains and losses on those derivatives 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 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. Contracts entered into require no up-front premium and settle at the expiration of the related contract.

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	1996	1995
Interest rate and asset/liability duration management		
Net Eurodollar futures	$1,741	$820
Treasury futures	220	--
Call options	72	--
Interest rate swaps--pay fixed	90	260
Interest rate swaps--receive fixed	85	10
Basis rate swaps--pay and receive variable	90	70
Interest rate management for anticipated transactions		
Treasury futures	100	--
Call options	250	--
Put options	500	--
Interest rate caps	22	72
Foreign currency management--forwards	157	62

During each of the years, 1996, 1995 and 1994, Aon amortized $3 million of net deferred gains relating to derivatives into income. Realized losses related to anticipated transactions were immaterial for the years ended December 31, 1996 and 1995.

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

	Receive Fixed	Pay Variable	Pay Fixed	Receive Variable
1996	5.8-6.8%	5.6%	6.0-9.7%	5.6-6.0%
1995	--	--	7.9-8.3%	5.4%

As of December 31, 1996, the swaps have maturities ranging from May 1997 to December 2026. 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 mature in December 2000 and require payments based on the three month LIBOR index and provide for receipts based on the two-year treasury rate. Eurodollar futures, with maturities ranging from March 1997 to June 2001, effectively convert the variable rate basis swap payments to fixed payments. Other outstanding contracts generally have lives that are 90 days or less.

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, 1996 and 1995 totaled $154 million and $196 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 1997. As of December 31, 1996 and 1995, the maximum commitment contained in these agreements was $1,155 million and $752 million, respectively. Accounts receivable sold in 1996, 1995 and 1994 amounted to $1,726 million, $1,253 million and $1,095 million, respectively. Outstanding receivables of $1,077 million and $687 million, remained to be collected at December 31, 1996 and 1995, respectively. Aon's credit risk relates to amounts that may be due under recourse provisions that could exceed recorded estimates. At December 31, 1996 and 1995, this exposure was approximately $42 million.

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	1996	1995

(millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities and equity securities (note 4)	$3,705	$3,705	$8,693	$8,693
Mortgage loans on real estate	29	29	632	684
Policy loans	58	57	226	223
Cash, receivables, short-term and other long-term investments	6,437	6,437	4,163	4,163
Derivatives*	--	10	1	1
Liabilities:				
Investment type insurance contracts	$ 507	$ 509	$3,666	$3,711
Short-term borrowings, premium payables and commissions and general expenses	5,134	5,134	3,638	3,638
Notes payable	475	478	498	513
Derivatives	--	--	--	24

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

12. LITIGATION 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. 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.

13. 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. Certain reclassifications of prior period segment information have been made to conform to the current period presentation. The segment information located in the tables on pages 18 through 21 is incorporated herein by reference.

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, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in note 4, the Company changed its method of accounting for certain investments in 1994.

/s/ Ernst & Young LLP

Chicago, Illinois
February 11, 1997

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, 1996, 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 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)	1996	1995	1994	1993	1992
INCOME STATEMENT DATA					
Brokerage commissions and fees	$ 1,919	$ 1,651	$ 1,389	$ 1,190	$ 714
Premiums earned	1,527	1,427	1,322	1,278	1,275
Net investment income	384	329	257	227	223
Realized investment gains	8	13	19	30	24
Other income	50	46	54	46	42
Total revenue	3,888	3,466	3,041	2,771	2,278
Income from continuing operations	$ 292	$ 304	$ 269	$ 228	$ 134
Discontinued operations	43	99	91	96	72
Net income	335	403	360	324	127
Operating income from continuing operations*	346	295	256	214	171
PER SHARE DATA					
Income from continuing operations	$ 2.48	$ 2.57	$ 2.28	$ 1.91	$ 1.24
Discontinued operations	0.39	0.91	0.86	0.90	0.69
Net income	2.87	3.48	3.14	2.81	1.17
Operating income from continuing operations*	2.97	2.49	2.16	1.79	1.60
BALANCE SHEET DATA					
ASSETS					
Investments	$ 5,213	$10,639	$ 9,783	$ 9,652	$ 9,088
Brokerage receivables	3,566	2,264	1,882	1,615	1,524
Other	4,944	6,833	6,257	5,012	3,678
Total assets	$13,723	$19,736	$17,922	$16,279	$14,290
LIABILITIES AND STOCKHOLDERS' EQUITY					
Policy liabilities	$ 4,360	$ 9,556	$ 9,310	$ 8,776	$ 7,759
Insurance premiums payable	4,144	2,723	2,409	1,948	1,866
Notes payable	521	554	561	594	556
General liabilities	1,815	4,179	3,335	2,673	2,005
Total liabilities	10,840	17,012	15,615	13,991	12,186
Redeemable preferred stock	50	50	50	--	--
Stockholders' equity	2,833	2,674	2,257	2,288	2,104
Total liabilities and stockholders' equity	$13,723	$19,736	$17,922	$16,279	$14,290
COMMON STOCK DATA					
Dividends paid per share	$ 1.42	$ 1.34	$ 1.26	$ 1.18	$ 1.11
Stockholders' equity per share	24.31	22.77	18.30	18.95	17.48
Price range	643/4-471/2	507/8-313/8	353/4-291/4	39-307/8	36-261/8
Market price at year-end	62.125	49.875	32.000	32.250	36.000
Common stockholders	13,030	13,520	14,163	14,615	14,746
Shares outstanding (in millions)	110.9	108.3	107.7	101.6	100.0

