

# AON PLC

## FORM 10-K (Annual Report)

Filed 03/26/03 for the Period Ending 12/31/02

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

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2002

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.)

**200 E. RANDOLPH STREET,  
CHICAGO, ILLINOIS**  
(Address of Principal Executive Offices)

(312) 381-1000  
(Telephone Number)

**60601**

(Zip Code)

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

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

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

YES  NO

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

YES  NO

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

YES  NO

Aggregate market value of common stock held by non-affiliates of the Registrant as of June 28, 2002 was \$7,201,145,049.

Number of shares of common stock outstanding as of February 28, 2003 was 311,518,091.

**Documents From Which Information is Incorporated By Reference:**

Proxy Statement and 2002 Annual Financial and General Information Report for the Annual Meeting of Stockholders on May 16, 2003  
(Part III)

---

---

---

**PART I**

**Item 1. Business.**

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

The Insurance Brokerage and Other Services segment consists principally of Aon's retail, reinsurance and wholesale brokerage, as well as related insurance services, including claims services, underwriting management, captive insurance company management services and premium financing. These services are provided by certain indirect subsidiaries of the Registrant, including: Aon Risk Services Companies, Inc.; Aon Holdings International bv; Aon Services Group, Inc.; Aon Re Worldwide, Inc.; Aon Limited (U.K.); and Cananwill, Inc., which are subsidiaries of Aon Group, Inc. (Aon Group).

The Consulting segment provides a full range of human capital management services utilizing five practices: employee benefits; compensation; management consulting; outsourcing; and communications. These services are provided primarily by subsidiaries and affiliates of Aon Consulting Worldwide, Inc., which is also a subsidiary of Aon Group.

Aon's Insurance Underwriting segment is comprised of supplemental accident and health and life insurance and extended warranty and casualty insurance products and services. Combined Insurance Company of America ("Combined Insurance") engages in the marketing and underwriting of accident and health and life insurance products. Combined Specialty Insurance Company (formerly known as Virginia Surety Company, Inc.) and London General Insurance Company Limited offer extended warranty and casualty insurance products and services.

In November 2000, the Registrant announced a business transformation plan, which began in fourth quarter 2000 and was completed in 2002. The transformation plan affected each operating segment; however, most changes affected the largest operating segment, Insurance Brokerage and Other Services, and occurred in the major countries of operation, the U.S. and the United Kingdom.

In April 2001, the Registrant announced a plan to spin off its insurance underwriting businesses to Aon's common stockholders, to create two independent, publicly-traded companies. In August 2002, the Company announced that it was no longer planning to spin off all of the underwriting businesses, but was considering a sale or partial spin-off. At that time, a sale of all or part of the underwriting operations, at an acceptable price, was believed to be achievable within a reasonable timeframe, especially given unsolicited buying interest in the past. While the Registrant received indications of interest in the underwriting businesses, none were in an acceptable price range due to the unfavorable mergers and acquisitions environment resulting from volatile capital markets. Proceeds from a sale of such businesses would have allowed Aon to pay down short-term debt, but would have resulted in unacceptable earnings dilution. A spin-off of part of the underwriting operations was determined to be impractical due to capital requirements. Therefore, on October 31, 2002, the Registrant announced that it had decided not to sell, or spin off, its major underwriting subsidiaries. In fourth quarter 2002, the Registrant announced its plans to sell Sheffield Insurance Corporation, a small property-casualty company, which was completed in first quarter 2003. In February 2003, the Registrant announced that it would be discontinuing its accident and health insurance underwriting operations in Mexico, Argentina and Brazil, as well as its large company group life business in the U.S. The Registrant will pursue a "back to basics" strategy in the accident and health insurance business, where the focus will be on core products and regions with the best returns on investments.

During 2002, the Registrant incurred approximately \$50 million of expenses related to the planned divestiture of its insurance underwriting businesses which included costs related to the expanded

corporate and underwriting staff that was added in contemplation of the divestiture. These costs, recorded primarily in general expenses in the consolidated statements of income, represent staff buildup and severance costs, corporate overhead and advisory fees and other costs tied to the specialty property and casualty underwriting initiatives which will not be pursued.

In November 2002, the Registrant completed a public offering of 36.8 million shares of its common stock, raising net proceeds of approximately \$607 million. The offering was made pursuant to an existing shelf registration statement. Also in November 2002, the Registrant completed a separate private offering of \$300 million aggregate principal amount of 3.5% senior convertible debentures due 2012. Net proceeds from this offering were approximately \$296 million. The debentures are unsecured obligations and, under certain circumstances, are convertible into common stock at an initial conversion price of approximately \$21.475 per common share. The debentures were sold to qualified institutional buyers. In January 2003, the Registrant filed a registration statement with the Securities and Exchange Commission to register the resale of the debentures. In December 2002, the Registrant completed a private offering of \$225 million aggregate principal amount of 7.375% senior notes due 2012. Net proceeds from this offering were approximately \$223 million. The notes were sold to qualified institutional buyers. The Registrant used the net proceeds from these offerings to repay outstanding commercial paper and other short-term debt, to partially repurchase certain debt securities that were due in 2003 and 2004 and to repurchase \$98 million of the Registrant's 8.205% Mandatorily Redeemable Preferred Capital Securities. In January 2003, a portion of the remaining funds were utilized to repay \$150 million of maturing LIBOR + 1% debt securities.

The Registrant hereby incorporates by reference note 5, "Business Transformation Plan," and note 16, "Segment Information," of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report, as well as information under the heading "Review by Segments" in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this report.

## **Competition and Industry Position**

### **(1) Insurance Brokerage and Other Services**

*Aon Group, Inc.; Aon Risk Services Companies, Inc.; Aon Limited (U.K.); Aon Holdings International bv; Aon Services Group, Inc.; Aon Re Worldwide, Inc.; Cananwill, Inc; and Premier Auto Finance, Inc.*

These companies conduct the Registrant's brokerage and consulting operations, and have approximately 600 offices around the world in more than 125 countries and sovereignties. In 2002, those companies employed over 44,000 professionals and support personnel to serve the diverse needs of clients.

Our retail brokerage companies 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. The companies provide a broad spectrum of advisory and outsourcing services including risk identification and assessment, alternative risk financing, safety engineering, loss management and program administration for clients. They also design, place and implement customized insurance products. They have also developed certain specialist areas such as marine, aviation, directors' and officers' and professional liability, financial institutions, construction, energy, media, healthcare and entertainment. In 2002, investments were made in professional talent, technology, process improvement and the development of specialized products and services to meet the evolving needs of clients. These companies operate through offices located in North America, Europe, Latin America, Africa, Australia and Asia/Pacific.

---

The companies address the highly specialized product development, consulting and administrative risk management needs of professional groups, service businesses, governments, healthcare providers and commercial organizations. They also provide underwriting management skills, claims and risk management expertise and third-party administration services to insurance companies, and insurance brokerage services for individuals. They market and broker both the primary and reinsurance risks of these programs. For individuals, associations and businesses, affinity products are brokered for professional liability, life, disability income and personal lines.

Aon's reinsurance brokerage activities are organized primarily under Aon Re in the U.S. and Aon Limited in the United Kingdom, constituting the largest reinsurance broker in the world and offering sophisticated advisory services in program design that enhance the risk/return characteristics of insurance policy portfolios and improve capital utilization, along with the evaluation of catastrophic loss exposures.

Premium-related financing services are available to clients of Aon and other independent organizations through Cananwill. Certain retail automotive organizations have also been provided a service which purchases a select amount of their auto financing and leasing contracts from individuals and sells them to unaffiliated parties through companies associated with Premier Auto Finance, Inc., a subsidiary of Aon Group, Inc., which then continue the management of collections on the contracts and provide other related services. After March 2001, companies associated with Premier Auto Finance ceased purchasing and securitizing new automobile installment contracts, but continue to service the existing portfolio, which is in run-off.

### **(2) Consulting**

Aon Consulting Worldwide, Inc., is one of the world's largest integrated human capital consulting organizations. The operations of this segment provide a full range of human capital management services that serve three major client segments—large corporations, middle market companies and small firms.

Around the world, companies have to find advanced ways to attract and retain workers with the right skill levels and commitments. Aon Consulting, with its expertise in employee benefits, compensation, management consulting, outsourcing and communication, and its access to the Registrant's other subsidiaries, is well-positioned to serve this market. Aon Consulting subsidiaries offer services including construction and implementation of benefit packages, proprietary research on employee commitment and loyalty; compensation design; assistance in process improvement and design, leadership, organization and human capital development; employment processing, performance improvement, benefits administration and other employment services; and advice to companies on initiatives to support their corporate vision.

The acquisitions of ASI Solutions, Inc. and Actuarial Sciences Associates, Inc. expanded the Registrant's ability to provide outsourcing services to a broad spectrum of large corporate clients. In third quarter 2002, Aon entered into a sizeable new outsourcing contract that is expected to provide favorable returns over the life of the multi-year agreement. The recognition of revenues and expenses, however, will significantly influence financial results over the contract period. Revenues are recorded on a gross basis, inclusive of amounts ultimately passed through to subcontractors, and are recorded ratably over the life of the contract. Also, up-front investment costs to support the new business cause pretax margins to be significantly lower in the early years of the multi-year contract, compared with the later years when margins increase. A significant portion of the up-front investment costs incurred for the new outsourcing contracts can be leveraged to handle increased business volume.

---

### **(3) Insurance Underwriting**

*Combined Insurance Company of America; Combined Life Insurance Company of New York ("CLICNY"); Combined Specialty Insurance Company ("CSIC"); London General Insurance Company Limited; Sterling Life Insurance Company; and Aon Warranty Group, Inc..*

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

The supplemental accident and health and life distribution network encompasses primarily the agents of Combined Insurance and CLICNY (which operates exclusively in the State of New York). Combined Insurance, the Registrant's principal accident and health and life insurer, has a sales force of 7,500 career agents calling on individuals to sell a broad spectrum of low premium, low limit accident and health products. In addition, it has developed relationships with select brokers and consultants to reach specific niche markets. Combined Insurance offers a wide range of accident, sickness, short-term disability and other supplemental insurance products including a simplified accident and sickness long-term disability policy. Most of Combined Insurance's products are primarily fixed-indemnity obligations, thereby not subject to escalating medical costs. In recent years, Combined Insurance expanded its product distribution to include direct response programs, affinity groups and worksite marketing, creating access to new markets and potential new policyholders. We also specialize in healthcare plans for Medicare beneficiaries. Medicare supplement insurance covers expenses not covered by Medicare such as deductibles and co-payments. In 2000, we became the first private insurer to contract with the Health Care Financing Administration (HCFA) for a Medicare Plus Choice Private Fee for Service Plan. Combined Insurance's business is conducted in the United States, Canada, Latin America, Europe and Asia/Pacific. However, in early 2003, Combined Insurance announced that it will discontinue its accident and health insurance underwriting businesses in Mexico, Argentina and Brazil, as well as its large company group life business.

The Registrant's extended warranty and casualty insurance business, conducted by CSIC, its branches and subsidiaries in North America, South America and Asia/Pacific and London General in Europe, provides warranties on automobiles and a variety of consumer goods, including electronics and appliances. In addition, these subsidiaries provide non-structural home warranties and other warranty products, such as credit card enhancements and affinity warranty programs. CSIC and London General are among the world's largest underwriters of consumer extended warranties. The extended warranty products are sold in the United States, Canada, Latin America, Europe and Asia/Pacific. The administration of certain warranty services on automobiles, electronic goods, personal computers and appliances is handled by certain operations in the Insurance Brokerage and Other Services segment.

In 2001, the Registrant's underwriting business invested \$227 million to obtain an ownership interest in Endurance Specialty Insurance, Ltd., which offers property and casualty insurance and reinsurance on a worldwide basis. The investment will help provide much needed underwriting capacity to commercial firms and insurance and reinsurance customers.

### **(4) Discontinued Operations**

The Registrant hereby incorporates by reference note 6, "Discontinued Operations," of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

---

## Licensing and Regulation

Regulatory authorities in the states or countries 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 in the U.S. and of most foreign countries, regulatory authorities have relatively broad discretion with respect to granting, renewing and revoking brokers' and agents' licenses to transact business in the state or country. The manner of operating in particular states and countries may vary according to the licensing requirements of the particular state or country, which may require, among other things, that a firm operate in the state or country through a local corporation. In a few states and countries, 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 or country.

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 U.S., by the Financial Services Authority 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 U.S. utilize statutory accounting principles which are different from accounting principles generally accepted in the U.S. The statutory accounting principles, in keeping with the intent to assure the protection of policyholders are based, in general, on a liquidation concept, while accounting principles generally accepted in the U.S. are based on a going-concern concept.

The state insurance regulators are members of the National Association of Insurance Commissioners ("NAIC"). The NAIC 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 and their conduct in the marketplace. 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. Effective January 1, 2001, the NAIC revised its Accounting Practices and Procedures Manual in a process referred to as Codification. The domiciliary states of Aon's major insurance subsidiaries have adopted the provisions of the revised manual. The revised manual has changed, to some extent, prescribed statutory accounting practices and resulted in changes to the accounting practices that Aon's major insurance subsidiaries use to prepare their statutory-basis financial statements.

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 capital levels that may require regulatory attention.

The state insurance holding company laws require prior notice to and approval of the domestic state insurance department of certain 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, 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.

---

Recent federal and state laws and proposals mandating specific practices by medical insurers and the health care industry will not, because of the nature of the business of the Registrant's subsidiaries, materially affect the Registrant. Numerous states have had legislation introduced to reform the health care system, and such legislation has passed in several states. While it is impossible to forecast the precise nature of future federal and state health care changes, because most of the policies issued by the Registrant's insurance subsidiaries are supplemental in nature and provide, on a fixed-indemnity basis, protection against loss-of-time or disability benefits, the Registrant does not expect such legislation to have a material impact on its operations. Congress has passed the Financial Services Modernization Act, commonly known as S 900 or the Gramm-Leach-Bliley Act. While S 900 makes substantial changes in allowing financial organizations to diversify, the Registrant does not believe its enactment will have a material effect on the business of its insurance subsidiaries.

## 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 or its operating segments.

## Employees

At December 31, 2002, the Registrant had approximately 55,000 employees, of whom approximately 51,000 are salaried and hourly employees and the remaining 4,000 are career agents who are generally compensated wholly or primarily by commission. In addition, there were approximately 3,500 international career agents who are considered independent contractors and are not employees of the Registrant. Of the total number of employees, 26,000 work in the U.S.

## Website Access to Reports

The Registrant's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are made available free of charge through the Registrant's website (<http://www.aon.com>) as soon as practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

## Item 2. Properties.

The business activities of the Registrant and its subsidiaries are conducted principally in leased office space in cities throughout the world. The Registrant's subsidiaries do own and occupy office buildings in five states and certain foreign countries. In general, no difficulty is anticipated in negotiating renewals as leases expire or in finding other satisfactory space if the premises become unavailable. In certain circumstances, the Registrant may have unused space and may seek to sublet such space to third parties, depending upon the demands for office space in the locations involved.

## Item 3. Legal Proceedings.

The Registrant hereby incorporates by reference note 15, "Contingencies," of the Notes to Consolidated Financial Statements in Part II, Item 8 of this 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. With the exception of David P. Bolger, who joined the Registrant on January 9, 2003, the executive officers of the Registrant were elected to their current positions on April 19, 2002. Each of the executive officers of the Registrant will serve until the meeting of the Board following the annual meeting of stockholders on May 16, 2003. Ages shown for executive officers are as of December 31, 2002.

For information concerning certain executive officers of the Registrant, see Item 10 of this report. As of March 1, 2003, the following individuals were 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, 66 Executive Vice President and Chief Financial Officer	1972	Mr. Medvin became Vice President and Chief Financial Officer of the Registrant in 1982 and was elected to his current position in 1987. Mr. Medvin will retire as Chief Financial Officer in April 2003. He also serves as a Director or officer of certain of the Registrant's subsidiaries.
David P. Bolger, 45 Executive Vice President	2003	Mr. Bolger became Executive Vice President—Finance and Administration of the Registrant in January 2003. In April 2003, Mr. Bolger will assume the additional position of Chief Financial Officer succeeding Mr. Medvin in that position. Mr. Bolger was Executive Vice President of Bank One Corporation from 1999 to 2001. From 1996 to 1999, Mr. Bolger served as President and Chief Executive Officer of American National Bank.

## PART II

### Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

The Registrant's common stock, par value \$1.00 per share, is traded on the New York Stock Exchange. The Registrant hereby incorporates by reference the "Dividends paid per share" and "Price range" data under the heading "Quarterly Financial Data" in Part II, Item 8 of this report.

The Registrant had approximately 11,350 holders of record of its common stock as of February 28, 2003.

The Registrant hereby incorporates by reference note 11, "Redeemable Preferred Stock, Capital Securities and Stockholders' Equity", of the Notes to Consolidated Financial Statements in Part II, Item 8 of this report.

### Item 6. Selected Financial Data.

	2002	2001	2000	1999	1998
(millions except common stock and per share data)					
<b>INCOME STATEMENT DATA(1)</b>					
Brokerage commissions and fees	\$ 6,202	\$ 5,436	\$ 4,946	\$ 4,639	\$ 4,197
Premiums and other	2,368	2,027	1,921	1,854	1,706
Investment income	252	213	508	577	590
<b>Total revenue</b>	<b>\$ 8,822</b>	<b>\$ 7,676</b>	<b>\$ 7,375</b>	<b>\$ 7,070</b>	<b>\$ 6,493</b>
Income before accounting change	\$ 466	\$ 147	\$ 481	\$ 352	\$ 541
Cumulative effect of change in accounting principle(2)	—	—	(7)	—	—
<b>Net income</b>	<b>\$ 466</b>	<b>\$ 147</b>	<b>\$ 474</b>	<b>\$ 352</b>	<b>\$ 541</b>
<b>DILUTIVE PER SHARE DATA(1)</b>					
Income before accounting change	\$ 1.64	\$ 0.53	\$ 1.82	\$ 1.33	\$ 2.07
Cumulative effect of change in accounting principle(2)	—	—	(0.03)	—	—
<b>Net income</b>	<b>\$ 1.64</b>	<b>\$ 0.53</b>	<b>\$ 1.79</b>	<b>\$ 1.33</b>	<b>\$ 2.07</b>
<b>BASIC PER SHARE DATA(1)</b>	<b>\$ 1.65</b>	<b>\$ 0.54</b>	<b>\$ 1.81</b>	<b>\$ 1.35</b>	<b>\$ 2.11</b>
<b>BALANCE SHEET DATA</b>					
<b>ASSETS</b>					
Investments	\$ 6,587	\$ 6,146	\$ 6,019	\$ 6,184	\$ 6,452
Brokerage and consulting receivables	8,430	7,033	6,952	6,230	5,423
Intangible assets	4,324	4,084	3,916	3,862	3,500
Other	5,993	5,067	5,364	4,856	4,313
<b>Total assets</b>	<b>\$ 25,334</b>	<b>\$ 22,330</b>	<b>\$ 22,251</b>	<b>\$ 21,132</b>	<b>\$ 19,688</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Insurance premiums payable	\$ 9,904	\$ 8,233	\$ 8,212	\$ 7,643	\$ 6,948

Policy liabilities	<b>5,310</b>	4,990	4,977	5,106	4,823
Notes payable	<b>1,671</b>	1,694	1,798	1,611	1,423
General liabilities	<b>3,802</b>	3,098	3,026	2,871	2,627
Total liabilities	<b>20,687</b>	18,015	18,013	17,231	15,821
Redeemable preferred stock	<b>50</b>	50	50	50	50
Capital securities	<b>702</b>	800	800	800	800
Stockholders' equity	<b>3,895</b>	3,465	3,388	3,051	3,017
Total liabilities and stockholders' equity	<b>\$ 25,334</b>	\$ 22,330	\$ 22,251	\$ 21,132	\$ 19,688

#### COMMON STOCK DATA

Dividends paid per share	<b>\$ 0.825</b>	\$ 0.895	\$ 0.87	\$ 0.82	\$ 0.73
Stockholders' equity per share	<b>12.56</b>	12.82	13.02	11.91	11.83
Price range	<b>39.63-13.50</b>	44.80-29.75	42 <sup>3</sup> / <sub>4</sub> -20 <sup>11</sup> / <sub>16</sub>	46 <sup>2</sup> / <sub>3</sub> -26 <sup>1</sup> / <sub>16</sub>	50 <sup>3</sup> / <sub>8</sub> -32 <sup>3</sup> / <sub>16</sub>
Market price at year-end	<b>18.890</b>	35.520	34.250	40.000	36.917
Common stockholders	<b>11,419</b>	13,273	13,687	13,757	12,294
Shares outstanding (in millions)	<b>310.2</b>	270.2	260.3	256.1	255.0

- (1) In the first quarter of 2002, Aon adopted FASB Statement No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002. Beginning in 2002, amortization of goodwill is no longer included in net income. (See note 2 to the consolidated financial statements).
- (2) Adoption of SEC Staff Accounting Bulletin 101, effective January 1, 2000, net of tax.

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

### Overview

This Management's Discussion and Analysis is divided into seven sections. In the first section, "Key Recent Events," we describe five items that significantly affected our results of operations and our financial condition during the periods covered by the financial statements included in this report. In the second section, "Critical Accounting Policies and Estimates," we discuss certain accounting judgments that are important to understanding our financial statements. With the information from those first two sections providing important background, we then proceed with the sections providing year-to-year comparisons of our results on a consolidated basis and on a segment basis. These sections are designated by the captions "Review of Consolidated Results" and "Review by Segments," respectively. "Financial Condition and Liquidity," covers several items including disclosures related to the statement of financial position and information on special purpose entities. The "Risks and Outlook" section addresses the issues and factors that can influence future results. The final section, "Recent Developments," covers items that have occurred since February 12, 2003.

More specifically, this Management's Discussion and Analysis is organized using the following outline:

#### KEY RECENT EVENTS

- Business Transformation Plan
- World Trade Center Tragedy
- Previously Planned Divestiture of Insurance Underwriting Businesses and Discontinuance of Certain Operations
- SEC Comment Letter (Division of Corporation Finance)
- Capital Enhancement Actions

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

- Pensions
- Contingencies
- Policy Liabilities

## REVIEW OF CONSOLIDATED RESULTS

General  
Financial Overview of 2002  
Summary Results for 2000 through 2002  
Consolidated Results for 2002 Compared to 2001  
Consolidated Results for Fourth Quarter 2002 Compared to Fourth Quarter 2001  
Consolidated Results for 2001 Compared to 2000

## REVIEW BY SEGMENT

General  
Insurance Brokerage and Other Services  
Consulting  
Insurance Underwriting  
Corporate and Other  
Discontinued Operations

## FINANCIAL CONDITION AND LIQUIDITY

Liquidity  
Financial Condition

11

---

Capital Resources  
Special Purpose Entities  
Investments

## RISKS AND OUTLOOK

Risks Related to Our Business and the Insurance Industry  
Information Concerning Forward-looking Statements

## RECENT DEVELOPMENTS

### KEY RECENT EVENTS

#### Business Transformation Plan

In fourth quarter 2000, after final approval by its Board of Directors, Aon began a comprehensive business transformation plan designed to:

- enhance client service
- improve productivity through process redesign
- accelerate revenue growth.

Most plan costs relate to the Insurance Brokerage and Other Services segment, principally in the U.S. and the United Kingdom, where most of our offices and employees are located.

#### *Status of business transformation plan implementation*

We have implemented the business transformation plan, which has delivered many, but not all of the expected benefits. In U.S. retail brokerage, the plan entailed extensive process redesign following the rollout of a new policy management and accounting system (completed in 2000), and substantial job redesign based on functional expertise and the creation of four new client service centers. There were delays, revenue disruptions and expense additions in this area.

The unexpected delays in implementing some aspects of the plan were due to:

- challenges in handling higher volumes of information transfers between field operations and the service centers

- the destruction of our largest and most advanced service center in the World Trade Center.

These delays negatively impacted new business production, as our attention was diverted from generating new accounts to completing client conversions and maintaining service to our New York region clients from our offices throughout the U.S.

In addition, expenses were higher than expected, due in part to:

- additional temporary employee expense necessary to complete the account conversions to the service centers
- increased compensation for certain brokerage employees
- the hiring of employees with specialized skills.

In addition, in the aftermath of the World Trade Center tragedy, the dynamics of the insurance marketplace have changed, increasing time requirements and expense for handling certain job functions.

The table below summarizes our business transformation costs by calendar year and provides a breakdown of pretax expenses.

	2002	2001	2000	Plan Total
	(millions except per share and employee data)			
<b>Business Transformation Costs</b>				
Pretax expense (credit)	\$ (6)	\$ 218	\$ 82	\$ 294
After-tax expense (credit)	(4)	133	50	179
Dilutive earnings per share loss (credit)	(0.01)	0.49	0.19	0.67
<b>Pretax Expense (Credit) by Type:</b>				
<b>Termination Benefits</b>	\$ (6)	\$ 109	\$ 54	\$ 157
<i>Approximate No. of employees(1)</i>	(200)	3,150	750	3,700
<b>Exit Costs, Impairments and Other Expenses</b>	—	109	28	137
Abandoned real estate or equipment losses	—	10	2	12
Impairment of fixed assets	—	10	20	30
Obligations related to automobile dealer partnerships	—	44	—	44
Exit of certain joint venture operations	—	12	—	12
Litigation matters and discontinuance of A&H business in one state	—	14	—	14
Commission receivable write-off	—	5	—	5
Direct costs to complete transformation and cash settlements	—	11	4	15
Other costs	—	3	2	5
<b>Total pretax expense (credit)</b>	<b>\$ (6)</b>	<b>\$ 218</b>	<b>\$ 82</b>	<b>\$ 294</b>

- (1) The approximate number of employees shown is on a gross basis, based upon notice of termination. Given effect to approximately 900 new hires, the expected ultimate net reduction will be approximately 2,800 in the units affected by the business transformation plan.

The \$294 million plan total excludes:

- transition costs primarily relating to parallel system processing and temporary employee expense. These transition costs, primarily in the U.S., amounted to \$30 million in 2001 and \$10 million in 2002
- increased compensation for certain U.S. retail brokerage employees comprised of increased base salaries and one-time special incentive compensation
- the hiring of employees with specialized skills

In recording these expenses, we followed the accounting guidance from Emerging Issues Task Force (EITF) 94-3, Staff Accounting Bulletin (SAB) 100, Financial Accounting Standards Board (FASB) Statement No. 121, and FASB Statement No. 5. In each year that we recorded accruals for either termination benefits or other costs to exit an activity, we met all of the requirements contained in EITF 94-3 and SAB 100 before recording an accrual, although our Board approved the high-level plan in the fall of 2000.

We incurred these expenses over two years because different Aon units completed detailed plans and satisfied the employee notification requirements in different timeframes. The expenses for our U.S. retail brokerage operation were approximately 19% of the plan total costs. We do not anticipate any additional expenses from the business transformation plan.

---

### ***Termination benefits***

We incurred expenses totaling \$54 million in 2000 and \$109 million in 2001 for termination benefits, covering the costs to sever approximately 750 employees in 2000 and 3,150 employees in 2001. Approximately 200 of the notified employees were to have their jobs terminated under a U.S. retail brokerage exit plan; however, the tragic events of September 11<sup>th</sup> have reduced the total number of employees who will be terminated. As a result, we recorded a \$6 million credit in general expenses in 2002. A portion of the overall employment reduction was expected to be accomplished through normal attrition and, therefore, no expense was attributable to those reductions. Therefore, the approximate number of employees to be terminated was 3,700. Giving effect to approximately 900 new hires, the expected ultimate net reduction of employees will be approximately 2,800 in the units affected by the business transformation plan.

Almost all of the affected employees had been removed from the payroll as of December 31, 2002. All of the 198 remaining notified, but not yet terminated, employees work outside the U.S.; the exit plans for these employees have later termination dates because employment laws in certain countries require extended periods before we can terminate a notified employee. Our exit plans in these cases were targeted to specific employee groups, and in some cases, specific employees.

At or before the expense accrual date, we properly notified these employee groups and gave them adequate information about their severance benefits. The run-off of the associated liability will trail the time by which we complete these exit plans because our policy is to pay severance over the eligible period, rather than in a lump sum amount, whenever possible.

### ***Costs to exit activities***

Approximately \$27 million in other costs to exit an activity have also been included in the total expense of \$294 million. Of that amount, we incurred \$6 million in 2000, which included \$2 million in abandoned real estate or equipment leases and \$4 million of direct costs necessary to complete portions of the business transformation plan and cash settlements necessary to exit contractual obligations. In 2001, we recorded \$21 million of expenses, which included \$10 million for abandoned leases and \$11 million for direct costs necessary to complete portions of the business transformation plan and cash settlements necessary to exit contractual obligations.

### ***Other costs***

As part of our business transformation and other strategic initiatives, we incurred other expenses of \$110 million. Of this total, \$22 million was recorded in 2000. Impairment of fixed assets accounted for \$20 million of the 2000 expense, including \$16 million for information systems assets. The net book value of these assets was written off, as these assets no longer had value to Aon. The assets were considered impaired and without value because of one of the following reasons:

1. We removed the system from service.
2. We abandoned system development as a result of the transformation.
3. We outsourced the relevant function for some fixed assets, including certain technology infrastructure equipment.

There were \$2 million of other costs also recognized in 2000.

We recorded \$88 million as other expenses in 2001. More specifically, Aon has acted as a servicing agent for a limited partnership affiliated with our automobile dealership clients to provide auto financing to dealerships on a cooperative basis through various financing conduit facilities. We also have a general partnership interest in the limited partnership. Our primary client relationship with automobile dealers is to provide extended warranty products to their customers.

In first quarter 2001, we elected to cease servicing new business and run off our existing service obligation, given competition from financing provided by the financing arms of automobile manufacturers. The limited partnership records allowances for uncollectible loan balances.

In conjunction with our decision to discontinue new auto financing receivables, the limited partners are not obligated to contribute additional capital beyond what they have already provided for any shortfall in the reserves for their individual book of business. We are required to fund any shortfalls in accordance with our limited recourse to the funding facility, arranged by the servicing agent.

The servicing agent estimated an expense of \$44 million as our liability for the shortfall when we decided to discontinue new auto loan financing under the facility. We recorded a charge to establish this obligation in accordance with FASB Statement No. 5 in 2001. For the year 2000, the last full year of normal operation, these servicing operations, which were part of our Insurance Brokerage and Other Services segment, generated revenue of \$42 million and pretax income of \$3 million.

During 2001, we exited four other joint venture operations as a part of our business transformation process. For the year 2000, the last full year of operation, these joint ventures, which were part of our Insurance Brokerage and Other Services segment, generated less than \$1 million of revenue and nearly \$3 million of pretax losses. The total cost to exit these four joint ventures was \$12 million.

Additional expenses in 2001 included:

- \$14 million for discontinuing supplemental accident and health insurance business operations in Mississippi. The charge included severance costs and expenses associated reassigning agents and estimated costs for resolving asserted and unasserted claims and suits.
- a \$5 million expense relating to the write-down of certain agent receivables in conjunction with restructuring a worksite marketing agent commission pay structure and operations.

In 2001, we also incurred additional fixed asset impairments of \$10 million (of which \$9 million related to information systems assets) and \$3 million of other costs.

The implementation and effects of the business transformation plan must be viewed in the context of the World Trade Center tragedy.

### **World Trade Center Tragedy**

The attack on the World Trade Center significantly impacted our employees, our clients and industry, our business transformation plan and our financial results.

#### ***Employee Impact***

- This terrorist attack destroyed our largest and most advanced U.S. retail brokerage service center. This service center was an important element of the business transformation and had been built and staffed just months before; we had to rebuild this service center in Manhattan while rerouting client work to the remaining three service centers in the U.S.
- 1,100 of our employees worked in the World Trade Center, including employees from all of our major businesses
- 175 of our employees died in the World Trade Center attack on September 11, 2001
- 250 additional employees from around the world either worked in other lower Manhattan offices or were visiting the World Trade Center on September 11<sup>th</sup>, which demonstrates the significance of this office to our global operations
- Displaced World Trade Center employees had to be relocated to other New York City metropolitan offices

- 
- We had to refer regular client servicing to other company offices for varying periods until employees had proper temporary work facilities

#### ***Client and Industry Impact***

- The September 11<sup>th</sup> attacks thrust the insurance industry into the most tumultuous period in its recent history
- Client demand for risk management advice and services has grown dramatically since September 11<sup>th</sup>

- Premium rates have accelerated to their highest levels in decades
- Insurance capacity has been restricted and policy coverage has tightened
- Workloads for insurance brokers to complete similar tasks have significantly increased
- Competitive demand for risk management professionals has risen along with compensation requirements.

### ***Business Transformation Plan Impact***

The insurance brokerage industry worldwide has expanded significantly since September 11<sup>th</sup> with increased client demand for risk management services not anticipated when we first developed the business transformation. This unanticipated expansion delayed our ability to implement some parts of the plan. It also required that we incur additional spending, primarily in the U.S., to take advantage of this industry expansion, which partially explains the offset in savings.

### ***Financial Results Impact***

In 2001, Aon recorded pretax unusual charges of \$158 million, net of insurance and reinsurance reimbursements, related to losses sustained as a result of the destruction of the World Trade Center and the death of 175 employees. The financial costs we incurred for this tragedy included \$192 million of insurance benefits paid by Aon's Combined Insurance Company of America subsidiary (CICA) under life insurance policies issued for the benefit of deceased employees, a cost which is partially offset by anticipated reinsurance reimbursements of \$147 million, resulting in a net charge of \$45 million.

Reinsurers have disputed their liability for about \$90 million of reinsurance reimbursements under a Business Travel Accident (BTA) policy issued by CICA to cover U.S.-based employees of subsidiaries of Aon; both parties have filed legal actions. We recorded a pretax \$90 million allowance for a potentially uncollectible receivable related to this dispute in fourth quarter 2001.

In September 2002, the Court dismissed CICA's action with respect to the BTA policy for the lack of subject matter jurisdiction. Prior to year-end, CICA was granted an expedited appeal.

Other World Trade Center charges also included:

- \$33 million of destroyed depreciable assets at net book value
- \$40 million for salaries and benefits for deceased and injured employees and other costs
- a \$10 million commitment to the Aon Memorial Education fund to support the educational needs of the children of Aon employees who were victims of the September 11th attacks.

Offsetting these expenses were estimated reimbursements of \$60 million.

We reached a settlement with our property insurance carriers in 2002 pertaining to reimbursement for depreciable assets destroyed. This settlement resulted in a pretax credit of \$29 million which is

---

reported as an Unusual credit—World Trade Center in the consolidated statements of income. Aon continues to present additional claims to insurers for losses related to extra expenses, leasehold interests and business interruption coverage, and we expect additional recoveries and gains when specific claims are settled.

### **Previously Planned Divestiture of Insurance Underwriting Businesses and Discontinuance of Certain Operations**

As disclosed in April 2001, Aon's Board of Directors approved a preliminary plan to spin off its insurance underwriting businesses to Aon's common stockholders, creating two independent, publicly traded companies.

When we reported our second quarter 2002 results, we announced that we were no longer planning to spin off all of our underwriting operations, but were continuing to consider either selling or partially spinning them off. At that time, we believed we could promptly sell all or part of the underwriting operations at an acceptable price within a reasonable time given unsolicited buying interest in the past.

We decided not to pursue this revised plan in October 2002 for these reasons:

1. While we received indications of interest in our underwriting businesses, none reflected an acceptable price due to the unfavorable mergers and acquisitions environment resulting from volatile capital markets. Although proceeds from selling such businesses would have allowed us to pay down short-term debt, the sale would have resulted in unacceptable earnings dilution.
2. We determined that spinning off part of our underwriting operations was impractical due to capital requirements and possible rating agency reactions.

During 2002, Aon incurred \$50 million of pretax expenses related to the planned divestiture of our insurance underwriting businesses, which included costs related to the expanded corporate and underwriting staff added in anticipation of the divestiture. These costs, of which \$33 million are reflected in our Insurance Underwriting segment results and \$17 million are reflected in our Corporate and Other segment, are recorded primarily in general expenses in the consolidated statements of income, and represent staff buildup and severance costs, corporate overhead and advisory fees and other costs tied to the specialty property and casualty underwriting initiatives.

In fourth quarter 2002, Aon announced its plans to sell Sheffield Insurance Corporation, a small property-casualty company.

In February 2003, we announced that we would be discontinuing our accident and health insurance underwriting operations in Mexico, Argentina and Brazil, as well as our large company group life business in the U.S. Total premiums earned in 2002, related to these lines of businesses, were approximately \$100 million. We will pursue a "back to basics" strategy in the accident and health insurance business, where the focus will be on core products and regions with the best returns on investments.

### **SEC Comment Letter (Division of Corporation Finance)**

In July 2002, we received a comment letter from the SEC's Division of Corporation Finance regarding our 2001 Form 10-K and first quarter 2002 Form 10-Q. The SEC sent this letter as part of its publicly announced plan to review periodic reports of large public corporations. Aggregate stockholders' equity was not impacted as a result of our resolution of issues with the SEC.

---

The SEC letter asked questions pertaining to three main areas:

1. ***A \$90 million disputed reinsurance recoverable*** initially recorded in the third quarter 2001 relating to benefits paid to beneficiaries of Aon's World Trade Center employees through our CICA subsidiary that underwrote the insurance coverage. Originally, we had recorded an allowance for potential uncollectibility of the reinsurance recoverable in the first quarter 2002 based on a dispute with reinsurers and certain court actions in an unrelated case. The SEC commented on the timing of the establishment of the allowance.

To resolve this comment, we agreed to establish the allowance in the fourth quarter 2001 and to reverse the amount originally recorded in first quarter 2002.

Consequently, we restated our consolidated financial statements, including relevant schedules and exhibits, for the affected periods and filed them in an amended Form 10-K/A for the year ended December 31, 2001 and an amended Form 10-Q/A for the quarter ended March 31, 2002.

2. ***The investment portfolio of our subsidiaries.*** We have always had a policy of reviewing the investment portfolio of our subsidiaries for potential impairments. The SEC staff believed that with respect to equity and certain below investment grade fixed-maturity securities that had been trading below cost for an extended period of time, we should recognize other than temporary impairments through our income statement more quickly.

We agreed to modify our policy prospectively (see note 1 to the consolidated financial statements), and we recognized a cumulative adjustment for other than temporary impairment loss of \$56 million pretax in second quarter 2002. Approximately \$51 million of that cumulative adjustment pertained to years before 2002 and \$5 million applied to first quarter 2002. The SEC staff reviewed this matter and did not object to our conclusions regarding the accounting treatment for the other than temporary impairment adjustments recorded by us in second quarter 2002 that had no effect on our stockholders' equity, total assets, or total liabilities.

3. ***The addition or exclusion of certain disclosures and items.*** The SEC staff requested that Aon add certain disclosures and not report certain items. To respond to this request, we amended our consolidated financial statements and management's discussion and analysis of financial condition and results of operations in our 2001 Form 10-K/A and first quarter 2002 Form 10-Q/A.

### **Capital Enhancement Actions**

During the fourth quarter 2002, Aon raised net proceeds of approximately \$519 million through the issuance of 3.5% convertible debt securities and 7.375% debt securities, and approximately \$607 million by issuing 36.8 million shares of new common stock. The 3.5% debt securities are convertible into Aon common stock at an initial price of approximately \$21.475 per common share under certain circumstances

(see note 8 to the consolidated financial statements). Funds received by these offerings were used to pay down commercial paper, other short-term debt, long-term debt and to repurchase a portion of our trust preferred capital securities. See Capital Resources, below, for further information.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Aon's consolidated financial statements have been prepared according to accounting principles generally accepted in the United States (GAAP). To prepare these financial statements, we made estimates, assumptions and judgments that affect what we report as our assets and liabilities and what we disclose as contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented.

18

---

In accordance with our policies, we:

- continually evaluate our estimates, assumptions and judgments, including those related to revenue recognition, investments, intangible assets, income taxes, financing operations, policy liabilities (including future policy benefit reserves, unearned premium reserves and policy and contract claim reserves), restructuring costs, retirement benefits and contingencies and litigation
- base our estimates, assumptions and judgments on our historical experience and on factors we believe reasonable under the circumstances; the results allow us to make judgments about our carrying values of assets and liabilities that are not readily apparent from other sources. The actual results we report may differ from these estimates if our assumptions or conditions change.

We believe the following critical accounting policies, among others, affect the more significant estimates, assumptions and judgments we used to prepare these consolidated financial statements.

### Pensions

We account for our defined benefit pension plans in accordance with FASB Statement No. 87, "Employers' Accounting for Pensions" which requires that amounts recognized in the financial statements be determined on an actuarial basis. A substantial portion of Aon's pension amounts relate to its defined benefit plans in the United States, the United Kingdom and the Netherlands.

There are several assumptions which impact the actuarial calculation of pension plan obligations and, in turn, net periodic pension expense in accordance with FASB Statement No. 87. These assumptions require various degrees of judgment. The most significant assumptions are (1) the expected return on plan assets and (2) the discount rate. Changes in these assumptions can have a material impact on our current and future consolidated results of operations and financial position.

We estimate the expected return on plan assets at the annual measurement date for each plan using historical analyses of the returns of specific asset classes weighted by the asset allocation of the plan in question. This estimate involves significant judgment with respect to interpretation of these historical analyses as a predictor of future results. In accordance with FASB Statement No. 87, the difference between actual and expected earnings for the year is deferred and amortized as a component of pension expense over several years depending on the magnitude of the amount along with other deferred gains and losses (see below). A deterioration in worldwide global equity markets in recent years has caused us to revise our expected return on plan assets downward in 2002 and 2001 and compared to prior periods.

As of the annual measurement date for each plan, we determine the discount rate to be used to discount plan obligations. The discount rate reflects the current rate at which the pension obligations could be effectively settled. In estimating this rate, we look to rates of return on long-term, high quality, fixed-income investments that receive one of the two highest ratings given by a recognized ratings agency. Decreases in the discount rate over the past few years have been driven by a decrease in long-term interest rates and have had two major impacts on our consolidated financial statements:

1. They contributed, along with decreases in the expected return on plan assets and other assumptions, to increases to our Projected Benefit Obligation (PBO).

Increases in the PBO are not immediately recorded as expenses in the current period. FASB Statement No. 87 requires that changes in the PBO (as well as the net effect of other changes in actuarial assumptions and experience), to be deferred and amortized as a component of pension expense over several years depending on the magnitude of the total deferred gain or loss (see above). For our significant defined benefit pension plans in the United States, the United Kingdom and the Netherlands, the total deferred loss at December 31, 2002 that has not yet been recognized through income in the financial statements was approximately \$1.6 billion.

19

- 
2. They contributed, along with decreases in the expected return on plan assets and other assumptions, to increases to our Accumulated Benefit Obligation (ABO), which represents the measurement of pension obligations relating to services performed by active and terminated, as well as retired employees through the current measurement date.

If the ABO exceeds the fair value of plan assets at the measurement date (as measured separately for each plan), GAAP requires that we effectively reverse any prepaid assets previously recognized related to that particular plan and record a pension liability equal to the difference between the ABO and the fair value of plan assets, otherwise referred to as the "minimum pension liability". The adjustment necessary to reverse any prepaid assets previously recognized and establish the minimum pension liability is recorded directly to accumulated other comprehensive income (loss) net of applicable deferred income taxes, rather than to income.

For Aon's significant defined benefit pension plans, a combination of declines in the fair value of plan assets and an increase in the ABO has necessitated over time an aggregate pretax charge to accumulated other comprehensive loss related to minimum pensions of \$1.2 billion, or \$720 million after-tax, as of December 31, 2002.

### **Contingencies**

We define as a contingency any material condition that involves a degree of uncertainty that will ultimately be resolved. Under GAAP, we are required to establish reserves for contingencies when a loss is probable and we can reasonably estimate its financial impact.

For instance, we are required to assess the likelihood of material adverse judgments or outcomes as well as potential ranges or probability of losses. A determination of the amount of reserves required, if any, for contingencies are made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter, or changes in approach, such as a change in settlement strategy in dealing with these matters.

### **Policy Liabilities**

Through our insurance underwriting operations, we collect premiums from policyholders and we establish liabilities (reserves) to pay benefits to policyholders. The liability for policy benefits, claims and unearned premiums is one of the largest liabilities included in our statements of financial position. This liability is primarily comprised of estimated future payments to policyholders, policy and contract claims, and unearned and advance premiums, and contract fees.

To establish policy liabilities, we rely upon estimates for reported and anticipated claims, our historical experience, other actuarial data and, with respect to accident, health and life liabilities, assumptions on investment yields. Interest rate assumptions are based on factors such as market conditions and expected investment returns. Although mortality and interest rate assumptions are locked-in when we issue new insurance business, we may need to provide for expected losses on a product by reducing previously capitalized acquisition costs established for that product, and/or establishing premium deficiency reserves if there are significant changes in our experience or assumptions.

While we believe that we have estimated these liabilities effectively, the results we finally report in Aon's consolidated financial statements could be affected by trends which do not match historical experience or which differ from our underlying assumptions. Furthermore, when our actual experience differs from our previous estimate, the difference will be reflected in the results we report for the period when we changed our estimate. We always consider trends in actual experience as a significant factor in helping us determine claim reserve levels.