*Operating income from continuing operations excludes aftertax realized investment gains, 1996 special charges of $59 million, a retroactive tax charge in 1993 of $5 million, the 1992 cumulative effect of changes in accounting principles of $80 million, and 1992 special charges of $54 million.

QUARTERLY FINANCIAL DATA

(millions except common stock and per share data)	1Q	2Q	3Q	4Q	1996
INCOME STATEMENT DATA					
Brokerage commissions and fees	$468.0	$445.5	$454.5	$ 550.8	$1,918.8
Premiums earned	378.0	381.3	382.1	385.3	1,526.7
Net investment income	84.7	92.6	92.4	114.3	384.0
Realized investment gains	--	--	3.1	5.0	8.1
Other income	11.4	13.0	12.2	14.0	50.6
Total revenue	942.1	932.4	944.3	1,069.4	3,888.2
Income from continuing operations	96.5	65.3	83.8	46.2	291.8
Discontinued operations	22.4	21.0	--	--	43.4
Net income	118.9	86.3	83.8	46.2	335.2
Operating income from continuing operations*	96.5	84.8	81.8	82.5	345.6
PER SHARE DATA					
Income from continuing operations	$ 0.84	$ 0.55	$ 0.72	$ 0.38	$ 2.48
Discontinued operations	0.20	0.19	--	--	0.39
Net income	1.04	0.74	0.72	0.38	2.87
Operating income from continuing operations*	0.84	0.73	0.70	0.71	2.97
COMMON STOCK DATA					
Dividends paid per share	$ 0.34	$ 0.36	$ 0.36	$ 0.36	$ 1.42
Stockholders' equity per share	22.76	23.15	23.29	24.31	24.31
Price range	553/8-483/4	557/8-497/8	541/2-471/2	643/4-54	643/4-471/2
Average dividend yield	2.6%	2.7%	2.8%	2.4%	2.5%
Shares outstanding (in millions)	108.5	107.9	108.3	110.9	110.9
Average monthly trading volume (in millions)	3.0	4.7	2.3	3.6	3.4

(millions except common stock and per share data)	1Q	2Q	3Q	4Q	1995
Income Statement Data					
Brokerage commissions and fees	$424.6	$400.2	$400.9	$ 425.6	$1,651.3
Premiums earned	335.7	364.7	358.1	368.0	1,426.5
Net investment income	80.9	77.5	86.6	84.4	329.4
Realized investment gains	1.1	(0.6)	8.8	3.8	13.1
Other income	10.9	10.1	11.3	13.1	45.4
Total revenue	853.2	851.9	865.7	894.9	3,465.7
Income from continuing operations	90.5	71.7	77.0	64.5	303.7
Discontinued operations	20.7	27.0	23.0	28.4	99.1
Net income	111.2	98.7	100.0	92.9	402.8
Operating income from continuing operations*	89.8	72.0	71.4	62.0	295.2
Per Share Data					
Income from continuing operations	$ 0.77	$ 0.60	$ 0.66	$ 0.54	$ 2.57
Discontinued operations	0.19	0.25	0.21	0.26	0.91
Net income	0.96	0.85	0.87	0.80	3.48
Operating income from continuing operations*	0.76	0.60	0.61	0.52	2.49
Common Stock Data					
Dividends paid per share	$ 0.32	$ 0.34	$ 0.34	$ 0.34	$ 1.34
Stockholders' equity per share	19.79	21.63	21.89	22.77	22.77
Price range	371/2-313/8	38-355/8	413/4-361/4	507/8-401/2	507/8-313/8
Average dividend yield	3.7%	3.7%	3.4%	3.0%	3.3%
Shares outstanding (in millions)	108.0	107.1	108.0	108.3	108.3
Average monthly trading volume (in millions)	1.4	1.8	2.1	3.1	2.1