## **REVIEW OF CONSOLIDATED RESULTS**

### **General**

When we refer to organic revenue growth in the discussion of operating results, we exclude the impact of acquisitions, dispositions, transfers, investment income, foreign exchange, and other unusual items. Written premiums are the basis for organic revenue growth within the Insurance Underwriting segment, but our reported revenues reflect earned premiums.

When we refer to income before income tax, we exclude minority interest related to the 8.205% mandatorily redeemable preferred capital securities (capital securities) (see note 11 to the consolidated financial statements) and the cumulative effect of a change in accounting principle (see note 1 to the consolidated financial statements).

### **Financial Overview of 2002**

Aon achieved good organic revenue growth in 2002, but earnings were below original targets due to several factors. Aon was:

- finalizing the delayed implementation of the business transformation plan in its U.S. retail brokerage operations
- recovering from the World Trade Center disaster
- dealing with the shock to the insurance industry from September 11<sup>th</sup>, which created significant new demands on employees, as well as new business opportunities
- incurring costs to spin off our insurance underwriting operations, which we ultimately decided not to do given market conditions and other factors.

Although these issues negatively impacted earnings because of the increased expenses, revenues grew more than 10% in each operating segment, showing good demand for our products and services. In addition, we completed our business transformation plan and reported the following:

- The Consulting segment began a sizeable new outsourcing engagement, which will provide favorable returns over the life of the multi-year agreement. Up-front investment costs to support the new business are having a negative effect on near-term margins
- The Insurance Underwriting segment earnings were negatively influenced by unusual events
- The Corporate and Other segment reported a significantly smaller pretax loss than in the previous year.

During the year, we strengthened our capital structure, raising \$607 million in new common stock and \$519 million of new debt, including proceeds of \$296 million for convertible debt, to extend existing debt maturities, pay down near-term debt, repurchase preferred capital securities and for other general corporate purposes. Partially offsetting the increase in stockholders' equity were increased minimum pension obligations, due mostly to unfavorable financial markets, which reduced stockholders' equity by \$552 million at year-end.

### Summary Results for 2000 through 2002

The consolidated results of operations follow:

	Years ended December 31		
	2002	2001	2000
	(millions)		
<b>Revenue:</b>			
Brokerage commissions and fees	\$ 6,202	\$ 5,436	\$ 4,946
Premiums and other	2,368	2,027	1,921
Investment income	252	213	508
<b>Total consolidated revenue</b>	<b>8,822</b>	<b>7,676</b>	<b>7,375</b>
<b>Expenses:</b>			
General expenses	6,505	5,813	5,190
Benefits to policyholders	1,375	1,111	1,037
Interest expense	124	127	140
Amortization of intangible assets	54	158	154
Unusual charges (credits)—World Trade Center	(29)	158	—
<b>Total expenses</b>	<b>8,029</b>	<b>7,367</b>	<b>6,521</b>
<b>Income before income tax and minority interest</b>	<b>\$ 793</b>	<b>\$ 309</b>	<b>\$ 854</b>

### Consolidated Results for 2002 Compared to 2001

#### Revenue

In 2002:

- revenue increased 15% over 2001 to \$8.8 billion. We saw improvements in brokerage commissions and fees, premiums earned and investment income. Revenue increased 14% when we exclude the effects of foreign exchange rates. We do not directly hedge revenues against foreign currency translation because it is not cost effective, but we do attempt to mitigate the effect of foreign currency fluctuations on pretax income.
- consolidated revenue for the operating segments grew 12% on an organic basis over 2001.

Consolidated revenue by geographic area follows:

	Years ended December 31					
	2002	% of Total	2001	% of Total	2000	% of Total
	(millions)					
Revenue by geographic area:						
United States	\$ 5,034	57%	\$ 4,463	58%	\$ 4,350	59%
United Kingdom	1,621	18	1,390	18	1,363	19
Continent of Europe	1,117	13	938	12	833	11
Rest of World	1,050	12	885	12	829	11
Total revenue	\$ 8,822	100%	\$ 7,676	100%	\$ 7,375	100%

U.S. consolidated revenue, which represents 57% of total revenue, increased 13% in 2002 compared to 2001, as a result of strong organic growth. More specifically:

- Commercial property and casualty premium rate increases for most lines of coverage continued. As a broker, we benefit from this through increased commissions. In addition, client demand for risk retention programs and services contributed to this increase, especially reinsurance and wholesale brokerage
- U.K. and Continent of Europe revenue combined increased 18% to \$2.7 billion and Rest of World revenue increased 19%, reflecting strong new business, the impact of increasing premium rates that tend to increase commissions and foreign exchange.

Brokerage commissions and fees increased 14% to \$6.2 billion primarily from organic growth including increased premium rates, increased new business and outsourcing contracts. This was somewhat offset by revenue disruptions in the early part of the year with our managing general underwriter unit. Acquisitions contributed \$90 million of incremental revenue in 2002.

Premiums and other, primarily related to insurance underwriting operations, improved to \$2.4 billion, a 17% increase over 2001. The increase:

- primarily reflects growth in new business initiatives, traditional accident and health lines, and new specialty property and casualty lines
- was somewhat offset by the impact of the prior loss of some accounts in the warranty business.

Investment income, which includes related expenses and income or loss on disposals and impairments, increased by 18% over 2001, despite a drop in interest rates. The increase was driven by:

- improved returns on limited partnerships and other private equity investments accounted for on the equity method in 2002
- a one-time tax related settlement of \$48 million.

Offsetting these improvements were impairment write-downs for certain directly owned investments, including those classified as other than temporary, which were \$73 million higher than last year.

Investment income from our Insurance Brokerage and Other Services and Consulting segments, primarily relating to fiduciary funds, decreased \$46 million compared to 2001 primarily due to declining interest rates.

---

## ***Expenses***

Total expenses increased \$662 million or 9% over 2001. Total expenses rose 15%, excluding the following items:

- a \$29 million credit in 2002 due to a settlement with our insurance carriers regarding reimbursement for depreciable assets destroyed in the World Trade Center
- \$158 million in unusual charges in 2001 related to the World Trade Center (see note 1 to the consolidated financial statements) and \$218 million of expenses in 2001 related to the business transformation plan.

General expenses increased 12% over 2001. Excluding the costs related to the business transformation plan, general expenses rose 16%, reflecting:

- growth of the businesses
- higher costs in the U.S. retail brokerage business
- increased risk management and litigation reserve items
- higher overall pension plan costs
- issues related to National Program Services, Inc. (NPS), as described below
- costs related to the planned spin-off
- discontinued underwriting businesses

Benefits to policyholders rose \$264 million or 24% due to new business volume increases, an increased payout ratio of benefits to policyholders versus net premiums earned and a shift in business mix to products with higher benefit payout ratios.

Interest expense was down slightly due to lower short-term interest rates.

Amortization of intangible assets declined \$104 million from 2001 as goodwill was not amortized in 2002 in accordance with FASB Statement No. 142 (see note 1 to the consolidated financial statements).

## ***Income Before Income Tax and Minority Interest***

Income before income tax and minority interest increased significantly from \$309 million in 2001 to \$793 million in 2002. This increase is due primarily to the net change in expenses related to the World Trade Center (\$187 million), the business transformation plan (\$224 million) and the improvement in Corporate and Other revenue (\$150 million). Approximately 79% of Aon's consolidated income before income tax and minority interest was from international operations.

## ***Income Taxes***

The effective tax rate was 39.5% in 2001 and 37% in 2002. The decline from 2001 was due to the non-deductibility of certain goodwill, which, beginning in 2002, is no longer amortized for book purposes.

The overall effective tax rates are higher than the U.S. federal statutory rate primarily because of state income tax provisions.

## ***Net Income***

Current year's net income increased to \$466 million (\$1.64 per dilutive share) from \$147 million (\$0.53 per dilutive share) in 2001. Basic net income per share was \$1.65 and \$0.54 for 2002 and 2001,

respectively. Dividends paid for the redeemable preferred stock have been deducted from net income to compute income per share.

## **Consolidated Results for Fourth Quarter 2002 Compared to Fourth Quarter 2001**

Total revenues in the quarter rose 16% to \$2.4 billion. On a comparable currency basis, revenue climbed 13%. The higher revenue growth reflects:

- 9% operating segment organic growth primarily as a result of strong demand for Aon's services and products
- a \$73 million improvement in consolidated investment income.

In detail, the higher revenue growth reflects:

- Very good results from reinsurance, international and wholesale brokerage
- Continued improvement from U.S. retail brokerage over 2001 and increased managing general underwriters production over the first half of 2002, when an insurance carrier had to be switched for some major programs
- Consulting segment revenue growth, driven mostly by new outsourcing business initiated in third quarter 2002, and good growth in the Continent of Europe and Pacific regions
- Accident and health insurance premium growth and premium growth for certain specialty insurance programs
- Significantly improved investment income from last year, when unfavorable equity markets negatively impacted results.

Income before income taxes and minority interest increased by \$225 million. Excluding the impact of the World Trade Center credit in 2002 and charge in 2001, income before income taxes and minority interest rose 64%.

Strong revenue growth and the absence of goodwill amortization in 2002 was partially offset by:

- the addition of new lower margin outsourcing business in our Consulting segment
- losses and other costs attributable to Aon's decision to discontinue certain accident and health insurance underwriting in Latin America and large company group life businesses in the Insurance Underwriting segment
- costs associated with previous spin-off plans, and related items, that will not be pursued.

## **Consolidated Results for 2001 Compared to 2000**

### ***Revenue***

Total revenues were \$7.7 billion, an increase of 4%. Excluding the effects of foreign exchange rates, revenues increased 6% over the comparable period. Improvements in brokerage commissions and fees, as well as premiums earned, were partially offset by a decline in investment income resulting from decreased valuations of limited partnerships, lower interest rates and higher losses on disposals of investments. In addition, there was a falloff in parts of U.S. retail brokerage revenue primarily due to slower new account generation and below normal client retention.

Consolidated organic revenue growth was 8% in 2001. For the year, acquisitions net of dispositions improved operating revenues by \$207 million.

---

U.S. revenues, which represent 58% of total revenue, increased 3% in 2001 compared to 2000 as organic growth and acquisition activity was partially offset by declines in parts of the retail brokerage business as well as a significant drop in investment income.

U.K. and Continent of Europe revenues combined increased 6% to \$2.3 billion and Rest of World revenue of \$885 million increased 7% reflecting acquisitions, new business and the impact of increasing premium rates that tend to increase commissions.

Brokerage commissions and fees increased 10% to \$5.4 billion, primarily from organic growth in non-U.S. retail brokerage and worldwide reinsurance brokerage, business combination activity, increased new business and the impact of increased property and casualty premium rates. This growth was offset somewhat by unfavorable results in parts of U.S. retail brokerage due to delays in implementing the business transformation plan.

Premiums and other increased 6% in 2001 to \$2.0 billion. This increase primarily reflects:

- continued organic growth
- strong growth in lower margin new business initiatives
- the impact of the acquisition of First Extended, Inc.

This increase was somewhat offset by the loss of some accounts in the warranty business, in addition to a general slowdown in the economy.

Investment income, which includes related expenses and income or loss on disposals and impairments, decreased significantly when compared to 2000, primarily reflecting:

- reduced valuations on equity investments in limited partnerships
- lower short-term interest rates. In particular, declining interest rates affected investment income from the Insurance Brokerage and Other Services and Consulting segments, primarily relating to fiduciary funds; this income decreased \$31 million compared to 2000.
- the other than temporary impairment recorded for certain directly owned equity investments. Returns on private equity investments tend to fluctuate due to the inherent volatility of equity securities.

### ***Expenses***

General expenses increased 12% over 2000. Excluding costs related to business transformation in 2001 and 2000, general expenses increased \$487 million or 10% over 2000 primarily reflecting:

- expenditures to grow the brokerage business
- the impact of acquisitions
- transition costs related to the business transformation plan.

Benefits to policyholders rose \$74 million or 7% as a result of new underwriting initiatives and an unusual increase in warranty claims related to an isolated program that will not affect future periods.

Interest expense decreased 9% or \$13 million from prior year, partly attributable to decreases in short-term interest rates and lower average debt balances.

Unusual charges—World Trade Center represent:

- \$135 million of insurance benefits paid
- a \$10 million commitment to the Aon Memorial Education Fund to support the education needs of the children of Aon employees who were victims of the September 11<sup>th</sup> attacks

26

- 
- \$13 million of other costs that may not be recoverable from insurance.

### ***Income Before Income Tax and Minority Interest***

Income before income tax and minority interest declined significantly from \$854 million in 2000 to \$309 million in 2001, due to:

- expenses in 2001 related to the events of September 11th
- slower revenue growth in parts of the U.S. retail brokerage business due to delays in the implementation of the business transformation plan
- an increase in year-over-year business transformation expenses of \$136 million
- a decline in consolidated investment income of \$295 million.

All of our consolidated income before income tax is from non-U.S. operations.

### **Income Taxes**

The effective tax rate was 39.5% for 2001 and 39% for 2000. The overall effective tax rates are higher than the U.S. federal statutory rate primarily because of state income tax provisions and the non-deductibility of certain goodwill amortization.

### **Net Income**

Net income for 2001 was \$147 million or \$0.53 per dilutive share compared to \$474 million or \$1.79 per dilutive share in 2000. Basic net income per share was \$0.54 and \$1.81 for 2001 and 2000, respectively. In 2000, Aon adopted the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101, which resulted in a one-time cumulative non-cash charge of \$7 million after-tax (\$0.03 per share). We have deducted dividends on the redeemable preferred stock from net income to compute income per share.

## **REVIEW BY SEGMENT**

### **General**

Aon classifies its businesses into three operating segments: Insurance Brokerage and Other Services, Consulting and Insurance Underwriting (see note 16 to the consolidated financial statements). Aon's operating segments are identified as those that:

- report separate financial information
- are evaluated regularly when we are deciding how to allocate resources and assess performance.

Total revenue for each of the operating segments is presented both by major product and service and by geographic area in note 16 to the consolidated financial statements. Revenues are attributed to geographic areas based on the location of the resources producing the revenues.

Because our culture fosters interdependence among the operating units, allocating expenses by product and geography is difficult. While we track and evaluate revenue for each segment, expenses are allocated to products and services within each of the operating segments. In addition to revenue, we also measure each segment's financial performance using its income before income tax.

---

Operating segment revenue includes investment income, as well as the impact of related derivatives, generated by operating invested assets of that segment. Investment characteristics mirror liability characteristics of the respective operating segments:

- Our Insurance Brokerage and Other Services and Consulting businesses invest fiduciary funds and operating funds in shorter-term obligations
- In Insurance Underwriting, policyholder claims and other types of non-interest sensitive insurance liabilities are primarily supported by intermediate to long-term fixed-maturity instruments. Investments underlying interest-sensitive capital accumulation insurance liabilities are fixed- or floating-rate fixed- maturity obligations. For this business segment, operating invested assets are equivalent to average net policy liabilities
- Our insurance subsidiaries also have invested assets that exceed average net policy liabilities, in order to maintain solid claims paying ratings. These investments are mostly equity related and income from these investments are reflected in Corporate and Other segment revenues.

The following tables and commentary provide selected financial information on the operating segments.

	Years ended December 31		
	2002	2001	2000
		(millions)	
Operating segment revenue:			
Insurance Brokerage and Other Services	\$ 5,263	\$ 4,659	\$ 4,367
Consulting	1,054	938	770
Insurance Underwriting	2,526	2,250	2,167

Total operating segments	\$ 8,843	\$ 7,847	\$ 7,304
Income before income tax:			
Insurance Brokerage and Other Services	\$ 763	\$ 524	\$ 690
Consulting	120	126	106
Insurance Underwriting	152	150	300
Total income before income tax—operating segments	\$ 1,035	\$ 800	\$ 1,096

### Insurance Brokerage and Other Services

Aon is a leader in many sectors of the insurance industry: globally, it is the second largest insurance broker, the largest reinsurance broker and the leading manager of captive insurance companies worldwide. In the U.S., Aon is the second largest multi-line claims services provider, and the largest wholesale broker and underwriting manager. These rankings are based on most recent surveys compiled and reports printed by *Business Insurance*.

Insurance Brokerage and Other Services generated approximately 60% of Aon's total operating segment revenues in 2002. Revenues are generated primarily through:

- fees paid by clients
- commissions and fees paid by insurance and reinsurance companies
- certain other carrier compensation
- interest income on funds held primarily in a fiduciary capacity.

Our revenues vary from quarter to quarter throughout the year as a result of:

- how our clients' policy renewals are timed

28

- 
- the net effect of new and lost business
  - volume-based commissions and overrides
  - the timing of services provided to our clients
  - the income we earn on investments, which is heavily influenced by short-term interest rates.

Although expenses generally tend to be more uniform throughout the year, in 2001 expenses were increased by the business transformation plan and the terrorist attacks of September 11<sup>th</sup>.

This segment:

- addresses the highly specialized product development, consulting and risk management needs of professional groups, service businesses, governments, healthcare providers, commercial organizations and non-profit groups, among others
- provides affinity products for professional liability, life, disability income and personal lines for individuals, associations and businesses. Certain operating subsidiaries provide marketing and brokerage services to both the primary insurance and reinsurance sectors
- offers claims management and loss cost management services to insurance companies and firms with self-insurance programs
- provides wholesale brokerage, managing underwriting and premium finance services to independent agents and brokers.

The Insurance Brokerage and Other Services segment revenues vary because a large part of our compensation is tied to the premiums paid by those we insure, and both premium rate levels in the property and casualty insurance markets and available insurance capacity also fluctuate.

## Revenue

Total 2002 Insurance Brokerage and Other Services revenue was \$5.3 billion, up 13% on a reported basis. Excluding the effect of foreign exchange rates, revenue rose 12% over last year. Most of this growth was organic, including the impact of hardening premium rates. U.S. and international retail, reinsurance and wholesale brokerage all posted solid revenue growth. Insurance Brokerage and Other Services operating revenue, on an organic basis, grew approximately 12% in a very competitive environment. Investment income decreased \$43 million in 2002 as short-term interest rates declined.

Continuing the trend from last year, increases in insurance premium rates benefited revenues in 2002. After September 11<sup>th</sup>, insurance markets whose premium rates were rising already rose further as a result of restrictions on the availability of some coverages and the pressure on the financial strength of some insurance companies. The property and casualty insurance market is very competitive. As premium rates rise, clients often retain more risk. This dynamic has, and may continue to, limit revenue growth, for pure brokerage services, but it provides opportunities to offer more captive insurance and claims management services, as well as safety and loss control services.

This chart shows Insurance Brokerage and Other Services revenue by geographic area and pretax income:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Revenue by geographic area:			
United States	\$ 2,604	\$ 2,425	\$ 2,277
United Kingdom	1,087	918	889
Continent of Europe	857	733	654
Rest of World	715	583	547
Total revenue	\$ 5,263	\$ 4,659	\$ 4,367
Income before income tax	\$ 763	\$ 524	\$ 690

In 2002, U.S. revenue of \$2.6 billion rose 7% primarily from organic growth, including premium rate increases, and the impact of acquisitions. This growth was partially offset, however, by lower investment income due to lower interest rates, along with a \$24 million fee earned in 2001 in connection with the formation of Endurance Specialty Insurance, Ltd. Underperformance in the managing underwriting group and U.S. retail brokerage in 2002 tempered growth in the U.S.

U.K. and Continent of Europe revenues of \$1.9 billion increased 18% from 2001 primarily as a result of organic growth driven by higher insurance premium rates and new business.

Rest of World revenue increased \$132 million or 23%, primarily reflecting organic growth resulting from new business, improved renewal rates, and the positive impact of premium rate increases on commissions.

### Income Before Income Tax

Pretax income increased \$239 million from 2001 to \$763 million. In 2002, pretax margins in this segment were 14.5%, up from 11.2% in 2001.

These increases were due:

- principally to lower net business transformation costs between 2002 and 2001 of \$193 million and lower transition costs in 2002 versus 2001 of \$20 million
- secondarily, to a \$29 million reimbursement we received in 2002 from our property insurers for depreciable assets destroyed on September 11<sup>th</sup>, which represents the difference between insurance reimbursements and the net book value of our destroyed assets. We have replaced most of these assets, and the depreciation on these assets will affect future income. In 2001, the destruction of the World Trade Center resulted in expenses of \$23 million.

Pretax income, excluding these items, fell 1% from 2001 to \$728 million. Pretax margins, excluding these items, were 13.8% for 2002 versus 15.8% last year. The margin decline was principally driven by higher costs in certain parts of the U.S. retail business and lower revenue in our managing underwriting group.

Also contributing to the adjusted pretax margin decline were increased compensation costs including higher pension costs and some one-time special incentive compensation, reduced investment income and lower claims handling fees. These items more than offset strong organic growth and business transformation savings.

## Consulting

Aon Consulting is one of the world's largest integrated human capital consulting organizations. This segment:

- provides a full range of human capital management services, from employee benefits to compensation consulting
- generates 12% of Aon's total operating segment revenues. The acquisition of ASI in 2001 significantly expanded our abilities, especially our outsourcing services.

Consulting services are delivered to corporate clients through five major practices:

1. Employee benefits constructs and implements benefit packages, and conducts proprietary research on employee commitment and loyalty.
2. Compensation focuses on designing salary, bonus, commission, stock option and other pay structures, with special expertise in the financial institution and technology fields.
3. Management consulting assists clients in process improvement and design, leadership, organization and human capital development.
4. Outsourcing offers employment processing, performance improvement, benefits administration and other employment services.
5. Communications advises clients on how to communicate on initiatives that support their corporate vision.

Revenues in the Consulting segment are affected by changes in clients' industries, including government regulation, as well as new products and services, the state of the economic cycle, broad trends in employee demographics and the management of large organizations.

## Revenue

In 2002, revenues of \$1.1 billion increased 12% over 2001. Excluding the impact of foreign exchange rates, the growth rate was 11%. Globally, the improvement in revenue was influenced by 9% organic growth as well as acquisitions. Organic revenue owed a significant portion of its growth to a sizeable human resources outsourcing agreement which we initiated in third quarter 2002. Good growth also occurred in the Continent of Europe and the Pacific region, as well as the management consulting group.

Despite this year's growth, economic conditions continue to be difficult for this segment: the sluggish global economy, a slowdown in client hiring and slower discretionary spending by clients, has put pressure on organic revenue growth. Investment income in the Consulting segment was down \$3 million from 2001 due to lower interest rates.

This chart shows Consulting revenue by geographic area and pretax income:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Revenue by geographic area:			
United States	\$ 703	\$ 628	\$ 486
United Kingdom	160	157	151

Continent of Europe	105	77	67
Rest of World	86	76	66
	<hr/>	<hr/>	<hr/>
Total revenue	\$ 1,054	\$ 938	\$ 770
	<hr/>	<hr/>	<hr/>
Income before income tax	\$ 120	\$ 126	\$ 106
	<hr/>	<hr/>	<hr/>

From 2001:

- U.S. revenue of \$703 million grew 12%, primarily reflecting the new outsourcing agreement in 2002 and the 2001 acquisition of ASI, combined with growth in the employee benefits practice and management consulting
- Continent of Europe and Rest of World revenues rose \$38 million on organic growth.

### ***Income Before Income Tax***

Pretax income was \$120 million, a 5% decline from last year. In 2002, pretax margins in this segment were 11.4%, down from 13.4% in 2001. Excluding expenses related to business transformation in 2001, pretax income fell 10% in 2002, and in 2001, pretax margin was 14.2%.

Pretax margins were reduced by a large new human resources outsourcing contract. Although this contract is expected to provide favorable returns over the life of the multi-year agreement, it pressured margins in 2002 for the following reasons:

- outsourcing business has lower margins than other consulting businesses
- up-front costs were incurred to secure the new contract
- revenues for sub-contractors under the contract flow through our income statement even though we merely pass them on without receiving any income from them
- margins are lower at the beginning of the contract since we inherited the client's cost structure and we plan to create efficiencies to improve margins through the life of the contract.

### **Insurance Underwriting**

The Insurance Underwriting segment:

- provides supplemental accident, health and life insurance coverage mostly through direct distribution networks, primarily 7,500 career insurance agents, working for our subsidiaries
- offers extended warranty and casualty insurance products that are sold through retailers, automotive dealers, insurance agents and brokers and real estate brokers
- offers select commercial property and casualty business on a limited basis through managing general underwriters, primarily Aon-owned companies
- has operations in the United States, Canada, Latin America, Europe and Asia/Pacific
- generates approximately 28% of Aon's total operating segment revenues.

---

In the accident, health and life operations, we provide an array of accident, sickness, short-term disability and other supplemental insurance products. Most of these products are primarily fixed-indemnity obligations, and are not subject to escalating medical cost inflation.

We have developed relationships with select brokers and consultants to reach specific niche markets. In addition to the traditional business sold by our career agents, we have expanded product distribution to include direct response programs, affinity groups and worksite marketing, creating access to new markets and potential new policyholders. In fourth quarter 2002, we announced our plans to sell Sheffield Insurance Corporation, a small property-casualty company. In early 2003, we announced plans to discontinue our accident and health insurance underwriting operations in Mexico, Argentina and Brazil, as well as our large company group life business in the U.S.

Our subsidiaries in North America, Latin America, Asia/Pacific and Europe provide warranties on automobiles and a variety of consumer

goods, including electronics and appliances. In addition, we provide non-structural home warranties and other warranty products, such as credit card enhancements and affinity warranty programs. Revenues earned from non-risk bearing activities and the administration of certain extended warranty services on automobiles, electronic goods, personal computers and appliances are reflected in the Insurance Brokerage and Other Services segment based on how the business is reviewed by management.

## Revenue

In 2002, revenues of \$2.5 billion increased 12% over 2001. Excluding the effect of foreign exchange rates, revenues rose by 11%. Improvement over last year was driven by:

- strong organic growth of 14%
- new specialty property and casualty insurance business and newer accident and health insurance programs.

Partially offsetting core business growth was lower investment income of \$65 million as well as the loss of several accounts in the extended warranty business.

This chart details Insurance Underwriting revenue by geographic area and pretax income:

	Years ended December 31		
	2002	2001	2000
	(millions)		
<b>Revenue by geographic area:</b>			
United States	\$ 1,784	\$ 1,615	\$ 1,545
United Kingdom	363	302	308
Continent of Europe	151	125	111
Rest of World	228	208	203
<b>Total revenue</b>	<b>\$ 2,526</b>	<b>\$ 2,250</b>	<b>\$ 2,167</b>
<b>Income before income tax</b>	<b>\$ 152</b>	<b>\$ 150</b>	<b>\$ 300</b>

In 2002, U.S. revenue increased \$169 million to \$1.8 billion. The increase was primarily driven by new product initiatives and increased revenues for accident and health products, which more than offset declines in investment income, which includes guaranteed investment contract revenue. (Expenses related to guaranteed investment contracts are reflected in benefits to policyholders.)

U.K. and Continent of Europe revenue increased 20% to \$514 million. Rest of World revenue was up 10% to \$228 million.

The discontinued and sold businesses generated approximately \$100 million of earned premium in 2002.

## Income Before Income Tax

Pretax income of \$152 million increased 1% from 2001. Pretax margins fell from 6.7% in 2001 to 6.0% in 2002.

Excluding spin-off plan expenses in 2002 (\$33 million pretax) and the World Trade Center (\$135 million pretax) and business transformation costs (\$24 million pretax) in 2001, pretax income of \$185 million in 2002 fell significantly from \$309 million in 2001. Pretax margins declined from 13.7% in 2001 to 7.3% in 2002. The remainder of the spin-off costs are included in the Corporate and Other segment.

Reasons for the decline in pretax income and margin include:

- an increased payout ratio of benefits to policyholders
- losses involving NPS. NPS was an independent managing general agent hired to handle quoting, binding, premium collection, claims adjusting and other servicing related to general liability insurance policies issued by one of Aon's subsidiaries. We stopped NPS from initiating any new Aon business in mid-2002 after we obtained a temporary restraining order. We and others sued NPS for fraud, among other things. Based on our review of policies issued, we provided an additional \$21 million to increase loss

reserves and for other expenses, as well as \$15 million for an allowance against the receivable owed to us by NPS

- losses at certain unprofitable underwriting units, including accident and health insurance underwriting in Mexico, Argentina and Brazil and large company group life business in the U.S.
- a decline in investment income
- a provision for non-claims litigation.

## Corporate and Other

Corporate and Other segment revenue consists primarily of investment income (including income or loss on disposals, including impairment losses), which is not otherwise reflected in the operating segments. This segment includes invested assets and related investment income not directly required to support the insurance brokerage and consulting businesses, together with the assets in excess of net policyholder liabilities of the insurance underwriting subsidiaries and related income.

Private equities are principally carried at cost except where Aon has significant influence, in which case they are carried under the equity method. These investments usually do not pay dividends.

Limited partnerships are accounted for on the equity method and changes in the value of the underlying limited partnership investments flow through Corporate and Other segment revenue. Because the limited partnership investments include exchange-traded securities, Corporate and Other segment revenue fluctuates with the market values of underlying publicly traded equity investments. Limited partnership investments have historically provided higher returns over a longer time than broad market common stock. However, in the short run, the returns are inherently more variable.

On December 31, 2001, we securitized \$450 million of our limited partnership investments plus associated limited partnership commitments, which represented the majority of our limited partnership interests. In connection with the securitization, we received a combination of cash (\$171 million) and securities (\$279 million). This transaction has lessened the variability of revenue reported in the Corporate and Other segment. The limited partnership investments were included in our consolidated

34

---

statement of financial position prior to the securitization and the cash and securities received from the securitization are also included in Aon's consolidated statement of financial position.

Although our portfolios are highly diversified, they still remain exposed to market, equity and credit risk.

Our fixed-maturity portfolio had a \$37 million gross unrealized loss at December 31, 2002, including \$6 million related to deferred amortizable derivative losses, and is subject to interest rate, market and credit risks. With a carrying value of \$2.1 billion at December 31, 2002, our total fixed-maturity portfolio is 94% investment grade based on market value. Fixed-maturity securities with an unrealized loss are 87% investment grade and have a weighted average rating of "A" based on amortized cost.

The equity portfolio is comprised of:

- non-redeemable preferred stocks. This portfolio had a \$2 million gross unrealized loss at December 31, 2002, and is subject to interest rate, market, credit and illiquidity risks
- publicly traded common stocks. The common stock portfolio had no gross unrealized loss at December 31, 2002 and is subject to market risk
- other common and preferred stocks not publicly traded. These investments had a \$13 million gross unrealized loss at December 31, 2002, and are subject to illiquidity, concentration and operation performance risks.

The following table analyzes our investment positions with unrealized losses segmented by quality and period of continuous unrealized loss (excluding deferred amortizable derivative losses of \$6 million) as of December 31, 2002.

35

	Investment Grade				Non-Investment Grade				Not Rated				Grand Total
	0 - 6 Months	6 - 12 Months	> 12 Months	Total	0 - 6 Months	6 - 12 Months	> 12 Months	Total	0 - 6 Months	6 - 12 Months	> 12 Months	Total	
	(\$ in millions)												
<b>FIXED MATURITIES</b>													
# of positions	14	4	38	56	6	4	—	10	—	—	—	—	66
Fair Value	\$ 44	\$ 15	\$ 224	\$ 283	\$ 25	\$ 16	\$ —	\$ 41	\$ —	\$ —	\$ —	\$ —	\$ 324
Amortized Cost	46	16	248	310	27	18	—	45	—	—	—	—	355
Unrealized Loss	(2)	(1)	(24)	(27)	(2)	(2)	—	(4)	—	—	—	—	(31)
<b>EQUITIES: PREFERRED</b>													
# of positions	3	2	—	5	—	—	—	—	—	—	—	—	5
Fair Value	\$ 11	\$ 5	\$ —	\$ 16	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16
Cost	12	6	—	18	—	—	—	—	—	—	—	—	18
Unrealized Loss	(1)	(1)	—	(2)	—	—	—	—	—	—	—	—	(2)
<b>EQUITIES: COMMON</b>													
# of positions	—	—	—	—	1	—	—	1	—	1	1	2	3
Fair Value	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 2	\$ 3	\$ 3
Cost	—	—	—	—	—	—	—	—	—	1	2	3	3
Unrealized Loss	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>OTHER</b>													
# of positions	—	—	—	—	—	—	—	—	1	—	—	1	1
Fair Value	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ —	\$ 14	\$ 14
Cost	—	—	—	—	—	—	—	—	27	—	—	27	27
Unrealized Loss	—	—	—	—	—	—	—	—	(13)	—	—	(13)	(13)
<b>TOTAL</b>													
# of positions	17	6	38	61	7	4	—	11	1	1	1	3	75
Fair Value	\$ 55	\$ 20	\$ 224	\$ 299	\$ 25	\$ 16	\$ —	\$ 41	\$ 14	\$ 1	\$ 2	\$ 17	\$ 357
Cost	58	22	248	328	27	18	—	45	27	1	2	30	403
Unrealized Loss	(3)	(2)	(24)	(29)	(2)	(2)	—	(4)	(13)	—	—	(13)	(46)
% of Total Unrealized Loss	7%	4%	53%	64%	4%	4%	0%	8%	28%	0%	0%	28%	100%

\* For categorization purposes, Aon considers any rating of Baa or higher by Moody's or equivalent rating agency to be investment grade.

At December 31, 2002, our:

- diversified fixed-maturity portfolio had 66 positions with \$31 million of total gross unrealized losses, excluding deferred amortizable derivative losses. No single position had an unrealized loss greater than \$2 million.
- equity portfolio, including non-redeemable preferred stocks, had 8 positions with \$2 million of total gross unrealized losses. No single position had an unrealized loss greater than \$1 million.
- investments classified as other investments in the consolidated statements of financial position had a \$13 million gross unrealized loss at December 31, 2002. The gross unrealized loss relates to preferred stock interests of Private Equity Partnerships Structures I, LLC (PEPS I), a QSPE, acquired on December 31, 2001. These preferred stock interests represent beneficial interests in securitized limited partnership investments. The fair value of the private preferred stock interests is dependent on the value of the limited partnership investments held by PEPS I. Management assesses other than temporary declines in the fair value below cost using a financial model that considers the value of the underlying limited partnership investments of PEPS I and the nature and timing of the cash flows from the underlying limited partnership investments of PEPS I.
- non publicly-traded fixed-maturity portfolio had a carrying value of \$166 million, including \$115 million in notes received from PEPS I on December 31, 2001 related to the securitization of limited partnerships and \$40 million in notes issued by PEPS I to Aon during 2002. Valuations of these securities primarily reflect the fundamental analysis of the issuer and current market price

of comparable securities.

We:

- periodically review securities with material unrealized losses and evaluate them for other than temporary impairments. We analyze various risk factors and determine if any specific asset impairments exist. If we determine there is a specific asset impairment, we recognize a realized loss and adjust the cost basis of the impaired asset to its fair value.
- review invested assets with material unrealized losses each quarter. Those assets are separated into two categories:
  - (1) assets with unrealized losses due to issuer-specific events, which we segment among four categories: fixed-maturity investments; preferred stocks; publicly traded common stocks; and private equities and other invested assets.
  - (2) assets with unrealized losses due to market conditions or industry-related events.

***Assets with unrealized losses due to issuer-specific events:***

*Fixed-maturity investments.* At least quarterly, we:

- review the creditworthiness of corporate obligors for changes by nationally recognized credit rating agencies and changes in fundamental financial performance of the underlying entity.
- monitor cash flow trends and underlying levels of collateral for asset-backed securities.
- evaluate all bonds and asset-backed securities whose financial performance has declined for other than temporary impairment.

37

---

*Preferred stocks.* We review issuer creditworthiness at least quarterly. Creditworthiness factors reviewed include nationally recognized credit rating agency rating changes and changes in financial performance of the underlying issuer. We monitor all preferred stock investments with declining financial performance for other than temporary impairment.

*Publicly traded common stocks.* Quarterly, we review each common stock investment to determine if its decline in value is deemed other than temporary. Criteria include a review of issuer financial trends, and market expectations based on third-party forward-looking analytical reports, when available.

*Private common stocks and other invested assets.* We review quarterly private issue valuations, which include recent transaction valuations between the issuer and a third party; financial performance reviews; and financial trend comparisons with publicly traded companies in the same or similar industries.

We recognize an other than temporary impairment loss when appropriate for fixed-maturity investments, common and preferred stock and other investments with continuous material unrealized losses due to issuer-specific events. We base this decision upon the facts and circumstances for each investment in accordance with SAB 59, FASB Statement No. 115 and related guidance.

Invested assets with unrealized losses due to market conditions or industry-related events include those negatively impacted by increasing U.S. Treasury or local sovereign interest rates; corporate and asset-backed credit spread widening; common stock price volatility due to conditions in the overall market or a particular industry; and illiquid market conditions.

Under some conditions, we assume that a decline in value below cost is not other than temporary. We make this assumption for fixed-maturity investments with unrealized losses due to market conditions or industry-related events when:

- we expect the market to recover
- management has no current positive intent to sell
- we have the intent and ability to hold the investment until maturity or the market recovers, which is a decisive factor when considering an impairment loss. If we decide that holding the investment no longer makes sense, we again evaluate that investment for other than temporary impairment.

We recognize an other than temporary impairment loss based upon each investment's facts and circumstances, in accordance with SAB 59, FASB Statement No. 115 and related guidance. We continue to monitor these securities quarterly to ensure that unrealized losses do not result from issuer-specific events.

We evaluate for other than temporary impairment preferred and common stock and other investments with continuous material unrealized losses for two consecutive quarters due to market conditions or industry-related events. We recognize an other than temporary impairment loss based upon each investment's facts and circumstances. We continue to monitor these securities quarterly to ensure that unrealized losses are not the result of issuer-specific events.

There are three risks inherent in the assessment methodology:

- market factors may differ from our expectations
- we may decide to subsequently sell a security for unforeseen liquidity needs
- the credit assessment or equity characteristics may change from our original assessment.

This chart shows the components of Corporate and Other revenue and expenses:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Corporate and other revenue:			
Limited partnership investments	\$ 14	\$ (94)	\$ 73
Income from marketable equity securities and other investments	31	7	9
Corporate and other revenue before net loss on disposals and related expenses and one-time items	45	(87)	82
Interest on tax refund	48	—	—
Net loss on disposals and related expenses	(114)	(84)	(11)
Corporate and other revenue	\$ (21)	\$ (171)	\$ 71
Non-operating expenses:			
General expenses	\$ 97	\$ 75	\$ 59
Interest expense	124	127	140
Amortization of goodwill	—	118	114
Loss before income tax	\$ (242)	\$ (491)	\$ (242)

### Revenue

Corporate and Other revenue improved by \$150 million to a negative \$21 million in 2002 from a negative \$171 million in 2001. The revenue improvement was primarily driven by:

- a rise in the value of private limited partnership investments. These investments had been negatively impacted by unfavorable market conditions in 2001.
- \$48 million of interest income we received in 2002 from the settlement of a prior year tax issue.

Offsetting the positive valuation gains were impairment write-downs of certain fixed-maturity and equity investments of \$130 million in 2002 (including \$51 million cumulative effect of the change in policy for recognizing other than temporary impairments from previous years) compared to \$57 million in 2001.

### Loss Before Income Tax

Corporate and Other expenses were \$221 million, an improvement of \$99 million from the comparable period in 2001. This decrease in expenses is primarily due to goodwill amortization. Beginning in 2002, goodwill was no longer amortized (see note 1 to the consolidated financial statements). Compared to 2001:

- Interest expense declined \$3 million primarily from lower short-term interest rates.
- General expenses rose \$22 million due principally to \$17 million of corporate overhead costs related to the previous planned divestiture of the underwriting businesses.

These revenue and expense comparisons contributed to the overall Corporate and Other pretax loss of \$242 million in 2002 versus a loss of \$491 million in 2001.

## **Discontinued Operations**

Discontinued operations include certain insurance underwriting subsidiaries acquired with Alexander and Alexander Services, Inc. (A&A) that are in run-off and the indemnification by A&A of certain liabilities relating to subsidiaries sold by A&A before its acquisition by Aon.

39

---

Management believes that, based on current estimates, these discontinued operations are adequately reserved. The net liability is included as a component of other liabilities on the consolidated statements of financial position. In 2002, Aon settled certain of these liabilities. The settlement had no material effect on the consolidated financial statements.

## **FINANCIAL CONDITION AND LIQUIDITY**

### **Liquidity**

Our routine liquidity needs are primarily for servicing debt and for paying dividends on outstanding stock and capital securities. Our primary source for meeting these requirements is from dividends and internal financing from our operating subsidiaries. After meeting our routine dividend and debt servicing requirements, we used a portion of the remaining funding received throughout the year to expand our operating segment businesses and invest in acquisitions. (Note 11 to the consolidated financial statements discusses regulatory restrictions relating to dividend capacity of our insurance subsidiaries.) Our U.S. insurance subsidiaries' statutory capital and surplus at year-end 2002 exceeded the risk-based capital target set by the National Association of Insurance Commissioners by a satisfactory level. We have advised the rating agencies that we do not expect our two major U.S. insurance subsidiaries to pay dividends to Aon in 2003. Beyond 2003, we expect these U.S. subsidiaries to consider resuming paying dividends.

Our operating subsidiaries anticipate that there will be adequate liquidity to meet their needs in the foreseeable future and to provide funds to the parent company. We have used cash flow primarily for:

- debt reduction
- dividend payments
- business reinvestment
- acquisition financing
- payments of business transformation and other special charge and purchase accounting liabilities.

We expect our subsidiaries' positive cash flow to continue, and with it, our ability to access adequate short-term lines of credit.

Cash on our statements of financial position includes funds available for general corporate purposes and funds we are holding on behalf of clients and to satisfy policyholder liabilities.

### **Cash Flows**

Cash flows from operations represent the net income we earned in the reported periods adjusted for non-cash charges and changes in operating assets and liabilities.

Cash flows provided by operating activities for 2002 were \$1.2 billion. However, not all funds generated were available for use by us.

Net income attributable to our insurance subsidiaries was approximately \$50 million, net of losses on disposals recognized in our Corporate and Other segment, and changes in their operating assets and liabilities, net of reinsurance, represented \$335 million in 2002. This was primarily due to unearned premiums and other fees recorded and collected by the specialty property and casualty group (which includes extended warranty) as a result of an increase in its insurance retention on several client programs and new property and casualty business. The majority of these funds will be used to satisfy future benefits to policyholders with the remainder being available, after taxes and other income and expense,

for dividend to Aon in future years. The operating cash flow from our insurance subsidiaries of \$385 million was not available for general corporate purposes in 2002. Also, in 2002, we decided not

---

to upstream any of the insurance underwriting subsidiaries' earnings to Aon parent company in order to enhance their financial positions even further.

In our insurance brokerage and consulting businesses we collect cash payments from clients that include both premiums (payable to insurance companies for policies they issue) and commissions and fees (payable to us for our brokerage and consulting services). The commissions and fees are recorded by us as income. For a short time period, we hold clients' premiums in fiduciary accounts before remitting them to insurers. When a payment is due from a client for premiums, commissions and fees, we establish a receivable for the gross amount and a payable to the insurance company for the premium portions. The net balance for these are reflected in "Other receivables and liabilities, net". For 2003, the net difference between these receivables and payables added approximately \$300 million to cash flow from operations, but are only held temporarily by us on behalf of our clients and/or carriers.

During the fourth quarter 2002, we raised \$607 million by issuing 36.8 million shares of new common equity and \$519 million by issuing long-term debt.

A total of \$1.7 billion in cash from available operating cash flows and debt and equity net proceeds was primarily used for the following purposes:

- pay down commercial paper, other short-term debt and notes payable, as well as repurchase a portion of our trust preferred stock (\$797 million)
- \$150 million was kept liquid and used for January 2003 debt repayment
- pay dividends to our stockholders of \$233 million
- investment in operations:
  - expenditures for property and equipment consumed \$278 million
  - acquisition of businesses used \$111 million
  - cash increased by \$67 million.

Withdrawals of \$682 million from "interest sensitive, annuity and investment-type contracts" were funded primarily by sales of fixed maturity investments. We have decided to stop issuing these contracts and we are exiting the business.

### **Financial Condition**

Since year-end 2001, total assets increased \$3.0 billion to \$25.3 billion. Invested assets at December 31, 2002 increased \$441 million from last year:

- primarily from an increase in short-term investments, related to fiduciary funds, partially offset by sales of preferred stock during the year
- funds raised from issuing new common equity
- notes offerings.

Most of the funds raised were used to:

- pay down commercial paper, other short-term debt and notes payable
- repurchase a portion of our trust preferred stock.

We also used \$150 million in January 2003 to repay maturing debt securities.

Insurance brokerage and consulting services receivables increased \$1.5 billion in 2002 with a corresponding increase in insurance premiums payable of \$1.7 billion. These increases reflect:

- the continued rise in premium rates across most lines of business

- 
- the escalating client demand for risk programs
  - Aon's strong overall new account growth.

Other assets are comprised principally of prepaid premiums related to reinsurance and prepaid pension assets. The increase of \$56 million from 2001 represents higher prepaid premiums, which offset a reduction in the pension assets due to the additional minimum pension liability adjustment in fourth quarter 2002. During 2002, some of our defined benefit pension plans, particularly in the United Kingdom, incurred significant valuation losses in the investments backing the related pension obligation, as a result of a decline in the international equity markets and a decline in interest rates.

Other liabilities increased \$602 million from 2001 due to the increase in our minimum pension liability. We are required to maintain, at a minimum, a liability equal to the difference between the present value of benefits incurred to date for pension obligations and the fair value of the assets supporting these obligations.

Other policyholder funds decreased \$674 million in 2002, due primarily to interest sensitive and investment-type contracts maturing and our decision to stop offering these programs.

Aon's consolidated statement of financial position as of December 31, 2002 contains:

- a general expense liability of \$53 million related to purchase restructuring liabilities (see note 4 to the consolidated financial statements)
- \$28 million related to the business transformation plan (see note 5 to the consolidated financial statements).

We anticipate paying most of the outstanding termination benefits over the next few years. The remaining items primarily reflect lease obligations and will run off over a period of up to ten years. We do not expect that payments for termination benefits and lease obligations will have a material impact on cash flows in subsequent periods. As planned, we have made payments that have reduced our restructuring liabilities related to recent acquisitions and prior year charges.

## **Capital Resources**

### ***Capital Enhancement Actions***

During the fourth quarter 2002, Aon raised net proceeds of \$519 million by issuing long-term debt as follows:

- we received \$296 million (\$300 million aggregate principal amount) by privately placing 10-year convertible senior debentures due 2012 with a 3.5% coupon rate. The debentures are unsecured obligations, initially convertible, under certain circumstances, into Aon common stock at a conversion price of approximately \$21.475 per common share (see note 8 to the consolidated financial statements). In addition, we will be required to pay additional contingent interest, beginning November 15, 2007, if the trading price of the debentures for each of the five trading days immediately preceding the first day of the six-month interest period equals or exceeds 120% of the principal amount of the debentures. Beginning November 19, 2007, we may redeem any of the debentures at an initial redemption price of 101% of the principal amount plus accrued interest. Interest on the debentures is payable semiannually in arrears on May 15 and November 15 of each year, beginning May 15, 2003.
- we also received \$223 million (\$225 million aggregate principal amount) by privately placing 10-year senior term notes due 2012. Interest on these notes will accrue at a coupon rate of 7.375%. This interest is payable semiannually in arrears on June 14 and December 14 of each year, beginning June 14, 2003.

During that same quarter, Aon raised \$607 million by issuing 36.8 million shares of new common equity at \$17.18 per share. The offering was made pursuant to an existing shelf registration statement.

---

In 2002, we used funds received from the debt and equity offerings to:

- pay down commercial paper and other short-term debt
- partially repurchase certain debt securities due in 2003 and 2004
- repurchase approximately \$98 million of our 8.205% trust preferred capital securities. Beginning in 2003, minority interest on the capital securities will be approximately \$9 million per quarter, reflecting the repurchase
- On January 15, 2003, we used a portion of the funds from the offerings to redeem \$150 million of outstanding debt securities with an interest rate of LIBOR +1%.

### ***Short-term Borrowings and Notes Payable***

Total debt at December 31, 2002 was \$1.8 billion, down from \$2 billion at December 31, 2001. Specifically:

- Short-term debt declined \$140 million, reflecting the paydown of the Euro credit facility and other foreign short-term debt.
- Notes payable decreased by \$23 million compared to year-end 2001. Commercial paper outstanding declined to \$1 million from \$254 million at December 31, 2001. In 2001, all of our commercial paper was classified as notes payable in the consolidated statements of financial position based on Aon's intent and ability to maintain or refinance these obligations on a long-term basis.

Contractual maturities of notes payable and operating lease commitments (with initial or remaining non-cancelable lease terms in excess of one year) are disclosed in note 8 to the consolidated financial statements.

In 2002, we renegotiated our back-up lines of credit. Anticipating the previously planned spin-off of our insurance underwriting subsidiaries, we reduced our line of credit to \$875 million. As a result of our capital enhancement actions, we renegotiated our short-term back-up lines of credit, reducing the total amount to \$775 million in February 2003. This agreement will expire in 2005.

To achieve tax-efficient financing, we renegotiated a new committed revolving bank credit facility in September 2001, under which certain European subsidiaries can borrow up to EUR 500 million. As of December 31, 2002, Aon had borrowed EUR 74 million (\$76 million) under this facility, all of which is classified as short-term borrowings in the consolidated statements of financial position.

The major rating agencies' ratings of our debt securities at December 31, 2002 appear in the table below.

	Standard And Poor's	Moody's Investor Services	Fitch, Inc.
Senior long-term debt	A-	Baa2	A-
Commercial paper	A-2	P-2	F-2

Aon's principal insurance underwriting subsidiaries are rated "A", with a stable outlook by A.M. Best for their claims paying ability.

Aon borrows funds from, and lends funds to, its various subsidiaries. As of December 31, 2002, we had obligations to our subsidiaries of approximately \$433 million. These obligations have competitive interest rates.

### ***Stockholders' Equity***

Stockholders' equity increased \$430 million during 2002, reflecting:

- the \$607 million raised by issuing 36.8 million shares of new common equity at \$17.18 per share
- net income before preferred dividends of \$466 million.

Partially offsetting the increase were dividends paid to stockholders of \$233 million. Accumulated other comprehensive loss increased \$419 million since December 31, 2001. Net foreign exchange losses improved by \$69 million primarily because of the weakening U.S. dollar against foreign currencies as compared to the prior year. Net derivative gains increased \$22 million over year-end 2001. Net unrealized investment gains rose \$42 million during 2002, driven principally by the recognition of \$130 million pretax (\$82 million after-tax) write-downs in the consolidated statement of income during 2002. These investment write-downs did not affect total stockholders' equity.

During 2002, some of our defined benefit pension plans, particularly in the United Kingdom, incurred significant valuation losses in the investments backing the related pension obligation. These losses were primarily a result of the decline in the international equity markets.

Accounting principles generally accepted in the U.S. require a company to maintain, at a minimum, a liability on its balance sheet equal to the difference between the present value of benefits incurred to date for pension obligations and the fair value of the assets supporting these obligations. At year-end 2002, this increased pension obligation caused a \$552 million (after-tax) reduction to stockholders' equity. We maintain the related pension plan assets in separate trust accounts; they are not part of our consolidated financial statements. This non-cash adjustment did not affect 2002 earnings.

For 2003, we project our pension expense to increase by \$130 million over what was recorded in 2002. The increase in our pension expense was significantly impacted by the unrecognized loss of \$1.6 billion at December 31, 2002. We also expect cash contributions for the defined benefit pension plans to increase by \$40 million in 2003. In addition, under certain circumstances, we may be required to contribute significant additional amounts to our pension plans to satisfy provisions of the principal credit facility which supports our commercial paper program. We expect, however, to amend or replace such credit facilities.

At December 31, 2002, stockholders' equity per share was \$12.56, down from \$12.82 at December 31, 2001, due to the impact of increased pension obligations.

### **Special Purpose Entities**

We use special purpose entities and qualifying special purpose entities (QSPE), also known as special purpose vehicles, in some of our operations, following the guidance of FASB Statement No. 140 and other relevant accounting guidance.

Certain of our special purpose vehicles were formed solely to purchase financing receivables and sell those balances to conduits owned and managed by third-party financial institutions. Subject to certain limitations, agreements provide for sales to these conduit vehicles continuing through December 2005. As of December 31, 2002, the maximum commitment contained in these agreements was \$1.7 billion.

Under the agreements, the receivables are sold to the conduits. Consequently, the conduits bear the credit risks on the receivables, subject to limited recourse in the form of credit loss reserves provided by our subsidiaries and which we guarantee. Under these recourse provisions, our maximum credit risk was approximately \$97 million at December 31, 2002. We intend to renew these conduit facilities when they expire. If there are adverse bank, regulatory, tax or accounting rule changes, our access to the conduit facilities and special purpose vehicles would be restricted. These special purpose vehicles are not included in our consolidated financial statements.

---

On December 31, 2001, we sold the vast majority of our limited partnership (LP) portfolio, valued at \$450 million, to PEPS I, a QSPE. The common stock interest in PEPS I is held by a limited liability company, owned by one of our subsidiaries (49%) and by a charitable trust, which we do not control, established for victims of the September 11<sup>th</sup> attacks (51%).

#### **PEPS I:**

- sold approximately \$171 million of investment grade fixed-maturity securities to unaffiliated third parties
- then paid our insurance underwriting subsidiaries the \$171 million in cash and issued them an additional \$279 million in fixed-maturity and preferred stock securities.

The fixed-maturity securities our subsidiaries received from PEPS I are rated as investment grade by Standard & Poor's Ratings Services. As part of this transaction, the insurance companies are required to purchase from PEPS I additional fixed-maturity securities in an amount equal to the unfunded LP commitments as they are requested. Approximately \$38 million of these commitments were funded in 2002. As of December 31, 2002, the unfunded commitments amounted to \$100 million. Based on the downgrades made by the rating agencies in October 2002, credit support agreements were purchased on January 27, 2003, whereby \$100 million of cash of one of our underwriting subsidiaries has been pledged as collateral for these commitments. These commitments have specific expiration dates and the general partners may decide not to draw on these commitments.

If the insurance companies fail to purchase additional fixed-maturity securities as commitments are drawn down, we have guaranteed their purchase.

Subsequent to the closing of the securitization, one of the insurance subsidiaries sold PEPS I fixed-maturity securities with a value of \$20 million to Aon. The assets and liabilities and operations of PEPS I are not included in our consolidated financial statements. In second quarter 2002, we recognized a \$32 million impairment write-down for this investment. We continue to monitor this investment for other than temporary impairment.

While this transaction should significantly reduce the reported earnings volatility associated with these limited partnership investments, it will not significantly limit our ability to recoup past losses or realize potential gains.

As part of CICA's strategy to issue stable value investments contracts to institutional investors, Combined Global Funding, LLC (Combined Global), a Cayman Islands-based special purpose entity, was formed solely to issue notes to investors under a European Medium-Term Note Program. The proceeds of the notes are used to purchase Funding Agreement policies issued by CICA. The contract terms of the Funding Agreement mirror the terms of the trust medium-term notes. At the stated maturity of the Funding Agreement, CICA is required to settle with Combined Global, which then redeems the notes issued to investors. Neither CICA nor its affiliates own any shares of Combined Global.

Outstanding Funding Agreements at December 31, 2002 were \$79 million and are included in our consolidated statements of financial position in other policyholder funds. In early 2003, approximately \$29 million of these outstanding agreements were settled. As this program has been placed in runoff, there are no new additional issuances of Funding Agreements anticipated, with the remaining liabilities maturing in 2005.

---

## Investments

We invest in broad asset categories related to our diversified operations. In managing our investments, our objective is to maximize earnings while monitoring asset and liability durations, interest and credit risks and regulatory requirements. We maintain well-capitalized operating companies. The financial strength of these companies permits a diversified investment portfolio including invested cash, fixed-income obligations, public and private equities and limited partnerships.

The Corporate and Other segment contains invested assets and related investment income not directly required to support the insurance brokerage and consulting businesses, together with the assets in excess of net policyholder liabilities of the underwriting business and related income. These insurance assets, which are publicly traded equities, as well as less liquid private equities and limited partnerships, represent a more aggressive investment strategy that gives us an opportunity for greater returns with longer-term investments. These assets, owned by the insurance underwriting companies, are necessary to support strong claims paying ratings by independent rating agencies and are unavailable for other uses such as debt reduction or share repurchases without considering regulatory requirements (see note 11 to the consolidated financial statements).

Some of the limited partnerships in which we invest have holdings in publicly traded equities. If the market value of these equities changes, then the value of the limited partnerships also changes. Our ownership share of this partnership valuation is included in our reported Corporate and Other segment revenue. By comparison, we record changes in the market value of directly held, publicly traded equities directly in stockholders' equity.

As a consequence of this accounting, the Corporate and Other segment has exhibited greater variability in investment income than is the case of investments supporting the operating segments. In December 2001, we securitized \$450 million of limited partnership investments and associated limited partnership commitments, which represent most of our limited partnership investments, via a sale to PEPS I. The securitization:

- gives our underwriting subsidiaries greater liquidity
- has lessened the revenue variability in the Corporate and Other segment.

## RISKS AND OUTLOOK

### Risks Related to Our Business and the Insurance Industry

*Our results may fluctuate as a result of many factors, including cyclical changes in the insurance and reinsurance industries.*

Our results historically have been subject to significant fluctuations arising from uncertainties in the insurance industry. Changes in premium rates affect not only the potential profitability of our underwriting businesses but also generally affect the commissions and fees payable to our brokerage businesses. In addition, insurance industry developments that can significantly affect our financial performance include factors such as:

- rising levels of actual costs that are not known by companies at the time they price their products;
- volatile and unpredictable developments, including weather-related and other natural and man-made catastrophes, including acts of terrorism;
- changes in levels of capacity and demand, including reinsurance capacity; and
- changes in reserves resulting from the general claims and legal environments as different types of claims arise and judicial interpretations relating to the scope of insurers' liabilities develop.

---

*A further decline in the credit ratings of our senior debt and commercial paper may adversely affect our borrowing costs and financial flexibility.*

On several occasions in recent months, the credit rating agencies have lowered the credit ratings of our senior debt and commercial paper. Most recently, on October 31, 2002, Moody's Investors Service lowered its rating of our senior debt to the current rating of "Baa2" from "Baa1." Moody's also placed the rating of our senior debt and the "P-2" rating of our commercial paper under review for possible future downgrade, which it subsequently removed without change. On October 31, 2002, Standard & Poor's Ratings Services placed its "A-" rating of our senior debt on CreditWatch with negative implications, which it subsequently removed without change. As a result of the actions taken by the rating agencies on October 31, 2002, we have been required, in lieu of our existing guarantees, to fund an aggregate of approximately \$43 million with respect to our automobile finance securitizations. A further downgrade in the credit ratings of our senior debt and commercial paper will increase our borrowing costs and reduce our financial flexibility.

Any such further downgrade may trigger a further obligation of our company to fund an aggregate of up to \$220 million with respect to our premium finance and automobile finance securitizations. We no longer securitize automobile finance amounts, and, as a result, we expect this amount will decline over time as the outstanding automobile finance securitizations run down. Moreover, some of our debt instruments, such as our 6.20% notes due January 2007 (\$250 million of which are outstanding), expressly provide for interest rate increases in the case of certain ratings downgrades. Similarly, any such downgrade would increase our commercial paper interest rates or may result in our inability to access the commercial paper market altogether. If we cannot access the commercial paper market, although we have committed backup lines in excess of our currently outstanding commercial paper borrowings, we cannot assure you that it would not adversely affect our financial position. A downgrade in the credit ratings of our senior debt may also adversely affect the claims-paying ability or financial strength ratings of our insurance company subsidiaries. See "A decline in the financial strength or claims-paying ability ratings of our insurance underwriting subsidiaries may increase policy cancellations and negatively impact new sales of insurance products" below.

*We face significant competitive pressures in each of our businesses.*

We believe that competition in our lines of business is based on service, product features, price, commission structure, financial strength, claims paying ability ratings and name recognition. In particular, we compete with a large number of national, regional and local insurance companies and other financial services providers, brokers and, with respect to our extended warranty business, third-party administrators, manufacturers and distributors.

Some of our underwriting competitors have penetrated more markets and offer a more extensive portfolio of products and services and have more competitive pricing than we do, which can adversely affect our ability to compete for business. Some underwriters also have higher claims paying ability ratings and greater financial resources with which to compete and are subject to less government regulation than our underwriting operations.

We encounter strong competition for both business and professional talent in our insurance brokerage and risk management services operations from other insurance brokerage firms which also operate on a nationwide or worldwide basis, from a large number of regional and local firms in the United States, the European Union and in other countries and regions, from insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents and from other businesses, including commercial and investment banks, accounting firms and consultants that provide risk-related services and products. Our consulting operations compete with independent consulting firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms around the world.

---

In addition, the increase in competition due to new legislative or industry developments could adversely affect us. These developments include:

- an increase in capital-raising by insurance underwriting companies, which could result in new entrants to our markets and an influx of capital into the industry;
- the selling of insurance by insurance companies directly to insureds;
- the enactment of the Gramm-Leach-Bliley Act of 1999, which, among other things, permits financial institutions, such as banks and savings and loans, to sell insurance products, and also could result in new entrants to our markets;
- the establishment of programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other alternative markets types of coverage; and

- changes in consumer buying practices caused by the Internet.

New competition as a result of these developments could cause the supply of and demand for our products and services to change, which could adversely affect our results of operations and financial condition.

*A decline in the financial strength or claims-paying ability ratings of our insurance underwriting subsidiaries may increase policy cancellations and negatively impact new sales of insurance products.*

Financial strength and claims-paying ability ratings have become increasingly important factors in establishing the competitive position of insurance companies. These ratings are based upon criteria established by the rating agencies for the purpose of rendering an opinion as to an insurance company's financial strength, operating performance, strategic position and ability to meet its obligations to policyholders. They are not evaluations directed toward the protection of investors, nor are they recommendations to buy, sell or hold specific securities. Periodically, the rating agencies evaluate our insurance underwriting subsidiaries to confirm that they continue to meet the criteria of the ratings previously assigned to them. A downgrade, or the potential for a downgrade, of these ratings could, among other things, increase the number of policy cancellations, adversely affect relationships with brokers, retailers and other distributors of their products and services, negatively impact new sales and adversely affect their ability to compete.

Combined Specialty Insurance Company (formerly Virginia Surety Company, Inc.), our principal property and casualty insurance company subsidiary, is currently rated "A" (excellent; third highest of 16 rating levels) by A.M. Best Company. Combined Insurance Company of America, the principal insurance subsidiary that underwrites our specialty accident and health insurance business, is currently rated "A" (excellent; third highest of 16 rating levels) by A.M. Best Company, "BBB+" (good; fourth highest of nine rating levels and highest ranking within the level) for financial strength by Standard and Poor's Ratings Services and "Baa1" (adequate; fourth highest of nine rating levels and highest ranking within the level) for financial strength by Moody's Investors Service. We cannot assure you that one or more of the rating agencies will not downgrade or withdraw their financial strength or claims-paying ability ratings in the future.

*Changes in interest rates and investment prices could reduce the value of our investment portfolio and adversely affect our financial condition or results.*

Our insurance underwriting subsidiaries carry a substantial investment portfolio of fixed-maturity and equity and other long-term investments. As of December 31, 2002, our fixed-maturity investments (94% of which were investment grade) had a carrying value of \$2.1 billion, our equity investments had a carrying value of \$62 million and our other long-term investments and limited partnerships had a

---

carrying value of \$600 million. Accordingly, changes in interest rates and investment prices could reduce the value of our investment portfolio and adversely affect our financial condition or results.

For example, changes in domestic and international interest rates directly affect our income from, and the market value of, fixed-maturity investments. Similarly, general economic conditions, stock market conditions and other factors beyond our control affect the value of our equity investments. We monitor our portfolio for "other than temporary impairments" in carrying value. For securities judged to have an "other than temporary impairment," we recognize a realized loss through the statement of income to write down the value of those securities.

For 2002, we recognized impairment losses of \$130 million, which includes \$51 million to reflect other than temporary impairments existing with respect to prior years. We cannot assure you that we will not have to recognize additional impairment losses in the future, which would negatively affect our financial results.

On December 31, 2001, our two major insurance companies sold the vast majority of their limited partnership portfolio, valued at \$450 million, to Private Equity Partnership Structures I, LLC, a qualifying special purpose entity. We utilized this qualifying special purpose entity following the guidance contained in Financial Accounting Standards Board Statement No. 140 (Statement No. 140) and other relevant accounting guidance. The common stock interest in Private Equity Partnership Structures I is held by a limited liability company which is owned by one of our subsidiaries (49%) and by a charitable trust, which is not controlled by us, established for victims of the September 11 attacks (51%). Approximately \$171 million of investment grade fixed-maturity securities were sold by Private Equity Partnership Structures I to unaffiliated third parties. Private Equity Partnership Structures I then paid our insurance underwriting companies the \$171 million in cash and issued to them an additional \$279 million in fixed-maturity and preferred stock securities. The fixed-maturity securities our insurance underwriting companies received from Private Equity Partnership Structures I are rated as investment grade by Standard & Poor's Ratings Services. As part of this transaction, our insurance underwriting companies are required to purchase from Private Equity Partnership Structures I additional fixed-maturity securities in an amount equal to the unfunded limited partnership commitments, as they are requested. As of December 31, 2002, these unfunded commitments amount to \$100 million. Based on the actions taken by the ratings agencies on October 31, 2002, credit support arrangements were purchased on January 27, 2003. If our insurance underwriting companies fail to purchase additional fixed-maturity securities as commitments are drawn down, we have guaranteed their purchase.

Although the Private Equity Partnership Structures I transaction is expected to reduce the reported earnings volatility historically associated with directly owning limited partnership investments, it will not eliminate our risk of future losses. For instance, we must analyze our preferred

stock and fixed-maturity interests in Private Equity Partnership Structures I for other than temporary impairment, based on the valuation of the limited partnership interests held by Private Equity Partnership Structures I and recognize an impairment loss if necessary. We cannot assure you that we will not have to recognize impairment losses with respect to our Private Equity Partnership Structures I interests in the future.

*Our pension liabilities may continue to grow, which could adversely affect our stockholders' equity or require us to make additional cash contributions to the pension plans.*

To the extent that the present value of the benefits incurred to date for pension obligations in the major countries in which we operate continue to exceed the market value of the assets supporting these obligations, our financial position and results of operations may be adversely affected. Primarily as a result of the decline in the equity markets, some of our defined benefit pension plans, particularly in the United Kingdom, have suffered significant valuation losses in the assets backing the related pension obligation. On February 12, 2003, we announced that we incurred an after-tax increase to the minimum pension liability and a commensurate reduction in 2002 year-end stockholders' equity of \$552 million.

49

---

Current projections indicate that our 2003 pension expense would increase by approximately \$130 million compared with 2002 and incremental cash contributions of approximately \$40 million would be required in 2003. These estimates are based on certain assumptions, including discount rates, interest rates, fair value of assets for some of our plans and expected return on plan assets. Changes in our pension benefit obligations and the related net periodic costs or credits may occur in the future due to any variance of actual results from our assumptions and changes in the number of participating employees. As a result, there can be no assurance that we will not experience future decreases in stockholders' equity or that we will not be required to make additional cash contributions in the future beyond those which have been announced.

*We are subject to a number of contingencies and legal proceedings which, if determined adversely to us, would adversely affect our financial results.*

We are subject to numerous claims, tax assessments and lawsuits that arise in the ordinary course of business. The damages that may be claimed are substantial, including in many instances claims for punitive or extraordinary damages. The litigation naming us as a defendant ordinarily involves our activities as a broker or provider of insurance products or as an employer. It is possible that, if the outcomes of these contingencies and legal proceedings were not favorable to us, it could materially adversely affect our future financial results. In addition, our results of operations, financial condition or liquidity may be adversely affected if in the future our insurance coverage proves to be inadequate or unavailable or there is an increase in liabilities for which we self-insure.

*Our success depends, in part, on the efforts of our senior management and our ability to attract and retain experienced and qualified personnel.*

We believe that our continued success depends, in part, on the efforts of our senior management. The loss of the services of any of our executive officers for any reason could have a material adverse effect on our business, operating results and financial condition. In addition, our future success depends on our ability to attract and retain experienced underwriters, brokers and other professional personnel. Competition for such experienced professional personnel is intense. If we cannot hire and retain talented personnel, our business, operating results and financial condition could be adversely affected.

*We are subject to increasing costs arising from errors and omissions claims against us.*

We have experienced an increase in the frequency and severity of errors and omissions claims against us, which has and will continue to substantially increase our risk management expenses. In our insurance brokerage business, we often assist our clients with matters which include the placement of insurance coverage and the handling of related claims. Errors and omissions claims against us may allege our potential liability for all or part of the amounts in question. Errors and omissions claims could include, for example, the failure of our employees or sub-agents, whether negligently or intentionally, to place coverage correctly or notify claims on behalf of clients or to provide insurance carriers with complete and accurate information relating to the risks being insured. It is not always possible to prevent and detect errors and omissions, and the precautions we take may not be effective in all cases. In addition, errors and omissions claims may harm our reputation or divert management resources away from operating our business.

*Our businesses are subject to extensive governmental regulation which could reduce our profitability or limit our growth.*

Our businesses are subject to extensive federal, state and foreign governmental regulation and supervision, which could reduce our profitability or limit our growth by increasing the costs of regulatory compliance, limiting or restricting the products or services we sell or the methods by which we sell our products and services or subjecting our businesses to the possibility of regulatory actions or

50

---

proceedings. With respect to our insurance brokerage businesses, this supervision generally includes the licensing of insurance brokers and agents and third-party administrators and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokering and third-party administration in the jurisdictions in which we currently operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Also, we can be affected indirectly by the governmental regulation and supervision of other insurance companies. For instance, if we are providing managing general underwriting services for an insurer we may have to contend with regulations affecting our client. Further, regulation affecting the insurance companies with whom our brokers place business can affect how we conduct those operations.

Most insurance regulations are designed to protect the interests of policyholders rather than stockholders and other investors. In the United States, this system of regulation, generally administered by a department of insurance in each state in which we do business, affects the way we can conduct our insurance underwriting business. Furthermore, state insurance departments conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies, holding company issues and other matters.

Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies in several areas, including employee benefit plan regulation, age, race, disability and sex discrimination, investment company regulation, financial services regulation, securities laws and federal taxation, do affect the insurance industry generally and our insurance underwriting subsidiaries in particular. For example, recently adopted federal financial services modernization legislation and privacy laws, such as the Health Insurance Portability and Accountability Act of 1996 and the Gramm-Leach-Bliley Act (as it relates to the use of medical and financial information by insurers), may result in additional regulatory compliance costs, limit the ability of our insurance underwriting subsidiaries to market their products or otherwise constrain the nature and scope of our operations. With respect to our international operations, we are subject to various regulations relating to, among other things, licensing, currency, policy language and terms, reserves and the amount of local investment. These various regulations also add to our cost of doing business through increased compliance expenses, the financial impact of use of capital restrictions and increased training and employee expenses. Furthermore, the loss of a license in a particular jurisdiction could restrict or eliminate our ability to conduct business in that jurisdiction.

In all jurisdictions the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals, and to implement regulations. Accordingly, we may be precluded or temporarily suspended from carrying on some or all of our activities or otherwise fined or penalized in a given jurisdiction. No assurances can be given that our businesses can continue to be conducted in any given jurisdiction as they have been in the past.

*Our significant global operations expose us to various international risks that could adversely affect our business.*

A significant portion of our operations is conducted outside the United States. Accordingly, we are subject to legal, economic and market risks associated with operating in foreign countries, including:

- the general economic and political conditions existing in those countries;
- imposition of limitations on conversion of foreign currencies or remittance of dividends and other payments by foreign subsidiaries;
- imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries;

51

- 
- hyperinflation in certain foreign countries;
  - imposition or increase of investment and other restrictions by foreign governments;
  - longer payment cycles;
  - greater difficulties in accounts receivables collection; and
  - the requirement of complying with a wide variety of foreign laws.

Some of our foreign brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. We must also translate the financial results of our foreign subsidiaries into United States dollars. Although we use various derivative financial instruments to help protect against adverse transaction and translation effects due to exchange rate fluctuations, we cannot eliminate such risks, and significant changes in exchange rates may adversely affect our results.

*Our financial results could be adversely affected if our underwriting reserves differ from actual experience.*

We maintain reserves as an estimate of our liability under insurance policies issued by our insurance underwriting subsidiaries. The reserves that we maintain that could cause variability in our financial results consist of (1) unearned premium reserves, (2) policy and contract claim reserves and (3) future policy benefit reserves. Unearned premium reserves generally reflect our liability to return premiums we have collected under policies in the event of the lapse or cancellation of those policies. Under accounting principles generally accepted in the United States, premiums we have collected generally become "earned" over the life of a policy by means of a reduction in the amount of the unearned premium reserve associated with the policy. Unearned premium reserves are particularly significant with respect to our warranty business, given that the premiums we receive for warranty products generally cover an extended period of time. If there are significant lapses or cancellations of these types of policies, or expected losses for existing policies develop adversely and therefore premiums are not earned as expected, it may be necessary to accelerate the amortization of deferred acquisition expenses associated with the policies because these deferred expenses are amortized over the projected life of the policies or establish additional reserves to cover premium deficiencies.

Policy and contract claim reserves reflect our estimated liability for unpaid claims and claims adjustment expenses, including legal and other fees and general expenses for administering the claims adjustment process, and for reported and unreported losses incurred as of the end of each accounting period. If the reserves originally established for future claims prove inadequate, we would be required to increase our liabilities, which could have an adverse effect on our business, results of operations and financial condition.

The obligation for policy and contract claims does not represent an exact calculation of liability. Rather, reserves represent our best estimate of what we expect the ultimate settlement and administration of claims will cost. These estimates represent informed judgments based on our assessment of currently available data, as well as estimates of future trends in claims severity, frequency, judicial theories of liability and other factors. Many of these factors are not quantifiable in advance and both internal and external events, such as changes in claims handling procedures, inflation, judicial and legal developments and legislative changes, can cause our estimates to vary. The inherent uncertainty of estimating reserves is greater for certain types of liabilities, where the variables affecting these types of claims are subject to change and long periods of time may elapse before a definitive determination of liability is made. Reserve estimates are periodically refined as experience develops and further losses are reported and settled. Adjustments to reserves are reflected in the results of the periods in which such estimates are changed. Because setting the level of reserves for policy and contract claims is inherently uncertain, we cannot assure you that our current reserves will prove adequate in light of subsequent events.

---

Future policy benefit reserves generally reflect our liability to provide future life insurance benefits and future accident and health insurance benefits on guaranteed renewable and non-cancelable policies. Future policy benefit reserves on accident and health and life products have been provided on the net level premium method. These reserves 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.

*We may not realize all of the expected benefits from our business transformation plan.*

In the fourth quarter of 2000, we began a comprehensive business transformation plan designed to enhance client service, improve productivity through process redesign and accelerate revenue growth. Outside of U.S. retail brokerage, the plan has been substantially implemented and has delivered the expected benefits, including improved revenue growth and enhanced productivity. Within U.S. retail brokerage, however, we experienced unexpected delays in implementing components of the plan, as well as higher than expected costs. As a result, we cannot assure you that we will realize all of the expected benefits associated with our business transformation plan. In addition, regardless of whether we are able to realize any of the benefits of the business transformation plan, we have incurred significant costs, which have been greater than those planned.

*The perceived conflicts associated with our insurance brokerage and underwriting businesses could limit our growth.*

Historically, we have not been able to fully exploit business opportunities due to the perceived conflicts associated with our insurance brokerage and underwriting businesses. For example, we have refrained from offering our extended warranty products and services through competing insurance brokers. Independent brokers have been reluctant to do business with our insurance underwriting business because they believed that any fees or information provided to us would ultimately benefit our competing brokerage business. These brokers also have been concerned that any information gleaned by our underwriting business regarding their clients and their clients' insurance needs would be shared with our competing brokerage business to solicit new business from these clients. Similarly, competing underwriters have feared that our brokers could share information with our underwriting business in an effort to help secure desirable business or, alternatively, seek price quotes from them only for undesirable business. In the future, these perceived conflicts could limit our ability to expand our product and service offerings and seek new business through independent brokerage channels.

*Each of our business lines may be adversely affected by an overall decline in economic activity.*

The demand for property and casualty insurance generally rises as the overall level of economic activity increases and generally falls as such activity decreases, affecting both the commissions generated by our brokerage business and the premiums generated by our underwriting businesses. In particular, a growing number of insolvencies associated with an economic downturn, especially insolvencies in the insurance industry, could adversely affect our brokerage business through the loss of clients or by hampering our ability to place insurance and reinsurance business. Moreover, the results of our consulting business are generally affected by the level of business activity of our clients, which in turn is

affected by the level of economic activity in the industries and markets these clients serve. As our clients become adversely affected by declining business conditions, they may choose to delay or forgo consulting engagements with us.

*Recent and proposed accounting rule changes could negatively affect our financial position and results.*

Recent accounting changes effected and proposals made could negatively affect our financial position or results of operations. Under Financial Accounting Standards Board Statement No. 142 (Statement No. 142), which we adopted on January 1, 2002, goodwill is no longer being amortized, but

must instead be tested annually for impairment in its value. Goodwill is the excess of cost over net assets purchased relating to business acquisitions. As of December 31, 2002, we had approximately \$4.1 billion of goodwill on our balance sheet. If an impairment exists, we must recognize a non-cash charge equal to the impairment, thereby reducing our net worth. Under our principal credit facility that supports our commercial paper program, we are required to maintain a minimum net worth of \$2.5 billion. As of December 31, 2002, our net worth calculated for this purpose was \$3.9 billion. In connection with our adoption of Statement No. 142 we tested our goodwill and found no impairment as of January 1, 2002. We have finalized our testing for 2002 and found no impairment. However, we cannot assure you that impairment will not exist when we perform testing in future periods, and any impairment charge we would be required to take would have a negative effect on our financial position and results.

*We have substantial debt outstanding that could adversely affect our financial flexibility.*

We have substantial debt outstanding. As of December 31, 2002, we had total consolidated debt outstanding (including for this purpose our mandatorily redeemable preferred capital securities) of approximately \$2.5 billion. This substantial amount of debt outstanding could adversely affect our financial flexibility.

*We are a holding company and, therefore, may not be able to receive dividends in needed amounts.*

Our principal assets are the shares of capital stock of our subsidiaries, including our insurance underwriting companies. We have to rely on dividends from these subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations and for paying dividends to stockholders and corporate expenses. Payments from our underwriting subsidiaries are limited by governmental regulation and will depend on the surplus and future earnings of these subsidiaries. In some circumstances, specific payments from our insurance underwriting subsidiaries may require prior regulatory approval, and we may not be able to receive dividends from these subsidiaries at times and in the amounts we anticipate or require.

*The volume of premiums we write and our profitability are affected by the availability of reinsurance and the size and adequacy of our insurance company subsidiaries' capital base.*

The level of business that our insurance underwriting subsidiaries are able to write depends on the size and adequacy of their capital base. Many state insurance laws to which they are subject impose risk-based capital requirements for purposes of regulating insurer solvency. Insurers having less statutory surplus than that required by the risk-based capital model formula generally are subject to varying degrees of regulatory scrutiny and intervention depending on the level of capital inadequacy. As of December 31, 2002, each of our insurance company subsidiaries met the risk-based statutory surplus requirements of every state in which it conducts business.

We purchase reinsurance for certain of the risks underwritten by our insurance company subsidiaries. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase, which may affect the level of business we are able to write and our profitability. We cannot assure you that we will be able to maintain our current reinsurance facilities or that we can obtain other reinsurance facilities in adequate amounts and at favorable rates. If we are unable to renew our expiring facilities or to obtain new reinsurance facilities, either our net exposures would increase or, if we are unwilling to bear an increase in net exposures, we would have to reduce the level of our underwriting commitments. Either of these potential developments could adversely affect our underwriting business.

*We cannot guarantee that our reinsurers will pay in a timely fashion, if at all.*

To better manage our portfolio of underwriting risk, we may, from time to time, purchase reinsurance by transferring part of the risk that we will assume (known as ceding) to a reinsurance company in exchange for part of the premium that we will receive in connection with the risk. Although reinsurance would make the reinsurer liable to us to the extent the risk were transferred (or ceded) to the reinsurer, it would not relieve us of our liability to our policyholders. Accordingly, we will bear credit risk with respect to our reinsurers, if any. Recently, due to industry and general economic conditions, there is an increasing risk of insolvency among reinsurance companies, resulting in a greater incidence of litigation

and affecting the recoverability of claims. We cannot assure you that our reinsurers, if any, will pay the reinsurance recoverables owed to us or that they will pay these recoverables on a timely basis.

### **Information Concerning Forward-looking Statements**

This report contains certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results, depending on a variety of factors. Potential factors that could impact results include the general economic conditions in different countries around the world, fluctuations in global equity and fixed income markets, exchange rates, rating agency actions, pension funding, changes in commercial property and casualty markets and commercial premium rates, the competitive environment, the actual costs of resolution of contingent liabilities and other loss contingencies, the heightened level of potential errors and omissions liability arising from placements of complex policies and sophisticated reinsurance arrangements in an insurance market in which insurer reserves are under pressure, the ultimate impact of the business transformation plan, and the timing and resolution of related insurance and reinsurance issues relating to the events of September 11, 2001.

### **RECENT DEVELOPMENTS**

#### *Previously Planned Divestiture of Insurance Underwriting Businesses and Discontinuance of Certain Operations*

As previously discussed, in fourth quarter 2002, we announced our plans to sell Sheffield Insurance Corporation, a small property-casualty company. In March 2003, we completed the sale.

#### *Capital Enhancement Actions*

As previously discussed, we received approximately \$223 million (\$225 million aggregate principal amount) by privately placing 7.375% senior notes in the fourth quarter 2002. In March 2003, we filed a registration statement with the Securities and Exchange Commission to register the offer to exchange these notes for registered notes having identical terms.

#### *BTA Litigation*

On February 27, 2003, oral arguments were held before the Second U.S. Circuit Court of Appeals. In the action filed by reinsurers in the U.K., the court decided that it should wait until at least June 2003 to allow determination of the outcome of the U.S. appeal.

#### *Other Items*

In February 2003, our insurance subsidiaries transferred, for appropriate consideration, shares of Endurance Specialty Insurance, Ltd., to other subsidiaries of Aon of approximately \$75 million.

---

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

#### ***Market Risk Exposure***

We are subject to various market risk exposures, including foreign exchange rate, interest rate and equity price risk. The following disclosures reflect estimates of future performance and economic conditions. Actual results may differ.

We are subject to foreign exchange rate risk associated with translating financial statements of its foreign subsidiaries into U.S. dollars. Additionally, some of our foreign brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. Our primary exposures are to the British pound, the Euro, the Canadian dollar and the Australian dollar. We use various derivative financial instruments (see note 14 to the consolidated financial statements) to protect against adverse transaction and translation effects of exchange rate fluctuations.

The potential decrease to our consolidated stockholders' equity at December 31, 2002, resulting from a hypothetical 10% adverse change in quoted year-end foreign currency exchange rates, amounts to \$207 million and \$163 million at December 31, 2002 and 2001, respectively. The impact to 2002 and 2001 pretax income in the event of a hypothetical 10% adverse change in the respective quoted year-end exchange rates would not be material after consideration of derivative positions.

The nature of the income of our businesses is affected by changes in international and domestic short-term interest rates. We monitor our net exposure to short-term interest rates and, as appropriate, hedge our exposure with various derivative financial instruments. A hypothetical 1% decrease in interest rates would cause a decrease, net of derivative positions, of \$14 million and \$10 million to 2002 and 2001 pretax income,

respectively.

The valuation of our fixed-maturity portfolio is subject to interest rate risk. A hypothetical 1% increase in long-term interest rates would decrease the fair value of the portfolio at December 31, 2002 and 2001 by approximately \$85 million and \$89 million, respectively. We have notes payable and capital securities outstanding with a fair value of \$2.4 billion and \$2.5 billion at December 31, 2002 and 2001, respectively. Such fair value was greater than the carrying value by \$36 million and \$38 million at December 31, 2002 and 2001, respectively. A hypothetical 1% decrease in interest rates would increase the fair value by approximately 6% at both December 31, 2002 and 2001.

The valuation of our marketable equity security portfolio is subject to equity price risk. If market prices were to decrease by 10%, the fair value of the equity portfolio would have a corresponding decrease of \$6 million at December 31, 2002 compared to \$38 million at December 31, 2001. At December 31, 2002 and 2001, there were no outstanding derivatives hedging the price risk on the equity portfolio.

We have selected the value ranges to represent changes in foreign currency exchange rates and equity market prices only to illustrate the possible impact of these changes; we are not predicting market events. This range of changes reflects changes we believe are possible over a one-year period.

The translated value of revenue and expense from our international brokerage and underwriting operations are subject to fluctuations in foreign exchange rates. However, the net impact of these fluctuations on Aon's net income or cash flows has not been material.

## **Item 8. Financial Statements and Supplementary Data.**

### **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, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedules as listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, 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 1, in 2002 the Company changed its method of accounting for goodwill and in 2000 the Company changed its method of accounting for certain commission and fee revenue and also changed its method of accounting for derivative financial instruments.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 12, 2003

Management of Aon Corporation is responsible for the fairness of presentation and integrity of the financial statements and other financial information in the annual report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States. 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, 2002 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 a program of financial and operational audits.

The Board of Directors selects an Audit Committee from among its members. All members of the Audit Committee are independent of the Company. The Audit Committee recommends to the Board of Directors appointment of the independent auditors and provides oversight relating to the review of financial information provided to stockholders and others, the systems of internal control which management and the Board of Directors have established and the audit process. The Audit Committee meets periodically with management, internal auditors and independent auditors to review the work of each and satisfy itself that those parties are properly discharging their responsibilities. Both the independent auditors and the internal auditors have free access to the Audit Committee, without the presence of management, to discuss the adequacy of internal control and to review the quality of financial reporting.