*Operating income from continuing operations excludes aftertax realized investment gains of $5 million and $8 million in 1996 and 1995, respectively, and special charges of $19 million and $40 million in second quarter 1996 and fourth quarter 1996, respectively.

Aon Corporation Subsidiaries
As of December 31, 1996

Corporate Name	Jurisdiction
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
AAA Auto Club South Finance, L.P.	Illinois
AAA Missouri Automotive Financial Services	Illinois
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
Acedale Co. Ltd.	Hong Kong
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, 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
Airscope Insurance Services Limited	United Kingdom
Alpenbeck Limited	United Kingdom
American Associates, Inc.	Texas
American Insurance Brokers, Ltd.	Indiana
American National General Agencies, Inc.	Colorado
Anchor Reinsurance Company, Ltd.	Bermuda
Anchor Underwriting Managers, Ltd.	Bermuda
Anscor Insurance Brokers Inc.	Philippines
Aon Advisors (U.K.) Limited	United Kingdom
Aon Advisors, Inc.	Virginia
Aon Antillen nv	Netherland Antilles
Aon Aruba nv	Netherland Antilles
Aon Automotive Group, Inc.	Illinois
Aon Aviation, Inc.	Illinois
Aon Belgium nv	Belgium
Aon Broker Services, Inc.	Illinois
Aon Capital A	Delaware
Aon Capital Corporation	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	Netherland Antilles
Aon Construction Services International Limited	United Kingdom
Aon Consulting & Insurance Services	California
Aon Consulting Denmark A/S	Denmark
Aon Consulting Hong Kong Ltd.	Hong Kong
Aon Consulting Limited	United Kingdom
Aon Consulting Nederland cv	Netherlands
Aon Consulting Pty Limited	Australia
Aon Consulting Thailand Ltd.	Thailand
Aon Consulting Worldwide, Inc.	Delaware
Aon Consulting, Inc.	Florida
Aon Consulting, Inc.	Massachusetts
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, Inc. Agency	Texas
Aon Consulting, Limited Les Consultants Aon, Limitee	Quebec

Aon Denmark A/S	Denmark
Aon Direct Group Small Company Life and Health Agents	Illinois
Aon Direct Group, Inc.	California
Aon Eesti AS	Estland
Aon Employee Benefits of Ohio, Inc.	Ohio
Aon Entertainment Risk Services Limited	United Kingdom
Aon Entertainment, Ltd.	New York
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 GGI Acquisition Corporation, Inc.	Texas
Aon General Agency, Inc.	Texas
Aon Groep Nederland bv	Netherlands
Aon Group, Inc.	Delaware
Aon Hamond & Regine, Inc.	New York
Aon Hazard Limited	United Kingdom
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 Australia Ltd.	Australia
Aon Holdings Deutschland GmbH	Germany
Aon Holdings Limited	United Kingdom
Aon Holdings New Zealand Pty. Ltd.	New Zealand
Aon Holdings bv	Netherlands
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 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 Services	California
Aon Insurance Services, Inc.	Pennsylvania
Aon Intermediaries (Bermuda) Ltd.	Bermuda
Aon International Panama Ltd. S.A.	Panama
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 South Africa (Pty) Ltd.	South Africa
Aon Magyarorszag Alkusz Kft.	Hungary
Aon Managed Care, Inc.	California
Aon Management Hong Kong Ltd.	Hong Kong
Aon Management Institute, Inc.	Connecticut
Aon Medical Consultants, Inc.	Delaware
Aon Nominees Limited	United Kingdom
Aon Norway A/S	Norway
Aon Overseas Holdings Limited	United Kingdom
Aon Partnership Limited	United Kingdom
Aon Polska sp.z.o.o.	Poland
Aon Portugal, Corretores de Seguros, S.A.	Portugal
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 Risk Consultants (Bermuda) Ltd.	Bermuda
Aon Risk Consultants (Europe) Limited	United Kingdom
Aon Risk Consultants, Inc.	Illinois
Aon Risk Management Services Italia srl.	Italy
Aon Risk Management Services Scandinavia A/S	Denmark
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 (Nederland) BV	Netherlands
Aon Risk Services (Nederland) bv	Netherlands
Aon Risk Services (Vermont) Inc.	Vermont
Aon Risk Services Australia Ltd.	Australia
Aon Risk Services Canada Inc.	Canada
Aon Risk Services Companies, Inc.	Delaware
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 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 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 Sigorta Brokerlik ve Musavirlik AS	Turkey
Aon South Africa (Pty) Ltd.	South Africa
Aon Special Risks, Inc.	Illinois
Aon Specialty Denmark A/S	Denmark
Aon Specialty Group of Tennessee, Inc.	Tennessee
Aon Specialty Group, Inc.	Delaware
Aon Specialty Limited	United Kingdom
Aon Superannuation Pty Limited	Australia
Aon Surety & Guarantee Limited	United Kingdom
Aon Sweden AB	Sweden
Aon Technical Insurance Services, Inc.	Illinois
Aon Technology Brokers, Inc.	California
Aon Telecom, Inc.	Illinois
Aon Texas Acquisition Corporation	Texas
Aon UK Limited	United Kingdom
Aon Vietnam	Vietnam
Aon Warranty Group, Inc.	Illinois
Aon Warranty Services, Inc.	Illinois
Aon makelaars in assurantien bv	Netherlands
Aon/Albert G. Ruben Company (New York) Inc.	New York
Aon/Albert G. Ruben Insurance Services, Inc.	California
Artscope Insurance Services Limited	United Kingdom
Artscope International Insurance Services Agency GmbH	Germany
Artscope International Insurance Services Limited	United Kingdom
Artscope International Kunstversicherungsmakler GmbH	Germany
Ascom Nijmegen B.V.	Netherlands
Asia Area Underwriters Ltd.	Hong Kong
Associated Brokers International	Zimbabwe
Assuco Holdings Ltd.	Guernsey
Assurantie Groep Langeveldt c.v.	Netherlands
Atkins Kroll Insurance Inc.	Guam
Attorneys' Advantage Insurance Agency, Inc.	Illinois
Austpac Insurance Brokers Pty. Ltd.	Australia
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.L. Carnie Hogg Robinson Ltd.	United Kingdom
B.V. Assurantiekantoor Langeveldt-Schroder	Netherlands
BEC Insurance Services Ltd.	United Kingdom
BH No. 1 Ltd.	United Kingdom
BRIC, Inc.	North Carolina
Bain Clarkson (HK) Ltd.	Hong Kong
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 PLC	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 Intermediaro de Reaseguro SA de CV	Mexico
Bain Hogg International Holdings Ltd.	United Kingdom
Bain Hogg International Ltd.	Taiwan
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 Inc.	Delaware
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
BenefitsMedia, Inc.	Tennessee
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
Blom & Van der Aa BV	Netherlands
Blom & Van der Aa Holding BV	Netherlands
Boels Begault Holdings S.A.	Belgium
Brennan Group, Inc., The	Delaware
British Continental and Overseas Agencies (BCOA) SA	France
Broadgate Holdings Ltd.	United Kingdom
Bruno Sforni S.p.A.	Italy
Bruns Ten Brink & Co. b.v.	Netherlands
Bruns Ten Brink Groep b.v.	Netherlands
Bruns Ten Brink Herverzekeringen b.v.	Netherlands
Bryson Associates Incorporated	Pennsylvania
Bureau d'Assurances Pirrotte GmbH	Luxembourg
Bureau d'Assurances Pirrotte GmbH & Co. KG	Luxembourg
Burlington Insurance Services Ltd.	United Kingdom
C.I.C. Realty, Inc.	Illinois
C.V. 'T Huys Ter Merwe	Netherlands
CCC Agency, Inc. of Illinois	Illinois
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
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
Camperdown 100 Limited	United Kingdom
Camperdown 101 Limited	United Kingdom
Cananwill Corporation	Delaware
Cananwill, Inc.	California
Cananwill, Inc.	Pennsylvania
Carstens & Schues GmbH	Germany
Carstens & Schues Poland Ltd.	Poland
Catz & Lips B.V.	Netherlands
Centris Services Limited	United Kingdom
Chemical & Oil Insurance Brokers (Pty) Ltd.	South Africa
Christopher Paul Insurance Services Ltd.	United Kingdom
Cinema Completions International, Inc.	Delaware
Citadel Insurance Company	Texas
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
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
Correteje de Reaseguros Bain Hogg Venezolana C.A.	Venezuela
Coughlan General Insurances Limited	Ireland
Credit & Political Insurance Services Ltd.	United Kingdom
Credit & Political Risks Reinsurance Consultants Ltd.	United Kingdom
Credit Indemnity & Financial Services Ltd.	United Kingdom
Credit Insurance Associates Inc.	California
Credit Insurance Research Unit Ltd.	United Kingdom
Credit International Associates Inc.	New York
Crotty MacRedmond Insurance Limited	Ireland
Customer Loyalty Institute	Michigan
D. Hudig & Co. b.v.	Netherlands
DUO A/S	Norway
Dealer Development Services, Ltd.	United Kingdom
Deanborne Limited	United Kingdom
Dobson Park L. G. Limited	Guernsey
Document Risk Management Limited	United Kingdom
Dominion Mutual Insurance Brokers Ltd.	Canada
Don Flower Aviation Underwriters, Inc.	Kansas
Downes & Burke (Special Risks) Ltd.	United Kingdom
Dreadnaught Insurance Company Limited	Bermuda
DuPage Care Administrators, Inc.	Illinois
Duoband Enterprises Ltd.	United Kingdom
E. Lillie & Co. Limited	United Kingdom
ENTAB Insurance Services Ltd.	United Kingdom
ERAS (International) Ltd.	United Kingdom
Eastaf Holdings Ltd.	United Kingdom
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
Entertainment Managers Insurance Services, Inc.	California
Entertainment Managers Insurance Services, Inc.	Ontario
Equiscope Insurance Services Limited	United Kingdom
Ernest A. Notcutt & Co. Ltd.	United Kingdom
Ernest A. Notcutt (Overseas) Ltd.	United Kingdom
Ernest Notcutt Insurance Services Ltd.	United Kingdom
Europa Services Ltd.	Malta
ExcelNet (Guernsey) Ltd.	Guernsey
ExcelNet Ltd.	United Kingdom
Excess Underwriters Agency, Inc.	New York
Expatriate Consultancy Limited, The	United Kingdom
Fabels-Versteeg b.v.	Netherlands
Far East Agency	Korea
Finance Associates, Inc.	Texas
Financial Solutions Insurance Services of California, Inc.	California
Financial Solutions Insurance Services, Inc.	Illinois
France Fenwick Limited	United Kingdom
Frank B. Hall & Co. Holdings (N.Z.) Limited	New Zealand
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 Ireland Ltd.	Ireland
Frank B. Hall Management Services Pty. Ltd.	Australia
Frank B. Hall Re (Latin America) Inc.	Panama
Friis & Company, Inc.	California
G.E.F. Insurance Ltd.	U.S. Virgin Islands
GBV Gesellschaft Fur Betriebliche Beratung und verwaltung GmbH	Germany
Garantie Europeene de Publication S.A.	France
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
Gilman Swire Willis Ltd.	Hong Kong
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