### Consolidated Statements of Income

	Years ended December 31		
	2002	2001	2000
	(millions except per share data)		
<b>REVENUE</b>			
Brokerage commissions and fees	\$ 6,202	\$ 5,436	\$ 4,946
Premiums and other	2,368	2,027	1,921
Investment income (note 7)	252	213	508
Total revenue	<b>8,822</b>	<b>7,676</b>	<b>7,375</b>
<b>EXPENSES</b>			
General expenses (notes 4, 5 and 15)	6,505	5,813	5,190
Benefits to policyholders	1,375	1,111	1,037
Interest expense	124	127	140
Amortization of intangible assets	54	158	154
Unusual charges (credits)—World Trade Center (note 1)	(29)	158	—
Total expenses	<b>8,029</b>	<b>7,367</b>	<b>6,521</b>
<b>INCOME BEFORE INCOME TAX, MINORITY INTEREST AND ACCOUNTING CHANGE</b>	<b>793</b>	<b>309</b>	<b>854</b>
Provision for income tax (note 9)	293	122	333
<b>INCOME BEFORE MINORITY INTEREST AND ACCOUNTING CHANGE</b>	<b>500</b>	<b>187</b>	<b>521</b>
Minority interest, net of tax—Company-obligated mandatorily redeemable preferred capital securities (note 11)	(34)	(40)	(40)
<b>INCOME BEFORE ACCOUNTING CHANGE</b>	<b>466</b>	<b>147</b>	<b>481</b>
Cumulative effect of change in accounting principle, net of tax (note 1)	—	—	(7)
<b>NET INCOME</b>	<b>\$ 466</b>	<b>\$ 147</b>	<b>\$ 474</b>

<b>NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS</b>	<b>\$ 463</b>	<b>\$ 144</b>	<b>\$ 471</b>
<b>BASIC NET INCOME PER SHARE:</b>			
Before accounting change	\$ 1.65	\$ 0.54	\$ 1.84
Cumulative effect of change in accounting principle	—	—	(0.03)
Basic net income per share	\$ 1.65	\$ 0.54	\$ 1.81
<b>DILUTIVE NET INCOME PER SHARE:</b>			
Before accounting change	\$ 1.64	\$ 0.53	\$ 1.82
Cumulative effect of change in accounting principle	—	—	(0.03)
Dilutive net income per share	\$ 1.64	\$ 0.53	\$ 1.79
<b>CASH DIVIDENDS PER SHARE PAID ON COMMON STOCK</b>	<b>\$ 0.825</b>	<b>\$ 0.895</b>	<b>\$ 0.87</b>
<b>DILUTIVE AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING</b>	<b>282.6</b>	<b>272.4</b>	<b>263.0</b>

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Financial Position

	As of December 31	
	2002	2001
	(millions)	
<b>ASSETS</b>		
<b>INVESTMENTS</b>		
Fixed maturities at fair value	\$ 2,089	\$ 2,149
Equity securities at fair value	62	382
Short-term investments	3,836	2,975
Other investments	600	640
Total investments	6,587	6,146
<b>CASH</b>	506	439
<b>RECEIVABLES</b>		
Insurance brokerage and consulting services	8,430	7,033
Other receivables	1,213	863
Total receivables (net of allowance for doubtful accounts: 2002—\$177; 2001—\$187)	9,643	7,896
<b>CURRENT INCOME TAXES</b>	124	46
<b>DEFERRED INCOME TAXES</b>	689	582
<b>DEFERRED POLICY ACQUISITION COSTS</b>	882	704
<b>GOODWILL</b>		
(net of accumulated amortization: 2002—\$723; 2001—\$698)	4,099	3,842
<b>OTHER INTANGIBLE ASSETS</b>		
(net of accumulated amortization: 2002—\$238; 2001—\$170)	225	242
<b>PROPERTY AND EQUIPMENT, NET</b>	865	775
<b>OTHER ASSETS</b>	1,714	1,658
<b>TOTAL ASSETS</b>	<b>\$ 25,334</b>	<b>\$ 22,330</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>INSURANCE PREMIUMS PAYABLE</b>	<b>\$ 9,904</b>	<b>\$ 8,233</b>

<b>POLICY LIABILITIES</b>		
Future policy benefits	1,310	1,026
Policy and contract claims	1,251	937
Unearned and advance premiums and contract fees	2,610	2,214
Other policyholder funds	139	813
Total policy liabilities	5,310	4,990
<b>GENERAL LIABILITIES</b>		
General expenses	2,012	1,770
Short-term borrowings	117	257
Notes payable	1,671	1,694
Other liabilities	1,673	1,071
<b>TOTAL LIABILITIES</b>	<b>20,687</b>	<b>18,015</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>REDEEMABLE PREFERRED STOCK</b>	<b>50</b>	<b>50</b>
<b>COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED CAPITAL SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY THE COMPANY'S JUNIOR SUBORDINATED DEBENTURES</b>	<b>702</b>	<b>800</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock—\$1 par value		
Authorized: 750 shares; issued	333	293
Paid-in additional capital	2,228	1,654
Accumulated other comprehensive loss	(954)	(535)
Retained earnings	3,251	3,021
Treasury stock at cost (shares: 2002—22.7; 2001—22.5)	(794)	(786)
Deferred compensation	(169)	(182)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>3,895</b>	<b>3,465</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 25,334</b>	<b>\$ 22,330</b>

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Cash Flows

	Years ended December 31		
	2002	2001	2000
	(millions)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 466	\$ 147	\$ 474
Adjustments to reconcile net income to cash provided by operating activities			
Cumulative effect of change in accounting principle, net of tax	—	—	7
Insurance operating assets and liabilities, net of reinsurance	335	(45)	46
Amortization of intangible assets	54	158	154
Depreciation and amortization of property, equipment and software	209	181	179
Income taxes	34	(97)	145
Special and unusual charges and purchase accounting liabilities (notes 4, 5 and 15)	(67)	59	(57)
Valuation changes on investments and income on disposals	87	158	(66)
Other receivables and liabilities—net	124	(2)	(143)

<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,242</b>	<b>559</b>	<b>739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of investments			
Fixed maturities			
Maturities	162	120	100
Calls and prepayments	137	100	129
Sales	1,711	1,220	400
Equity securities	351	379	253
Other investments	61	272	281
Purchase of investments			
Fixed maturities	(1,879)	(1,112)	(455)
Equity securities	(46)	(227)	(148)
Other investments	(27)	(347)	(436)
Short-term investments—net	(678)	(633)	3
Acquisition of subsidiaries	(111)	(107)	(85)
Property and equipment and other—net	(278)	(281)	(179)
<b>CASH USED BY INVESTING ACTIVITIES</b>	<b>(597)</b>	<b>(616)</b>	<b>(137)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common stock	607	—	—
Retirement of preferred stock—net	(87)	—	—
Treasury stock transactions—net	(10)	49	(59)
Issuance (repayments) of short-term borrowings—net	(163)	(395)	11
Issuance of long-term debt	519	400	250
Repayment of long-term debt	(547)	(148)	(70)
Interest sensitive, annuity and investment-type contracts			
Deposits	—	20	218
Withdrawals	(682)	(305)	(437)
Cash dividends to stockholders	(233)	(241)	(226)
<b>CASH USED BY FINANCING ACTIVITIES</b>	<b>(596)</b>	<b>(620)</b>	<b>(313)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>18</b>	<b>(2)</b>	<b>(8)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>67</b>	<b>(679)</b>	<b>281</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>439</b>	<b>1,118</b>	<b>837</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 506</b>	<b>\$ 439</b>	<b>\$ 1,118</b>

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Stockholders' Equity

	Years Ended December 31		
	2002	2001	2000
	(millions)		
<b>Common Stock</b>			
<i>Balance at January 1</i>	\$ 293	\$ 264	\$ 259
Issuance of stock (note 11)	37	—	—
Issued for business combinations	1	28	4
Issued for employee benefit plans	2	1	1

		333	293	264
<b>Paid-in Additional Capital</b>	<i>Balance at January 1</i>	<b>1,654</b>	706	525
Issuance of stock (note 11)		570	—	—
Business combinations (notes 4 and 11)		(18)	952	141
Employee benefit plans		22	(4)	40
		<b>2,228</b>	1,654	706
<b>Accumulated Other Comprehensive Income (Loss)</b>	<i>Balance at January 1</i>	<b>(535)</b>	(377)	(309)
Cumulative effect of change in accounting principle related to derivatives (note 1)		—	—	3
Net derivative gains (losses)		22	(6)	3
Net unrealized investment gains		42	30	49
Net foreign exchange gains (losses)		69	(58)	(115)
Net additional minimum pension liability adjustment		(552)	(124)	(8)
Other comprehensive loss		<b>(419)</b>	(158)	(68)
		<b>(954)</b>	(535)	(377)
<b>Retained Earnings</b>	<i>Balance at January 1</i>	<b>3,021</b>	3,127	2,905
Net income		466	147	474
Dividends to stockholders		(233)	(241)	(226)
Loss on treasury stock reissued		(2)	(10)	(24)
Employee benefit plans		(1)	(2)	(2)
		<b>3,251</b>	3,021	3,127
<b>Treasury Stock</b>	<i>Balance at January 1</i>	<b>(786)</b>	(118)	(90)
Cost of shares acquired—non-cash exchange (notes 4 and 11)		—	(783)	—
Cost of shares acquired		(13)	(5)	(102)
Shares reissued at average cost		5	120	74
		<b>(794)</b>	(786)	(118)
<b>Deferred Compensation</b>	<i>Balance at January 1</i>	<b>(182)</b>	(214)	(239)
Net issuance of stock awards		(13)	(3)	(7)
Amortization of deferred compensation		26	35	32
		<b>(169)</b>	(182)	(214)
<b>Stockholders' Equity at December 31</b>		<b>\$ 3,895</b>	\$ 3,465	\$ 3,388
<b>Comprehensive Income (Loss)</b>				
Net income		\$ 466	\$ 147	\$ 474
Other comprehensive loss (note 3)		(419)	(158)	(68)
Comprehensive income (loss)		<b>\$ 47</b>	\$ (11)	\$ 406

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 accounting principles generally accepted in the United States and include the accounts of Aon Corporation and its 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***

Commission income is recognized at the later of the billing or effective date of the policy. However, in circumstances where a binding order has been received before the end of the accounting period and coverage is effective, but processing has not yet occurred in the billing system due to timing, an accrual is recorded. The amounts recorded for these accruals are generally consistent from period to period and the total accrual has not materially impacted the historical trend of revenue and earnings in any quarterly or annual period. Aon's policy for estimating allowances for return commissions on policy cancellations is to record an allowance based on a historical evaluation of cancellations as a percentage of related revenue. Certain life insurance commissions, commissions on premiums billed directly by insurance companies and certain other carrier compensation are generally recognized as income when received. Revenues may be recorded in advance of the cash receipts in cases where the amounts due to be received have been confirmed by the insurance company, or when Aon has sufficient information in its records to estimate amounts for premium based revenue accruals in accordance with agreements Aon has with insurance carriers. Commissions on premium adjustments are recognized as they occur.

Fees for claims services, benefit consulting, human capital outsourcing, reinsurance services and other services are recognized when the services are rendered. Aon may enter into multiple year outsourcing agreements with clients. Revenues received from these agreements are recorded on a gross basis, inclusive of amounts ultimately passed through to subcontractors, when Aon maintains the performance obligation, and are recorded ratably over the life of the contract. The portion of the revenues received on extended warranty contracts that are for the marketing, administration and servicing of those contracts are reported as earned consistent with the method used to earn the premium portion of those revenues, and revenues that represent administrative fee-for-service arrangements for which Aon does not bear the underwriting risk, are earned as those services are performed. These fee-for-service arrangements include the marketing and servicing of extended warranty contracts on behalf of other companies and brokerage commissions for accident and health products placed with non-Aon insurance carriers.

### ***Premium Revenue***

For accident and health products, premiums are reported as earned in proportion to insurance protection provided over the period covered by the policies. For life products, premiums are recognized as revenue when due. For extended warranty products, premium revenues represent the portion of revenue from these contracts that are submitted to an Aon insurance carrier for coverage and are earned over the period of risk in proportion to the amount of insurance protection provided in accordance with Financial Accounting Standards Board (FASB) Statement No. 60, *Accounting and Reporting by Insurance Enterprises*.

For universal life-type and investment products, generally there is no requirement for payment of premium other than to maintain account values at a level sufficient to pay mortality and expense

---

charges. Consequently, premiums for universal life-type policies and investment products are not reported as revenue, but as deposits. Policy fee revenue for universal life-type policies and investment products consists of charges for the cost of insurance, policy administration and surrenders assessed during the period. Expenses include interest credited to policy account balances and benefit claims incurred in excess of policy account balances.

### **Unusual Charges (Credits)—World Trade Center**

In 2001, Aon recorded pretax unusual charges of \$158 million (\$97 million after-tax or \$0.35 per dilutive share), net of insurance and reinsurance recoveries, related to losses sustained as a result of the destruction of the World Trade Center on September 11, 2001 and the death of 175 employees. Costs incurred included \$33 million of destroyed depreciable assets at net book value, \$40 million for salaries and benefits for deceased and injured employees and other costs, and a \$10 million commitment to the Aon Memorial Education fund to support the educational needs of the children of Aon employees who were victims of the September 11<sup>th</sup> attacks. Offsetting these expenses were estimated insurance recoveries of \$60 million as of fourth quarter 2001. These costs also included \$192 million of insurance benefits paid by Aon's Combined Insurance Company of America subsidiary (CICA) under life insurance policies issued for the benefit of deceased employees, which were partially offset by reinsurance recoveries of \$147 million, resulting in a net charge of \$45 million. Reinsurers have disputed their liability as to approximately \$90 million of reinsurance recoveries under a Business Travel Accident (BTA) policy issued by CICA to cover U.S.-based employees of subsidiaries of Aon, and legal actions have been filed by both parties. In fourth quarter 2001, Aon recorded a pretax \$90 million allowance for a potentially uncollectible receivable related to this dispute. In September 2002, CICA's action with respect to the BTA policy was dismissed by the Court for the lack of subject matter jurisdiction. Prior to year-end, CICA was granted an expedited appeal.

During 2002, a settlement was reached with Aon's property insurance carriers pertaining to reimbursement for depreciable assets destroyed. This settlement resulted in a pretax credit of \$29 million, which is reported as an Unusual credit—World Trade Center in the consolidated statements of income. Additional claims are in the process of being presented to other insurers for issues related to extra expenses, leasehold

interests and business interruption coverage and additional recoveries and gains are expected in future periods when specific claims are settled.

### 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 to policyholders ceded to other companies have been reported as a reduction of premium revenue and benefits to policyholders. Expense reimbursements received in connection with reinsurance ceded have been accounted for as a reduction of the related policy acquisition costs. Reinsurance receivables and prepaid reinsurance premium amounts are reported as assets.

### Allowance for Doubtful Accounts

Aon's policy for estimating allowances for doubtful accounts with respect to receivables is to record an allowance based on a historical evaluation of write-offs, aging of balances and other qualitative and quantitative analyses.

### Stock Compensation Plans

Aon applies Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations in accounting for its stock-based compensation plans.

64

Accordingly, no compensation expense has been recognized for its stock option plan as the exercise price of the options equaled the market price of the stock at the date of grant. Compensation expense has been recognized for stock awards based on the market price at the date of the award.

The following table illustrates the effect on net income and earnings per share if Aon had applied the fair value recognition provision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	Years ended December 31		
	2002	2001	2000
Net income, as reported	\$ 466	\$ 147	\$ 474
Add: Stock based employee compensation expense included in reported net income, net of related tax effects	14	19	16
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	37	29	32
Pro forma net income	\$ 443	\$ 137	\$ 458
Net income per share:			
Basic			
As reported	\$ 1.65	\$ 0.54	\$ 1.81
Pro forma	1.57	0.51	1.75
Dilutive			
As reported	1.64	0.53	1.79
Pro forma	1.56	0.50	1.73

The fair value per share of options and awards granted is estimated as \$6.21 and \$28.54 in 2002, \$8.66 and \$29.78 in 2001 and \$6.33 and \$25.73 in 2000, respectively, on the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2002	2001	2000
Dividend yield	2.25%	2.0%	2.0%
Expected volatility	21%	28%	27%
Risk-free interest rate	4%	6%	6%
Expected term life beyond vesting date (in years):			
Stock options	0.96	1.06	0.94
Stock awards	—	—	—

The compensation cost as generated by the Black-Scholes model may not be indicative of the future benefit, if any, that may be received by

the option holder.

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

### *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.

### *Income Per Share*

Basic income per share is computed based on the weighted-average number of common shares outstanding, excluding any dilutive effects of options and awards. Net income available for common

65

stockholders is net of all preferred dividends. Dilutive income per share is computed based on the weighted-average number of common shares outstanding plus the dilutive effect of options and awards. The dilutive effect of options and awards is calculated under the treasury stock method using the average market price for the period. Common stock equivalents related to options to purchase 24 million, 4 million and 5 million shares of Aon common stock in 2002, 2001 and 2000, respectively, have not been considered because they would have been anti-dilutive. Income per share is calculated as follows:

	2002	2001	2000
	(millions except per share data)		
Net income	\$ 466	\$ 147	\$ 474
Redeemable preferred stock dividends	(3)	(3)	(3)
Net income available for common stockholders	\$ 463	\$ 144	\$ 471
Basic shares outstanding	281	269	260
Common stock equivalents	2	3	3
Dilutive potential common shares	283	272	263
Net income per share:			
Basic	\$ 1.65	\$ 0.54	\$ 1.81
Dilutive	\$ 1.64	\$ 0.53	\$ 1.79

### *Investments*

Short-term investments include certificates of deposit and highly liquid debt instruments purchased with maturities of up to one year (generally three months or less) and money market funds and are carried at cost which approximates fair value.

Fixed-maturity securities are available for sale and are carried at fair value. The amortized cost of fixed maturities is adjusted for amortization of premiums and the accretion of discounts to maturity that are included in investment income. Marketable equity securities that are held directly are carried at fair value. Unrealized gains and temporary unrealized losses on fixed-maturities and directly-held equity securities are excluded from income and are recorded directly to stockholders' equity in accumulated other comprehensive income or loss, net of deferred income taxes. Mortgage loans and policy loans are generally carried at cost or unpaid principal balance. Private equity investments are generally carried at cost, which approximates fair value, except where Aon has significant influence, in which case they are carried under the equity method. In 2001, Aon announced that it would co-sponsor a new Bermuda-based insurance and reinsurance company with total initial capitalization of \$1.2 billion to provide additional underwriting capacity to commercial property and casualty insurance and reinsurance clients. Aon's investment in Endurance Specialty Insurance Ltd. (Endurance) was funded in December 2001 with \$227 million of operating cash. The investment in Endurance is carried under the equity method and is included in Other Investments in the consolidated statements of financial position.

Limited partnership investments are carried under the equity method. Certain of the limited partnerships in which Aon invests have holdings in publicly traded equities. Changes in market value of these indirectly-held equities flow through the limited partnerships' financial statements. Aon's ownership share of these valuation changes is included in Aon's Corporate and Other Segment revenue.

In December 2001, Aon securitized \$450 million of limited partnership investments, plus associated limited partnership commitments, via a sale to Private Equity Partnership Structures I, LLC (PEPS I).

Aon received \$171 million in cash plus \$279 million of newly-issued fixed maturity and preferred stock securities of PEPS I. The underlying equity in the limited partnerships was the basis for determining the fair value of the cash and securities received in the securitization. No significant management assumptions were used in determining the fair value of the cash and securities received in the securitization or the value at December 31, 2002. At December 31, 2002, a 10% or 20% decrease in the underlying equity of the limited partnerships would have resulted in a decrease in the value of the preferred stock securities owned by \$40 million and \$80 million, respectively.

Income or loss on disposal of any securities held in the portfolio is computed using specific costs of securities sold and reported as investment income in the consolidated statements of income.

Declines in the fair value of invested assets below cost are evaluated for other than temporary impairment losses on a quarterly basis. Impairment losses for declines in value of fixed-maturity investments and equity securities below cost attributable to issuer-specific events are based upon all relevant facts and circumstances for each investment and are recognized when appropriate in accordance with Staff Accounting Bulletin (SAB) 59, FASB Statement No. 115 and related guidance. For fixed-maturity investments with unrealized losses due to market conditions or industry-related events where Aon has the positive intent and ability to hold the investment for a period of time sufficient to allow a market recovery or to maturity, declines in value below cost are assumed to be temporary.

Aon's policy for equity securities is to recognize impairment losses on specific securities that have had continuous material unrealized losses for more than three consecutive quarters or less, due to market conditions or industry-related events.

Reserves for certain other investments are established based on an evaluation of the respective investment portfolio and current economic conditions. Write-downs and changes in reserves are included in investment income in the consolidated statements of income. In general, Aon ceases to accrue investment income when interest or dividend payments are in arrears.

Accounting policies relating to derivative financial instruments are discussed in note 14.

#### ***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 and reported as assets. 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, 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 are deferred and amortized as the related premiums and contract fees are earned.

#### ***Intangible Assets***

In general, prior to January 1, 2002, goodwill relating to business acquisitions had been amortized into income over periods not exceeding 40 years using the straight-line method. Goodwill related to acquisitions made after June 30, 2001 has not been amortized. Beginning January 2002, goodwill was not amortized but instead tested for impairment under new authoritative guidance on business combinations and goodwill. See Accounting and Disclosure Changes (note 1) for further information. The cost of other intangible assets is being amortized over a range of 1 to 10 years with a weighted-average life of 3.8 years.

In the unexpected event of a significant deterioration in profitability that is projected to be recurring, Aon would assess the recoverability of its intangible assets through an analysis of expected future cash flows.

#### ***Property and Equipment***

Property and equipment are generally depreciated using the straight-line method over their estimated useful lives. Included in this category is internal use software, which is software that is acquired, internally developed or modified solely to meet internal needs, with no plan to market externally. Costs related to directly obtaining, developing or upgrading internal use software are capitalized. These costs are generally amortized using the straight-line method over a range of 2 to 10 years. The weighted- average life of Aon's software at December 31, 2002 is 4.7 years.

## ***Fair Value of Financial Instruments***

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

Other investments are comprised of mortgage loans, policy loans, private equity investments, limited partnerships and Aon's investment in Endurance. The fair value for mortgage loans and policy loans is estimated using discounted cash flow analysis, using interest rates currently being offered for similar loans to borrowers with similar credit ratings. It is generally not practical to estimate the fair value of private equity investments and limited partnerships without incurring excessive costs.

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 nonpublicly-traded portion.

## ***Future Policy Benefits, Policy and Contract Claims, Unearned Premiums and Contract Fees***

Future policy benefit liabilities on non-universal life and accident and health products have been provided on the net level premium method. The liabilities are calculated based on assumptions as to investment yield, mortality, morbidity and withdrawal rates that were determined at the date of issue and provide for possible adverse deviations. Interest assumptions are graded and range from 4.5% to 7.0% at December 31, 2002. Withdrawal assumptions are based principally on insurance subsidiaries' experience and vary by plan, year of issue and duration.

Policyholder liabilities on universal life and investment products are generally based on policy account values. Interest credit rates for these products range from 2% to 7.3%.

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.

Unearned premiums and contract fees generally are calculated using the pro rata method based on gross premiums. However, in the case of extended warranty and credit life and disability products, the

---

unearned premiums and contract fees are calculated such that the premiums and contract fees are earned over the period of risk in a reasonable relationship to anticipated claims.

## ***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, in accumulated other comprehensive income or loss, net of deferred income tax. The effect of transaction gains and losses on the consolidated statements of income, after consideration of derivative hedging, is insignificant for all periods presented.

## ***Accounting and Disclosure Changes***

As of October 1, 2000, Aon adopted FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The adoption of Statement No. 133 resulted in a \$5 million cumulative effect of a change in accounting principle before applicable income taxes of \$2 million and was recognized as an decrease to accumulated other comprehensive loss (note 3) in the consolidated statement of stockholders' equity for the year ended December 31, 2000. The adoption of Statement No. 133 did not have a material effect on net income for the year ended December 31, 2000. Refer to note 14 for a description of accounting policies relating to derivative financial instruments.

In December 1999, the Securities and Exchange Commission (SEC) issued SAB No. 101, which provides guidance for applying generally accepted accounting principles relating to the timing of revenue recognition in financial statements filed with the SEC. Effective January 1, 2000, in accordance with the provisions of SAB No. 101, Aon established a provision for estimated returned commissions from policy cancellations. In 1999 and previous years, Aon recognized returned commissions when they occurred. The cumulative effect of this accounting change was an after-tax charge of \$7 million or \$0.03 per share in the first quarter of 2000. Previously reported results for the remaining quarters of 2000 were not impacted by this accounting change.

In September 2000, the FASB issued Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Statement No. 140 replaces Statement No. 125 and revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. Statement No. 140 became effective for all transfers of financial assets occurring after March 31, 2001. Implementation of Statement No. 140 did not have a material impact on Aon's consolidated financial statements.

In June 2001, the FASB issued Statement No. 141, *Business Combinations*, and Statement No. 142, *Goodwill and Other Intangible Assets*. Statement No. 141 superceded APB Opinion No. 16, and amended or superceded a number of interpretations of APB No. 16. Certain purchase accounting guidance in APB No. 16, as well as certain of its amendments and interpretations, have been carried forward. The statement eliminated the pooling of interests method of accounting for business combinations. It also changed the criteria to recognize intangible assets apart from goodwill. The requirements of Statement No. 141 were effective for any business combination accounted for by the purchase method that was completed after June 30, 2001. Statement No. 142 supercedes APB No. 17. Under Statement No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently if impairment indicators arise, for impairment. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. The amortization provisions of Statement No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill acquired prior to July 1, 2001, amortization was discontinued effective as of January 1, 2002. Reported goodwill amortization was \$118 million and \$114 million for the years ended December 2001 and 2000, respectively.

---

In accordance with Statement No. 141, other intangible assets which resulted from acquisitions made prior to July 1, 2001, that did not meet the criteria for recognition apart from goodwill (as defined by Statement No. 141) were to be classified as goodwill upon adoption of the statement. Accordingly, Aon has reclassified \$287 million of these intangibles, net of accumulated amortization, to goodwill as of January 1, 2002. Amounts on the December 31, 2001 consolidated statement of financial position have been reclassified for this item. In addition, Aon re-examined the useful lives of all intangibles in accordance with Statement No. 142. Reported amortization expense for all other intangibles was \$54 million, \$40 million and \$40 million for the years ended December 31, 2002, 2001 and 2000, respectively.

In August 2001, the FASB issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Statement No. 144 supercedes Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and provides new rules on asset impairment and a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of Statement No. 121, the new rules significantly change the criteria that would have to be met to classify an asset as held-for-sale. The new rules also supercede the provisions of APB No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, with regard to reporting the effects of a disposal of a segment of a business and require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period(s) in which the losses are incurred. Statement No. 144 was effective January 1, 2002. This statement did not have a material impact on Aon's consolidated financial statements.

In June 2002, the FASB issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. Statement No. 146 supercedes Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. Statement No. 146 is effective January 1, 2003. The adoption of this statement is not expected to have a material impact on Aon's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). Guarantees meeting the characteristics described in FIN 45 are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, *Accounting for Contingencies*.

FIN 45's disclosure requirements are applicable for each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor having to make payments is remote.

FIN 45's disclosure requirements are effective for financial statements ending after December 15, 2002. Aon's disclosures may be found in note 14. FIN 45's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation is not expected to have a material impact on Aon's consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). This interpretation clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 identifies circumstances in which the consolidation decision should be based on voting interests and other circumstances in which the consolidation decision should be based on variable interests. FIN 46's

disclosure requirements are effective for financial statements issued after January 31, 2003. Aon's disclosures may be found in note 14.

The provisions of FIN 46 are effective immediately for variable interest entities created after January 31, 2003, and are effective for existing variable interest entities no later than the beginning of the first interim reporting period beginning after June 15, 2003. Aon has not yet determined the effect, if any, this statement will have on the consolidated financial statements.

### ***Previously Planned Divestiture of Underwriting Business***

In April 2001, Aon's Board of Directors approved a preliminary plan to spin off its insurance underwriting businesses to Aon's common stockholders, creating two independent, publicly traded companies. In August 2002, Aon announced it was no longer planning to spin off all the underwriting businesses, but was considering a sale or partial spin-off. At that time, a prompt sale of all or part of the underwriting operations, at an acceptable price, was believed to be achievable within a reasonable timeframe. However, due to adverse market conditions for mergers and acquisitions, Aon announced in October 2002 that it had decided not to sell, or spin off, its major underwriting subsidiaries. In fourth quarter 2002, Aon announced its plans to sell Sheffield Insurance Corporation, a small property-casualty company.

In 2002, Aon incurred approximately \$50 million of pretax expenses associated with its prior spin-off plans and related initiatives that will not be pursued. These expenses, recorded primarily in general expenses in the consolidated statements of income, represent staff build-up and severance costs, corporate overhead and advisory fees and costs tied to an anticipated, but now abandoned, expansion of certain specialty property and casualty underwriting.

### ***Reclassification***

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the 2002 presentation.

## **2. Goodwill and Other Intangible Assets**

In accordance with FASB Statement No. 142, all of Aon's goodwill will no longer be amortized. Goodwill and other intangible assets are allocated to various reporting units, which are either at its operating segments or one reporting level below the operating segment. In prior years, goodwill amortization has been systematically expensed in the Corporate and Other segment. Statement No. 142 requires Aon to compare the fair value of the reporting unit to its carrying value on an annual basis to determine if there is potential impairment of goodwill. If the fair value of the reporting unit is less than its carrying value at the valuation date, an impairment loss would be recorded to the extent that the implied fair value of the goodwill within the reporting unit is less than the recorded amount of goodwill. Fair value is estimated based on various valuation metrics.

In first quarter 2002, Aon completed its initial impairment review that indicated that there was no impairment as of January 1, 2002. In fourth quarter 2002, Aon completed its annual impairment review that affirmed that there was no impairment as of October 1, 2002 (the annual evaluation date).

A reconciliation of net income for the years ended December 31, 2001 and 2000 to adjusted net income had Statement No. 142 and the reclassification provisions of Statement No. 141 been applicable for all periods presented follows:

	Year Ended December 31, 2001			Year Ended December 31, 2000		
	Amount	Basic Net Income Per Share	Dilutive Net Income Per Share	Amount	Basic Net Income Per Share	Dilutive Net Income Per Share
	(millions, except per share data)					
Reported net income	\$ 147	\$ 0.54	\$ 0.53	\$ 474	\$ 1.81	\$ 1.79
Add back amortization (net of tax):						
Goodwill	104	0.38	0.38	98	0.37	0.37
Intangible assets reclassified to goodwill	10	0.04	0.04	10	0.04	0.04
Less amortization (net of tax):						
Other intangible assets—change in amortization periods	(5)	(0.02)	(0.02)	(5)	(0.02)	(0.02)
	<u>\$ 256</u>	<u>\$ 0.94</u>	<u>\$ 0.93</u>	<u>\$ 577</u>	<u>\$ 2.20</u>	<u>\$ 2.18</u>

The changes in the net carrying amount of goodwill for the year ended December 31, 2002 are as follows:

	Insurance Brokerage and Other Services	Consulting	Insurance Underwriting	Total
	(millions)			
Balance as of December 31, 2001	\$ 3,239	\$ 366	\$ 237	\$ 3,842
Goodwill acquired during the period	58	5	—	63
Foreign currency revaluation	190	1	3	194
Balance as of December 31, 2002	\$ 3,487	\$ 372	\$ 240	\$ 4,099

72

Amortizable intangible assets by asset class follow:

	Customer Related and Contract Based	Present Value of Future Profits	Marketing, Technology and Other	Total
	(millions)			
As of December 31, 2002				
Gross carrying amount	\$ 225	\$ 76	\$ 162	\$ 463
Accumulated amortization	148	24	66	238
Net carrying amount	\$ 77	\$ 52	\$ 96	\$ 225
As of December 31, 2001				
Gross carrying amount	\$ 237	\$ 83	\$ 92	\$ 412
Accumulated amortization	151	3	16	170
Net carrying amount	\$ 86	\$ 80	\$ 76	\$ 242

Amortization expense for amortizable intangible assets for the years ending December 31, 2003, 2004, 2005, 2006 and 2007 is estimated to be \$50 million, \$43 million, \$37 million, \$26 million and \$11 million, respectively.

### 3. Other Comprehensive Loss

The components of other comprehensive loss and the related tax effects are as follows:

	Year ended December 31, 2002		
	Amount Before Taxes	Income Tax (Expense) Benefit	Amount Net of Taxes
	(millions)		
Cumulative effect of change in accounting principle related to derivatives	\$ —	\$ —	\$ —
Net derivative gains (losses) arising during the year	33	(13)	20
Net derivative gains arising during fourth quarter 2000	—	—	—
Reclassification adjustment	3	(1)	2
Net derivative gains (losses)	36	(14)	22
Unrealized holding gains (losses) arising during the year	31	(12)	19
Reclassification adjustment	38	(15)	23
Net unrealized investment gains	69	(27)	42
Net foreign exchange gains (losses)	113	(44)	69

Net additional minimum pension liability adjustment	(876)	324	(552)
<b>Total other comprehensive loss</b>	<b>\$ (658)</b>	<b>\$ 239</b>	<b>\$ (419)</b>

73

The pretax amount of \$876 million for net additional minimum pension liability adjustment includes \$30 million related to the defined benefit pension plans in Canada, recognized for the first time in 2002.

	Year ended December 31, 2001		
	Amount Before Taxes	Income Tax (Expense) Benefit	Amount Net of Taxes
	(millions)		
Cumulative effect of change in accounting principle related to derivatives	\$ —	\$ —	\$ —
Net derivative gains (losses) arising during the year	(6)	2	(4)
Net derivative gains arising during fourth quarter 2000	—	—	—
Reclassification adjustment	(4)	2	(2)
<b>Net derivative gains (losses)</b>	<b>(10)</b>	<b>4</b>	<b>(6)</b>
Unrealized holding gains (losses) arising during the year	(9)	3	(6)
Reclassification adjustment	59	(23)	36
<b>Net unrealized investment gains</b>	<b>50</b>	<b>(20)</b>	<b>30</b>
Net foreign exchange gains (losses)	(95)	37	(58)
Net additional minimum pension liability adjustment	(203)	79	(124)
<b>Total other comprehensive loss</b>	<b>\$ (258)</b>	<b>\$ 100</b>	<b>\$ (158)</b>

	Year ended December 31, 2000		
	Amount Before Taxes	Income Tax (Expense) Benefit	Amount Net of Taxes
	(millions)		
Cumulative effect of change in accounting principle related to derivatives	\$ 5	\$ (2)	\$ 3
Net derivative gains (losses) arising during the year	—	—	—
Net derivative gains arising during fourth quarter 2000	4	(1)	3
<b>Net derivative gains (losses)</b>	<b>9</b>	<b>(3)</b>	<b>6</b>
Unrealized holding gains (losses) arising during the year	45	(14)	31
Reclassification adjustment	26	(8)	18
<b>Net unrealized investment gains</b>	<b>71</b>	<b>(22)</b>	<b>49</b>
Net foreign exchange gains (losses)	(188)	73	(115)
Net additional minimum pension liability adjustment	(13)	5	(8)
<b>Total other comprehensive loss</b>	<b>\$ (121)</b>	<b>\$ 53</b>	<b>\$ (68)</b>

The components of accumulated other comprehensive loss, net of related tax, are as follows:

	As of December 31		
	2002	2001	2000
	(millions)		
Net derivative gains	\$ 22	\$ —	\$ 6

Net unrealized investment gains (losses)	—	(42)	(72)
Net foreign exchange losses	(256)	(325)	(267)
Net additional minimum pension liability	(720)	(168)	(44)
Accumulated other comprehensive loss	\$ (954)	\$ (535)	\$ (377)

#### 4. Business Combinations

##### *Acquisitions*

In 2002, Aon completed several immaterial acquisitions, most related to the insurance brokerage operations. In these transactions, Aon paid an aggregate of approximately \$111 million in cash and \$3 million in common stock. Internal funds, short-term borrowings and common stock financed the acquisitions. Goodwill of approximately \$51 million and other intangible assets of approximately \$48 million, accounted for on a preliminary basis, resulted from these acquisitions.

With respect to certain acquisitions, Aon is contingently liable to issue additional shares based on the occurrence of future events which would increase the purchase price of certain acquisitions. Approximately 230,000 shares were contingently issuable at December 31, 2002 related to current and prior year acquisitions. In January 2003, approximately 173,000 shares were issued in relation to a prior year acquisition.

In 2001, Aon acquired ASI Solutions Incorporated (ASI), a worldwide provider of human resource outsourcing and compensation consulting services, and First Extended, Inc. (FEI), an underwriter and administrator of automotive extended warranty products, and certain other insurance brokerage and consulting operations. In these transactions, Aon paid an aggregate of approximately \$107 million in cash and \$197 million in common stock. Internal funds, short-term borrowings and common stock financed the acquisitions. Goodwill of approximately \$282 million and other intangible assets of approximately \$72 million, resulted from these acquisitions.

In July 2001, Aon acquired the common stock of two entities controlled by Aon's Chairman and Chief Executive Officer. The acquisition was financed by the issuance of approximately 22.4 million shares of Aon common stock. The two acquired entities owned, in the aggregate, approximately 22.4 million shares of Aon common stock, which are included in treasury stock, and had additional net assets, net of expenses, totaling \$5 million. This transaction did not have a material effect on Aon's total assets, liabilities or stockholders' equity.

In 2000, Aon acquired Actuarial Sciences Associates, Inc., Horizon Consulting Group, Inc., and certain other insurance brokerage and consulting operations for approximately \$85 million in cash and \$145 million in common stock. Internal funds, short-term borrowings and common stock financed the acquisitions. Goodwill of approximately \$225 million resulted from these acquisitions.

The results of operations of these acquisitions, all of which were accounted for by the purchase method, are included in the consolidated financial statements from the dates they were acquired. Pro forma results of these acquisitions are not materially different from reported results. In accordance with a 1992 purchase agreement, securities with a value of \$41 million, previously held under an escrow agreement (as amended), were released. All current balances with Aon were settled.

##### *Restructuring charges*

In 2002, Aon made payments of \$12 million on restructuring charges and purchase accounting liabilities related to business combinations.

In 1996 and 1997, Aon recorded pretax special charges of \$60 million and \$145 million, respectively, related to management's commitment to a formal plan of restructuring Aon's brokerage operations as a result of the acquisition of Alexander & Alexander Services, Inc. (A&A). Also in 1997, following management's commitment to a formal plan of restructuring the A&A and Bain Hogg brokerage operations, Aon recorded \$264 million in costs to restructure those acquisitions. Together, these costs were primarily related to termination benefits of \$152 million, lease abandonments and other exit costs of \$280 million, and asset impairments of \$37 million relating to the abandonment of systems and real estate space. All termination benefits have been paid. The remaining liability of

\$51 million is for lease abandonments and other exit costs, and is being paid out over several years as planned.

The following table sets forth the activity related to these liabilities:

	(millions)
Balance at December 31, 1999	\$ 105
Cash payments in 2000	(25)
Charge to expense in 2000	4
Foreign currency revaluation	(6)
	<hr/>
Balance at December 31, 2000	78
Cash payments in 2001	(19)
Foreign currency revaluation	(1)
	<hr/>
Balance at December 31, 2001	58
<b>Cash payments in 2002</b>	<b>(11)</b>
<b>Foreign currency revaluation</b>	<b>4</b>
	<hr/>
<b>Balance at December 31, 2002</b>	<b>\$ 51</b>
	<hr/>

All of Aon's unpaid liabilities relating to acquisitions are reflected in general expense liabilities in the consolidated statements of financial position.

## 5. Business Transformation Plan

In fourth quarter 2000, after final approval by its Board of Directors, Aon began a comprehensive business transformation plan designed to enhance client service, improve productivity through process redesign and accelerate growth. Costs of the plan include special charges and transition costs. In connection with the overall plan and strategic initiatives, Aon recorded total net expenses of \$294 million, of which \$6 million of income, \$218 million of expenses and \$82 million of expenses were recorded in 2002, 2001 and 2000, respectively, and are reflected in general expenses in the consolidated statements of income.

In 2000, expenses included costs related to termination benefits of \$54 million, covering notification to 750 employees. Other costs to exit an activity of \$6 million were incurred, which included \$2 million for abandoned leases and \$4 million for direct costs necessary to complete portions of the business transformation plan and cash settlement necessary to exit contractual obligations. Other expenses of \$22 million were also recorded in 2000, including fixed asset impairments of \$20 million (of which \$16 million related to information systems assets), as well as \$2 million of other costs.

For 2001, expenses included costs related to termination benefits of \$109 million, covering notification to 3,150 employees. Other costs to exit an activity of \$21 million were incurred, which included \$10 million for abandoned leases and \$11 million for direct costs necessary to complete portions of the business transformation plan and cash settlements necessary to exit contractual obligations.

Other expenses of \$88 million were recorded in 2001. A subsidiary of Aon has acted as a servicing agent for a limited partnership affiliated with automobile dealerships to provide auto financing to dealerships on a cooperative basis through various financing conduit facilities. This subsidiary also has a general partnership interest in the limited partnership. Continued competition from financing provided by the financing arms of automobile manufacturers caused Aon to evaluate whether it wished to continue in this servicing partner relationship. In first quarter 2001, Aon elected to cease servicing new business and run off its existing service obligation. The limited partnership affiliated with automobile dealerships established allowances for uncollectible loan balances. In conjunction with the decision to discontinue new auto financing receivables, the limited partners are not obligated to contribute

---

additional capital beyond what they have already provided for any shortfall in the reserves for their individual book of business. Aon is required to fund any shortfalls in accordance with Aon's limited recourse to the funding facility arranged by the servicing agent. The servicing agent estimated the liability that Aon would have for the existing shortfall at the time Aon decided to discontinue new auto loan financing under the facility. Aon recorded a charge to establish this obligation in accordance with FASB Statement No. 5, which amounted to an expense of \$44 million. For the year 2000, the last full year of operation, these servicing operations, which were part of Aon's Insurance Brokerage and Other Services segment, generated revenue of \$42 million and pretax income of \$3 million.

During 2001 Aon exited four other joint venture operations as a part of its business transformation process. For the year 2000, the last full year of operation, these joint ventures, which were part of Aon's Insurance Brokerage and Other Services segment, generated less than \$1 million of revenue and incurred nearly \$3 million of pretax losses. The total cost to exit these four joint ventures was \$12 million. Additional expenses in 2001 included a provision of \$14 million for discontinuing supplemental accident and health insurance business operations in Mississippi. The expense included severance costs and expenses associated with the reassignment of agents, as well as estimated costs for resolving asserted and unasserted claims and suits. A \$5 million expense was recorded relating to the write-down of certain agent receivables in conjunction with the restructuring of a worksite marketing agent commission pay structure and operations.

Further fixed asset impairments of \$10 million (of which \$9 million related to information systems assets) were taken in 2001, as well as \$3 million of other costs.

In the second quarter 2002, \$6 million of pretax costs previously incurred in connection with the business transformation plan in the U.S. were reversed and included as a credit to general expenses.

Approximately 3,700 employees have either departed voluntarily or have positions that have been eliminated. Most of the terminations have occurred and are related to the Insurance Brokerage and Other Services segment in the U.S. and the U.K.

The following table sets forth the activity related to the liability for termination benefits and other costs to exit an activity:

	Termination Benefits	Other Costs to Exit an Activity	Total
	(millions)		
Expense charged in 2000	\$ 54	\$ 6	\$ 60
Cash payments in 2000	(13)	(3)	(16)
<b>Balance at December 31, 2000</b>	<b>41</b>	<b>3</b>	<b>44</b>
Expense charged in 2001	109	21	130
Cash payments in 2001	(73)	(20)	(93)
Foreign currency revaluation	(2)	—	(2)
<b>Balance at December 31, 2001</b>	<b>75</b>	<b>4</b>	<b>79</b>
<b>Credit to expense in 2002</b>	<b>(6)</b>	<b>—</b>	<b>(6)</b>
<b>Cash payments in 2002</b>	<b>(46)</b>	<b>(3)</b>	<b>(49)</b>
<b>Foreign currency revaluation</b>	<b>4</b>	<b>—</b>	<b>4</b>
<b>Balance at December 31, 2002</b>	<b>\$ 27</b>	<b>\$ 1</b>	<b>\$ 28</b>

All of Aon's unpaid liabilities relating to business transformation plan are reflected in general expense liabilities in the consolidated statements of financial position. Termination benefits of \$15 million and \$2 million are expected to be paid in 2003 and 2004, respectively, with the remainder payable thereafter.

77

## 6. Discontinued Operations

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

In January 2002, Aon settled certain of these liabilities. The settlement had no material effect on the consolidated financial statements. As of December 31, 2002, the liabilities associated with the foregoing indemnities were included in other liabilities in the consolidated statements of financial position. Such liabilities amounted to \$48 million, net of reinsurance recoverables and other assets of \$101 million.

The insurance liabilities represent estimates of known and future claims expected to be settled over the next 20 to 30 years, principally with regards to asbestos, pollution and health hazard exposures.

Although these insurance liabilities represent a best estimate of the probable liabilities, adverse developments may occur given the nature of the information available and the variables inherent in the estimation processes. Based on current estimates, management believes that the established liabilities of discontinued operations are sufficient.

78

## 7. Investments

The components of investment income are as follows:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Short-term investments	\$ 131	\$ 191	\$ 214
Fixed maturities:			
Interest income	118	137	172
Income on disposals	51	37	13
Losses on disposals(1)	(33)	(21)	(12)
Total	136	153	173
Equity securities:			
Dividend income	15	25	31
Income on disposals	3	13	28
Losses on disposals(1)	(63)	(37)	(9)
Total	(45)	1	50
Limited partnerships—equity earnings	14	(94)	73
Other investments:			
Interest, dividend and other income	40	10	11
Endurance Specialty—equity earnings	21	—	—
Losses on disposals(1)	(39)	(41)	(5)
Total	22	(31)	6
Gross investment income	258	220	516
Less: investment expenses	6	7	8
Investment income	\$ 252	\$ 213	\$ 508

(1) Includes impairment write-downs of \$130 million, \$57 million and \$10 million in 2002, 2001 and 2000, respectively.

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

	As of December 31		
	2002	2001	2000
	(millions)		
Fixed maturities	\$ (4)	\$ (28)	\$ (45)
Equity securities	3	(43)	(72)
Other investments	3	4	—
Deferred tax credit (charge)	(2)	25	45
Net unrealized investment gains (losses)	\$ —	\$ (42)	\$ (72)

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

	Years ended December 31		
	2002	2001	2000
	(millions)		
Fixed maturities	\$ 24	\$ 17	\$ 55
Equity securities	46	29	16
Other investments	(1)	4	—
Total	\$ 69	\$ 50	\$ 71

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

	As of December 31, 2002			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(millions)			
U.S. government and agencies	\$ 378	\$ 7	\$ —	\$ 385
States and political subdivisions	4	1	—	5
Foreign governments	564	9	—	573
Corporate securities	1,140	16	(36)	1,120
Mortgage-backed securities	7	—	(1)	6
Total fixed maturities	2,093	33	(37)	2,089
Total equity securities	59	5	(2)	62
Total	\$ 2,152	\$ 38	\$ (39)	\$ 2,151

  

	As of December 31, 2001			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(millions)			
U.S. government and agencies	\$ 355	\$ 8	\$ (2)	\$ 361
States and political subdivisions	3	—	—	3
Foreign governments	515	8	(2)	521
Corporate securities	1,243	14	(54)	1,203
Mortgage-backed securities	42	—	—	42
Other fixed maturities	19	—	—	19
Total fixed maturities	2,177	30	(58)	2,149
Total equity securities	425	6	(49)	382
Total	\$ 2,602	\$ 36	\$ (107)	\$ 2,531

The amortized cost and fair value of fixed maturities by contractual maturity are as follows:

As of December 31, 2002

	Amortized Cost	Fair Value
	(millions)	
Due in one year or less	\$ 96	\$ 98
Due after one year through five years	1,135	1,143
Due after five years through ten years	359	362
Due after ten years	496	480
Mortgage-backed securities	7	6
Total fixed maturities	\$ 2,093	\$ 2,089

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.

Securities on deposit for regulatory authorities as required by law, all relating to the insurance underwriting subsidiaries, amounted to \$343 million at December 31, 2002 and \$290 million at December 31, 2001. Aon maintains premium trust bank accounts for premiums collected from insureds but not yet remitted to insurance companies of \$2.8 billion and \$2.3 billion at December 31, 2002 and 2001, respectively.

At December 31, 2002 and 2001, Aon had \$129 million and \$25 million, respectively, of non-income producing investments, which excludes private equity investments carried on the equity method, held for at least twelve months, that have not declared dividends during 2002 and 2001.

*Limited Partnership Securitization.* On December 31, 2001, Aon sold the vast majority of its limited partnership (LP) portfolio, valued at \$450 million, to PEPS I, a Qualified Special Purpose Entity (QSPE). The common stock interest in PEPS I is held by a limited liability company which is owned by one of Aon's subsidiaries (49%) and by a charitable trust, which is not controlled by Aon, established for victims of the September 11<sup>th</sup> attacks (51%). Approximately \$171 million of investment grade fixed-maturity securities were sold by PEPS I to unaffiliated third parties. PEPS I then paid Aon's insurance underwriting subsidiaries the \$171 million in cash and issued to them an additional \$279 million in fixed-maturity and preferred stock securities. The fixed-maturity securities Aon subsidiaries received from PEPS I are rated as investment grade by Standard & Poor's Ratings Services. In second quarter 2002, Aon recognized a \$32 million impairment write-down on a portion of the preferred stock securities.

As part of this transaction, the insurance underwriting subsidiaries are required to purchase from PEPS I additional fixed-maturity securities in an amount equal to the unfunded limited partnership commitments, as they are requested. In 2002, Aon's insurance underwriting subsidiaries funded \$38 million of commitments. As of December 31, 2002, these unfunded commitments amount to \$100 million. Based on the downgrades to Aon and the underwriting subsidiaries made by the ratings agencies in October 2002, credit support arrangements were put in place on January 27, 2003, whereby \$100 million of cash of one of Aon's underwriting subsidiaries has been pledged as collateral for these commitments. If the insurance underwriting subsidiaries fail to purchase additional fixed-maturity securities as commitments are drawn down, Aon has guaranteed their purchase. These commitments have specific expiration dates and the general partners may decide not to draw on these commitments.

To achieve the benefits of the securitization, Aon gave up all future voting interests in and control over the limited partnership interests sold to PEPS I and has no voting interest, control or significant influence over the business activities of PEPS I.

Aon has obtained a true sale/non-consolidation opinion from qualified external legal counsel.

PEPS I holds limited partnership investments. The legal documents that established PEPS I specify the actions that PEPS I and the servicer will undertake when PEPS I is required to make a voting decision (due to the general partner of a limited partnership calling for the vote of limited partners or proxy voting on a money market fund that PEPS I is invested in). Additionally, the legal documents contain specific instructions regarding actions to be taken if PEPS I receives (or has the ability to receive) distributions of investments held by limited partnerships in which it is invested. In instances where the general partner of a given investment may distribute underlying invested company shares to the limited partners (such as PEPS I), the legal documents that establish PEPS I outline very specific disposal instructions.

Throughout the life of PEPS I, at least 10% of the beneficial interests will be held by parties other than the transferor, its affiliates or its agents. This 10% threshold is accomplished through the first tranche notes outstanding to unaffiliated third party investors.

PEPS I will invest cash collected from the limited partnerships pending distribution to holders of beneficial interests. PEPS I invests only in relatively risk free investments with maturities no later than an expected distribution date.

All holders of each of the above beneficial interests have the right to pledge or exchange (sell), without any constraints, the beneficial interests that they hold. As such, there are no conditions that constrain the beneficial interest holders from pledging or exchanging their beneficial interest(s) and provide the transferor with more than a trivial benefit.

## 8. Debt and Lease Commitments

### Notes Payable

The following is a summary of notes payable:

	As of December 31	
	2002	2001
	(millions)	
Commercial paper	\$ —	\$ 254
3.5% convertible debt securities, due November 2012	296	—
6.2% debt securities, due January 2007(1)	250	250
8.65% debt securities, due May 2005	250	250
7.375% debt securities, due December 2012	223	—
6.9% debt securities, due July 2004	216	250
6.7% debt securities, due June 2003	150	150
LIBOR +1% debt securities, (3.025% at December 31, 2002) due January 2003	150	150
6.3% debt securities, due January 2004	89	100
7.4% debt securities, due October 2002	—	100
Euro credit facility(2)	—	87
Notes payable, due in varying installments, with interest at 3.7% to 8.1%	47	103
<b>Total notes payable</b>	<b>\$ 1,671</b>	<b>\$ 1,694</b>

(1) Rate increased to 6.7% in January 2003.

(2) Excludes \$76 million and \$152 million classified as short-term borrowings at December 31, 2002 and 2001, respectively.

Commercial paper borrowings of \$254 million at December 31, 2001 were included in notes payable based on Aon's intent and ability to maintain or refinance these obligations on a long-term basis through 2005.

In November 2002, Aon completed a private offering of \$300 million aggregate principal amount of 3.5% convertible senior debentures due 2012. Net proceeds from this offering were \$296 million. The debentures are unsecured obligations and are convertible into Aon common stock at an initial conversion price of approximately \$21.475 per common share under certain circumstances including (1) during any fiscal quarter beginning after December 31, 2002, if the closing price of Aon's common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the previous fiscal quarter or (2) subject to certain exceptions, during the five business day period after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of the debentures for each day of the ten trading day period was less than 95% of the product of the closing sale price of Aon's common stock and the number of shares issuable upon conversion of \$1,000 principal amount of the debentures. Aon will be required to pay additional contingent interest, beginning November 15, 2007, if the trading price of the debentures for each of the five trading days immediately preceding the first day of the six month interest period equals or exceeds 120% of the par value of the debentures. Beginning November 19, 2007, Aon may redeem any of the debentures at an initial redemption price of 101% of the principal amount plus accrued interest. The debentures were sold to qualified institutional buyers. We have reserved approximately 14 million shares for the potential conversion of these debentures. In January 2003, Aon filed a registration statement with the SEC to register the resale of the debentures.

In December 2002, Aon completed a private offering of \$225 million aggregate principal amount of 7.375% senior notes due 2012. Net proceeds from this offering were \$223 million. The debentures were sold to qualified institutional buyers.

Aon has used the net proceeds of both offerings to repay outstanding commercial paper, other short-term debt and certain other notes payable. In addition, some of the funds were used to repurchase a portion of Aon's 8.205% Mandatorily Redeemable Preferred Capital Securities (see note 11). A portion of the funds were invested and utilized to repay \$150 million of LIBOR + 1% debt securities that matured in January 2003.

In December 2001, Aon issued \$150 million of debt securities with a floating interest rate of LIBOR +1% due January 2003 and \$250 million of 6.2% debt securities due January 2007. This debt was initially sold to qualified institutional buyers under Rule 144A of the Securities Act and the net proceeds were used to reduce short-term borrowings. In December 2002, Aon consummated an offer to exchange the 6.2% notes for registered notes having identical terms. Because of the ratings downgrades during 2002, the interest rate on the 6.2% debt securities was increased to 6.7%, effective January 2003.

Interest is payable semi-annually on most debt securities. In addition, the debt securities are not redeemable by Aon prior to maturity except for the 3.5% convertible debt securities, which are redeemable by Aon beginning in 2007. There are no sinking fund provisions. Maturities of notes payable are \$309 million, \$312 million, \$255 million, \$4 million and \$265 million in 2003, 2004, 2005, 2006 and 2007, respectively.

In September 2001, Aon entered into a new committed bank credit facility under which certain European subsidiaries can borrow up to EUR 500 million. At December 31, 2002, Aon had borrowed EUR 74 million (\$76 million) under this facility which is classified as short-term borrowings in the consolidated statements of financial position. Aon has guaranteed the obligations of its subsidiaries with respect to this facility.

Aon had \$875 million of other unused committed bank credit facilities at December 31, 2002 to support \$1 million of commercial paper and other short-term borrowings. Aon has recently renegotiated the size of the short-term portion of the bank credit facilities, reducing the total amount to \$775 million in February 2003. Commitment fees of 10 basis points are payable on the unused short-term portion and 12.5 basis points on the unused long-term portion. The facility requires Aon to maintain consolidated net worth of at least \$2.5 billion, a ratio of consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) to consolidated interest expense of 4 to 1 and contains certain other restrictions relating to mergers and the sale or pledging of assets. No amounts were outstanding under this facility at December 31, 2002.

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

	Years ended December 31		
	2002	2001	2000
Interest paid (millions)	\$ 123	\$ 127	\$ 140
Weighted-average interest rates—short-term borrowings	3.3%	4.5%	6.4%

### Lease Commitments

Aon has noncancelable operating leases for certain office space, equipment and automobiles. Rental expenses for all operating leases amounted to \$289 million in 2002, \$242 million in 2001 and \$217 million in 2000. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2002 are:

	(millions)
2003	\$ 311
2004	282
2005	258
2006	230
2007	197
Later years	904
<b>Total minimum payments required</b>	<b>\$ 2,182</b>

## 9. 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.

Income (loss) before income tax and the cumulative effect of a change in accounting principle and the provision for income tax consist of the following:

	Years ended December 31		
	2002	2001	2000(1)
	(millions)		
Income (loss) before income tax:			
U.S.	\$ 166	\$ (66)	\$ 454
Foreign	627	375	400
Total	\$ 793	\$ 309	\$ 854
Provision for income tax:			
Current:			
Federal	\$ 34	\$ 15	\$ 115
Foreign	191	122	124
State	13	6	28
Total current	238	143	267
Deferred (credit):			
Federal	28	(28)	46
Foreign	21	9	16
State	6	(2)	4
Total deferred	55	(21)	66
Provision for income tax	\$ 293	\$ 122	\$ 333

(1) Before cumulative effect of change in accounting principle.

During 2002, 2001 and 2000, Aon's consolidated statements of income reflect a tax benefit of \$24 million, \$26 million and \$26 million, respectively, on the 8.205% Capital Securities issued in January 1997 (see note 11).

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		
	2002	2001	2000
Statutory tax rate	35.0%	35.0%	35.0%
Tax-exempt investment income	(0.3)	(0.7)	(0.5)
Amortization of intangible assets relating to acquired businesses	0.3	4.3	2.1
State income taxes	1.6	1.4	2.5
Other—net	0.4	(0.5)	(0.1)
Effective tax rate	37.0%	39.5%	39.0%

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

	As of December 31	
	2002	2001
	(millions)	

Deferred tax assets:		
Employee benefit plans	\$ 400	\$ 141
Unrealized foreign exchange losses	171	210
Unearned and advanced premiums and contract fees	150	110
Net operating loss and tax credit carryforwards	82	81
Certain purchase accounting and special charges	32	81
Unrealized investment losses	—	26
Other	141	146
	<u>          </u>	<u>          </u>
Total	976	795
	<u>          </u>	<u>          </u>
Deferred tax liabilities:		
Policy acquisition costs	(167)	(91)
Unrealized investment gains	(16)	—
Other	(71)	(101)
	<u>          </u>	<u>          </u>
Total	(254)	(192)
	<u>          </u>	<u>          </u>
Valuation allowance on deferred tax assets	(33)	(21)
	<u>          </u>	<u>          </u>
Net deferred tax assets	\$ 689	\$ 582
	<u>          </u>	<u>          </u>

There are limitations on the utilization of net operating loss and tax credit carryforwards after a change of control, consequently, there will be annual limitations on the realization of these tax assets. Accordingly, valuation allowances were established for various acquisitions. Subsequently, recognized tax benefits for these items would reduce goodwill. The valuation allowance changed to \$33 million in 2002 from \$21 million in 2001, corresponding to increases in related deferred tax assets, with no effect on net income. Although future earnings cannot be predicted with certainty, management currently believes that realization of the net deferred tax asset after consideration of the valuation allowance is more likely than not.

At December 31, 2002, Aon had domestic operating loss carryforwards of \$55 million which will expire at various dates from 2003 to 2021. At December 31, 2002, Aon had foreign operating loss carryforwards of \$113 million, which expire at various dates.

Prior to 1984, 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, 2002, the combined "policyholders' surplus account" of Aon's life insurance subsidiaries approximates \$363 million. Aon's life insurance subsidiaries do not intend to make any taxable distributions or exceed the prescribed limits in the foreseeable future; therefore, no income tax provision has been made. However, if such taxes were assessed, the amount of taxes payable would be approximately \$127 million.

The amount of income taxes paid in 2002, 2001 and 2000 was \$238 million, \$193 million and \$158 million, respectively.

## 10. 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 the captive insurance operations of numerous automobile dealerships and insurers, certain newer accident and health initiatives as well as certain property casualty lines. Aon's insurance subsidiaries remain liable to the extent that the reinsuring companies are unable to meet their obligations.

A summary of reinsurance activity is as follows:

	Years ended December 31		
	2002	2001	2000
	<u>          </u>	<u>          </u>	<u>          </u>
	(millions)		
Ceded premiums earned	\$ 1,190	\$ 921	\$ 845
Ceded premiums written	1,371	1,020	888

Assumed premiums earned	493	391	379
Assumed premiums written	533	384	304
Ceded benefits to policyholders	703	630	552

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

	Years ended December 31		
	2002	2001	2000
	(millions)		
Liabilities at beginning of year	\$ 455	\$ 377	\$ 448
Incurred losses:			
Current year	1,235	1,110	840
Prior years	25	(11)	16
<b>Total</b>	<b>1,260</b>	<b>1,099</b>	<b>856</b>
Payment of claims:			
Current year	(930)	(769)	(633)
Prior years	(256)	(252)	(294)
<b>Total</b>	<b>(1,186)</b>	<b>(1,021)</b>	<b>(927)</b>
Liabilities at end of year (net of reinsurance recoverables:			
2002—\$722; 2001—\$482; 2000—\$424)	\$ 529	\$ 455	\$ 377

## 11. Redeemable Preferred Stock, Capital Securities and Stockholders' Equity

### *Redeemable Preferred Stock*

At December 31, 2002, one million shares of redeemable preferred stock were outstanding. Dividends are cumulative at an annual rate of \$2.55 per share. The shares of redeemable preferred stock will be redeemable at the option of Aon or the holders, in whole or in part, at \$50.00 per share beginning one year after the occurrence of a certain future event.

### *Capital Securities*

In January 1997, Aon created Aon Capital A, a wholly-owned statutory business trust, for the purpose of issuing mandatorily redeemable preferred capital securities (Capital Securities). The sole asset of Aon Capital A is a \$726 million aggregate principal amount of Aon's 8.205% Junior Subordinated Deferrable Interest Debentures due January 1, 2027. The back-up guarantees, in the

aggregate, provide a full and unconditional guarantee of the trust's obligations under the Capital Securities.

Aon Capital A issued \$800 million of 8.205% capital securities in January 1997. The proceeds from the issuance of the Capital Securities were used to finance a portion of the A&A acquisition. The Capital Securities are subject to mandatory redemption on January 1, 2027 or, are redeemable in whole, but not in part, at the option of Aon upon the occurrence of certain events. During 2002, approximately \$98 million of the Capital Securities were repurchased on the open market for \$87 million excluding accrued interest. An after-tax gain on the repurchases of \$7 million is included in minority interest in the consolidated statements of income.

Interest is payable semi-annually on the Capital Securities. The Capital Securities are categorized in the consolidated statements of financial position as "Company-Obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust Holding Solely Aon's Junior Subordinated Debentures." The after-tax interest incurred on the Capital Securities is reported as minority interest in the consolidated statements of income.

### *Common Stock*

In December 2001, Aon filed a universal shelf registration on Form S-3 for the issuance of \$750 million of debt and equity securities. In November 2002, Aon completed a public offering of 36.8 million shares of its common stock at \$17.18 per share, raising net proceeds of \$607 million. Aon has used the net proceeds to repay commercial paper and other short-term debt. A portion of the funds were invested and were utilized to repay debt maturing in 2003.

Aon repurchased 0.4 million, 0.1 million and 3.5 million shares in 2002, 2001 and 2000, respectively, of its common stock. Share repurchases in 2000 were made primarily to provide shares for stock compensation plans. In addition, Aon issued 3.5 million new shares of common stock in 2002 for employee benefit plans and for acquisitions. In connection with the acquisition of two entities controlled by Aon's Chairman and Chief Executive Officer in 2001 (note 4), Aon obtained approximately 22.4 million shares of its common stock. These treasury shares are restricted as to their reissuance. The acquisition was financed by the issuance of approximately 22.4 million new shares of Aon stock.

### Dividends

A summary of dividends declared is as follows:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Redeemable preferred stock	\$ 3	\$ 3	\$ 3
Common stock	230	238	223
<b>Total dividends declared</b>	<b>\$ 233</b>	<b>\$ 241</b>	<b>\$ 226</b>

### 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 in excess of \$105 million may be subject to approval by regulatory authorities. See note 9 for possible tax effects of distributions made out of untaxed earnings.

Net statutory income (loss) of the insurance subsidiaries is summarized as follows:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Life insurance	\$ (13)	\$ (61)	\$ 133
Property casualty	(64)	60	49

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

	As of December 31		
	2002	2001	2000
	(millions)		
Life insurance	\$ 537	\$ 421	\$ 492
Property casualty	448	484	491

The National Association of Insurance Commissioners revised the Accounting Practices and Procedures Manual in a process referred to as Codification. The revised manual was effective January 1, 2001. The domiciliary states of Aon's major insurance subsidiaries have adopted the provisions of the revised manual. The revised manual changed, to some extent, prescribed statutory accounting practices and resulted in changes

to the accounting practices that Aon's major insurance subsidiaries use to prepare their statutory-basis financial statements. The impact of these changes was to increase Aon's major insurance subsidiaries' statutory capital and surplus by approximately 6% as of January 1, 2001.

## 12. Employee Benefits

### *Savings and Profit Sharing Plans*

Aon subsidiaries maintain contributory savings plans for the benefit of United States salaried and commissioned employees. Provisions made for these plans were \$48 million, \$43 million and \$39 million in 2002, 2001 and 2000, respectively.

### *Pension and Other Postretirement Benefits*

Aon sponsors defined benefit, pension and postretirement health and welfare plans that provide retirement, medical and life insurance benefits. The postretirement healthcare plans are contributory, with retiree contributions adjusted annually; the life insurance and pension plans are noncontributory.

### *U.S. Pension and Other Benefit Plans*

The following tables provide a reconciliation of the changes in obligations and fair value of assets for the years ended December 31, 2002 and 2001 and a statement of the funded status as of

89

December 31, 2002 and 2001, for both qualified and non-qualified plans. The measurement for the U.S. plans is November 30.

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
	(millions)			
<i>Reconciliation of benefit obligation</i>				
Obligation at beginning of period	\$ 961	\$ 792	\$ 73	\$ 69
Service cost	46	33	3	2
Interest cost	72	65	5	5
Participant contributions	—	—	7	6
Plan amendments	(9)	—	—	—
Actuarial loss (gain)	35	12	1	(1)
Benefit payments	(53)	(49)	(13)	(13)
Curtailments	—	(10)	—	—
Acquisitions	—	21	—	—
Change in interest rate	55	97	4	5
Obligation at end of period	\$ 1,107	\$ 961	\$ 80	\$ 73
<i>Reconciliation of fair value of plan assets</i>				
Fair value at beginning of period	\$ 931	\$ 932	\$ 8	\$ 8
Actual return on plan assets	(91)	21	—	—
Participant contributions	—	—	7	6
Employer contributions	2	2	6	7
Benefit payments	(53)	(49)	(13)	(13)
Acquisitions	—	25	—	—
Fair value at end of period	\$ 789	\$ 931	\$ 8	\$ 8
<i>Funded status</i>				
Funded status at end of period	\$ (318)	\$ (30)	\$ (72)	\$ (65)
Unrecognized prior-service	(11)	(3)	—	—
Unrecognized loss (gain)	363	76	(6)	(12)
Net amount recognized	\$ 34	\$ 43	\$ (78)	\$ (77)

Prepaid benefit cost	\$	—	\$	93	\$	—	\$	—
Accrued benefit liability		(213)		(60)		(78)		(77)
Other comprehensive income		247		10		—		—
<b>Net amount recognized</b>	<b>\$</b>	<b>34</b>	<b>\$</b>	<b>43</b>	<b>\$</b>	<b>(78)</b>	<b>\$</b>	<b>(77)</b>

In 2002, plans with a projected benefit obligation (PBO) in excess of the fair value of plan assets had a PBO of \$1.1 billion, and plans with an accumulated benefit obligation (ABO) in excess of the fair value of plan assets had an ABO of \$1 billion. In 2001, plans with a PBO in excess of the fair value of plan assets were unfunded plans with a PBO of \$71 million, and plans with an ABO in excess of the fair value of plan assets were unfunded plans with an ABO of \$60 million.

In both 2002 and 2001, pension plan assets include 3.7 million shares of common stock issued by Aon on which dividends of \$3.1 million and \$3.3 million were received in 2002 and 2001, respectively.

90

The following table provides the components of net periodic benefit cost (credit) for the plans for the years ended December 31, 2002, 2001 and 2000:

	Pension Benefits		
	2002	2001	2000
	(millions)		
Service cost	\$ 46	\$ 33	\$ 32
Interest cost	72	65	60
Expected return on plan assets	(108)	(104)	(95)
Amortization of prior-service	(2)	(1)	(1)
Amortization of net (gain) loss	2	(8)	(7)
<b>Net periodic benefit cost (credit)</b>	<b>\$ 10</b>	<b>\$ (15)</b>	<b>\$ (11)</b>
	Other Benefits		
	2002	2001	2000
	(millions)		
Service cost	\$ 3	\$ 2	\$ 2
Interest cost	5	5	5
Amortization of prior-service	—	—	(5)
Amortization of net gain	(1)	(1)	(1)
<b>Net periodic benefit cost</b>	<b>\$ 7</b>	<b>\$ 6</b>	<b>\$ 1</b>

The weighted-average assumptions for the measurement period for U.S. benefit obligations are shown in the following table:

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Discount rate	7.0%	7.5%	7.0%	7.5%
Expected return on plan assets	8.5	10.3	—	—
Rate of compensation increase	3.5	4.0	3.5	4.0

#### *Assumptions for Other Postretirement Benefits*

The employer's liability for future plan cost increase is limited in any year to 5% per annum. For measurement purposes in 2002, 2001 and 2000, the 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 to be 11.5%, 12.0% and 7.5%, respectively, decreasing gradually to 5.5% in year 2014 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.

As a result, a 1% change in assumed healthcare cost trend rates has no effect on the service and interest cost components of net periodic postretirement healthcare benefit cost and on the accumulated postretirement benefit obligation for the measurement period ended in 2002.

### *International Pension Plans*

The following tables provide a reconciliation of the changes in obligations and fair value of assets for the years ended December 31, 2002 and 2001 and a statement of the funded status as of

91

December 31, 2002 and 2001, for material international pension plans, which are located in the United Kingdom and the Netherlands. The measurement date for these plans is September 30.

	<b>International Pension</b>	
	<b>2002</b>	<b>2001</b>
	(millions)	
<i>Reconciliation of benefit obligation</i>		
Obligation at beginning of period	\$ 2,011	\$ 2,036
Service cost	45	51
Interest cost	133	124
Participant contributions	3	4
Benefit payments	(80)	(69)
Change in interest rate	300	(81)
Foreign exchange translation	242	(54)
Obligation at end of period	<b>\$ 2,654</b>	<b>\$ 2,011</b>
<i>Reconciliation of fair value of plan assets</i>		
Fair value at beginning of period	\$ 1,693	\$ 2,000
Actual return on plan assets	(98)	(243)
Employer contributions	74	53
Participant contributions	3	4
Benefit payments	(80)	(69)
Foreign exchange translation	185	(52)
Fair value at end of period	<b>\$ 1,777</b>	<b>\$ 1,693</b>
<i>Funded status</i>		
Funded status at end of period	\$ (877)	\$ (318)
Unrecognized loss	1,286	660
Net amount recognized	<b>\$ 409</b>	<b>\$ 342</b>
Prepaid benefit cost	\$ 64	\$ 221
Accrued benefit liability	(555)	(144)
Other comprehensive income	900	265
Net amount recognized	<b>\$ 409</b>	<b>\$ 342</b>

In 2002, plans with a PBO in excess of the fair value of plan assets had a PBO of \$2.7 billion and plan assets with a fair value of \$1.8 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of \$2.1 billion and plan assets with a fair value of \$1.6 billion.

In 2001, plans with a PBO in excess of the fair value of plan assets had a PBO of \$1.9 billion and plan assets with a fair value of \$1.5 billion, and plans with an ABO in excess of the fair value of plan assets had an ABO of \$1.0 billion and plan assets with a fair value of

The following table provides the components of net periodic benefit cost for the international plans for the measurement period ended in 2002, 2001 and 2000:

	2002	2001	2000
	(millions)		
Service cost	\$ 45	\$ 51	\$ 65
Interest cost	133	124	123
Expected return on plan assets	(163)	(182)	(193)
Amortization of net loss	31	11	10
<b>Net periodic benefit cost</b>	<b>\$ 46</b>	<b>\$ 4</b>	<b>\$ 5</b>

The weighted-average assumptions for the measurement period for the international pension benefit obligations are shown in the following table:

	2002	2001	2000
Discount rate	5.5 - 5.75%	6.25 - 7.0 %	6.0 - 7.0%
Expected return on plan assets	6.0 - 7.5	6.0 - 9.5	7.0 - 10.0
Rate of compensation increase	3.75 - 4.0	4.0	4.0 - 4.5

### 13. Stock Compensation Plans

In 2001, Aon stockholders approved the Aon Stock Incentive Plan, which replaced all existing incentive compensation plans, including the Aon Stock Award Plan and the Aon Stock Option Plan. Under the new plan, non-qualified and incentive stock options, stock appreciation rights and stock awards may be granted. The annual rate of which awards are granted each year is based upon financial and competitive business conditions. The number of shares authorized to be issued under the new plan is equal to 18% of the number of common shares outstanding of Aon.

#### *Stock Awards*

Generally, employees are required to complete three continuous years of service before the award begins to vest in increments until the completion of a 10-year period of continuous employment. In 2002, a significant number of awards were granted that vest annually over five years, with the initial vesting occurring after one year of continuous service. In general, most awarded shares are issued as they become vested. In certain circumstances, an employee can elect to defer the receipt of vested shares to a later date. 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. At December 31, 2002 and 2001, the number of shares available for award is included with options available for grant.

Aon common stock awards outstanding consist of the following:

	Years ended December 31		
	2002	2001	2000
	(shares in thousands)		
Shares outstanding at beginning of year	7,424	8,881	9,865
Granted	1,024	258	586
Vested	(1,432)	(1,488)	(1,216)
Canceled	(533)	(227)	(354)
<b>Shares outstanding at end of year</b>	<b>6,483</b>	<b>7,424</b>	<b>8,881</b>

### Stock Options

Options to purchase common stock are granted to certain officers and employees of Aon and its subsidiaries at 100% of market value on the date of grant. Generally, employees are required to complete two continuous years of service before the options begin to vest in increments until the completion of a 4-year period of continuous employment. For all grants made prior to an amendment to the former stock option plan in 2000, employees were required to complete three continuous years of service before the options began to vest in increments until the completion of a 6-year period of continuous employment.

A summary of Aon's stock option activity (including options granted pursuant to the former Aon Stock Award Plan) and related information consists of the following:

	Years ended December 31					
	2002		2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
	(shares in thousands)					
Beginning outstanding	21,298	\$ 32	16,156	\$ 29	11,223	\$ 31
Granted	5,552	34	7,647	34	6,812	25
Exercised	(877)	20	(1,751)	18	(1,174)	17
Canceled	(1,495)	33	(754)	32	(705)	33
Ending outstanding	24,478	\$ 32	21,298	\$ 32	16,156	\$ 29
Exercisable at end of year	5,308	\$ 30	2,538	\$ 29	2,607	\$ 21
Options available for grant	22,771		14,444		2,368	

A summary of options outstanding and exercisable is as follows:

Range of Exercise Prices	As of December 31, 2002				
	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
	(Shares in thousands)				
\$14.92 - \$22.89	1,565	4.6	\$ 20.02	942	\$ 22.40
23.56 - 23.94	4,986	7.0	23.93	1,524	23.93
26.53 - 31.22	2,140	5.1	29.31	1,211	29.03
31.53 - 32.53	3,589	8.3	32.51	17	31.53
32.64 - 35.35	3,692	8.1	34.87	177	35.28
35.36 - 36.74	439	8.2	36.00	42	35.92
36.88 - 49.29	8,067	7.8	39.64	1,395	43.33
\$14.92 - \$49.29	24,478	7.3	\$ 32.45	5,308	\$ 30.42

As of December 31, 2001

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Shares Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price	
						(Shares in thousands)
\$14.69 - \$22.89	1,471	1.0	\$ 20.95	1,022	\$ 20.09	
23.41 - 23.94	5,735	8.1	23.93	40	23.69	
26.53 - 31.22	2,304	6.1	29.35	734	28.71	
31.53 - 32.53	3,804	9.3	32.51	—	—	
32.64 - 35.18	2,330	9.4	34.74	4	35.06	
35.20 - 43.33	3,803	7.4	39.44	712	41.57	
43.44 - 49.29	1,851	7.2	43.57	26	46.26	
\$14.69 - \$49.29	21,298	7.5	\$ 31.50	2,538	\$ 28.96	

### *Employee Stock Purchase Plans*

#### **United States**

Effective July 1, 1998, Aon adopted an employee stock purchase plan that provides for the purchase of a maximum of 7.5 million shares of Aon's common stock by eligible U.S. employees. Under the original plan, shares of Aon's common stock could be purchased at 6-month intervals at 85% of the lower of the fair market value of the common stock on the first or the last day of each 6-month period. Effective July 1, 2000, the plan was amended by changing the purchase period to 3-month intervals. In 2002, 2001 and 2000, 312,000 shares, 680,000 shares and 940,000 shares, respectively, were issued to employees under the plan. In the first quarter 2002, the plan was suspended in anticipation of the planned divestiture of the insurance underwriting businesses (note 1). The plan was reactivated as of January 1, 2003. There was no compensation expense associated with this plan.

#### **United Kingdom**

In 1999, Aon adopted an employee stock purchase plan that provides for the purchase of approximately 720,000 shares of Aon common stock by eligible U.K. employees after a 3-year period

and is similar to the U.S. plan described above. In 2002, 4,000 shares were issued to employees under the plan. No shares were issued under the plan in 2001 or 2000. There was no compensation expense associated with this plan.

## **14. Financial Instruments**

### *Financial Risk Management*

Aon is exposed to market risk from changes in foreign currency exchange rates, interest rates and equity securities prices. To manage the risk 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 to 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.

Certain derivatives also give rise to credit risks from the 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, 2002 and 2001, Aon placed cash and securities relating to these derivative contracts in escrow amounting to \$11 million and \$5 million, respectively.

Foreign currency forward contracts (forwards) and interest rate swaps entered into require no up-front premium. Forwards settle at the expiration of the related contract. The net effect of swap payments is settled periodically and reported in income. The premium and commission paid for purchased options, including interest rate caps and floors, and premium received, net of commission paid, for written options represent the cost basis of the position until it expires or is closed. The commission paid for futures contracts represents the cost basis of the position, until

it expires or is closed. Exchange-traded futures are valued and settled daily. Unless otherwise noted, derivative instruments are generally reported in other receivables and liabilities in the consolidated statements of financial position.

### ***Accounting Policy for Derivative Instruments***

Effective October 1, 2000, Aon adopted FASB Statement No. 133. FASB Statement No. 133 requires all derivative instruments to be recognized in the consolidated statements of financial position at fair value. Changes in fair value are recognized immediately in earnings unless the derivative is designated as a hedge and qualifies for hedge accounting.

FASB Statement No. 133 identifies three hedging relationships where a derivative (hedging instrument) may qualify for hedge accounting: a hedge of the change in fair value of a recognized asset or liability or firm commitment (fair value hedge), a hedge of the variability in cash flows from a recognized asset or liability or forecasted transaction (cash flow hedge) and a hedge of the net investment in a foreign subsidiary.

In order for a derivative to qualify for hedge accounting, the derivative must be formally documented and designated as a hedge at inception and be consistent with Aon's overall risk management policy. The hedge relationship must be highly effective at inception and on an ongoing basis. For a highly effective hedge, changes in the fair value of the hedging instrument must be expected to substantially offset changes in the fair value of the hedged item. Aon performs frequent analyses to measure hedge effectiveness.

The change in fair value of a hedging instrument designated and qualified as a fair value hedge and the change in value of the hedged item attributable to the risk being hedged are both recognized currently in earnings. The effective portion of the change in fair value of a hedging instrument designated and qualified as a cash flow hedge is recognized in other comprehensive income (OCI) and subsequently reclassified to income when the hedged item affects earnings. The ineffective portion of the change in fair value of a cash flow hedge is recognized immediately in earnings. For a derivative designated and qualified as a hedge of a net investment in a foreign subsidiary, the effective portion of the change in fair value is reported in OCI as part of the cumulative translation adjustment. The ineffective portion of the change in fair value of a hedge of a net investment in a foreign subsidiary is recognized immediately in earnings.

Prior to the adoption of FASB Statement No. 133, the ineffective portion of the change in fair value of a hedging instrument designated and qualified as a hedge was not recognized immediately in earnings.

### ***Foreign Exchange Risk Management***

Certain of Aon's foreign brokerage subsidiaries, primarily in the United Kingdom, receive revenues in currencies that differ from their functional currencies. To reduce the variability of cash flows from these transactions, Aon has entered into foreign exchange forwards and options with settlement dates prior to December 2004. Upon adoption of FASB Statement No. 133, designated and qualified forwards are accounted for as cash flow hedges of forecasted transactions. As of December 31, 2002, a \$32 million pretax gain has been deferred to OCI, \$21 million of which is expected to impact pretax earnings in 2003. There was no material ineffectiveness recorded.

Prior to the adoption of FASB Statement No. 133, these transactions did not qualify for hedge accounting and changes in the fair value related to these derivatives were recorded in general expenses in the consolidated statements of income. Certain other forward and option contracts did not meet the hedging requirements of FASB Statement No. 133. Changes in fair value related to these contracts were recorded in general expenses in the consolidated statements of income.

Aon uses exchange-traded foreign currency futures and options on futures, as well as over-the-counter options and forward contracts to reduce the impact of foreign currency fluctuations on the translation of the financial statements of Aon's foreign operations. These derivatives are not afforded hedge accounting as defined by FASB Statement No. 133 and prior guidance. Changes in the fair value of these derivatives are recorded in general expenses in the consolidated statements of income.

Aon uses forward contracts to offset foreign exchange risk associated with foreign denominated inter-company notes. During 2002, there were no designated and qualifying hedges of this exposure.

In 2000, Aon entered into a cross currency swap to hedge the foreign currency and interest rate risks associated with a foreign denominated fixed-rate policyholder liability. This swap has been designated as a fair value hedge of the combined exposure. There was no material ineffectiveness related to this hedge.

### ***Interest Rate Risk Management***

Aon uses futures contracts and purchases options on futures contracts to reduce the price volatility of its fixed-maturity portfolio. Upon adoption of FASB Statement No. 133, derivatives designated and qualified as hedging specific fixed-income securities are accounted for as fair value hedges. There were no designated and qualified hedges at December 31, 2002. Prior to the adoption of FASB Statement No. 133, realized gains and losses on derivatives that qualified as hedges were deferred and reported as

an adjustment of the cost basis of the hedged item and are being amortized into earnings over the remaining life of the hedged item.

Aon occasionally enters into interest rate swaps to hedge the fair value of its fixed-rate notes. The interest rate swaps qualify as fair value hedges and there was no ineffectiveness recorded. Realized gains and losses on swaps qualified as hedges are deferred and reported as adjustments of the cost basis of the hedged items and are being amortized into earnings over the remaining life of the hedged items. Prior to the adoption of FASB Statement No. 133, Aon purchased futures contracts to hedge the fair value of its fixed-rate notes from changes in interest rates. Aon deferred the gains from the termination of the contracts and is amortizing these gains over the remaining life of the fixed-rate notes.

Aon issued fixed-rate notes in May 2000. Aon purchased options on interest rate swaps to hedge against the change in interest rates prior to the issuance. These options qualified as a hedge of an anticipated transaction under prior accounting guidance and related gains were deferred and are being amortized as an offset to interest expense over the remaining life of the notes. Upon the adoption of FASB Statement No. 133, pretax deferred gains of \$5 million were reclassified to OCI. At December 31, 2002, \$3 million remains in OCI, \$1 million of which is expected to offset interest expense in 2003.

Aon enters into interest rate swap and floor agreements and uses exchange-traded futures and options to limit its net exposure to decreasing short-term interest rates, primarily relating to brokerage fiduciary funds in the U.S. and the U.K. Aon also sells exchange-traded futures to limit its exposure to increasing long-term interest rates. Since the adoption of FASB Statement No. 133, there were no designated and qualified cash flow hedges of these exposures. Changes in fair value related to these contracts were recorded in investment income in the consolidated statements of income. Under prior accounting guidance, realized gains and losses were deferred and recognized in earnings as the hedged item affected earnings.

Aon uses interest rate swaps and caps to limit its exposure to changes in interest rates related to interest rate guarantees provided by a subsidiary of Aon to certain unaffiliated entities. Under prior accounting guidance, these derivatives qualified for hedge accounting treatment, and realized gains and losses were deferred and recognized in earnings as the hedged item affected earnings. In August 2000, these guarantees were replaced with new offsetting interest rate swaps between Aon and an unaffiliated entity, with Aon essentially retaining the same exposure. Following the replacement of the original hedged item, hedge accounting was terminated and previously deferred realized gains and losses as well as previously unrecognized changes in fair value were recognized in earnings. The termination of this hedging relationship did not have a material effect on pretax earnings. The adoption of FASB Statement No. 133 did not affect the accounting for these derivative instruments.

### ***Equity Price Risk Management***

Aon sells futures contracts and purchases options to reduce the price volatility of its equity securities portfolio and equity securities it owns indirectly through limited partnership investments. Since the adoption of FASB Statement No. 133, there were no designated and qualified hedges of this exposure. Prior to the adoption of FASB Statement No. 133, realized gains and losses on derivatives that qualified as hedges were deferred and reported as an adjustment of the cost basis of the hedged item and are being amortized into earnings over the remaining life of the hedged item. Realized gains and losses on derivatives that did not qualify for hedge accounting treatment were recognized immediately in investment income in the consolidated statements of income.

### ***Other Financial Instruments***

Prior to 2002, an Aon subsidiary issued fixed- and floating-rate Guaranteed Investment Contracts (GICS) and floating-rate funding agreements and invested the proceeds primarily in the U.S. fixed income markets. The assets backing the GICS are subject to varying elements of credit and market risk. This program is currently in run-off.

***Unconsolidated Special Purpose Entities (SPEs) Excluding PEPS I.*** Certain of Aon's subsidiaries make short-term loans (generally with terms of 12 months or less) to businesses for the financing of insurance premiums and then securitize the finance receivables through securitization transactions that meet the criteria for sale accounting in accordance with FASB Statement No. 140. These premium financing securitizations are accomplished through the use of special purpose entities which are considered QSPEs pursuant to FASB Statement No. 140, and commercial paper bank conduits (multi-seller non-qualified SPEs). FASB Statement No. 140 provides that a QSPE should not be consolidated in the financial statements of a transferor or its affiliates (Aon's subsidiaries).

Premium financing securitizations performed by Aon's Canadian and Australian subsidiaries utilize multi-seller non-qualified SPEs. Based on an analysis of the qualitative and quantitative factors of the SPEs, Aon has determined that it is not the sponsor of the SPEs. Additionally, independent third parties (i) have made substantial equity investments in the SPEs, (ii) have voting control of the SPEs and (iii) generally have the risks and rewards of ownership of the assets of the SPEs. Based on these factors, Aon has determined non-consolidation to be the appropriate accounting treatment in accordance with current accounting guidance.

As of December 31, 2002 and 2001, the maximum commitment contained in these agreements was \$1.7 billion and \$1.4 billion, respectively, and the maximum credit risk under recourse provisions was approximately \$97 and \$82 million, respectively, which represents the extent of the limited recourse. These recourse obligations are guaranteed by Aon. As of December 31, 2002 and 2001, the unpaid principal amount of securitized receivables outstanding was \$1.6 billion and \$1.3 billion, respectively.

A subsidiary of Aon is also a general partner in a limited partnership ("LP") that purchased automobile installment contracts from automobile dealers and subsequently securitized these contracts through securitization transactions in accordance with the requirements of FASB Statement No. 140. Effective April 1, 2001, the LP ceased purchasing and securitizing new automobile installment contracts. A subsidiary of Aon services the existing portfolio for the LP. Aon acts as a performance guarantor with respect to its subsidiary's servicing duties under the securitization agreement. Aon uses the equity method of accounting to record its share of the net income or loss of the LP. As of December 31, 2002 and 2001, the remaining unpaid principal amount of securitized installment contracts outstanding was \$466 million and \$1 billion, respectively. As of December 31, 2002 and 2001, as the general partner of the LP, Aon had approximately \$121 million and \$143 million, respectively, of recourse with respect to a limited guarantee relating to the LP's securitization agreement. In February 2003, an agreement was reached with the beneficial interest holders, reducing the amount of recourse to Aon to \$66 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			
	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(millions)			
<b>Assets:</b>				
Fixed maturities and equity securities	\$ 2,151	\$ 2,151	\$ 2,531	\$ 2,531
Other investments	600	599	640	639
Cash, receivables and short-term investments*	13,906	13,906	11,264	11,264
Derivatives	79	79	46	46
<b>Liabilities:</b>				
Investment-type insurance contracts	139	136	813	782
Short-term borrowings, premium payables and general expenses	12,033	12,033	10,260	10,260
Notes payable	1,671	1,754	1,694	1,750
Capital securities	702	632	800	782
Derivatives	45	45	55	55

\* Excludes derivatives.

### ***Guarantees and Indemnifications***

Aon provides a variety of guarantees and indemnifications to its customers and others to allow Aon or others to complete a wide variety of business transactions. The maximum potential amount of future payments represent the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications. Any anticipated amounts payable which are deemed to be probable and estimable are properly reflected in Aon's consolidated financial statements.

Refer to Other Financial Instruments, above, for guarantees associated with Aon's premium and auto loan financing securitizations. Guarantees associated with Aon's limited partnership securitization are disclosed in note 7. Indemnities related to discontinued operations are disclosed in note 6. Contingent shares issuable related to prior acquisitions are disclosed in note 4.

Aon and its subsidiaries have issued letters of credit to cover contingent payments of approximately \$60 million for taxes and other business obligations to third parties. Amounts have been accrued in the consolidated financial statements for these letters of credit to the extent they are probable and estimable.

Aon has certain contractual contingent guarantees for premium payments owed by clients to certain insurance companies. Costs associated with these guarantees, to the extent estimable and probable, are provided in Aon's allowance for doubtful accounts. The maximum exposure with respect to such contractual contingent guarantees was approximately \$30 million at December 31, 2002.

Aon expects that as prudent business interests dictate, additional guarantees and indemnifications may be issued from time to time.

100

---

## 15. Contingencies

Aon and its subsidiaries are subject to numerous claims, tax assessments and lawsuits that arise in the ordinary course of business. The damages that may be claimed are substantial, including in many instances, claims for punitive or extraordinary damages. Accruals for these items have been provided to the extent that losses are deemed probable and are estimable.

In the second quarter of 1999, Allianz Life Insurance Company of North America, Inc. ("Allianz") filed an amended complaint in Minnesota adding a brokerage subsidiary of Aon as a defendant in an action which Allianz brought against three insurance carriers reinsured by Allianz. These three carriers provided certain types of workers' compensation reinsurance to a pool of insurers and to certain facilities managed by Unicovert Managers, Inc. ("Unicovert"), a New Jersey corporation not affiliated with Aon. Allianz alleges that the Aon subsidiary acted as an agent of the three carriers when placing reinsurance coverage on their behalf. Allianz claims that the reinsurance it issued should be rescinded or that it should be awarded damages, based on alleged fraudulent, negligent and innocent misrepresentations by the carriers, through their agents, including the Aon subsidiary defendant.

On August 30, 2002, two of the three carriers referred to above filed a complaint in the United States District Court for the District of Connecticut against the Aon brokerage subsidiary. The two carriers are currently involved in an arbitration proceeding with Allianz, related to the original litigation, in which Allianz seeks the rescission of the reinsurance placements. These carriers also seek to recover from the Aon brokerage subsidiary any damages, costs and expenses, including legal fees, suffered by such carriers as a result of an adverse arbitration award. Aon believes that the Aon subsidiary has meritorious defenses and the Aon subsidiary intends to vigorously defend this claim. On January 8, 2003, the two carriers dismissed their lawsuit without prejudice, meaning it could be refiled at a later time. The remaining Unicovert issues are complex, and therefore, the timing and amount of resolution cannot be determined at this time. In early October 2002, there was reportedly an award made by arbitrators in an arbitration held in New York among Unicovert Managers, Inc., Unicovert pool members and the three carriers referred to above. Aon has not received a copy of the arbitration award and therefore cannot make an informed statement as to its content.

Certain United Kingdom subsidiaries of Aon have been required by their regulatory body, the Personal Investment Authority (PIA), to review advice given by those subsidiaries to individuals who bought pension plans during the period from April 1988 to June 1994. These reviews have resulted in a requirement to pay compensation to clients based on guidelines issued by the PIA. Aon's ultimate exposure from the private pension plan review, as presently calculated, is subject to a number of variable factors including, among others, general level of pricing in the equity markets, the interest rate established quarterly for calculating compensation, and the precise scope, duration and methodology of the review, including whether recent regulatory guidance will have to be applied to previously settled claims. These variable factors are ones that the U.K. Financial Services Authority, the current governing body in the U.K., has used as a basis in the past for establishing the calculation tables to determine redress or compensatory amounts. Because Aon is unable to predict if, or how, regulators may change these tables or if, or how, they may apply future regulatory guidance to previous claims, Aon has been, and will continue to be, unable to determine a range or estimate of additional possible exposure.

One of Aon's insurance subsidiaries is a defendant in more than twenty lawsuits in Mississippi. The lawsuits generally allege misconduct by the subsidiary in the solicitation and sale of insurance policies. Attorneys representing the plaintiffs in these lawsuits have advised the subsidiary that approximately 2,700 other current or former policyholders may file similar claims. Each lawsuit includes, and each threatened claim could include, a request for punitive damages. Aon's insurance subsidiary has been litigating the pending suits and investigating the claims. In the second quarter 2002, Aon negotiated a compromise of several of the lawsuits and approximately 2,000 of the claims. In the third quarter of

101

---

2002, the settlement of approximately 1,000 of these claims has been concluded. The remainder of the settlements is of uncertain status. Aon's insurance subsidiary has filed a lawsuit against the claimants' attorney asserting that the settlements were not appropriately completed. If these settlements are concluded, there will still be at least 2,700 threatened claims outstanding. Each of the remaining lawsuits and any threatened claim is being investigated and vigorously defended.