Greville Baylis Parry & Associates Ltd.	United Kingdom
Greyfriars Marketing Services Pty Ltd.	Australia
Growth Enterprises Ltd.	Bahamas
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.	Malaysia
HLS Hudig-Langeveldt Stanner GmbH	Germany
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
Hall & Company (Overseas) Ltd.	United Kingdom
Hall & Company (UK) Ltd.	United Kingdom
Hansa Hoken GmbH Versicherungsmakler	Germany
Hanseatische Assekuranz Kontor GmbH	Germany
Hanseatische Assekuranz Vermittlungs AG	Germany
Harbour Pacific Holdings Pty., Ltd.	Australia
Harbour Pacific Underwriting Management Pty Limited	Australia
Havag Hudig-Langeveldt GmbH	Germany
Heath Hudig Langeveldt Pte Ltd.	Singapore
Heath Hudig Langeveldt Sdn. Bhd.	Malaysia
Heinz Hahn GmbH	Germany
Heli Agency	Korea
Hellenic Bain Hogg S.A.	Greece
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 Illinois Inc.	Illinois
Hogg Robinson Insurance Brokers Inc.	California
Hogg Robinson Investment Holdings (Pty) Ltd.	South Africa
Hogg Robinson North America Inc.	Delaware
Hogg Robinson Services (Kenya) Ltd.	Kenya
Hudig-Langeveldt Berlin GmbH	Germany
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 Merwestad bv	Netherlands
Hudig-Langeveldt Mibrag Versicherungs Vermittlungs GmbH	Germany
Hudig-Langeveldt Pensioenbureau B.V.	Netherlands
Hudig-Langeveldt Reinsurance B.V.	Netherlands
Hudig-Langeveldt Saat B.V.	Netherlands
Hudig-Langeveldt Schreinemacher V.O.F.	Netherlands
Hudig-Langeveldt Schroder Versicherungsvermittlung GmbH	Germany
Huntington T. Block Insurance Agency, Inc.	District of Columbia
Huntington T. Block Insurance Agency, Inc.	Ohio
IRISC (London) Limited	United Kingdom
IRISC L.L.C.	Delaware
IRISC Limited	United Kingdom
IRISC Specialty, Inc.	Delaware
IRISC, Inc.	New Jersey
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 Brokers Pte Ltd.	Singapore
Inchcape Insurance Holdings (HK) Ltd.	Hong Kong
Inchcape Insurances (Macau) Ltd.	Macau
Independent Dealer Services, Inc.	Missouri
Inmobiliaria Ramos Rosada, S.A. de C.V.	Mexico
Insurance Brokers Service, Inc.	Illinois