On August 8, 2002, Daniel & Raizel Taubenfeld, a purported Aon stockholder, filed a putative class action lawsuit in the United States District Court for the Northern District of Illinois, Eastern Division, on behalf of purchasers of Aon Common Stock between May 4, 1999 and August 6, 2002. The complaint names Aon, Patrick G. Ryan, Chairman and Chief Executive Officer, and Harvey N. Medvin, Executive Vice President and Chief Financial Officer, as defendants, and contains allegations of violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under such Act relating to Aon's press release issued on August 7, 2002. The plaintiff seeks, among other things, class action certification, compensatory damages in an unspecified amount and an award of costs and expenses, including counsel fees. On January 17, 2003, the lead plaintiff filed a "Consolidated Amended Complaint" against the same defendants which alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under such Act. Aon intends to defend this action vigorously.

There have been nine other putative class action lawsuits filed against Aon and certain of its officers and directors in the United States District Court for the Northern District of Illinois and that each is substantially similar to the lawsuit described in the immediately preceding paragraph. All of these actions have been consolidated with the Taubenfeld action and a lead plaintiff has been appointed by the court. Aon intends to defend each of these actions vigorously.

Aon has also received a complaint which purports to be a shareholder's derivative action against Aon and each of Aon's directors. This complaint, which is styled *Bernard Stern v. Patrick Ryan, et al.* was filed in the United States District Court for the Northern District of Illinois on September 13, 2002. This lawsuit makes allegations which are substantially similar to the original Taubenfeld lawsuit. Aon intends to defend this action vigorously.

Although the ultimate outcome of matters referred to above cannot be ascertained and liabilities in indeterminate amounts may be imposed on Aon or its subsidiaries, on the basis of present information, amounts already provided, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on the consolidated financial position of Aon. However, it is possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by unfavorable resolution of these matters.

## 16. Segment Information

Aon classifies its businesses into three operating segments: Insurance Brokerage and Other Services, Consulting and Insurance Underwriting. A fourth non-operating segment, Corporate and Other, when aggregated with the operating segments, totals to the amounts in the accompanying consolidated financial statements. Revenues are attributed to geographic areas based on the location of the resources producing the revenues. Intercompany revenues and expenses are eliminated in computing consolidated revenues and income before tax. There are no material inter-segment amounts to be eliminated. Long-lived assets and related depreciation and amortization are not material.

102

### Consolidated revenue by geographic area follows:

	Total	United States	United Kingdom	Continent of Europe	Rest of World
	(millions)				
Revenue for the years ended December 31:					
2002	\$ 8,822	\$ 5,034	\$ 1,621	\$ 1,117	\$ 1,050
2001	7,676	4,463	1,390	938	885
2000	7,375	4,350	1,363	833	829

The Insurance Brokerage and Other Services segment consists principally of Aon's retail, reinsurance and wholesale brokerage, as well as related insurance services, including claims services, underwriting management, captive insurance company management services and premium financing. Aon's retail brokerage area provides a broad spectrum of advisory and outsourcing services including risk identification and assessment, alternative risk financing, safety engineering, loss management and program administration for clients. This area also designs, places and implements customized insurance solutions. Aon's reinsurance brokerage activities offer sophisticated advisory services in program design that enhance the risk/return characteristics of insurance policy portfolios and improve capital utilization, along with the evaluation of catastrophic loss exposures. Aon also actively participates in placement and captive management services, designing programs that enable clients to effectively retain a portion of certain risks that are cost prohibitive or unavailable in the traditional insurance markets. Aon offers claims administration and loss cost management services to insurance companies, firms with self-insurance programs and to agents and brokers for the benefits of their customers.

The wholesale operations, serving thousands of independent insurance brokers and agents nationwide, provide brokering expertise and underwriting solutions, with custom-designed products and services in several specialty areas, including entertainment, public entities, directors' and officers' and professional liability, workers' compensation, media, financial institutions, marine, aviation, construction, healthcare and energy.

Our Consulting segment is one of the world's largest integrated human capital consulting organizations. The operations of this segment provide a full range of human capital management services. These services are delivered predominantly to corporate clientele utilizing five major practices: employee benefits, compensation, management consulting, outsourcing and communications.

The Insurance Underwriting segment provides supplemental accident, health and life insurance coverage through several distribution networks, most of which are directly owned by Aon's subsidiaries. Extended warranty and select property and casualty insurance products are sold through automobile dealership retailers, independent agents and brokers, Aon brokers and other channels.

**Operating segment revenue by product follows:**

	Total Operating	Retail	Reinsurance, Wholesale, Claims and Other Services	Consulting	Accident, Health and Life	Extended Warranty and Casualty
	(millions)					
Revenue for the years ended December 31:						
2002	\$ 8,843	\$ 3,333	\$ 1,930	\$ 1,054	\$ 1,733	\$ 793
2001	7,847	3,009	1,650	938	1,507	743
2000	7,304	2,947	1,420	770	1,424	743

103

**Selected information reflecting Aon's operating segments follows:**

	Insurance Brokerage and Other Services			Consulting			Insurance Underwriting		
	Years ended December 31								
	2002	2001	2000	2002	2001	2000	2002	2001	2000
	(millions)								
Revenue by geographic area:									
United States	\$ 2,604	\$ 2,425	\$ 2,277	\$ 703	\$ 628	\$ 486	\$ 1,784	\$ 1,615	\$ 1,545
United Kingdom	1,087	918	889	160	157	151	363	302	308
Continent of Europe	857	733	654	105	77	67	151	125	111
Rest of World	715	583	547	86	76	66	228	208	203
Total revenues	5,263	4,659	4,367	1,054	938	770	2,526	2,250	2,167
General expenses(1)	4,479	4,074	3,640	932	810	661	997	854	830
Benefits to policyholders	—	—	—	—	—	—	1,375	1,111	1,037
Amortization of intangible assets	50	38	37	2	2	3	2	—	—
Unusual charges/(credits)—World Trade Center	(29)	23	—	—	—	—	—	135	—
Total expenses	4,500	4,135	3,677	934	812	664	2,374	2,100	1,867
Income before income tax	\$ 763	\$ 524	\$ 690	\$ 120	\$ 126	\$ 106	\$ 152	\$ 150	\$ 300
Identifiable assets at December 31	\$ 12,528	\$ 10,393	\$ 10,035	\$ 313	\$ 232	\$ 232	\$ 5,999	\$ 5,526	\$ 5,594

(1) Insurance underwriting general expenses include amortization of deferred acquisition costs of \$275 million, \$231 million and \$218 million in 2002, 2001 and 2000, respectively.

Corporate and Other segment revenue consists primarily of valuation changes of investments in limited partnerships and certain other investments (which include non-income producing equities), and income and losses on disposals of all securities, including those pertaining to assets maintained by the operating segments. Corporate and Other segment general expenses include administrative and certain information technology costs.

**Selected information reflecting Aon's Corporate and Other segment follows:**

	Corporate and Other		
	Years ended December 31		
	2002	2001	2000
	(millions)		
Revenue	\$ (21)	\$ (171)	\$ 71
General expenses	97	75	59
Interest expense	124	127	140
Amortization of goodwill	—	118	114
Total expenses	221	320	313
Loss before income tax	\$ (242)	\$ (491)	\$ (242)
Identifiable assets at December 31*	\$ 6,494	\$ 6,179	\$ 6,390

\* Limited partnerships were \$25 million, \$42 million and \$602 million as of December 31, 2002, 2001 and 2000, respectively.

104

#### Selected information reflecting Aon's investment income follows:

	Years ended December 31		
	2002	2001	2000
	(millions)		
Insurance Brokerage and Other Services (primarily short-term investments)	\$ 113	\$ 156	\$ 186
Consulting (primarily short-term investments)	2	5	6
Insurance Underwriting (primarily fixed maturities)	158	223	245
Corporate and Other (primarily equity investments and limited partnerships)	(21)	(171)	71
Total investment income	\$ 252	\$ 213	\$ 508

105

#### Quarterly Financial Data

	1Q	2Q	3Q	4Q	2002
	(millions except common stock and per share data)				
<b>INCOME STATEMENT DATA</b>					
<b>(1)</b>					
Brokerage commissions and fees	\$ 1,444	\$ 1,510	\$ 1,551	\$ 1,697	\$ 6,202
Premiums and other	535	638	607	588	2,368
Investment income (loss)	109	(26)	88	81	252
Total revenue	\$ 2,088	\$ 2,122	\$ 2,246	\$ 2,366	\$ 8,822
Net Income	\$ 160	\$ —	\$ 128	\$ 178	\$ 466

#### DILUTIVE PER SHARE DATA

(1)	\$	0.57	\$	—	\$	0.46	\$	0.59	\$	1.64
-----	----	------	----	---	----	------	----	------	----	------

**BASIC NET INCOME PER SHARE(1)**

\$	0.58	\$	—	\$	0.46	\$	0.59	\$	1.65
----	------	----	---	----	------	----	------	----	------

**COMMON STOCK DATA**

Dividends paid per share	\$	0.225	\$	0.225	\$	0.225	\$	0.15	\$	0.825
Stockholders' equity per share		12.97		13.53		13.60		12.56		12.56
Price range		36.23-31.76		39.63-28.00		29.83-13.50		21.95-15.59		39.63-13.50
Shares outstanding (in millions)		272.0		272.8		273.0		310.2		310.2
Average monthly trading volume (in millions)		16.4		19.6		41.7		39.1		29.2

(1) In the first quarter of 2002, Aon adopted FASB Statement No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002. Beginning in 2002, amortization of goodwill is no longer included in net income. (See note 2 to the consolidated financial statements)

	1Q	2Q	3Q	4Q	2001
--	----	----	----	----	------

(millions except common stock and per share data)

**INCOME STATEMENT DATA**

Brokerage commissions and fees	\$	1,281	\$	1,347	\$	1,297	\$	1,511	\$	5,436
Premiums and other		508		492		510		517		2,027
Investment income		22		78		105		8		213

Total revenue	\$	1,811	\$	1,917	\$	1,912	\$	2,036	\$	7,676
---------------	----	-------	----	-------	----	-------	----	-------	----	-------

Net Income	\$	19	\$	29	\$	72	\$	27	\$	147
------------	----	----	----	----	----	----	----	----	----	-----

**DILUTIVE PER SHARE DATA**

\$	0.07	\$	0.11	\$	0.26	\$	0.10	\$	0.53
----	------	----	------	----	------	----	------	----	------

**BASIC NET INCOME PER SHARE**

\$	0.07	\$	0.11	\$	0.26	\$	0.10	\$	0.54
----	------	----	------	----	------	----	------	----	------

**COMMON STOCK DATA**

Dividends paid per share	\$	0.22	\$	0.225	\$	0.225	\$	0.225	\$	0.895
Stockholders' equity per share		12.84		13.02		13.47		12.82		12.82
Price range		38.18-30.81		36.50-29.75		42-33.26		44.80-32.50		44.80-29.75
Shares outstanding (in millions)		261.9		266.5		269.2		270.2		270.2
Average monthly trading volume (in millions)		17.6		21.4		20.4		24.4		21.0

**SCHEDULE I**

**Aon Corporation  
(Parent Company)  
CONDENSED STATEMENTS OF FINANCIAL POSITION**

December 31

2002	2001
------	------

(millions)

**ASSETS**

Investments in subsidiaries	\$ 6,499	\$ 6,552
Other investments	20	20
Notes receivable—subsidiaries	223	58
Cash and cash equivalents	130	4
Other assets	123	39
	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b>\$ 6,995</b>	<b>\$ 6,673</b>
	<u>          </u>	<u>          </u>

## LIABILITIES AND STOCKHOLDERS' EQUITY

### LIABILITIES

Short-term borrowings	\$ 1	\$ 254
6.3% long-term debt securities	89	100
7.4% long-term debt securities	—	100
8.65% long-term debt securities	250	250
6.9% long-term debt securities	216	250
6.7% long-term debt securities	150	150
6.2% long-term debt securities	250	250
3.5% long-term debt securities	296	—
7.375% long-term debt securities	223	—
Floating rate long-term debt securities	150	150
Subordinated debt	702	800
Notes payable—subsidiaries	526	595
Notes payable—other	—	70
Accrued expenses and other liabilities	197	189
	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<b>3,050</b>	<b>3,158</b>
	<u>          </u>	<u>          </u>

Redeemable Preferred Stock	50	50
----------------------------	----	----

### STOCKHOLDERS' EQUITY

Common stock	333	293
Paid-in additional capital	2,228	1,654
Accumulated other comprehensive loss	(954)	(535)
Retained earnings	3,251	3,021
Less treasury stock at cost	(794)	(786)
Less deferred compensation	(169)	(182)
	<u>          </u>	<u>          </u>
<b>Total Stockholders' Equity</b>	<b>3,895</b>	<b>3,465</b>
	<u>          </u>	<u>          </u>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 6,995</b>	<b>\$ 6,673</b>
	<u>          </u>	<u>          </u>

See notes to condensed financial statements.

**Aon Corporation**  
**(Parent Company)**  
**CONDENSED STATEMENTS OF INCOME**

Years Ended December 31

2002	2001	2000
------	------	------

(millions)

<b>REVENUE</b>			
Dividends from subsidiaries	\$ 288	\$ 333	\$ 379
Other investment income	68	1	9
<b>Total Revenue</b>	<b>356</b>	<b>334</b>	<b>388</b>
<b>EXPENSES</b>			
Operating and administrative	14	14	22
Interest—subsidiaries	81	93	103
Interest—other	99	107	122
<b>Total Expenses</b>	<b>194</b>	<b>214</b>	<b>247</b>
<b>INCOME BEFORE INCOME TAXES AND EQUITY (DEFICIT) IN UNDISTRIBUTED INCOME OF SUBSIDIARIES</b>			
	162	120	141
Income tax benefit	50	85	95
	212	205	236
<b>EQUITY (DEFICIT) IN UNDISTRIBUTED INCOME OF SUBSIDIARIES</b>			
	254	(58)	238
<b>NET INCOME</b>			
	\$ 466	\$ 147	\$ 474

See notes to condensed financial statements.

108

**Aon Corporation**  
**(Parent Company)**  
**CONDENSED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2002	2001	2000
	(millions)		
<b>Cash Flows From Operating Activities</b>	\$ 193	\$ 170	\$ 137
<b>Cash Flows From Investing Activities:</b>			
Investments in subsidiaries	(17)	(24)	(124)
Other investments	—	(20)	—
Notes receivables from subsidiaries	(200)	60	(40)
<b>Cash Provided (Used) by Investing Activities</b>	<b>(217)</b>	<b>16</b>	<b>(164)</b>
<b>Cash Flows From Financing Activities:</b>			
Treasury stock transactions—net	(10)	49	(59)
Issuance of common stock	607	—	—
Retirement of preferred stock—net	(87)	—	—
Issuance (repayment) of short-term borrowings—net	(253)	(599)	30
Repayment of notes payable and long-term debt	(393)	—	—
Issuance of notes payable and long-term debt	519	608	266

Cash dividends to stockholders	(233)	(241)	(226)
<b>Cash Provided (Used) by Financing Activities</b>	<b>150</b>	<b>(183)</b>	<b>11</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>126</b>	<b>3</b>	<b>(16)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>4</b>	<b>1</b>	<b>17</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 130</b>	<b>\$ 4</b>	<b>\$ 1</b>

See notes to condensed financial statements.

**Aon Corporation**  
**(Parent Company)**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**

- (1) See notes to consolidated financial statements included in Item 15(a).
- (2) In 2001, the Condensed Statements of Cash Flows exclude the impact of certain non-cash transfers primarily related to notes receivable from subsidiaries and notes payable to subsidiaries.
- (3) During 2001, Aon reclassified \$520 million of notes receivable—subsidiaries to investments in subsidiaries related to its shared services operations.
- (4) Investments in subsidiaries include approximately \$2.6 billion invested in countries outside of the United States, primarily denominated in the British Pound, the Euro, the Canadian dollar and the Australian dollar.
- (5) Guarantees and Indemnifications

Aon provides a variety of guarantees and indemnifications to its customers and others to allow Aon or others to complete a wide variety of business transactions. The maximum potential amount of future payments represent the notional amounts that could become payable under the guarantees and indemnifications if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or other methods. These amounts may bear no relationship to the expected future payments, if any, for these guarantees and indemnifications. Aon does not currently anticipate making future payments to any of its subsidiaries, or third parties on behalf of its subsidiaries, for these guarantees and indemnifications.

One of Aon's insurance underwriting subsidiaries holds a \$95 million demand note receivable from another Aon subsidiary as of December 31, 2002. Aon has guaranteed the repayment of this note in the event that the obligated subsidiary is unable to make the principal payment, in whole or in part, when contractually due.

Aon has unconditionally guaranteed the obligations of certain of its operating subsidiaries with respect to specific noncancelable operating leases. At December 31, 2002, future minimum payments (excluding sublease income) under these leases were approximately \$95 million. These amounts are included in lease commitments, which are reflected in note 8 to the consolidated financial statements.

Aon has provided indemnification under surety bonds issued by third parties of approximately \$170 million as of December 31, 2002. These license, performance and other types of surety bonds are issued to permit operating subsidiaries of Aon to conduct business in various jurisdictions and to indemnify third parties for nonperformance by these subsidiaries.

A bank provides overdraft facilities for certain of Aon's foreign subsidiaries. Aon has guaranteed repayment of this facility in the unlikely event that the foreign subsidiaries are unable to repay. Aon has also issued guarantees and/or other letters of support for various bank lines, and various other credit facilities for certain of its foreign operations (including the Euro credit facility discussed in note 8 to the consolidated financial statements). Aon's maximum potential liability with regard to these exposures was \$160 million at December 31, 2002.

Aon has guaranteed the contractual performance of certain subsidiaries for third-party outsourcing agreements, which extend through 2009. However, in no case can the cumulative amount of these guarantees exceed \$50 million.

Aon has guaranteed the contractual performance of certain subsidiaries for other agreements, which extend no later than June 30, 2003. Aon does not expect to incur any additional expenses or liabilities as a result of these guarantees. The notional amounts involved are \$130 million.

Aon has guaranteed the obligations of one of its major Netherlands' subsidiaries through 2007. Management believes there is sufficient operating cash flow, liquidity and equity at this subsidiary to cover current obligations and future obligations as they come due.

**SCHEDULE II**

**Aon CORPORATION and Subsidiaries  
VALUATION AND QUALIFYING ACCOUNTS  
Years Ended December 31, 2002, 2001, and 2000**

Description	Balance at beginning of year	Additions		Deductions(1)	Balance at end of year
		Charged to cost and expenses	Charged/(credited) to other accounts		
(millions)					
<b>Year ended December 31, 2002</b>					
Allowance for doubtful accounts(2) (deducted from insurance brokerage and consulting receivables)	\$ 93	\$ 23	\$ 2	\$ (39)	\$ 79
Allowance for doubtful accounts (deducted from premiums and other)	94	7	—	(3)	98
<b>Year ended December 31, 2001</b>					
Allowance for doubtful accounts(2) (deducted from insurance brokerage and consulting receivables)	\$ 88	\$ 30	\$ (2)	\$ (23)	\$ 93
Allowance for doubtful accounts (deducted from premiums and other)	4	90	—	—	94
<b>Year ended December 31, 2000</b>					
Allowance for doubtful accounts(2) (deducted from insurance brokerage and consulting receivables)	\$ 88	\$ 19	\$ (2)	\$ (17)	\$ 88
Allowance for doubtful accounts (deducted from premiums and other)	6	—	—	(2)	4

(1) Amounts deemed to be uncollectible.

(2) Amounts shown in additions charged/(credited) to other accounts primarily represent reserves related to acquired business and foreign exchange.

**SCHEDULE II.1**

**Aon Corporation and Subsidiaries  
CONSOLIDATED SUMMARY OF INVESTMENTS—  
OTHER THAN INVESTMENTS IN RELATED PARTIES  
AS OF DECEMBER 31, 2002**

Amortized Cost or Cost	Fair Value	Amount Shown in Statement of Financial Position
(millions)		

<b>Fixed maturities—available for sale:</b>			
U.S. government and agencies	\$	378	\$ 385
States and political subdivisions		4	5
Debt securities of foreign governments not classified as loans		564	573
Corporate securities		1,082	1,064
Public utilities		58	56
Mortgage-backed securities		7	6
<b>Total fixed maturities</b>		<b>2,093</b>	<b>2,089</b>
<b>Equity securities—available for sale:</b>			
Common stocks:			
Banks, trusts and insurance companies		3	3
Industrial, miscellaneous and all other		37	42
Non-redeemable preferred stocks		19	17
<b>Total equity securities</b>		<b>59</b>	<b>62</b>
Mortgage loans on real estate		2*	2*
Policy loans		50*	50*
Other long-term investments		548*	548*
Short-term investments		3,836	3,836
<b>TOTAL INVESTMENTS</b>	<b>\$</b>	<b>6,588</b>	<b>\$ 6,587</b>

\* These investment categories are combined and are shown as other investments in the Statement of Financial Position.

**SCHEDULE II.2**

**Aon Corporation and Subsidiaries**

**REINSURANCE**

	Year Ended December 31, 2002				
	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
	(millions)				
<b>Life insurance in force</b>	\$ 19,401	\$ 20,803	\$ 8,735	\$ 7,333	119%
<b>Premiums</b>					
Life Insurance	\$ 257	\$ 133	\$ 48	\$ 172	28%
A&H Insurance	1,574	377	259	1,456	18%
Specialty Property & Casualty, including Warranty	1,226	680	186	732	25%
<b>Total premiums</b>	\$ 3,057	\$ 1,190	\$ 493	\$ 2,360	21%
	Year Ended December 31, 2001				
	Ceded to	Assumed	Percentage of		



Corporate and other	704	1,963	3,027	2,022	223	5	1,111	231	758	1,966
	—	—	—	—	(171)	—	—	—	320	—
<b>Total</b>	\$ 704	\$ 1,963	\$ 3,027	\$ 2,022	\$ 213	\$ 5,441	\$ 1,111	\$ 269	\$ 5,987	\$ 1,966
<b>Year ended December 31, 2000</b>										
Insurance brokerage and other services	\$ —	\$ —	\$ —	\$ —	\$ 186	\$ 4,181	\$ —	\$ 40	\$ 3,637	\$ —
Consulting	—	—	—	—	6	764	—	—	664	—
Insurance underwriting	656	1,855	3,122	1,906	245	16	1,037	218	612	1,887
Corporate and other	—	—	—	—	71	—	—	—	313	—
<b>Total</b>	\$ 656	\$ 1,855	\$ 3,122	\$ 1,906	\$ 508	\$ 4,961	\$ 1,037	\$ 258	\$ 5,226	\$ 1,887

- (1) The above results reflect allocations of investment income and certain expense elements considered reasonable under the circumstances. Results include income (loss) on disposals of investments and other than temporary impairments.
- (2) Certain amounts in prior years' amortization of deferred policy acquisition costs and other operating expenses have been reclassified to conform to the 2002 presentation.
- (3) Net of reinsurance ceded.

## Item 9. Changes in and Disagreements 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 under the heading "Election of Directors" of the Registrant's Proxy Statement for the Annual Meeting of Stockholders on May 16, 2003 ("Proxy Statement") and 2002 Report of Financial and General Information. Information concerning additional executive officers of the Registrant is contained in Part I hereof, pursuant to General Instruction G(3) and Instruction 3 to Item 401(b) of Regulation S-K. The Registrant also hereby incorporates by reference the information under the heading "Compensation of the Board of Directors" of the Proxy Statement.

### Item 11. Executive Compensation.

The Registrant hereby incorporates by reference the information under the headings "Executive Compensation," "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values," "Option Grants in 2002 Fiscal Year" and "Pension Plan Table" of the Proxy Statement.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Our shareholders approved the Aon Stock Incentive Plan in 2001. This plan is designed to further align our directors', management's and key employees' interests with the company's long-term performance and the long-term interests of our shareholders.

The following table summarizes the number of shares of our common stock that may be issued under our equity compensation plans as of December 31, 2002.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security			

holders(1)	34,767,035	\$	32.45(2)	27,615,210
Equity compensation plans not approved by security holders(3,5,6)	1,762,505	£	23.10(4)	—
<b>Total</b>	<b>36,529,540</b>			<b>27,615,210</b>

(1) ***Aon Stock Incentive Plan***

The total number of shares of stock authorized for issuance in connection with awards under the Aon Stock Incentive Plan and any pre-existing plans is 18% of total outstanding common shares; securities remaining available for future issuance includes other equity plans.

(2) Indicates weighted average exercise price of 24,478,100 outstanding options under the Aon Stock Incentive Plan.

(3) ***Aon UK Sharesave Scheme***

The Aon UK Sharesave Scheme (the "UK Scheme") is available solely to employees in the United Kingdom. Under the UK Scheme, employees authorize Aon to deduct a specified amount from compensation each pay period for deposit into a savings account for a three-year term. If a

115

participant's deductions continue through the last day of the term, the participant is credited with a tax-free cash bonus equal to 2.75 times the monthly payroll deduction. Participants may cease participation in the UK Scheme at any time. Participants are also granted options at the beginning of each savings period and may direct Aon to purchase or issue shares of Aon common stock at a price equal to 85% of the market value at the beginning of the period, utilizing the accumulated amounts in their account. Options may be exercised generally within six months after the last day of the term, or after death, injury, disability, redundancy or retirement. If a participant ceases to be employed by Aon for other reason, or declines to purchase Aon common stock during any of the available purchase periods, the participant's right to purchase shares of Aon common stock or accumulate additional payroll deductions lapses. The UK Scheme was approved by the Board of Directors in 1999. No specific authorization of shares of Aon common stock for the UK Scheme has been made.

(4) As of December 31, 2002, 36 individuals held options granted under the UK Scheme for a total of 6,360 shares of Aon common stock at an option price of £23.10.

(5) ***Aon Supplemental Savings Plan***

The Aon Supplemental Savings Plan (the "ASSP") was adopted by the board of directors in 1998. It is a nonqualified supplemental retirement plan that provides benefits to participants in the Aon Savings Plan whose employer matching contributions are limited because of IRS-imposed restrictions. Under the ASSP, participants are credited with the additional matching contributions they would have received under the Aon Savings Plan—100% of the first 1% to 3% of compensation (the First Tier Match) and 75% of the next 4% to 6% of compensation (the Second Tier Match)—had compensation up to \$500,000 been considered. Participants in the ASSP may elect to have Tier I allocations credited to their accounts as if invested in a money market account or as if invested in Aon common stock. Tier II allocations are maintained in an Aon common stock account unless the participant is age 55 or more. If so, the participant may elect to direct his or her allocation to the money market account. Amounts maintained in the Aon common stock account may not be moved to the money market account, regardless of the participant's age. Before the beginning of each plan year, an election may be made by any participant to transfer some or all of a participant's money market account to the Aon common stock account. All amounts credited to the Aon common stock account are credited with dividends.

Payments from the Aon common stock account are made only in shares of Aon common stock. Payments from the money market account are made in cash. Payments may be made in single sum or ten annual installments.

No specific authorization of shares of Aon common stock for the plan has been made.

(6) ***Aon Supplemental Employee Stock Ownership Plan***

The Aon Supplemental Employee Stock Ownership Plan was a plan established in 1989 as a nonqualified supplemental retirement plan that provided benefits to participants in the Aon Employee Stock Ownership Plan whose employer contributions were limited because of IRS-imposed restrictions. As of 1998, no additional amounts have been credited to participant accounts, although account balances are maintained for participants, and credited with dividends, until distribution is required under the plan. Distributions are made solely in Aon common stock.

No specific authorization of shares of Aon common stock for the plan has been made.

The Registrant hereby incorporates by reference the share ownership data contained under the headings "Voting Securities and Principal Holders Thereof" and "Ownership of Common Shares" of the Proxy Statement.

116

---

**Item 13. Certain Relationships and Related Transactions.**

The Registrant hereby incorporates by reference the information under the heading "Certain Relationships and Related Transactions" of the Proxy Statement.

**Item 14. Controls and Procedures.**

The Registrant has established disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to the officers who certify the Registrant's financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of a date within 90 days of the filing date of this Annual Report on Form 10-K, the principal executive officer and principal financial officer of the Registrant have concluded that the Registrant's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission.

There were no significant changes in the Registrant's internal controls or in other factors that could significantly affect those controls subsequent to the date of their most recent evaluation.

117

---

**PART IV****Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.**

(a) (1) and (2). The following documents have been included in Part II, Item 8.

Report of Ernst & Young LLP, Independent Auditors  
Report by Management  
Consolidated Statements of Financial Position—As of December 31, 2002 and 2001  
Consolidated Statements of Income—Years Ended December 31, 2002, 2001 and 2000  
Consolidated Statements of Cash Flows—Years Ended December 31, 2002, 2001 and 2000  
Consolidated Statements of Stockholders' Equity—Years Ended December 31, 2002, 2001 and 2000  
Notes to Consolidated Financial Statements  
Quarterly Financial Data

Financial statement schedules of the Registrant and consolidated subsidiaries filed herewith:

Consolidated Financial Statement Schedules—

	<u>Schedule</u>
Condensed Financial Information of Registrant	I
Valuation and Qualifying Accounts	II

All other schedules for the Registrant and consolidated subsidiaries have been omitted because the required information is not present in amounts sufficient to require submission of the schedules or because the information required is included in the respective financial statements or notes thereto.

The following supplementary schedules have been provided for the Registrant and consolidated subsidiaries as they relate to the insurance underwriting operations:

	<u>Schedule</u>
Summary of Investments Other than Investments in Related Parties	II.1

**(a)(3). List of Exhibits (numbered in accordance with Item 601 of Regulation S-K)**

- 3(a)\* Second Restated Certificate of Incorporation of the Registrant—incorporated by reference to Exhibit 3(a) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991 (the "1991 Form 10-K").
- 3(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").
- 3(c)\* Certificate of Amendment of the Registrant's Second Restated Certificate of Incorporation—incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated May 9, 2000.
- 3(d)\* Amended Bylaws of the Registrant—incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated September 20, 2002.

- 
- 4(a)\* Indenture dated as of 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.
  - 4(b)\* 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 on Form 10-K for the year ended December 31, 1993 (the "1993 Form 10-K").
  - 4(c)\* Resolutions establishing the terms of the 6.90% Notes due 2004—incorporated by reference to Exhibit 4(e) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999 Form 10-K").
  - 4(d)\* Resolutions establishing the terms of the 8.65% Notes due 2005—incorporated by reference to Exhibit 4(f) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.
  - 4(e)\* Junior Subordinated Indenture dated as of January 13, 1997 between the Registrant and The Bank of New York, as Trustee—incorporated by reference to Exhibit 4.1 to the Registrant's Amendment No. 1 to Registration Statement on Form S-4 (File No. 333-21237) (the "Capital Securities Registration") filed on March 27, 1997.
  - 4(f)\* Indenture dated as of December 13, 2001, between the Registrant and The Bank of New York, as Trustee, for the Floating Rate Notes due 2003 and 6.2% Notes due 2007—incorporated by reference to Exhibits 4(g) and 4(h) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (the "2001 Form 10-K").
  - 4(g)\* Indenture dated as of December 31, 2001 between Private Equity Partnership Structures I, LLC, as issuer, and The Bank of New York, as Trustee, Custodian, Calculation Agent, Note Registrar, Transfer Agent and Paying Agent—incorporated by reference to Exhibit 4(i) to the 2001 Form 10-K.
  - 4(h)\* First Supplemental Indenture dated as of January 13, 1997 between the Registrant and The Bank of New York, as Trustee—incorporated by reference to Exhibit 4.2 to the Capital Securities Registration.
  - 4(i)\* Certificate of Trust of Aon Capital A—incorporated by reference to Exhibit 4.3 to the Capital Securities Registration.
  - 4(j)\* Amended and Restated Trust Agreement of Aon Capital A dated as of January 13, 1997 among the Registrant, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, the Administrative Trustees named therein and the holders, from time to time, of the Capital Securities—incorporated by reference to Exhibit 4.5 to the Capital Securities Registration.
  - 4(k)\* Capital Securities Guarantee Agreement dated as of January 13, 1997 between the Registrant and The Bank of New York, as Guarantee Trustee—incorporated by reference to Exhibit 4.8 to the Capital Securities Registration.
  - 4(l)\* Capital Securities Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A, Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co.—incorporated by reference to Exhibit 4.10 to the Capital Securities Registration.

- 
- 4(m)\* Debenture Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A, Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co.—incorporated by reference to Exhibit 4.11 to the Capital Securities Registration.
- 4(n)\* Guarantee Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A, Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co.—incorporated by reference to Exhibit 4.12 to the Capital Securities Registration.
- 4(o)\* Certificate of Designation for the Registrant's Series C Cumulative Preferred Stock—incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 9, 1994.
- 4(p)\* Registration Rights Agreement dated as of November 2, 1992 by and between the Registrant and Frank B. Hall & Co., Inc.—incorporated by reference to Exhibit 4(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992.
- 4(q)\* Registration rights agreement dated as of July 15, 1982 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 Registrant's Annual Report on Form 10-K for the year ended December 31, 1982.
- 4(r)\* Indenture dated as of November 7, 2002 between the Registrant and The Bank of New York, as Trustee (including form of note)—incorporated by reference to Exhibit 4(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (the "Third Quarter 2002 Form 10-Q").
- 4(s)\* Registration Rights Agreement dated as of November 7, 2002 between the Registrant and Morgan Stanley & Co. Incorporated—incorporated by reference to Exhibit 4(b) to the Third Quarter 2002 Form 10-Q.
- 4(t)\* Indenture dated as of December 16, 2002 between the Registrant and The Bank of New York, as Trustee (including form of note)—incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-4 (File No. 333-103704) filed on March 10, 2003 (the "2003 Form S-4").
- 4(u)\* Registration Rights Agreement dated as of December 16, 2002 between the Registrant and Salomon Smith Barney Inc., Credit Suisse First Boston Corporation, BNY Capital Markets, Inc. and Wachovia Securities, Inc.—incorporated by reference to Exhibit 4(b) to the 2003 Form S-4.

Material contracts:

- 10(a)\*# Aon Corporation Outside Director Deferred Compensation Agreement by and among the Registrant and Registrant's directors who are not salaried employees of the Registrant or Registrant's affiliates—incorporated by reference to Exhibit 10 (d) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999.
- 10(b)\*# 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.
- 10(c)\*# 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.

- 
- 10(d)\*# Aon Stock Award Plan (as amended and restated through February 2000)—incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (the "Second Quarter 2000 Form 10-Q").
- 10(e)\*# Aon Stock Option Plan (as amended and restated through 1997)—incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 (the "First Quarter 1997 Form 10-Q").
- 10(f)\*# First Amendment to the Aon Stock Option Plan (as amended and restated through 1997)—incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (the "First Quarter

1999 Form 10-Q").

- 10(g)\*# Aon Stock Award Plan (as amended and restated through 1997)—incorporated by reference to Exhibit 10(b) to the First Quarter 1997 Form 10-Q.
- 10(h)\*# First Amendment to the Aon Stock Award Plan (as amended and restated through 1997)—incorporated by reference to Exhibit 10(b) to the First Quarter 1999 Form 10-Q.
- 10(i)\*# Aon Corporation 1995 Senior Officer Incentive Compensation Plan—incorporated by reference to Exhibit 10(p) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K").
- 10(j)\*# 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.
- 10(k)\*# 1999 Aon Deferred Compensation Plan—incorporated by reference to Exhibit 10(1) to the 1999 Form 10-K.
- 10(l)\*# Employment Agreement dated June 1, 1993 by and among the Registrant, Aon Risk Services, Inc. and Michael D. O'Halleran, incorporated by reference to Exhibit 10(p) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.
- 10(m)\*# Aon Severance Plan—incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.
- 10(n)\*# Asset Purchase Agreement dated as of 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 quarter ended June 30, 1992.
- 10(o)\*# Stock Purchase Agreement dated as of November 11, 1995 by and among the Registrant, Combined Insurance Company of America, Union Fidelity Life Insurance Company and General Electric Capital Corporation—incorporated by reference to Exhibit 10(s) to the 1995 Form 10-K.
- 10(p)\*# Stock Purchase Agreement dated as of December 22, 1995 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—incorporated by reference to Exhibit 10(t) to the 1995 Form 10-K.
- 10(q)\*# Agreement and Plan of Merger dated as of December 11, 1996 among the Registrant, Subsidiary Corporation, Inc. ("Purchaser"), and Alexander & Alexander Services Inc. ("A&A")—incorporated by reference to Exhibit (c)(1) to the Registrant's Tender Offer Statement on Schedule 14D-1 filed on December 16, 1996 (the "Schedule 14D-1").
- 10(r)\*# 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 Amendment No. 2 to the Schedule 14D-1 filed on January 9, 1997.

- 
- 10(s)\*# Agreement and Plan of Merger dated as of July 16, 2001 among the Registrant, Ryan Holding Corporation of Illinois, Ryan Enterprises Corporation of Illinois, Holdco #1, Inc., Holdco #2, Inc., Patrick G. Ryan, Shirley W. Ryan and the stockholders of Ryan Holding Corporation of Illinois and of Ryan Enterprises Corporation of Illinois set forth on the signature pages thereto—incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (the "Second Quarter 2001 Form 10-Q").
- 10(t)\*# Stock Restriction Agreement dated as of July 16, 2001 among the Registrant, Patrick G. Ryan, Shirley W. Ryan, Patrick G. Ryan Jr., Robert J.W. Ryan, the Corbett M.W. Ryan Living Trust dated July 13, 2001, the Patrick G. Ryan Living Trust dated July 10, 2001, the Shirley W. Ryan Living Trust dated July 10, 2001, the 2001 Ryan Annuity Trust dated April 20, 2001 and the Family GST Trust under the PGR 2000 Trust dated November 22, 2000—incorporated by reference to Exhibit 10.2 to the Second Quarter 2001 Form 10-Q.
- 10(u)\*# Escrow Agreement dated as of July 16, 2001 among the Registrant, Patrick G. Ryan, Shirley W. Ryan, Patrick G. Ryan, Jr., Robert J.W. Ryan, the Corbett M. W. Ryan Living Trust dated July 13, 2001, the Patrick G. Ryan Living Trust dated July 10, 2001, the Shirley W. Ryan Living Trust dated July 10, 2001, the 2001 Ryan Annuity Trust dated April 20, 2001 and the Family GST Trust under the PGR 2000 Trust dated November 22, 2000 and American National Bank and Trust Company of Chicago, as Escrow Agent—incorporated by reference to Exhibit 10.3 to the Second Quarter 2001 Form 10-Q.
- 10(v)\*# Three Year Credit Agreement dated as of February 8, 2002 among the Registrant, the Lenders named therein, Bank One, NA, as Agent, and Citibank N.A., ABN AMRO Bank N.V. and First Union National Bank, as Syndication Agents—incorporated by reference to Exhibit 10(x) to the Third Quarter 2002 Form 10-Q.

10(w)*	364-Day Credit Agreement dated as of February 8, 2002 among Aon Corporation, the Lenders named therein, Bank One, NA, as Agent and Citibank N.A., ABN AMRO Bank N.V. and First Union National Bank, as Syndication Agents—incorporated by reference to Exhibit 10(y) to the Third Quarter 2002 Form 10-Q.
10(x)*	Credit Agreement dated as of September 24, 2001 among the Registrant, as Guarantor, Aon Finance Limited, Aon France S.A., Aon Group Nederland B.V., Aon Holdings, B.V. and Aon Jauch & Hübener Holdings GmbH, as Borrowers, the Lenders named therein, Citibank International plc, as Agent, and Salomon Brothers International Limited as Arranger—incorporated by reference to Exhibit 10(z) to the Third Quarter 2002 Form 10-Q.
10(y)#	Employment Agreement dated January 1, 2003 between the Registrant and David P. Bolger.
10(z)	364-Day Credit Agreement dated as of February 7, 2003 among Aon Corporation, the Lenders named therein, Bank One, NA, as Agent and ABN AMRO Bank N.V. and Citibank, N.A., as Syndication Agents.
10(aa)	Amendment No. 2 to Three Year Credit Agreement dated February 7, 2003 among the Registrant, the Lenders named therein and Bank One, NA, as Agent.
12(a)	Statement regarding Computation of Ratio of Earnings to Fixed Charges.
12(b)	Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
21	List of Subsidiaries of the Registrant.

---

23	Consent of Ernst & Young LLP
(99)	Annual Report on Form 11-K for the Aon Savings Plan for the year ended December 31, 2002—to be filed by amendment as provided in Rule 15d-21(b).
(99.1)	Certification of CEO Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
(99.2)	Certification of CFO Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

\* Document has heretofore been filed with the Securities and Exchange Commission and is incorporated by reference and made a part hereof.

# Indicates a management contract or compensatory plan or arrangement.

**(b) Reports on Form 8-K.**

During the quarter ended December 31, 2002, the Registrant filed five Current Reports on Form 8-K and two additional Current Reports on Form 8-K thereafter.

- (i) On October 4, 2002, the Registrant filed a Current Report on Form 8-K dated September 20, 2002 announcing an amendment to its By-laws. The following exhibit was included in the report: Exhibit 3.2—By-laws.
- (ii) On October 31, 2002, the Registrant filed a Current Report on Form 8-K dated October 31, 2002 announcing its results of operations for the quarter and nine months ended September 30, 2002 and other matters. The following exhibit was included in the report: Exhibit 99—Press release issued on October 31, 2002.
- (iii) On November 4, 2002, the Registrant filed a Current Report on Form 8-K dated November 4, 2002 announcing its intention to offer convertible debt in a private placement. The following exhibit was included in the report: Exhibit 99—Press Release issued on November 4, 2002.
- (iv) On November 7, 2002, the Registrant filed a Current Report on Form 8-K dated November 7, 2002 announcing the completion of its common stock offering and separate private offering of convertible debentures. The following exhibit was included in the report: Exhibit 99—Press Release issued November 7, 2002.
- (v) On December 11, 2002, the Registrant filed a Current Report on Form 8-K dated December 11, 2002 announcing the pricing of



---

/s/ RICHARD C. NOTEBAERT		
Richard C. Notebaert	Director	March 21, 2003
/s/ MICHAEL D. O'HALLERAN		
Michael D. O'Halleran	Director	March 21, 2003
/s/ JOHN W. ROGERS, JR.		
John W. Rogers, Jr.	Director	March 21, 2003
/s/ PATRICK G. RYAN, JR.		
Patrick G. Ryan, Jr.	Director	March 21, 2003
/s/ GEORGE A. SCHAEFER		
George A. Schaefer	Director	March 21, 2003
/s/ RAYMOND I. SKILLING		
Raymond I. Skilling	Director	March 21, 2003
/s/ CAROLYN Y. WOO		
Carolyn Y. Woo	Director	March 21, 2003
/s/ HARVEY N. MEDVIN		
Harvey N. Medvin	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 21, 2003

---

### CERTIFICATIONS

I, Patrick G. Ryan, the Chief Executive Officer of Aon Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Aon Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 26, 2003

/s/ PATRICK G. RYAN

---

Patrick G. Ryan  
*Chief Executive Officer*

126

---

### CERTIFICATIONS

I, Harvey N. Medvin, the Chief Financial Officer of Aon Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Aon Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 26, 2003

/s/ HARVEY N. MEDVIN

---

Harvey N. Medvin  
*Chief Financial Officer*

127

---

## QuickLinks

### Documents From Which Information is Incorporated By Reference

#### PART I

- Item 1. Business.
- Item 2. Properties.
- Item 3. Legal Proceedings.
- Item 4. Submission of Matters to a Vote of Security Holders.

#### PART II

- Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.
- Item 6. Selected Financial Data.
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Item 8. Financial Statements and Supplementary Data.  
Report of Ernst & Young LLP, Independent Auditors

Consolidated Statements of Income  
Consolidated Statements of Financial Position  
Consolidated Statements of Cash Flows  
Consolidated Statements of Stockholders' Equity  
Notes to Consolidated Financial Statements

#### SCHEDULE I

Aon Corporation (Parent Company) CONDENSED STATEMENTS OF FINANCIAL POSITION  
Aon Corporation (Parent Company) CONDENSED STATEMENTS OF INCOME  
Aon Corporation (Parent Company) CONDENSED STATEMENTS OF CASH FLOWS  
Aon Corporation (Parent Company) NOTES TO CONDENSED FINANCIAL STATEMENTS

#### SCHEDULE II

Aon CORPORATION and Subsidiaries VALUATION AND QUALIFYING ACCOUNTS Years Ended December 31, 2002, 2001, and 2000

#### SCHEDULE II.1

Aon Corporation and Subsidiaries CONSOLIDATED SUMMARY OF INVESTMENTS— OTHER THAN INVESTMENTS IN RELATED PARTIES AS OF DECEMBER 31, 2002

#### SCHEDULE II.2

Aon Corporation and Subsidiaries REINSURANCE

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Item 11. Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Item 13. Certain Relationships and Related Transactions.