Insurance Holdings Africa Ltd.	Kenya
Insurance Underwriters Agency, Inc.	Arizona
Insurmark Agency Corporation	Ohio
Interbroke Ltd.	Switzerland
Interims Limited	United Kingdom
International Industrial Insurances Limited	Ireland
International Insurance Brokers Ltd.	Jamaica
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.C.J. Van Dalen Beheer B.V.	Netherlands
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.	Bahamas
JFS (Sudamerica) SA	Uruguay
JFS Fenchurch Limited	United Kingdom
JFS Greig Fester Limited	United Kingdom
James S. Kemper & Co. International Ltd.	Bermuda
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 Scott Insurance Brokers Limited	United Kingdom
Jonny Pape GmbH	Germany
Joseph U. Moore, Inc.	Florida
Jover Prevision Correduria de Seguros	Spain
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 Nevada, Inc.	Nevada
Karl Alt & Co. GmbH	Germany
Keeling & Company	California
Key-Royal Automotive Company, Inc.	Alabama
Kininmonth Limited	Ireland
Kroller Holdings B.V.	Netherlands
L & G LMX Limited	United Kingdom
L & G Seascope Insurance Holdings Limited	United Kingdom
Langeveldt Groep B.V.	Netherlands
Langeveldt de Vos b.v.	Netherlands
Laurila, Kauriala & Grig Ltd.	Russia
Laverack & Haines, Inc.	New York
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 Employee Benefits (Pty) Ltd.	South Africa
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.I.B. Holdings Co. Ltd.	Malta
MAB Insurance Services Ltd.	United Kingdom
MC Brokers Co. Ltd.	Thailand
MacDonagh & Boland (International) Limited	Ireland
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
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
Mayflower National Life Insurance Company	Indiana
Media/Professional Insurance Agency Limited	United Kingdom
Media/Professional Insurance Agency, Inc.	Missouri
Mediterranean Insurance Brokers Ltd.	Malta
Mediterranean Insurance Training Centre	Malta
Minahan Reinsurance Management Limited	United Kingdom
Morency, Weible & Sapa, Inc.	Illinois
Motorists Service Corporation	Delaware
Motorplan Limited	United Kingdom
Muirfield Underwriters, Ltd.	Delaware
NB Life Agents, Inc.	New York
NSU Benefit Corporation	Indiana
National Care Provider Insurance, Inc.	California
National Product Care Company	Illinois
National Sports Underwriters, Inc.	Indiana
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
North Derbyshire Finance Company Limited, The	United Kingdom
Nova Reinsurance Brokers, Inc.	Illinois
OUM & Associates of California, A Corporation	California
OUM & Associates of New York, A Corporation	New York
OUM & Associates of Ohio, A Corporation	Ohio
OUM & Associates, A Corporation	Washington
OUM Risk Consultants, Inc.	Washington

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
OWA Insurance Services GmbH	Germany
Oak Brook Holding, Inc.	Delaware
Oak Brook Life Insurance Company	Arizona
Ohrinsoo Agency	Korea
Olandis Insurance Agency, Inc.	Illinois
Olarescu & B. I. Davis Asesores y Corredores de Seguros S.A.	Peru
Old RHH North, Inc.	California
P M R Re, Inc.	New York
P.I. Consultants Ltd.	Hong Kong
PLCM Group, Inc.	Florida
PLCM Group, Inc.	Illinois
PLCM Group, Inc.	Pennsylvania
PT RNJ Ratna Nusa Jaya	Indonesia
Pacific Wholesale Insurance Brokers Pty Limited	Australia
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
Pinerich Ltd.	Northern Ireland
Poland Puckle Insurance Brokers Ltd.	United Kingdom
Preferred Risk Strategies, A Corporation	Washington
Premier Auto Finance, Inc.	Delaware
Premier Auto Finance, L.P.	Illinois
Product Care, Inc.	Illinois
Production Life Insurance Company	Arizona
Professional Sports Insurance Co. Ltd.	Bermuda
Progressive Ideal Sdn Bhd.	Malaysia
Property Owners Database Limited	United Kingdom
Provider Services, Ltd.	Bermuda
Pyramid Services, Inc.	Connecticut
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
RHH Empreendimentos e Servicos Ltda.	Brazil
RHH Surety & Guarantee Limited	United Kingdom
RIP Services Limited	Guernsey
Resource Insurance Services, Inc.	Indiana
Revasa S.p.A.	Italy
Risk Management Consultants Ltd.	United Kingdom
Rockford Holding, Inc.	Delaware
Rockford Life Insurance Company	Arizona
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 (Singapore) Pte Ltd	Singapore
Rollins Hudig Hall Associates B.V.	Netherlands
Rollins Hudig Hall Ceska Republika spol. s.r.o.	Czech Republic
Rollins Hudig Hall Finance bv	Netherlands
Rollins Hudig Hall Insurance Brokers ZAO	Russia
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 Slovensko spol.s r.o.	Slovak Republic
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
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
S. Mark Brockinton & Associates of Texas, Inc.	Texas
S. Mark Brockinton & Associates, Inc.	Arkansas
SIS Services of New York, Inc.	New York
SLE Worldwide Australia Pty Limited	Australia
SLE Worldwide Canada Brokers, Ltd.	Ontario
SLE Worldwide Limited	United Kingdom
SLE Worldwide Mexico, Agente de Seguros, S.A. de C.V.	Mexico
SLE Worldwide, Inc.	Delaware
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
Saxonbeech Ltd.	United Kingdom
Scarborough & Company, Inc.	Delaware
Scarborough Insurance Agency of Massachusetts, Inc.	Massachusetts
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
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, Inc.	Illinois
Services De Risques Aon Inc.	Canada
Servicios Y Garantias Ryan S.L.	Spain
Sherwood Insurance Services	California
Shoreline Insurance Agency, Inc.	Rhode Island
Simco Insurance Brokers Pte	Singapore
Singer Group, Inc., The	Texas
Singer Plan, Inc.	Delaware
Square One, Inc.	Texas
Steetley Leslie & Godwin Limited	Guernsey
Steeves Lumley Ltd.	Australia
Sterling Life Insurance Company	Arizona
Stichting Employee Fund Aon	Netherlands
Stichting Werknemerscertificaten HLG	Netherlands
Strong Management Services Pty. Ltd.	Australia
Structured Compensation Ltd.	United Kingdom
Subsidiary Corporation, Inc.	Maryland
Sumner & McMillan	United Kingdom
Sumner & McMillan (Ireland)	Ireland
Superannuation Fund (CICNZ) Limited	New Zealand
Surety & Guarantee Consultants Limited	United Kingdom
Surveyors Claims Services Ltd.	United Kingdom
Swaziland Corporate Risk Management (Pty) Ltd.	Swaziland
Swaziland Employee Benefit Consultants (Pty) Ltd.	Swaziland
Swaziland Reinsurance Brokers (Pty) Ltd.	Swaziland
TREV Properties Corporation	Delaware
TTF Insurance Services Ltd.	United Kingdom
Tabma-Hall Insurance Services Pty. Limited	Australia
Tethercrest Ltd.	United Kingdom
Texecur Versicherungs Vermittlungs GmbH	Germany
The Auto Leasing Corporation	Delaware
The Credit Insurance Association France SA	France
The Credit Insurance Association Ltd.	United Kingdom
U.S. Rating Bureau, Inc.	Delaware
Underwriters Marine Services Limited	United Kingdom
Underwriters Marine Services of Texas, Inc.	Texas
Underwriters Marine Services, Inc.	Louisiana
United Car & Van Rental Ltd.	United Kingdom
VOL Mortgage Corporation	Delaware
VOL Properties Corporation	Delaware
Varity Risk Management Services Ltd.	United Kingdom
Verum-HLG B.V.	Netherlands
Vesselforward Ltd.	United Kingdom
Virginia Surety Company, Inc.	Illinois
WACUS Kreditversicherungsmakler GmbH	Austria
WACUS Magyarorszag Hitelbitzositasi Tanacsado es Kozvetito Kit	Hungary
WAS Betriebsfuhrungs-GmbH	Germany