Item 14. Controls and Procedures.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

SIGNATURES

CERTIFICATIONS

CERTIFICATIONS

## EXHIBIT 10(y)

### EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of January 1, 2003, between Aon Corporation, a Delaware corporation (the "Company"), and David P. Bolger (the "Executive").

WHEREAS, the Company seeks to employ Executive as Executive Vice President - Finance and Administration of the Company and to have him serve as senior executive officer of one or more subsidiaries of the Company; and

WHEREAS, Executive desires to serve and to be employed upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereby agree as follows:

1. **EMPLOYMENT.** The Company hereby agrees to employ the Executive and the Executive hereby agrees to be employed upon the terms and subject to the conditions contained in this Agreement. The term of employment of the Executive pursuant to this Agreement (the "Employment Period") shall commence effective as of January 8, 2003 (the "Effective Date") and shall end on December 31, 2009, unless earlier terminated pursuant to Section 4 hereof.

2. **POSITION AND DUTIES; RESPONSIBILITIES.** (a) **POSITION AND DUTIES.** The Executive shall be employed as Executive Vice President - Finance and Administration of the Company and shall, during the Employment Period, be employed in such position or in such other position or positions with the Company or subsidiaries of the Company (not inconsistent with the position of Executive Vice President of the Company) as from time to time determined by the Chairman and Chief Executive Officer of the Company (the "Chairman and CEO") and shall report directly to the Chairman and CEO. During the Employment Period, the Executive shall perform faithfully and loyally and to the best of his abilities the duties assigned to him hereunder and shall devote his full business time, attention and effort to the affairs of the Company and its subsidiaries and shall use his best efforts to promote the interests of the Company and its subsidiaries. The Executive may engage in charitable, civic or community activities and, with the prior approval of the Chairman and CEO, may serve as a director of any other business corporation, provided that (i) such activities or service do not interfere with his duties hereunder or violate the terms of any of the covenants contained in Sections 6, 7 or 8 hereof and (ii) such other business corporation provides the Executive with director and officer insurance coverage which, in the opinion of the Chairman and CEO, is adequate under the circumstances.

(b) **RESPONSIBILITIES.** Subject to the direction of the Chairman and CEO, the Executive shall, beginning on April 1, 2003, have authority and responsibility as Chief Financial Officer of the Company. As of the Effective Date and continuing for the Employment Period, the Executive shall also have other executive administrative duties and responsibilities (not inconsistent with the position of Executive Vice President of the Company) on behalf of the

Company and its subsidiaries as may from time to time be authorized or directed by the Chairman and CEO.

3. COMPENSATION. (a) BASE SALARY. During the Employment Period, the Company shall pay to the Executive a base salary at the rate of \$750,000 per annum ("Base Salary"), payable in accordance with the Company's executive payroll policy. Such Base Salary shall be subject to adjustment at the discretion of the Chairman and CEO; provided, however, that the Base Salary shall in no event be less than \$750,000 per annum.

(b) ANNUAL BONUS. During the Employment Period, the Executive shall participate in the annual incentive bonus plan (the "Senior Executive Plan"). Each such annual incentive bonus shall be determined pursuant to the terms of the Senior Executive Plan as in effect from time to time; provided, however, that no such annual incentive bonus shall exceed 150% of the Executive's Base Salary as in effect at the end of the fiscal year to which such annual incentive bonus relates; and further provided that for calendar year 2003, Executive's incentive bonus shall not be less than \$582,500.

(c) STOCK AWARDS. The Executive shall receive a stock award of 100,000 shares of common stock ("Common Stock") of the Company pursuant to the terms of the Aon Stock Incentive Plan; provided, however, that to the extent such award remains unvested at the date of termination of employment for any reason other than Cause as defined in Section 4(c)(ii)(B), (C), (D), or (E), it shall continue to vest in accordance with its original vesting schedule and the committee administering such plan shall take such action as shall be necessary pursuant to the terms of such plan to effect such continued vesting; provided further that in the event of termination of employment without Cause pursuant to Section 4(d) hereof, such award shall become immediately vested.

(d) STOCK OPTIONS. The Executive shall be granted an option for 100,000 shares of the Common Stock of the Company pursuant to the terms of the Aon Stock Incentive Plan. Such grant shall vest in accordance with the terms of such plan; provided, however, such grant, to the extent unvested at the date of termination of employment for any reason other than Cause as defined in Section 4(c)(ii)(B), (C), (D), or (E), shall continue to vest in accordance with its original vesting schedule; provided further that in the event of termination of employment without Cause pursuant to Section 4(d) hereof, such option shall become immediately vested.

(e) OTHER BENEFITS. During the Employment Period, the Executive shall be entitled to participate in the Company's employee benefit plans generally available to executives of the Company (such benefits being hereinafter referred to as the "Employee Benefits"). The Executive shall be entitled to take time off for vacation or illness in accordance with the Company's policy for executives and to receive all other fringe benefits as are from time to time made generally available to executives of the Company.

(f) PENSION BENEFITS. (i) Upon termination of employment, the Executive will be entitled to receive a supplemental pension benefit payable on a single life annuity basis at age 65, or if later, the date of termination of employment, which will produce for the Executive aggregate pension benefits (taking into account the offsets as described in (ii) below), in an annual amount equal to the aggregate annual pension benefit to which the Executive would be

entitled under the Company's qualified and non-qualified defined benefit plans as in effect on the Effective Date as if Executive's Years of Service (as defined in the Company's Pension Plan) for benefit calculation purposes is equal to (i) 10 years plus (ii) the Executive's actual Years of Service with the Company.

(ii) the amount of the supplemental pension benefit described in Section 3(f)(i) above shall be offset by the benefits provided to Executive under any qualified or non-qualified defined benefit plans of the Company. The offset described in this paragraph shall be determined on the basis of such benefits payable on a single life annuity basis payable at age 65, or if later, the date of termination of employment.

(iii) the Executive may elect to receive the supplemental pension benefit in any form available under the qualified or non-qualified defined benefit plan of the Company as in effect on the Effective Date, or as may be available under any such plan hereafter. For commencement of benefits prior to age 65, the supplemental pension benefit will be subject to reduction pursuant to the early retirement benefit provisions of the Company plans as in effect at the time of payment.

(iv) if the Executive dies after the Effective Date but before the supplemental pension benefit becomes payable, the Executive's spouse will be entitled to receive a survivor annuity. The survivor annuity shall be payable as of the later of the date of death or the first date the Executive would have been entitled to retire and commence a joint and 50% survivor annuity (the "Pension Commencement Date"). The amount of the survivor annuity shall be equal to the 50% survivor annuity to which the spouse is entitled as if: (a) the Executive terminated employment immediately before death, (b) the Executive was fully vested in the supplemental pension benefit as of such date and (c) the employee survived until the Pension Commencement Date, elected to commence the age 65 benefit in the form of a joint and 50% survivor annuity as of the Pension Commencement Date, and Executive's death occurred on the day after the Pension Commencement Date.

(g) **EXPENSE REIMBURSEMENT.** During the Employment Period the Company shall reimburse the Executive in accordance with the Company's policies and procedures, for all proper expenses incurred by him in the performance of his duties hereunder.

4. **TERMINATION.** (a) **DEATH.** Upon the death of the Executive, this Agreement shall automatically terminate and the Executive's executor, administrator or designated beneficiary shall be entitled to receive the Executive's Base Salary which shall have accrued to the date of such death. The Company shall pay to the Executive's executor or administrator of Executive's estate a lump sum cash amount equal to the Executive's Base Salary, at the rate in effect at the date of such death, to which the Executive would have been entitled from the date of such death until the end of the Employment Period, reduced by the amount of any benefit paid under any individual or group life insurance policy maintained by the Company for the benefit of the Executive.

(b) **DISABILITY.** The Company may, at its option, terminate this Agreement upon written notice to the Executive if the Executive, because of physical or mental incapacity or

disability, fails to perform the essential functions of his position, with reasonable accommodation, if relevant, required of him hereunder for a continuous period of 120 days or any 180 days within any 12-month period. Upon such termination, the Executive or his legal representative shall be entitled to receive the Base Salary which shall have accrued to the date of termination, plus continuation of Base Salary, at the rate in effect at the date of such termination of employment, until the eighth annual anniversary of the Effective Date; provided, however, that the amount of any benefit payable under any disability insurance policy maintained by the Company for the benefit of the Executive shall be deducted from the payments of such Base Salary, with the benefit received under such policy reducing the installment of Base Salary payable closest to the payment of such benefit. In the event of any dispute regarding the existence of the Executive's incapacity or disability hereunder, the matter shall be resolved by the determination of an independent physician agreed to between the Executive and the Board specializing in the claimed area of incapacity or disability. The Executive shall submit to appropriate medical examinations for purposes of such determination.

(c) CAUSE. (i) The Company may at any time, at its option, terminate the Executive's employment under this Agreement immediately for Cause (as hereinafter defined). The Company's decision in this regard shall be taken by the Governance Committee of the Board ("Governance Committee"). The Executive shall be given at least seven days advanced written notice of any meeting at which the Governance Committee proposes to put forward for a vote a decision on whether or not to terminate the Executive for Cause and the written notice shall describe in reasonable detail the basis on which the Governance Committee may conclude that Cause exists. The Executive shall have the opportunity to appear in person and to make such written and/or oral presentation to such meeting of the Governance Committee as the Executive thinks fit. If a majority of the Governance Committee authorizes by affirmative vote a termination for Cause at such meeting (whether or not the Executive makes any oral or written presentations at such meeting) such determination shall be final and binding upon the Company and the Executive once such decision is confirmed in writing and communicated to the Executive.

(ii) As used in this Agreement, the term "Cause" shall mean any one or more of the following:

(A) any failure or inability (other than by reason of physical or mental disability determined in accordance with Section 4(b)) of the Executive to perform his material duties under this Agreement to the satisfaction of at least a majority of the members of the Governance Committee, including, without limitation, any refusal by the Executive to perform such duties or to perform such specific directives of the Chairman and CEO which are consistent with the scope and nature of the Executive's duties and responsibilities under this Agreement;

(B) any intentional act of fraud, embezzlement or theft by the Executive in connection with his duties hereunder or in the course of his employment hereunder or the Executive's admission or conviction of, or plea of nolo contendere to, a felony or of any crime involving moral turpitude, fraud, embezzlement, theft or misrepresentation;

- (C) any gross negligence or willful misconduct of the Executive resulting in a loss to the Company or any of its subsidiaries, or damage to the reputation of the Company or any of its subsidiaries;
- (D) any breach by the Executive of any one or more of the covenants contained in Section 6, 7 or 8 hereof; or
- (E) any violation of any statutory or common law duty of loyalty to the Company or any of its subsidiaries.
- (iii) The exercise of the right of the Company to terminate this Agreement pursuant to this Section 4(c) shall not abrogate the rights or remedies of the Company in respect of the breach giving rise to such termination.
- (iv) If the Company terminates the Executive's employment for Cause, as defined in Section 4(c)(ii)(B), (C), (D) or (E), he shall be entitled to:
- (A) accrued Base Salary through the date of the termination of his employment; and
- (B) other Employee Benefits to which the Executive is entitled upon his termination of employment with the Company, including regular and supplemental retirement and disability benefits, in accordance with the terms of the plans and programs of the Company.
- (v) if the Company terminates the Executive's employment for Cause, as defined in Section 4(c)(ii)(A), he shall be entitled to:
- (A) the payments specified by Sections 4(c)(iv)(A) and (B); and
- (B) the continuation of the Base Salary, at the rate in effect at the date of such termination of employment, for a period of two years from the date of such termination of employment.
- (d) **TERMINATION WITHOUT CAUSE.** If, during the Employment Period, the Company terminates the employment of the Executive hereunder for any reason other than a reason set forth in Section 4(a), (b) or (c), the Company shall give the Executive 12 months prior written notice of such termination, and:
- (i) Concurrent with such termination, the Executive shall be entitled to receive the payments and benefits specified by Sections 4(c)(iv)(A) and (B);
- (ii) The Company shall continue to pay the Executive, until the end of the Employment Period, his Base Salary at the rate in effect at the date of such termination of employment.
- Notwithstanding the foregoing provisions of this Section 4(d), if any payment specified by this Section 4(d) would not be deductible by the Company for federal income tax purposes by reason

of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), or any similar or successor statute (excluding Section 280G of the Code), such payment shall be deferred and the amount thereof (plus earnings thereon in accordance with the terms of such deferral) shall be paid to the Executive at the earliest time that such payment shall be deductible by the Company.

(e) VOLUNTARY TERMINATION. The Executive may voluntarily terminate his employment with the Company prior to the end of the Employment Period for any reason. If the Executive voluntarily terminates his employment pursuant to this Section 4(e), the Executive shall give the Company 12 months prior written notice and shall be entitled to the payments specified by Sections 4 (c)(iv)(A) and (B).

5. FEDERAL AND STATE WITHHOLDING. The Company shall deduct from the amounts payable to the Executive pursuant to this Agreement the amount of all required federal, state and local withholding taxes in accordance with the Executive's Form W-4 on file with the Company, and all applicable federal employment taxes.

6. NONCOMPETITION; NONSOLICITATION. (a) GENERAL. The Executive acknowledges that in the course of his employment with the Company and Aon Group, Inc., a Maryland corporation ("Aon Group"), he has and will become familiar with trade secrets and other confidential information concerning the Company and its subsidiaries, including Aon Group, and that his services will be of special, unique and extraordinary value to the Company and its affiliates.

(b) NONCOMPETITION. The Executive agrees that during the period of his employment with the Company and for a period of two years thereafter (the "Noncompetition Period") he shall not in any manner, directly or indirectly, through any person, firm or corporation, alone or as a member of a partnership or as an officer, director, stockholder, investor or employee of or consultant to any other corporation or enterprise or otherwise, engage or be engaged, or assist any other person, firm, corporation or enterprise in engaging or being engaged, in any business, in which the Executive was involved or had knowledge, being conducted by, or contemplated by, the Company or any of its subsidiaries, including Aon Group, Inc., as of the termination of the Executive's employment in any geographic area in which the Company or any of its subsidiaries including Aon Group, Inc. is then conducting such business.

(c) NONSOLICITATION. The Executive further agrees that during the Noncompetition Period he shall not in any manner, directly or indirectly, induce or attempt to induce any employee of the Company or any of its subsidiaries, including Aon Group, to terminate or abandon his or her employment for any purpose whatsoever.

(d) EXCEPTIONS. Nothing in this Section 6 shall prohibit the Executive from being (i) a stockholder in a mutual fund or a diversified investment company or (ii) a passive owner of not more than two percent of the outstanding stock of any class of a corporation, any securities of which are publicly traded, so long as Executive has no active participation in the business of such corporation.

(e) REFORMATION. If, at any time of enforcement of this Section 6, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. This Agreement shall not authorize a court to increase or broaden any of the restrictions in this Section 6.

(f) CONSIDERATION; BREACH. The Company and the Executive agree that the payments to be made, and the benefits to be provided, by the Company to the Executive pursuant to Section 3 hereof shall be made and provided in consideration of the Executive's agreements contained in Section 6 hereof. In the event that the Executive shall breach any provision of Section 6 hereof, the Company shall be entitled immediately to terminate making all remaining payments and providing all remaining benefits pursuant to Section 3 hereof and upon such termination the Company shall have no further liability to the Executive under this Agreement.

7. CONFIDENTIALITY. The Executive shall not, at any time during the Employment Period or thereafter, make use of or disclose, directly or indirectly, any (i) trade secret or other confidential or secret information of the Company or of any of its subsidiaries, including Aon Group, Inc. or (ii) other technical, business, proprietary or financial information of the Company or of any of its subsidiaries, including Aon Group, not available to the public generally or to the competitors of the Company or to the competitors of any of its subsidiaries, including Aon Group, ("Confidential Information"), except to the extent that such Confidential Information (a) becomes a matter of public record or is published in a newspaper, magazine or other periodical available to the general public, other than as a result of any act or omission of the Executive, (b) is required to be disclosed by any law, regulation or order of any court or regulatory commission, department or agency, provided that the Executive gives prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order, or (c) is necessary to perform properly the Executive's duties under this Agreement. Promptly following the termination of the Employment Period, the Executive shall surrender to the Company all records, memoranda, notes, plans, reports, computer tapes and software and other documents and data which constitute Confidential Information which he may then possess or have under his control (together with all copies thereof).

8. INVENTIONS. The Executive hereby assigns to the Company his entire right, title and interest in and to all discoveries and improvements, patentable or otherwise, trade secrets and ideas, writings and copyrightable material, which may be conceived by the Executive or developed or acquired by him during the Employment Period, which may pertain directly or indirectly to the business of the Company or any of its subsidiaries, including Aon Group. The Executive agrees to disclose fully all such developments to the Company upon its request, which disclosure shall be made in writing promptly following any such request. The Executive shall, upon the Company's request, execute, acknowledge and deliver to the Company all instruments and do all other acts which are necessary or desirable to enable the Company or any of its subsidiaries to file and prosecute applications for, and to acquire, maintain and enforce, all patents, trademarks and copyrights in all countries.

9. ENFORCEMENT. The parties hereto agree that the Company and its subsidiaries would be damaged irreparably in the event that any provision of Section 6, 7 or 8 of this Agreement were not performed in accordance with its terms or were otherwise breached and that money damages would be an inadequate remedy for any such nonperformance or breach. Accordingly, the Company and its successors and permitted assigns shall be entitled, in addition to other rights and remedies existing in their favor, to an injunction or injunctions to prevent any breach or threatened breach of any of such provisions and to enforce such provisions specifically (without posting a bond or other security). The Executive agrees that he will submit himself to the personal jurisdiction of the courts of the State of Illinois in any action by the Company to enforce any provision of Section 6, 7 or 8 of this Agreement.

10. SURVIVAL. Sections 6, 7, 8 and 9 of this Agreement shall survive and continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Employment Period.

11. NOTICES. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (i) delivered personally or by overnight courier to the following address of the other party hereto (or such other address for such party as shall be specified by notice given pursuant to this Section 11) or (ii) sent by facsimile to the following facsimile number of the other party hereto (or such other facsimile number for such party as shall be specified by notice given pursuant to this Section 11), with the confirmatory copy delivered by overnight courier to the address of such party pursuant to this Section 11:

**If to the Company, to:**

Aon Corporation  
200 East Randolph  
Chicago, Illinois 60601  
Attention: Chairman and Chief Executive Officer

with copies to:

Aon Corporation  
200 East Randolph  
Chicago, Illinois 60601  
Attention: Chairman of the Governance Committee

Aon Corporation  
200 East Randolph  
Chicago, Illinois 60601  
Attention: Executive Vice President and Chief Counsel

**If to the Executive, to:**

David P. Bolger  
1710 North Orchard Street

12. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

13. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof.

14. SUCCESSORS AND ASSIGNS. This Agreement shall be enforceable by the Executive and his heirs, executors, administrators and legal representatives, and by the Company and its successors and assigns.

15. GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Illinois without regard to principles of conflict of laws.

16. AMENDMENT AND WAIVER. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

17. COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original and both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

**AON CORPORATION**

By:

Title:

**EXECUTIVE:**

---

**David P. Bolger**

**EXHIBIT 10(z)**

**EXECUTION COPY**

---

\$337,500,000

**364-DAY CREDIT AGREEMENT**

**AMONG**

**AON CORPORATION,  
AS BORROWER,**

**THE LENDERS,**

**BANK ONE, NA,  
AS AGENT,**

**AND**

**ABN AMRO BANK N.V.**

**AND**

**CITIBANK, N.A.,  
AS SYNDICATION AGENTS**

**DATED AS OF**

**FEBRUARY 7, 2003**

---

**BANC ONE CAPITAL MARKETS, INC.  
SOLE LEAD ARRANGER AND SOLE BOOK MANAGER**

TABLE OF CONTENTS

ARTICLE I DEFINITIONS.....1  
ARTICLE II THE CREDITS.....12  
2.1. Commitment.....12  
2.2. Required Payments; Termination.....12  
2.3. Ratable Loans.....12  
2.4. Types of Advances.....12  
2.5. Facility Fee; Utilization Fee; Term Out Fee; Reductions and Increases in Aggregate  
Commitment..... 12  
2.6. Minimum Amount of Each Advance.....14  
2.7. Optional Principal Payments.....14  
2.8. Method of Selecting Types and Interest Periods for New Advances.....14  
2.9. Conversion and Continuation of Outstanding Advances.....15  
2.10. Changes in Interest Rate, etc.....15  
2.11. Rates Applicable After Default.....16  
2.12. Method of Payment.....16  
2.13. Noteless Agreement; Evidence of Indebtedness.....16  
2.14. Telephonic Notices.....17  
2.15. Interest Payment Dates; Interest and Fee Basis.....17  
2.16. Notification of Advances, Interest Rates, Prepayments and Commitment Reductions.....18  
2.17. Lending Installations.....18  
2.18. Non-Receipt of Funds by the Agent.....18  
2.19. Extension of Revolving Credit Termination Date and Facility Termination Date.....18  
2.20. Replacement of Lender.....19  
ARTICLE III YIELD PROTECTION; TAXES.....19  
3.1. Yield Protection.....19  
3.2. Changes in Capital Adequacy Regulations.....20  
3.3. Availability of Types of Advances.....21  
3.4. Funding Indemnification.....21  
3.5. Taxes.....21  
3.6. Lender Statements; Survival of Indemnity.....23  
ARTICLE IV CONDITIONS PRECEDENT.....24  
4.1. Effectiveness.....24  
4.2. Each Advance.....25  
ARTICLE V REPRESENTATIONS AND WARRANTIES.....25  
5.1. Corporate Existence and Standing.....25  
5.2. Authorization and Validity.....25  
5.3. Compliance with Laws and Contracts.....26  
5.4. Governmental Consents.....26  
5.5. Financial Statements.....26  
5.6. Material Adverse Change.....27  
5.7. Taxes.....27

5.8.	Litigation and Contingent Obligations.....	27
5.9.	ERISA.....	27
5.10.	Defaults.....	28
5.11.	Regulation U.....	28
5.12.	Investment Company; Public Utility Holding Company.....	28
5.13.	Ownership of Properties.....	28
5.14.	Material Agreements.....	28
5.15.	Environmental Laws.....	29
5.16.	Insurance.....	29
5.17.	Insurance Licenses.....	29
5.18.	Disclosure.....	29
ARTICLE VI COVENANTS.....		30
6.1.	Financial Reporting.....	30
6.2.	Use of Proceeds.....	31
6.3.	Notice of Default.....	31
6.4.	Conduct of Business.....	31
6.5.	Taxes.....	31
6.6.	Insurance.....	32
6.7.	Compliance with Laws.....	32
6.8.	Maintenance of Properties.....	32
6.9.	Inspection.....	32
6.10.	Capital Stock and Dividends.....	32
6.11.	Merger.....	32
6.12.	Liens.....	33
6.13.	Affiliates.....	34
6.14.	Change in Fiscal Year.....	34
6.15.	Inconsistent Agreements.....	34
6.16.	Sale of Assets.....	34
6.17.	Financial Covenants.....	34
6.18.	ERISA.....	34
ARTICLE VII DEFAULTS.....		35
ARTICLE VIII ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES.....		36
8.1.	Acceleration.....	36
8.2.	Amendments.....	37
8.3.	Preservation of Rights.....	38
ARTICLE IX GENERAL PROVISIONS.....		38
9.1.	Survival of Representations.....	38
9.2.	Governmental Regulation.....	38
9.3.	Headings.....	38
9.4.	Entire Agreement.....	38
9.5.	Several Obligations; Benefits of this Agreement.....	38
9.6.	Expenses; Indemnification.....	39
9.7.	Numbers of Documents.....	39
9.8.	Accounting.....	39

9.9.	Severability of Provisions.....	39
9.10.	Nonliability of Lenders.....	40
9.11.	Confidentiality.....	40
9.12.	Disclosure.....	40
ARTICLE X THE AGENT.....		41
10.1.	Appointment.....	41
10.2.	Powers.....	41
10.3.	General Immunity.....	41
10.4.	No Responsibility for Loans, Recitals, etc.....	41
10.5.	Action on Instructions of Lenders.....	42
10.6.	Employment of Agents and Counsel.....	42
10.7.	Reliance on Documents; Counsel.....	42
10.8.	Agent's Reimbursement and Indemnification.....	42
10.9.	Notice of Default.....	43
10.10.	Rights as a Lender.....	43
10.11.	Lender Credit Decision.....	43
10.12.	Successor Agent.....	43
10.13.	Agent and Arranger Fees.....	44
10.14.	Delegation to Affiliates.....	44
10.15.	Syndication Agents; Senior Managing Agents; Managing Agents.....	44
ARTICLE XI SETOFF; RATABLE PAYMENTS.....		45
11.1.	Setoff.....	45
11.2.	Ratable Payments.....	45
ARTICLE XII BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS.....		45
12.1.	Successors and Assigns.....	45
12.2.	Participations.....	46
12.3.	Assignments.....	47
12.4.	Dissemination of Information.....	48
12.5.	Tax Treatment.....	48
ARTICLE XIII NOTICES.....		49
13.1.	Giving Notice.....	49
13.2.	Change of Address.....	49
ARTICLE XIV COUNTERPARTS.....		50
ARTICLE XV CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL .....		50
15.1.	CHOICE OF LAW.....	50
15.2.	CONSENT TO JURISDICTION.....	50
15.3.	WAIVER OF JURY TRIAL.....	50

## EXHIBITS

Exhibit A	Note
Exhibit B	Compliance Certificate
Exhibit C	Assignment and Assumption Agreement
Exhibit D	Commitment Addition Agreement

## SCHEDULES

Pricing Schedule	
Schedule 1	Commitments

## 364-DAY CREDIT AGREEMENT

This 364-Day Credit Agreement, dated as of February 7, 2003, is among Aon Corporation, a Delaware corporation, the Lenders and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Agent.

### RECITALS:

- A. The Borrower has requested the Lenders to make financial accommodations to it in the aggregate principal amount of \$337,500,000; and
- B. The Lenders are willing to extend such financial accommodations on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements made herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders and the Agent hereby agree as follows:

### ARTICLE I DEFINITIONS

As used in this Agreement:

"Advance" means a borrowing of Loans, (a) advanced by the Lenders on the same Borrowing Date, or (b) converted or continued by the Lenders on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the several Loans of the same Type and, in the case of Eurodollar Loans, for the same Interest Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" means Bank One in its capacity as contractual representative of the Lenders pursuant to ARTICLE X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to ARTICLE X.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders, as reduced or increased from time to time pursuant to the terms hereof. The initial Aggregate Commitment is \$337,500,000.

"Agreement" means this 364-Day Credit Agreement, as it may be amended or modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect from time to time, applied in a manner consistent with those used in preparing the financial statements referred to in SECTION 5.5.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (a) the Prime Rate for such day, and (b) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Alternate Base Rate Advance" means an Advance which, except as otherwise provided in SECTION 2.11, bears interest at the Alternate Base Rate.

"Alternate Base Rate Loan" means a Loan which, except as otherwise provided in SECTION 2.11, bears interest at the Alternate Base Rate.

"Applicable Facility Fee Rate" means, at any time, the percentage determined in accordance with the Pricing Schedule at such time. The Applicable Facility Fee Rate shall change as and when the Borrower Debt Rating changes. The initial Applicable Facility Fee Rate shall be .10%.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Applicable Term Out Premium Rate" means, at any time, the percentage determined in accordance with the Pricing Schedule at such time. The Applicable Term Out Premium Rate shall change as and when the Borrower Debt Rating changes.

"Applicable Utilization Fee Rate" means, at any time, the percentage determined in accordance with the Pricing Schedule at such time. The Applicable Utilization Fee Rate shall change as and when the Borrower Debt Rating changes.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means Banc One Capital Markets, Inc., a Delaware corporation, and its successors, in its capacity as "Sole Lead Arranger" and "Sole Book Manager".

"Article" means an article of this Agreement unless another document is specifically referenced.

"Authorized Officer" means any of the president, chief financial officer, treasurer or vice-president and controller of the Borrower, acting singly.

"Bank One" means Bank One, NA, a national banking association having its principal office in Chicago, Illinois, in its individual capacity, and its successors.

"Borrower" means Aon Corporation, a Delaware corporation, and its successors and assigns.

"Borrower Debt Rating" means the senior unsecured long term debt (without third party credit enhancement) rating of the Borrower as determined by a rating agency identified on the Pricing Schedule.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in SECTION 2.8.

"Business Day" means (a) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (b) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Change" is defined in SECTION 3.2.

"Change in Control" means (a) the acquisition by any Person, or two or more Persons acting in concert, including without limitation any acquisition effected by means of any transaction contemplated by SECTION 6.11, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 20% or more of the outstanding shares of voting stock of the Borrower, or (b) during any period of 25 consecutive calendar months, commencing on the date of this Agreement, the ceasing of those individuals (the "CONTINUING DIRECTORS") who (i) were directors of the Borrower on the first day of each such period or (ii) subsequently became directors of the Borrower and whose initial election or initial nomination for election subsequent to that date was approved by a majority of the Continuing Directors then on the board of directors of the Borrower, to constitute a majority of the board of directors of the Borrower.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth opposite its name on SCHEDULE 1 hereto, as it may be modified as a result of any assignment that has become effective pursuant to SECTION 12.3.2 or as otherwise modified from time to time pursuant to the terms hereof.

"Condemnation" is defined in SECTION 7.8.

"Consolidated" or "consolidated", when used in connection with any calculation, means a calculation to be determined on a consolidated basis for the Borrower and its Subsidiaries in accordance with Agreement Accounting Principles.

"Consolidated EBITDA" means Consolidated Net Income PLUS, to the extent deducted from revenues in determining Consolidated Net Income, (i) Consolidated Interest Expense, (ii) expense for taxes paid or accrued, (iii) depreciation, (iv) amortization and (v) extraordinary losses incurred other than in the ordinary course of business, MINUS, to the extent included in Consolidated Net Income, extraordinary gains realized other than in the ordinary course of business, all calculated for the Borrower and its Subsidiaries on a consolidated basis.

"Consolidated Interest Expense" means, with reference to any period, the interest expense of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Borrower and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Net Worth" means, at any date of determination, the consolidated common stockholders' equity of the Borrower and its consolidated Subsidiaries determined in accordance with Agreement Accounting Principles.

"Consolidated Person" means, for the taxable year of reference, each Person which is a member of the affiliated group of the Borrower if Consolidated returns are or shall be filed for such affiliated group for federal income tax purposes or any combined or unitary group of which the Borrower is a member for state income tax purposes.

"Contingent Obligation" of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement or take-or-pay contract or application for a Letter of Credit.

"Controlled Group" means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in SECTION 2.9.

"Default" means an event described in ARTICLE VII.

"Deficit Reduction Contribution" has the meaning set forth in Section 412(1)(2) of the Code.

"Environmental Laws" is defined in SECTION 5.15.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Eurodollar Advance" means an Advance which, except as otherwise provided in SECTION 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance: (a) for any one, two, three or six month Interest Period applicable to such Eurodollar Advance, the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, PROVIDED that, (i) if Reuters Screen FRBD is not available to the Agent for any reason, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, and having a maturity equal to such Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable Eurodollar Base Rate for the relevant Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period; or (b) for any fourteen (14) day Interest Period applicable to such Eurodollar Advance, the rate determined by the Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the interbank market at approximately 10:00 a.m. (Chicago time) two (2) Business Days prior to the first day of such Interest Period, in the approximate amount of Bank One's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

"Eurodollar Loan" means a Loan which, except as otherwise provided in SECTION 2.11, bears interest at the applicable Eurodollar Rate.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (a) the quotient of (i) the Eurodollar Base Rate applicable to such Interest Period, divided by (ii) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus  
(b) the Applicable Margin for Eurodollar Advances.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Exhibit" refers to an exhibit to this Agreement, unless another document is specifically referenced.

"Existing Credit Agreement" means that certain \$437,500,000 364-Day Credit Agreement dated as of February 8, 2002 among the Borrower, Bank One, as agent, and the lenders named therein, as amended, restated, supplemented or otherwise modified from time to time.

"Facility Termination Date" means February 5, 2005, as such date may be extended from time to time pursuant to SECTION 2.19, or any earlier date (a) on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof (other than pursuant to the third sentence of SECTION 2.1) or (b) on or after the Revolving Credit Termination Date, on which the Revolving Credit Termination Balance and all other unpaid Obligations shall be paid in full.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Financial Statements" is defined in SECTION 5.5.

"Fiscal Quarter" means each of the four three-month accounting periods comprising a Fiscal Year.

"Fiscal Year" means the twelve-month accounting period ending December 31 of each year.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Funded Current Liability Percentage" has the meaning set forth in Section 412(l)(9)(C) of the Code.

"Governmental Authority" means any government (foreign or domestic) or any state or other political subdivision thereof or any governmental body, agency, authority, department or commission (including without limitation any taxing authority or political subdivision) or any instrumentality or officer thereof (including, without limitation, any court or tribunal and any board of insurance, insurance department or insurance commissioner) exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation, partnership or other entity directly or indirectly owned or controlled by or subject to the control of any of the foregoing.

"Hazardous Materials" is defined in SECTION 5.15.

"Indebtedness" of a Person means such Person's (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (c) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, acceptances, or similar instruments, (e) Capitalized Lease Obligations, (f) Contingent Obligations, (g) obligations for which such Person is obligated pursuant to or in respect of a Letter of Credit and (h) repurchase obligations or liabilities of such Person with respect to accounts or notes receivable sold by such Person.

"Interest Period" means, with respect to a Eurodollar Advance, a period of fourteen (14) days or one, two, three or six months commencing on a Business Day selected by the Borrower pursuant to this Agreement. An Interest Period of one, two, three or six months shall end on (but exclude) the day which corresponds numerically to such date one, two, three or six months thereafter; PROVIDED, HOWEVER, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; PROVIDED, HOWEVER, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Lenders" means the lending institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"Lending Installation" means, with respect to a Lender or the Agent, the office, branch, subsidiary or affiliate of such Lender or the Agent listed on the signature pages hereof or on a Schedule or otherwise selected by such Lender or the Agent pursuant to SECTION 2.17.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"Lien" means any security interest, lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's loan made pursuant to ARTICLE II (or any conversion or continuation thereof).

"Loan Documents" means this Agreement, any Notes issued pursuant to SECTION 2.13 and the other documents and agreements contemplated hereby and executed by the Borrower in favor of the Agent or any Lender.

"Margin Stock" has the meaning assigned to that term under Regulation U.

"Material Adverse Effect" means a material adverse effect on (a) the business, Property, condition (financial or otherwise), performance, results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform its obligations under the Loan Documents, or (c) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent or the Lenders thereunder.

"Modified Required Lenders" means Lenders in the aggregate having at least 66 2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 66 2/3% of the aggregate unpaid principal amount of the outstanding Loans.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Non-U.S. Lender" is defined in SECTION 3.5(d).

"Note" is defined in SECTION 2.13.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Agent or any indemnified party arising under the Loan Documents.

"Other Taxes" is defined in SECTION 3.5(b).

"Participants" is defined in SECTION 12.2.1.

"Payment Date" means the last day of each March, June, September and December.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Person" means any natural person, corporation, firm, joint venture, partnership, association, enterprise, limited liability company, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as defined in Section 3(2) of ERISA, as to which the Borrower or any member of the Controlled Group may have any liability.

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"pro-rata" means, when used with respect to a Lender, and any described aggregate or total amount, an amount equal to such Lender's pro-rata share or portion based on its percentage of the Aggregate Commitment or if the Aggregate Commitment has been terminated, its percentage of the aggregate principal amount of outstanding Advances.

"Purchasers" is defined in SECTION 12.3.1.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to depository institutions.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks and certain other Persons for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System and certain other Persons.

"Release" is defined in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 39601 ET SEQ.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within thirty

(30) days of the occurrence of such event; PROVIDED, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means Lenders in the aggregate having at least 51% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 51% of the aggregate unpaid principal amount of the outstanding Loans.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Revolving Credit Termination Balance" means the aggregate principal amount of Advances outstanding on the Revolving Credit Termination Date after giving effect to any Advances made or repaid on such date.

"Revolving Credit Termination Date" means February 5, 2004 or any later date as may be specified as the Revolving Credit Termination Date in accordance with SECTION 2.19 or any earlier date on which the Aggregate Commitment is reduced to zero or otherwise terminated pursuant to the terms hereof.

"Risk-Based Capital Guidelines" is defined in SECTION 3.2.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"Schedule" refers to a specific schedule to this Agreement, unless another document is specifically referenced.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subsidiary" of a Person means (a) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or

(b) any partnership, association, joint venture, limited liability company or similar business organization more than 50% of the ownership interests having

ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (a) represents more than 10% of the consolidated assets of the Borrower and its Subsidiaries, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the end of the quarter next preceding the date on which such determination is made, or (b) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower and its Subsidiaries for the 12-month period ending as of the end of the quarter next preceding the date of determination.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but EXCLUDING Excluded Taxes and Other Taxes.

"Termination Event" means, with respect to a Plan which is subject to Title IV of ERISA, (a) a Reportable Event, (b) the withdrawal of the Borrower or any other member of the Controlled Group from such Plan during a plan year in which the Borrower or any other member of the Controlled Group was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA, (c) the termination of such Plan, the filing of a notice of intent to terminate such Plan or the treatment of an amendment of such Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Plan or (e) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Plan.

"Three Year Agreement" means that certain Three Year Credit Agreement dated as of February 8, 2002 among the Borrower, Bank One, as agent, and the lenders party thereto, as from time to time amended, restated or otherwise modified.

"Transferee" is defined in SECTION 12.4.

"Type" means, with respect to any Advance, its nature as an Alternate Base Rate Advance or a Eurodollar Advance.

"Unfunded Current Liability" has the meaning set forth in Section 412(1)(8)(A) of the Code.

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using PBGC actuarial assumptions for single employer plan terminations.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Wholly-Owned Subsidiary" of a Person means (a) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (b) any partnership, association, joint venture, limited liability company or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise provided, all references herein to a "Wholly-Owned Subsidiary" shall mean a Wholly-Owned Subsidiary of the Borrower.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## **ARTICLE II THE CREDITS**

2.1. **COMMITMENT.** From and including the date of this Agreement to the Revolving Credit Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Revolving Credit Termination Date. The Commitments to lend hereunder shall expire on the Revolving Credit Termination Date. Principal payments made after the Revolving Credit Termination Date may not be reborrowed.

2.2. **REQUIRED PAYMENTS; TERMINATION.** The Revolving Credit Termination Balance and all other unpaid Obligations shall be paid in full by the Borrower on the Revolving Credit Termination Date; PROVIDED, HOWEVER, that upon the written request of the Borrower, delivered to the Agent at least ten (10) Business Days prior to the Revolving Credit Termination Date, the Revolving Credit Termination Balance shall be due and payable on the Facility Termination Date.

2.3. **RATABLE LOANS.** Each Advance hereunder shall consist of Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment.

2.4. **TYPES OF ADVANCES.** The Advances may be Alternate Base Rate Advances or Eurodollar Advances, or a combination thereof, selected by the Borrower in accordance with SECTIONS 2.8 and 2.9.

2.5. **FACILITY FEE; UTILIZATION FEE; TERM OUT FEE; REDUCTIONS AND INCREASES IN AGGREGATE COMMITMENT.** (a) The Borrower agrees to pay to the Agent for the account of each Lender a facility fee at a per annum rate equal to the Applicable Facility Fee Rate on such

Lender's Commitment (or, after the Revolving Credit Termination Date, on the principal amount of such Lender's Loans) from the date hereof to and including the Facility Termination Date, payable on each Payment Date hereafter and on the Facility Termination Date. The Borrower also agrees to pay to the Agent for the account of each Lender a term out fee at a per annum rate equal to the Applicable Term Out Premium Rate on the principal amount of such Lender's Loans from the Revolving Credit Termination Date to and including the Facility Termination Date, payable on each Payment Date after the Revolving Credit Termination Date and on the Facility Termination Date. The Borrower also agrees to pay to the Agent for the ratable (based on Commitment (or after termination of the Commitments, outstanding Loan) amounts) account of the Lenders a utilization fee for each day from the date hereof to and including the later of the Facility Termination Date and the date all Loans are paid in full and all Commitments are terminated, such utilization fee to be equal to the Applicable Utilization Fee Rate for such day multiplied by the outstanding principal amount of the Loans on such day, payable on each Payment Date and on the Facility Termination Date. The Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders in a minimum aggregate amount of \$25,000,000 or any integral multiple of \$5,000,000 in excess thereof, upon at least two (2) Business Days' written notice to the Agent, which notice shall specify the amount of any such reduction, PROVIDED, HOWEVER, that the amount of the Aggregate Commitment may not be reduced below the aggregate principal amount of the outstanding Advances. All accrued facility, utilization and term out fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Loans hereunder.

(b) Prior to the Revolving Credit Termination Date, the Borrower may, at its option, on up to two occasions, seek to increase the Aggregate Commitment by a minimum amount of \$10,000,000 and up to an aggregate amount of \$25,000,000 (resulting in a maximum Aggregate Commitment of \$362,500,000) upon at least three (3) Business Days' prior written notice to the Agent, which notice shall specify the amount of any such increase and shall certify (i) that no Default or Unmatured Default has occurred and is continuing and (ii) that each of the representations and warranties set forth in ARTICLE V of this Agreement is true and correct on and as of such date (except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date). The Borrower may, after giving such notice, offer the increase (which may be declined by any Lender in its sole discretion) in the Aggregate Commitment on either a ratable basis to the Lenders or on a non pro-rata basis to one or more Lenders and/or to other Lenders or entities reasonably acceptable to the Agent; PROVIDED that (x) the minimum amount of any increase for any new Lender shall be \$10,000,000 and (y) after giving effect to any increase, no Lender's Commitment shall be greater than 20% of the Aggregate Commitment. No increase in the Aggregate Commitment shall become effective until the existing or new Lenders extending such incremental Commitment amount and the Borrower shall have delivered to the Agent a Commitment Addition Agreement substantially in the form of EXHIBIT D (or in such other form as may be reasonably satisfactory to the Agent) pursuant to which any such existing Lender states the amount of its Commitment increase, any such new Lender states its Commitment amount and agrees to assume and accept the obligations and rights of a Lender hereunder and the Borrower accepts such incremental Commitments. The Lenders (new or

existing) shall accept an assignment from the existing Lenders, and the existing Lenders shall make an assignment to the new or existing Lender accepting a new or increased Commitment, of an interest in each then outstanding Advance such that, after giving effect thereto, all Advances are held ratably by the Lenders in proportion to their respective Commitments. Assignments pursuant to the preceding sentence shall be made in exchange for the principal amount assigned plus accrued and unpaid interest, facility fees and utilization fees. The Borrower shall make any payments under SECTION 3.4 resulting from such assignments. Any such increase of the Aggregate Commitment shall be subject to receipt by the Agent from the Borrower of such supplemental opinions, resolutions, certificates and other documents as the Agent may reasonably request.

2.6. MINIMUM AMOUNT OF EACH ADVANCE. Each Advance shall be in the minimum amount of \$25,000,000 (and in multiples of \$5,000,000 if in excess thereof); PROVIDED, HOWEVER, that (a) any Alternate Base Rate Advance may be in the amount of the unused Aggregate Commitment and (b) in no event shall more than six (6) Eurodollar Advances be permitted to be outstanding at any time.

2.7. OPTIONAL PRINCIPAL PAYMENTS. The Borrower may from time to time pay, without penalty or premium, all outstanding Alternate Base Rate Advances, or, in a minimum aggregate amount of \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof, any portion of the outstanding Alternate Base Rate Advances upon notice to the Agent by 10:00 a.m. (Chicago time) on the Business Day of the proposed prepayment. The Borrower may from time to time pay, subject to the payment of any funding indemnification amounts required by SECTION 3.4 but without penalty or premium, all outstanding Eurodollar Advances, or, in a minimum aggregate amount of \$10,000,000 or any integral multiple of \$1,000,000 in excess thereof, any portion of an outstanding Eurodollar Advance, upon two (2) Business Days' prior notice to the Agent.

2.8. METHOD OF SELECTING TYPES AND INTEREST PERIODS FOR NEW ADVANCES. The Borrower shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time; PROVIDED, HOWEVER, that in the event Loans are incurred on the date of this Agreement, all Loans incurred on such date shall be Alternate Base Rate Advances. The Borrower shall give the Agent irrevocable notice (a "BORROWING NOTICE") not later than 10:00 a.m. (Chicago time) on the Borrowing Date of each Alternate Base Rate Advance and at least three (3) Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(a) the Borrowing Date of such Advance, which shall be a Business Day;

(b) the aggregate amount of such Advance;

(c) the Type of Advance selected; and

(d) in the case of each Eurodollar Advance, the Interest Period applicable thereto, which shall end on or prior to the Facility Termination Date.

Not later than noon (Chicago time) on each Borrowing Date, each Lender shall make available its Loan or Loans, in funds immediately available in Chicago, to the Agent at its address specified pursuant to ARTICLE XIII. The Agent will make the funds so received from the Lenders available to the Borrower at the Agent's aforesaid address.