Wacus/Hudig-Langeveldt GmbH	Germany
Wacus/Hudig-Langeveldt Kreditversicherungsmakler und Beratungs GmbH & Co.	Germany
Wacus/Hudig-Langeveldt, Kreditversicherungsmakler und Beratungs	Germany
Wesselhoeft Ahlers & Schues oHG	Germany
Wexford Underwriting Managers, Inc.	Delaware
Whitehouse Moorman Holdings Ltd.	United Kingdom
Wilfredo Armstrong S.A.	Argentina
Willis Corroon (PVT) Ltd.	Zimbabwe
Worldwide Insurance Network Limited	United Kingdom
Worldwide Integrated Services Company	Texas
XB-Lumley Insurance Brokers (Pty) Ltd.	South Africa

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 11, 1997, included in the 1996 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 11, 1997 (except for Note 5 to Schedule II, as to which the date is March 21, 1997), 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. As discussed in Note 4 to the consolidated financial statements in the 1996 Annual Report to Stockholders of Aon Corporation, the Company changed its method of accounting for certain investments in 1994.

We also consent to the incorporation by reference in the Registration Statements pertaining to the employer's stock option and savings plans (Form S-8 Nos. 33-27984, 33-42575 and 33-59037), the right to offer preferred stock (Form S-3 No. 33-57562) of Aon Corporation and the offer to exchange Capital Securities (Form S-4 No. 333-21237) of Aon Capital A of our report dated February 11, 1997, 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, 1997

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 1996	
PERIOD START	JAN 01 1996	
PERIOD END	DEC 31 1996	
DEBT HELD FOR SALE	2,826	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	879	
MORTGAGE	29	
REAL ESTATE	18	
TOTAL INVEST	5,213	
CASH	410	
RECOVER REINSURE	35	
DEFERRED ACQUISITION	599	
TOTAL ASSETS	13,723	
POLICY LOSSES	1,080	
UNEARNED PREMIUMS	1,925	
POLICY OTHER	841	
POLICY HOLDER FUNDS	514	
NOTES PAYABLE	735	[1]
PREFERRED MANDATORY	50	
PREFERRED	6	[3]
COMMON	114	[2]
OTHER SE	2,713	
TOTAL LIABILITY AND EQUITY	13,723	
PREMIUMS	1,527	
INVESTMENT INCOME	384	
INVESTMENT GAINS	8	
OTHER INCOME	1,969	[4]
BENEFITS	790	
UNDERWRITING AMORTIZATION	208	
UNDERWRITING OTHER	2,445	
INCOME PRETAX	446	
INCOME TAX	154	
INCOME CONTINUING	292	
DISCONTINUED	43	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	335	
EPS PRIMARY	2.87	
EPS DILUTED	2.87	
RESERVE OPEN	715	
PROVISION CURRENT	920	[5]
PROVISION PRIOR	(92) [5]	
PAYMENTS CURRENT	725	[6]
PAYMENTS PRIOR	283	
RESERVE CLOSE	535	
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] Includes discontinued operations.

[6] Includes liability for business sold of $173 million.

End of Filing