2.9. CONVERSION AND CONTINUATION OF OUTSTANDING ADVANCES. Each Alternate Base Rate Advance shall continue as an Alternate Base Rate Advance unless and until such Alternate Base Rate Advance is converted into a Eurodollar Advance pursuant to this SECTION 2.9 or is repaid in accordance with SECTION

2.7. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into an Alternate Base Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with

SECTION 2.7 or (y) the Borrower shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of SECTION 2.6, the Borrower may elect from time to time to convert all or any part of an Alternate Base Rate Advance into a Eurodollar Advance. The Borrower shall give the Agent irrevocable notice (a "CONVERSION/CONTINUATION NOTICE") of each conversion of an Alternate Base Rate Advance into a Eurodollar Advance or of continuation of a Eurodollar Advance not later than 10:00 a.m. (Chicago time) on the date of a conversion into an Alternate Base Rate Advance, or at least three

(3) Business Days, in the case of a conversion into or continuation of a Eurodollar Advance, prior to the date of the requested conversion or continuation, specifying:

(a) the requested date of such conversion or continuation, which shall be a Business Day;

(b) the aggregate amount and Type of the Advance which is to be converted or continued; and

(c) the amount and Type(s) of Advance(s) into which such Advance is to be converted or continued and, in the case of a conversion into or continuation of a Eurodollar Advance, the duration of the Interest Period applicable thereto, which shall end on or prior to the Facility Termination Date.

2.10. CHANGES IN INTEREST RATE, ETC. Each Alternate Base Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is converted from a Eurodollar Advance into an Alternate Base Rate Advance pursuant to SECTION 2.9, to but excluding the date it is paid or is converted into a Eurodollar Advance pursuant to SECTION 2.9 hereof, at a rate per annum equal to the Alternate Base Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as an Alternate Base Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the Eurodollar Rate determined by the Agent as applicable to such Eurodollar Advance based upon the Borrower's selections under

SECTIONS 2.8 and 2.9 and otherwise in accordance with the terms hereof. No Interest Period may end after the Facility Termination Date. The Borrower shall select Interest Periods so that it is not necessary to repay any portion of a Eurodollar Advance prior to the last day of the applicable Interest Period in order to make a mandatory repayment required pursuant to SECTION 2.2.

2.11. RATES APPLICABLE AFTER DEFAULT. Notwithstanding anything to the contrary contained in SECTION 2.8 or 2.9, no Advance may be made as, converted into or continued as a Eurodollar Advance (except with the consent of the Agent and the Required Lenders) when any Default or Unmatured Default has occurred and is continuing. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of SECTION 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that (a) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the Eurodollar Rate otherwise applicable to such Interest Period plus 1% per annum and (b) each Alternate Base Rate Advance shall bear interest at a rate per annum equal to the Alternate Base Rate in effect from time to time plus 1% per annum, PROVIDED that, during the continuance of a Default under SECTION 7.6 or 7.7, the interest rates set forth in clauses (a) and (b) above shall be applicable to all Advances without any election or action on the part of the Agent or any Lender.

2.12. METHOD OF PAYMENT. All payments of the Obligations hereunder shall be made, without setoff, deduction or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to ARTICLE XIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (Chicago time) on the date when due and shall be applied ratably by the Agent among the Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to ARTICLE XIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with Bank One for each payment of principal, interest and fees as it becomes due hereunder.

2.13. NOTELESS AGREEMENT; EVIDENCE OF INDEBTEDNESS. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Agent shall also maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to PARAGRAPHS (a) and (b) above shall be PRIMA FACIE evidence of the existence and amounts of the Obligations therein recorded; PROVIDED, HOWEVER, that the failure of the Agent or any

Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a promissory note in substantially the form of EXHIBIT A (including any amendment, modification, renewal or replacement thereof, a "NOTE"). In such event, the Borrower shall prepare, execute and deliver to such Lender such Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to SECTION 12.3) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to

SECTION 12.3, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in PARAGRAPHS (a) and (b) above. Upon receipt of an affidavit of an officer of any Lender as to the loss, theft, destruction or mutilation of such Lender's Note, and, in the case of any such loss, theft destruction or mutilation, upon cancellation of such Note, the Borrower will issue, in lieu thereof, a replacement Note in the same principal amount thereof and otherwise of like tenor.

2.14. TELEPHONIC NOTICES. The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Borrowing Notices and Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall govern absent manifest error.

2.15. INTEREST PAYMENT DATES; INTEREST AND FEE BASIS. Interest accrued on each Alternate Base Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which an Alternate Base Rate Advance is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Alternate Base Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three (3) months shall also be payable on the last day of each three-month interval during such Interest Period. Interest with respect to Eurodollar Loans, facility fees, utilization fees and term out fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest with respect to Alternate Base Rate Loans shall be calculated for the actual days elapsed on the basis of a 365 or 366-day year, as applicable. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if

payment is made in full and received prior to noon (Chicago time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.16. NOTIFICATION OF ADVANCES, INTEREST RATES, PREPAYMENTS AND COMMITMENT REDUCTIONS. Promptly after receipt thereof, the Agent will notify each Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. The Agent will notify each Lender of the Eurodollar Rate applicable to each Eurodollar Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Alternate Base Rate.

2.17. LENDING INSTALLATIONS. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans and any Notes issued hereunder shall be deemed held by each Lender for the benefit of any such Lending Installation. Each Lender may, by written notice to the Agent and the Borrower in accordance with ARTICLE XIII, designate replacement or additional Lending Installations through which Loans will be made by it and for whose account Loan payments are to be made.

2.18. NON-RECEIPT OF FUNDS BY THE AGENT. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (a) in the case of a Lender, the proceeds of a Loan, or (b) in the case of the Borrower, a payment of principal, interest or fees to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (x) in the case of payment by a Lender, the Federal Funds Effective Rate for such day for the first three (3) days and, thereafter, the interest rate applicable to the relevant Loan or (y) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.19. EXTENSION OF REVOLVING CREDIT TERMINATION DATE AND FACILITY TERMINATION DATE. The Borrower may request an extension of the Revolving Credit Termination Date and Facility Termination Date by submitting a request for an extension to the Agent (an "EXTENSION REQUEST") no more than sixty (60) days prior to the then effective Revolving Credit Termination Date. The Extension Request must specify the new Revolving Credit Termination Date and Facility Termination Date requested by the Borrower and the date (which must be at least thirty (30) days after the Extension Request is delivered to the Agent) as of which the Lenders must respond to the Extension Request (the "RESPONSE DATE"). The new Revolving Credit Termination Date shall be no more than 364 days after the Revolving Credit Termination Date in

effect at the time the Extension Request is received, including the current Revolving Credit Termination Date as one of the days in the calculation of the days elapsed and the new Facility Termination Date shall be one (1) year after the new Revolving Credit Termination Date. Promptly upon receipt of an Extension Request, the Agent shall notify each Lender of the contents thereof and shall request each Lender to approve the Extension Request. Each Lender may, in its sole discretion, elect to approve or deny such Extension Request. Failure of a Lender to respond to an Extension Request by the Response Date shall be deemed a refusal to approve such Extension Request. Each Lender approving the Extension Request shall deliver its written consent no later than the Response Date. If the consent of each of the Lenders is received by the Agent, the Revolving Credit Termination Date and Facility Termination Date specified in the Extension Request shall become effective on the existing Revolving Credit Termination Date and the Agent shall promptly notify the Borrower and each Lender of the new Revolving Credit Termination Date and Facility Termination Date. In the event that a consent is not received from each of the Lenders, then there shall be no extension of the existing Revolving Credit Termination Date and Facility Termination Date.

2.20. REPLACEMENT OF LENDER. If the Borrower is required pursuant to SECTION 3.1, 3.2 or 3.5 to make any additional payment to any Lender or if any Lender's obligation to make or continue, or to convert Alternate Base Rate Advances into, Eurodollar Advances shall be suspended pursuant to SECTION 3.3 (any Lender so affected an "AFFECTED LENDER"), the Borrower may elect, if such amounts continue to be charged or such suspension is still effective, to replace such Affected Lender as a Lender party to this Agreement, PROVIDED that no Default or Unmatured Default shall have occurred and be continuing at the time of such replacement, and PROVIDED FURTHER that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Agent shall agree, as of such date, to purchase for cash the Advances and other Obligations due to the Affected Lender pursuant to an assignment substantially in the form of EXHIBIT C and to become a Lender for all purposes under this Agreement and to assume all obligations of the Affected Lender to be terminated as of such date and to comply with the requirements of SECTION 12.3 applicable to assignments, and (ii) the Borrower shall pay to such Affected Lender in same day funds on the day of such replacement (A) all interest, fees and other amounts then accrued but unpaid to such Affected Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Affected Lender under SECTIONS 3.1, 3.2 and 3.5, and (B) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under SECTION 3.4 had the Loans of such Affected Lender been prepaid on such date rather than sold to the replacement Lender.

### **ARTICLE III YIELD PROTECTION; TAXES**

3.1. YIELD PROTECTION. If, on or after the date of this Agreement, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable

agency charged with the interpretation or administration thereof, or compliance by any Lender or applicable Lending Installation with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(a) subjects any Lender or any applicable Lending Installation to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to any Lender in respect of its Eurodollar Loans, or

(b) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(c) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining its Eurodollar Loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with its Eurodollar Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Eurodollar Loans held or interest received by it, by an amount deemed material by such Lender,

and the result of any of the foregoing is to increase the cost to such Lender or applicable Lending Installation of making or maintaining its Eurodollar Loans or Commitment or to reduce the return received by such Lender or applicable Lending Installation in connection with such Eurodollar Loans or Commitment, then, within fifteen (15) days of demand by such Lender, the Borrower shall pay such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction in amount received.

3.2. CHANGES IN CAPITAL ADEQUACY REGULATIONS. If a Lender determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a Change, then, within fifteen (15) days of demand by such Lender, the Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its Commitment to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "CHANGE" means (a) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (b) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any Person controlling any Lender. "RISK-BASED CAPITAL GUIDELINES" means (a) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation

and Supervisory Practices entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3. AVAILABILITY OF TYPES OF ADVANCES. If any Lender determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, interpretation or directive, whether or not having the force of law, or if the Required Lenders determine that (a) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (b) the interest rate applicable to Eurodollar Advances does not accurately or fairly reflect the cost of making or maintaining Eurodollar Advances, then the Agent shall suspend the availability of Eurodollar Advances and require any affected Eurodollar Advances to be repaid or converted to Alternate Base Rate Advances, subject to the payment of any funding indemnification amounts required by SECTION 3.4.

3.4. FUNDING INDEMNIFICATION. If any payment of a Eurodollar Advance occurs on a date prior to the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance.

3.5. TAXES. (a) All payments by the Borrower to or for the account of any Lender or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this SECTION 3.5) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (iv) the Borrower shall furnish to the Agent the original copy of a receipt evidencing payment thereof within thirty (30) days after such payment is made.

(b) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("OTHER TAXES").

(c) The Borrower hereby agrees to indemnify the Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this SECTION 3.5) paid by the Agent or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be

made within thirty (30) days of the date the Agent or such Lender makes demand therefor pursuant to SECTION 3.6.

(d) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "NON-U.S. LENDER") agrees that it will, not more than ten (10) Business Days after the date of this Agreement, (i) deliver to each of the Borrower and the Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Borrower and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes, to the extent lawful at such time, to deliver to each of the Borrower and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, UNLESS an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(e) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to CLAUSE (d), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this SECTION 3.5 with respect to Taxes imposed by the United States; PROVIDED that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under CLAUSE (d), above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(f) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by applicable law, such properly

completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(g) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason not caused by or constituting gross negligence or willful misconduct of the Agent), such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all reasonable costs and expenses related thereto (including reasonable attorneys fees and reasonable time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Lenders under this SECTION 3.5(g) shall survive the payment of the Obligations and termination of this Agreement.

3.6. LENDER STATEMENTS; SURVIVAL OF INDEMNITY. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrower to such Lender under SECTIONS 3.1, 3.2 and 3.5 or to avoid the unavailability of Eurodollar Advances under SECTION 3.3, so long as such designation is not, in the judgment of such Lender, disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender to the Borrower (with a copy to the Agent) as to the amount due, if any, under SECTION 3.1, 3.2, 3.4 or 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. The Borrower shall have no obligation to reimburse, compensate or indemnify any Lender with respect to a claim under this ARTICLE III if the Lender fails to deliver such written statement within 180 days after the date on which the Lender becomes aware of the event or occurrence giving rise to such claim. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Lender funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Lender shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under SECTIONS 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

**ARTICLE IV  
CONDITIONS PRECEDENT**

4.1. EFFECTIVENESS. This Agreement shall not become effective unless and until the Borrower has furnished the following to the Agent with sufficient copies for the Lenders and the other conditions set forth below have been satisfied:

(a) CHARTER DOCUMENTS; GOOD STANDING CERTIFICATES. Copies of the certificate of incorporation of the Borrower, together with all amendments thereto, both certified by the appropriate governmental officer in its jurisdiction of incorporation, together with a good standing certificate issued by the Secretary of State of the jurisdiction of its incorporation and such other jurisdictions as shall be requested by the Agent.

(b) BY-LAWS AND RESOLUTIONS. Copies, certified by the Secretary or Assistant Secretary of the Borrower, of its by-laws and of its Board of Directors' resolutions authorizing the execution, delivery and performance of the Loan Documents by the Borrower.

(c) SECRETARY'S CERTIFICATE. An incumbency certificate, executed by the Secretary or Assistant Secretary of the Borrower, which shall identify by name and title and bear the signature of the officers of the Borrower authorized to sign the Loan Documents and to make borrowings hereunder, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower.

(d) OFFICER'S CERTIFICATE. A certificate, dated the date of this Agreement, signed by an Authorized Officer of the Borrower, in form and substance satisfactory to the Agent, to the effect that: (i) on such date (both before and after giving effect to the making of any Loans hereunder on such date) no Default or Unmatured Default has occurred and is continuing; (ii) each of the representations and warranties set forth in ARTICLE V of this Agreement is true and correct on and as of such date; and (iii) since December 31, 2001 no event or change has occurred that has caused or evidences a Material Adverse Effect.

(e) LEGAL OPINIONS. Written opinions of internal counsel to the Borrower and of Sidley Austin Brown & Wood, special counsel to the Borrower, addressed to the Agent and the Lenders in form and substance acceptable to the Agent and its counsel.

(f) NOTES. Any Notes requested by a Lender pursuant to SECTION 2.13 payable to the order of each such requesting Lender.

(g) LOAN DOCUMENTS. Executed originals of this Agreement and each of the Loan Documents, which shall be in full force and effect, together with all schedules, exhibits, certificates, instruments, opinions, documents and financial statements required to be delivered pursuant hereto and thereto.

(h) LETTERS OF DIRECTION. Written money transfer instructions in form and substance acceptable to the Agent and its counsel addressed to the Agent and signed by an

Authorized Officer, together with such other related money transfer authorizations as the Agent may have reasonably requested.

(i) **PAYMENT OF FEES.** The Borrower shall have paid all fees due to Bank One under the fee letter dated December 10, 2002.

(j) **EXISTING CREDIT AGREEMENT.** The Existing Credit Agreement shall have expired or been terminated and all amounts owing thereunder (including all principal, interest and accrued fees) shall have been paid (or shall contemporaneously be paid) in full.

(k) **OTHER.** Such other documents as the Agent, any Lender or their counsel may have reasonably requested.

**4.2. EACH ADVANCE.** The Lenders shall not be required to make any Advance unless on the applicable Borrowing Date:

(a) There exists no Default or Unmatured Default and none would result from such Advance;

(b) The representations and warranties contained in ARTICLE V (other than SECTION 5.6) are true and correct as of such Borrowing Date;

(c) A Borrowing Notice shall have been properly submitted; and

(d) All legal matters incident to the making of such Advance shall be satisfactory to the Lenders and their counsel.

Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in

SECTION 4.2 have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of EXHIBIT B hereto as a condition to making an Advance.

## **ARTICLE V REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Lenders that:

**5.1. CORPORATE EXISTENCE AND STANDING.** Each of the Borrower and its Subsidiaries is a corporation duly and properly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing as a foreign corporation and is duly authorized to conduct its business in each jurisdiction in which its business is conducted or proposed to be conducted except where failure to be so qualified or authorized could not reasonably be expected to have a Material Adverse Effect.

**5.2. AUTHORIZATION AND VALIDITY.** The Borrower has all requisite power and authority (corporate and otherwise) and legal right to execute and deliver each of the Loan Documents and

to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings and the Loan Documents constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower, in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

**5.3. COMPLIANCE WITH LAWS AND CONTRACTS.** The Borrower and its Subsidiaries have complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of their respective businesses or the ownership of their respective properties, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Neither the execution and delivery by the Borrower of the Loan Documents, the application of the proceeds of the Loans, or any other transaction contemplated in the Loan Documents, nor compliance with the provisions of the Loan Documents will, or at the relevant time did, (a) violate any law, rule, regulation (including Regulation U), order, writ, judgment, injunction, decree or award binding on the Borrower or any Subsidiary or the Borrower's or any Subsidiary's charter, articles or certificate of incorporation or by-laws, (b) violate the provisions of or require the approval or consent of any party to any indenture, instrument or agreement to which the Borrower or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien (other than Liens permitted by the Loan Documents) in, of or on the property of the Borrower or any Subsidiary pursuant to the terms of any such indenture, instrument or agreement, or (c) require any consent of the stockholders of any Person, except for any violation of, or failure to obtain an approval or consent required under, any such indenture, instrument or agreement that could not reasonably be expected to have a Material Adverse Effect.

**5.4. GOVERNMENTAL CONSENTS.** No order, consent, approval, qualification, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of, any court, governmental or public body or authority, or any subdivision thereof, any securities exchange or other Person is or at the relevant time was required to authorize, or is or at the relevant time was required in connection with the execution, delivery, consummation or performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents, the application of the proceeds of the Loans or any other transactions contemplated in the Loan Documents. Neither the Borrower nor any Subsidiary is in default under or in violation of any foreign, federal, state or local law, rule, regulation, order, writ, judgment, injunction, decree or award binding upon or applicable to the Borrower or such Subsidiary, in each case the consequence of which default or violation could reasonably be expected to have a Material Adverse Effect.

**5.5. FINANCIAL STATEMENTS.** The Borrower has heretofore furnished to each of the Lenders (a) the December 31, 2001 audited consolidated financial statements of the Borrower and

its Subsidiaries, and (b) the unaudited consolidated financial statements of the Borrower and its Subsidiaries through September 30, 2002 (collectively, the "FINANCIAL STATEMENTS"). Each of the Financial Statements was prepared in accordance with Agreement Accounting Principles and fairly presents the consolidated financial condition and operations of the Borrower and its Subsidiaries at such dates and the consolidated results of their operations for the respective periods then ended (except, in the case of such unaudited statements, for normal year-end audit adjustments).

5.6. MATERIAL ADVERSE CHANGE. Since December 31, 2001, there has been no change in the business, Property, condition (financial or otherwise), performance, prospects or results of operations of the Borrower and its Subsidiaries taken as a whole which could reasonably be expected to have a Material Adverse Effect.

5.7. TAXES. The Borrower and its Subsidiaries have filed or caused to be filed on a timely basis and in correct form all United States federal, state and other material tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with Agreement Accounting Principles and as to which no Lien exists. As of the date hereof, the United States income tax returns of the Borrower on a consolidated basis have been audited by the Internal Revenue Service through its Fiscal Year ending December 31, 1997. No tax liens have been filed and no claims are being asserted with respect to any such taxes which could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any taxes or other governmental charges are in accordance with Agreement Accounting Principles.

5.8. LITIGATION AND CONTINGENT OBLIGATIONS. There is no litigation, arbitration, proceeding, inquiry or governmental investigation (including, without limitation, by the Federal Trade Commission) pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any Subsidiary or any of their respective Properties that could reasonably be expected to have a Material Adverse Effect or to prevent, enjoin or unduly delay the making of the Loans under this Agreement.

5.9. ERISA. The Funded Current Liability Percentage of each Single Employer Plan for the current plan year is at least eighty percent (80%). Neither the Borrower nor any other member of the Controlled Group maintains, or is obligated to contribute to, any Multiemployer Plan or has incurred, or is reasonably expected to incur, any withdrawal liability to any Multiemployer Plan. Each Plan complies in all material respects with all applicable requirements of law and regulations. Neither the Borrower nor any member of the Controlled Group has, with respect to any Plan, failed to make any contribution or pay any amount required under Section 412 of the Code or Section 302 of ERISA or the terms of such Plan which could reasonably be expected to have a Material Adverse Effect. There are no pending or, to the knowledge of the Borrower, threatened claims, actions, investigations or lawsuits against any Plan, any fiduciary thereof, or the Borrower or any member of the Controlled Group with respect to a Plan which could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any member of the Controlled Group has engaged in any prohibited transaction (as

defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan which would subject such Person to any material liability. Within the last five (5) years neither the Borrower nor any member of the Controlled Group has engaged in a transaction which resulted in a Single Employer Plan with an Unfunded Liability being transferred out of the Controlled Group which could reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan which is subject to Title IV of ERISA which could reasonably be expected to have a Material Adverse Effect.

5.10. DEFAULTS. No Default or Unmatured Default has occurred and is continuing.

5.11. REGULATION U. Margin Stock constitutes less than 25% of those assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge or other restriction hereunder. Neither the Borrower nor any Subsidiary is engaged, directly or indirectly, principally, or as one of its important activities, in the business of extending, or arranging for the extension of, credit for the purpose of purchasing or carrying Margin Stock. No part of the proceeds of any Loan will be used in a manner which would violate, or result in a violation of, Regulation U. Neither the making of any Advance hereunder nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulation U.

5.12. INVESTMENT COMPANY; PUBLIC UTILITY HOLDING COMPANY. Neither the Borrower nor any Subsidiary is, or after giving effect to any Advance will be, an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Neither the Borrower nor any Subsidiary is a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.13. OWNERSHIP OF PROPERTIES. As of the date of this Agreement, the Borrower and its Subsidiaries have a subsisting leasehold interest in, or good and marketable title, free of all Liens, other than those permitted by SECTION 6.12 or by any of the other Loan Documents, to all of the properties and assets reflected in the Financial Statements as being owned by it, except for assets sold, transferred or otherwise disposed of in the ordinary course of business since the date thereof. The Borrower and its Subsidiaries own or possess rights to use all licenses, patents, patent applications, copyrights, service marks, trademarks and trade names necessary to continue to conduct their business as heretofore conducted, and no such license, patent or trademark has been declared invalid, been limited by order of any court or by agreement or is the subject of any infringement, interference or similar proceeding or challenge, except for proceedings and challenges which could not reasonably be expected to have a Material Adverse Effect.

5.14. MATERIAL AGREEMENTS. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction which could reasonably be expected to have a Material Adverse Effect or which restricts or imposes conditions upon the ability of any Subsidiary to (a) pay dividends or make other distributions on its capital stock, (b) make loans or advances to the Borrower or (c) repay loans or advances from the Borrower. Neither the Borrower nor any Subsidiary is in default in the performance,

observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect.

5.15. ENVIRONMENTAL LAWS. There are no claims, investigations, litigation, administrative proceedings, notices, requests for information (each a "PROCEEDING"), whether pending or threatened, or judgments or orders asserting violations of applicable federal, state and local environmental, health and safety statutes, regulations, ordinances, codes, rules, orders, decrees, directives and standards ("ENVIRONMENTAL LAWS") or relating to any toxic or hazardous waste, substance or chemical or any pollutant, contaminant, chemical or other substance defined or regulated pursuant to any Environmental Law, including, without limitation, asbestos, petroleum, crude oil or any fraction thereof ("HAZARDOUS MATERIALS") asserted against the Borrower or any of its Subsidiaries which, in any case, could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has caused or permitted any Hazardous Materials to be released, either on or under real property, currently or formerly, legally or beneficially owned or operated by the Borrower or any Subsidiary or on or under real property to which the Borrower or any of its Subsidiaries transported, arranged for the transport or disposal of, or disposed of Hazardous Materials, which release could reasonably be expected to have a Material Adverse Effect.

5.16. INSURANCE. The Borrower and its Subsidiaries maintain, with financially sound and reputable insurance companies, insurance on their Property in such amounts and covering such risks as is consistent with sound business practice.

5.17. INSURANCE LICENSES. No material license, permit or authorization of the Borrower or any Subsidiary to engage in the business of insurance or insurance-related activities is the subject of a proceeding for suspension or revocation, except where such suspension or revocation would not individually or in the aggregate have a Material Adverse Effect.

5.18. DISCLOSURE. None of the (a) information, exhibits or reports furnished or to be furnished by the Borrower or any Subsidiary to the Agent or to any Lender in connection with the negotiation of the Loan Documents, or (b) representations or warranties of the Borrower or any Subsidiary contained in this Agreement, the other Loan Documents, or any other document, certificate or written statement furnished to the Agent or the Lenders by or on behalf of the Borrower or any Subsidiary for use in connection with the transactions contemplated by this Agreement, as the case may be, contained, contains or will contain any untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. As of the date hereof, there is no fact known to the Borrower (other than matters of a general economic nature) that has had or could reasonably be expected to have a Material Adverse Effect and that has not been disclosed herein or in such other documents, certificates and statements furnished to the Lenders for use in connection with the transactions contemplated by this Agreement.

**ARTICLE VI  
COVENANTS**

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. FINANCIAL REPORTING. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, consistently applied, and will furnish to the Lenders:

(a) As soon as practicable and in any event within ninety (90) days after the close of each of its Fiscal Years, an unqualified audit report certified by independent certified public accountants, acceptable to the Lenders, prepared in accordance with Agreement Accounting Principles on a consolidated basis for itself and its Subsidiaries, including balance sheets as of the end of such period and related statements of income, retained earnings and cash flows accompanied by (i) any management letter prepared by said accountants and (ii) a certificate of said accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Unmatured Default, or if, in the opinion of such accountants, any Default or Unmatured Default shall exist, stating the nature and status thereof.

(b) As soon as practicable and in any event within 45 days after the close of the first three Fiscal Quarters of each of its Fiscal Years, for itself and its Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated statements of income, retained earnings and cash flows for the period from the beginning of such Fiscal Year to the end of such quarter, all certified by its president or chief financial officer.

(c) Together with the financial statements required by CLAUSES

(a) and (b) above, a compliance certificate in substantially the form of EXHIBIT B hereto signed by its president or chief financial officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

(d) Promptly upon learning thereof, notice that the Borrower or any Subsidiary will be required to make a Deficit Reduction Contribution for any Single Employer Plan for any Fiscal Year, and within 270 days after the close of each Fiscal Year, a statement of the Funded Current Liability Percentage of each Single Employer Plan, certified as correct by an actuary enrolled under ERISA.

(e) As soon as possible and in any event within ten (10) days after the Borrower knows that any Termination Event has occurred with respect to any Plan, a statement, signed by the chief financial officer of the Borrower, describing said Termination Event and the action which the Borrower proposes to take with respect thereto.

(f) As soon as possible and in any event within ten (10) days after the Borrower learns thereof, notice of the assertion or commencement of any claims, action, suit or proceeding against or affecting the Company or any Subsidiary which may reasonably be expected to have a Material Adverse Effect.

(g) Promptly upon learning thereof, notice of any change in the credit rating of the Borrower's senior unsecured long term debt by S&P or Moody's.

(h) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy statements so furnished.

(i) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission.

(j) Such other information (including, without limitation, non-financial information) as the Agent or any Lender may from time to time reasonably request.

**6.2. USE OF PROCEEDS.** The Borrower will, and will cause each Subsidiary to, use the proceeds of the Advances to meet the general corporate needs of the Borrower and its Subsidiaries, including commercial paper support. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U) or to finance the acquisition of any Person which has not been approved and recommended by the board of directors (or functional equivalent thereof) of such Person.

**6.3. NOTICE OF DEFAULT.** The Borrower will give prompt notice in writing to the Lenders of the occurrence of (a) any Default or Unmatured Default and (b) of any other event or development, financial or other, relating specifically to the Borrower or any of its Subsidiaries (and not of a general economic or political nature) which could reasonably be expected to have a Material Adverse Effect.

**6.4. CONDUCT OF BUSINESS.** The Borrower will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and to do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted; PROVIDED, HOWEVER, that nothing in this SECTION 6.4 shall prohibit the dissolution or sale, transfer or other disposition of any Subsidiary that is not otherwise prohibited by this Agreement.

**6.5. TAXES.** The Borrower will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local tax returns required by applicable law and pay when due all taxes, assessments and governmental charges and levies

upon it or its income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

6.6. **INSURANCE.** The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to the Agent and any Lender upon request full information as to the insurance carried.

6.7. **COMPLIANCE WITH LAWS.** The Borrower will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, the failure to comply with which could reasonably be expected to have a Material Adverse Effect.

6.8. **MAINTENANCE OF PROPERTIES.** The Borrower will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times.

6.9. **INSPECTION.** The Borrower will, and will cause each Subsidiary to, permit the Agent and the Lenders, by their respective representatives and agents, to inspect any of the Property, corporate books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate. The Borrower will keep or cause to be kept, and cause each Subsidiary to keep or cause to be kept, appropriate records and books of account in which complete entries are to be made reflecting its and their business and financial transactions, such entries to be made in accordance with Agreement Accounting Principles consistently applied.

6.10. **CAPITAL STOCK AND DIVIDENDS.** So long as any Default or Unmatured Default has occurred and is continuing before or immediately after giving effect thereto, the Borrower will not declare or pay any dividends or make any distributions on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock or any options or other rights in respect thereof at any time outstanding.

6.11. **MERGER.** The Borrower will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person, except that (a) a Wholly-Owned Subsidiary may merge into the Borrower or any Wholly-Owned Subsidiary of the Borrower, (b) the Borrower or any Subsidiary may merge or consolidate with any other Person so long as the Borrower or such Subsidiary is the continuing or surviving corporation and, prior to and after giving effect to such merger or consolidation, no Default or Unmatured Default shall exist, and (c) any Subsidiary may enter into a merger or consolidation as a means of effecting a disposition or acquisition which would not result in a Default or Unmatured Default.

6.12. LIENS. The Borrower will not, nor will it permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except:

(a) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with generally accepted principles of accounting shall have been set aside on its books;

(b) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure the payment of obligations not more than sixty (60) days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books;

(c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or the Subsidiaries;

(e) Encumbrances over and limited to the balance of credit balances on bank accounts of the Borrower and its Subsidiaries created in order to facilitate the operation of such bank accounts and other bank accounts of the Borrower and its Subsidiaries on a net balance basis with credit balances and debit balances on the various accounts being netted off for interest purposes;

(f) Any Lien arising by operation of law in the ordinary course of trading in respect of any obligation which is less than sixty (60) days overdue or which is being contested in good faith and by appropriate means and for which adequate reserves have been made;

(g) Encumbrances created by any of the Borrower or its Subsidiaries over deposits and investments in the ordinary course of such Person's insurance and reinsurance trade to comply with the requirements of any regulatory body of insurance or insurance broking business; and

(h) Other Liens securing an aggregate principal amount of obligations at no time exceeding an amount equal to ten percent (10%) of Consolidated Net Worth at such time; PROVIDED, HOWEVER that during any period when the sum of (i) the aggregate principal amount of all obligations secured pursuant to this SECTION 6.12(h) plus (ii) the aggregate Unfunded Current Liabilities of all Single Employer Plans exceeds ten percent (10%) of Consolidated Net Worth,

the creation of additional Liens otherwise allowed hereunder shall be permitted by this SECTION 6.12(h) only to the extent they secure an aggregate principal amount of obligations not in excess of one percent (1%) of Consolidated Net Worth.

6.13. **AFFILIATES.** The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except (a) for transactions between the Borrower and any Wholly-Owned Subsidiary of the Borrower or between Wholly-Owned Subsidiaries of the Borrower and (b) in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.14. **CHANGE IN FISCAL YEAR.** The Borrower shall not change its Fiscal Year to end on any date other than December 31 of each year.

6.15. **INCONSISTENT AGREEMENTS.** The Borrower shall not, nor shall it permit any Subsidiary to, enter into any indenture, agreement, instrument or other arrangement which, (a) directly or indirectly prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon, the incurrence of the Obligations, the amending of the Loan Documents or the ability of any Subsidiary to (i) pay dividends or make other distributions on its capital stock, (ii) make loans or advances to the Borrower or (iii) repay loans or advances from the Borrower or (b) contains any provision which would be violated or breached by the making of Advances or by the performance by the Borrower of any of its obligations under any Loan Document.

6.16. **SALE OF ASSETS.** The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of Property which represents more than 25% of the consolidated assets of the Borrower and its Subsidiaries, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the end of the quarter immediately preceding the date on which such determination is made, to any other Person(s) in any Fiscal Year.

6.17. **Financial Covenants.**

6.17.1. **MINIMUM CONSOLIDATED NET WORTH.** The Borrower shall at all times maintain a minimum Consolidated Net Worth of at least \$2,500,000,000.

6.17.2. **CONSOLIDATED EBITDA TO CONSOLIDATED INTEREST EXPENSE.** The Borrower will maintain, as at the last day of each of its fiscal quarters, a ratio of (a) Consolidated EBITDA to (b) Consolidated Interest Expense, in each case calculated for the four fiscal quarters then ending, of not less than 4.0 to 1.0.

6.18. **ERISA.** The Borrower will (a) fulfill, and cause each member of the Controlled Group to fulfill, its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan, (b) comply, and cause each member of the Controlled Group to

comply, with all applicable provisions of ERISA and the Code with respect to each Plan, except where such failure or noncompliance individually or in the aggregate would not have a Material Adverse Effect and (c) not, and not permit any member of the Controlled Group to, (i) seek a waiver of the minimum funding standards under ERISA, (ii) terminate or withdraw from any Plan or (iii) take any other action with respect to any Plan which would reasonably be expected to entitle the PBGC to terminate, impose liability in respect of, or cause a trustee to be appointed to administer, any Plan, unless the actions or events described in the foregoing clauses (i), (ii) or (iii) individually or in the aggregate would not have a Material Adverse Effect.

## **ARTICLE VII DEFAULTS**

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries to the Lenders or the Agent under or in connection with this Agreement, any other Loan Document, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be false in any material respect on the date as of which made or deemed made.

7.2. Nonpayment of (a) any principal of any Loan when due, or (b) any interest upon any Loan or any facility fee, utilization fee, term out fee or other fee or obligations under any of the Loan Documents within five (5) days after the same becomes due.

7.3. The breach by the Borrower of any of the terms or provisions of SECTION 6.2, SECTION 6.3(a) or SECTIONS 6.10 through 6.18.

7.4. The breach by the Borrower (other than a breach which constitutes a Default under SECTION 7.1, 7.2 or 7.3) of any of the terms or provisions of this Agreement which is not remedied within twenty (20) days after written notice from the Agent or any Lender.

7.5. Failure of the Borrower or any of its Subsidiaries to pay any Indebtedness aggregating in excess of \$25,000,000 when due; or the default by the Borrower or any of its Subsidiaries in the performance of any term, provision or condition contained in any agreement or agreements under which any such Indebtedness was created or is governed, or the occurrence of any other event or existence of any other condition, the effect of any of which is to cause, or to permit the holder or holders of such Indebtedness to cause, such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of the Borrower or any of its Subsidiaries shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof.

7.6. The Borrower or any of its Subsidiaries shall (a) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (b) make an assignment for the benefit of creditors, (c) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any

Substantial Portion of its Property, (d) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (e) take any corporate action to authorize or effect any of the foregoing actions set forth in this SECTION 7.6, (f) fail to contest in good faith any appointment or proceeding described in SECTION 7.7 or (g) become unable to pay, not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.7. Without the application, approval or consent of the Borrower or any of its Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any of its Subsidiaries or any Substantial Portion of its Property, or a proceeding described in SECTION 7.6(d) shall be instituted against the Borrower or any of its Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days.

7.8. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of (each a "CONDEMNATION"), all or any portion of the Property of the Borrower and its Subsidiaries which, when taken together with all other Property of the Borrower and its Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such Condemnation occurs, constitutes a Substantial Portion.

7.9. The Borrower or any of its Subsidiaries shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$25,000,000 (or multiple judgments or orders for the payment of an aggregate amount in excess of \$50,000,000), which is not stayed on appeal or otherwise being appropriately contested in good faith and as to which no enforcement actions have been commenced.

7.10. Any Change in Control shall occur.

7.11. (a) It shall be determined by the Borrower or any Subsidiary or the actuary of either that the Funded Current Liability Percentage of any Single Employer Plan is such that the Borrower or any Subsidiary shall be required to make a Deficit Reduction Contribution for such Plan with respect to any plan year or (b) any Termination Event shall occur in connection with any Plan which could reasonably be expected to have a Material Adverse Effect.

## **ARTICLE VIII ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES**

8.1. ACCELERATION. If any Default described in SECTION 7.6 or 7.7 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or

action on the part of the Agent or any Lender. If any other Default occurs, the Required Lenders (or the Agent with the consent or upon the instruction of the Required Lenders) may terminate or suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

If, within ten (10) Business Days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in SECTION 7.6 or 7.7 with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (or, in the case of an acceleration and/or termination upon the occurrence of a Default under SECTION 7.10, the Modified Required Lenders), in their sole discretion, shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. AMENDMENTS. Subject to the provisions of this ARTICLE VIII, the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or thereunder or waiving any Default hereunder or thereunder; PROVIDED, HOWEVER, that no such supplemental agreement shall, without the consent of each Lender:

- (a) Extend the Facility Termination Date or the Revolving Credit Termination Date, compromise or forgive the principal amount of any Loan, or reduce the rate of interest or compromise or forgive payment of interest on any Loan, or reduce the amount of any fee payable hereunder;
- (b) Reduce the percentage specified in the definition of Required Lenders or Modified Required Lenders;
- (c) Increase the amount of the Commitment of any Lender hereunder (except pursuant to SECTION 2.5(b));
- (d) Amend this SECTION 8.2; or
- (e) Permit any assignment by the Borrower of its Obligations or its rights hereunder.

PROVIDED, FURTHER, that no such supplemental agreement shall, without the consent of the Modified Required Lenders, amend the definition of "Change in Control" or amend or waive SECTION 7.10.

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent. The Agent may waive payment of the fee required under SECTION 12.3.2 without obtaining the consent of any other party to this Agreement.

Notwithstanding the foregoing, upon the execution and delivery of all documentation required by SECTION 2.5(b) to be delivered in connection with an increase to the Aggregate Commitment, the Agent, the Borrower and the new or existing Lenders whose Commitments have been affected may and shall enter into an amendment hereof (which shall be binding on all parties hereto) solely for the purpose of reflecting any new Lenders and their new Commitments and any increase in the Commitment of any existing Lender.

8.3. PRESERVATION OF RIGHTS. No delay or omission of the Lenders or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to SECTION 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Lenders until the Obligations have been paid in full.

## **ARTICLE IX GENERAL PROVISIONS**

9.1. SURVIVAL OF REPRESENTATIONS. All representations and warranties of the Borrower contained in this Agreement or of the Borrower or any Subsidiary contained in any Loan Document shall survive the making of the Loans herein contemplated.

9.2. GOVERNMENTAL REGULATION. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. HEADINGS. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4. ENTIRE AGREEMENT. The Loan Documents embody the entire agreement and understanding among the Borrower, the Agent and the Lenders and supersede all prior agreements and understandings among the Borrower, the Agent and the Lenders relating to the subject matter thereof other than the fee letter described in SECTION 10.13.

9.5. SEVERAL OBLIGATIONS; BENEFITS OF THIS AGREEMENT. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any

other (except to the extent to which the Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns; PROVIDED, HOWEVER, that the parties hereto expressly agree that the Arranger shall enjoy the benefits of the provisions of SECTIONS 9.6, 9.10 and 10.11 to the extent specifically set forth therein and shall have the right to enforce such provisions on its own behalf and in its own name to the same extent as if it were a party to this Agreement.

9.6. EXPENSES; INDEMNIFICATION. The Borrower shall reimburse the Agent and the Arranger for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent or the Arranger, which attorneys may be employees of the Agent or the Arranger) paid or incurred by the Agent or the Arranger in connection with the preparation, negotiation, execution, delivery, syndication, distribution (including, without limitation, via the internet), review, amendment, modification, and administration of the Loan Documents. The Borrower also agrees to reimburse the Agent, the Arranger and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys for the Agent, the Arranger and the Lenders, which attorneys may be employees of the Agent, the Arranger or the Lenders) paid or incurred by the Agent, the Arranger or any Lender in connection with the collection of the Obligations or the enforcement of the Loan Documents. The Borrower further agrees to indemnify the Agent, the Arranger, each Lender, their respective affiliates, and each of their directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent, the Arranger, any Lender or any affiliate is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby, or the direct or indirect application or proposed application of the proceeds of any Loan hereunder except to the extent that they are determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the party seeking indemnification. The obligations of the Borrower under this SECTION 9.6 shall survive the termination of this Agreement.

9.7. NUMBERS OF DOCUMENTS. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.8. ACCOUNTING. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

9.9. SEVERABILITY OF PROVISIONS. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10. NONLIABILITY OF LENDERS. The relationship between the Borrower on the one hand and the Lenders and the Agent on the other hand shall be solely that of borrower and lender. Neither the Agent, the Arranger nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agent, the Arranger nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. Neither the Agent, the Arranger nor any Lender shall have any liability with respect to, and the Borrower hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Borrower in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

9.11. CONFIDENTIALITY. Each Lender agrees to hold any confidential information which it may receive from the Borrower pursuant to this Agreement in confidence, except for disclosure (i) to its Affiliates and to other Lenders and their respective Affiliates, (ii) to legal counsel, accountants, and other professional advisors to such Lender or to a Transferee, (iii) to regulatory officials, (iv) to any Person as requested pursuant to or as required by law, regulation, or legal process, (v) to any Person in connection with any legal proceeding to which such Lender is a party, (vi) to such Lender's direct or indirect contractual counterparties in swap agreements or to legal counsel, accountants and other professional advisors to such counterparties, and (vii) permitted by Section 12.4.

9.12. DISCLOSURE. The Borrower and each Lender hereby acknowledge and agree that Bank One and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates.

**ARTICLE X  
THE AGENT**

10.1. APPOINTMENT. Bank One, NA is hereby appointed by each of the Lenders as its contractual representative (herein referred to as the "Agent") hereunder and under each other Loan Document, and each of the Lenders irrevocably (subject to Section 10.12) authorizes the Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this ARTICLE X. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the contractual representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of Section 1-201 of the Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

10.2. POWERS. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder, except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3. GENERAL IMMUNITY. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is determined in a final non-appealable judgment by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of such Person.

10.4. NO RESPONSIBILITY FOR LOANS, RECITALS, ETC. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (a) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (b) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (c) the satisfaction of any condition specified in ARTICLE IV, except receipt of items required to be delivered solely to the Agent; (d) the existence or possible existence of any Default or Unmatured Default; (e) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; (f) the value, sufficiency, creation, perfection or priority of any Lien in any collateral security; or (g) the financial condition of the

Borrower or any guarantor of any of the Obligations or of any of the Borrower's or any such guarantor's respective Subsidiaries. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Agent at such time, but is voluntarily furnished by the Borrower to the Agent (either in its capacity as Agent or in its individual capacity).

10.5. ACTION ON INSTRUCTIONS OF LENDERS. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders or, if expressly required hereunder, the Modified Required Lenders or all the Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders. The Lenders hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Lenders or, if expressly required hereunder, the Modified Required Lenders or all the Lenders. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro-rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. EMPLOYMENT OF AGENTS AND COUNSEL. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning the contractual arrangement between the Agent and the Lenders and all matters pertaining to the Agent's duties hereunder and under any other Loan Document.

10.7. RELIANCE ON DOCUMENTS; COUNSEL. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8. AGENT'S REIMBURSEMENT AND INDEMNIFICATION. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Borrower for which the Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents (including, without limitation, for any expenses incurred by the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders) and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or

asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby (including, without limitation, for any such amounts incurred by or asserted against the Agent in connection with any dispute between the Agent and any Lender or between two or more of the Lenders), or the enforcement of any of the terms of the Loan Documents or of any such other documents, PROVIDED that (i) no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Agent and (ii) any indemnification required pursuant to SECTION 3.5(g) shall, notwithstanding the provisions of this SECTION 10.8, be paid by the relevant Lender in accordance with the provisions thereof. The obligations of the Lenders under this SECTION 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9. NOTICE OF DEFAULT. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Unmatured Default hereunder unless the Agent has received written notice from a Lender or the Borrower referring to this Agreement describing such Default or Unmatured Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders.

10.10. RIGHTS AS A LENDER. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document with respect to its Commitment and its Loans as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Lender.

10.11. LENDER CREDIT DECISION. Each Lender acknowledges that it has, independently and without reliance upon the Agent, the Arranger or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agent, the Arranger or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.12. SUCCESSOR AGENT. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, 45 days after the retiring Agent gives notice of its intention to resign. The Agent may be removed at any time with or without cause by written notice received by the Agent from the Required Lenders, such removal to be effective on the date specified by the Required Lenders. Upon any such resignation or

removal, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty (30) days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. Notwithstanding the previous sentence, the Agent may at any time without the consent of the Borrower or any Lender, appoint any of its Affiliates which is a commercial bank as a successor Agent hereunder. If the Agent has resigned or been removed and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders; PROVIDED, such Lenders so performing such duties shall be deemed to be an Agent hereunder with full benefit of all provisions indemnifying the Agent hereunder. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$100,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning or removed Agent. Upon the effectiveness of the resignation or removal of the Agent, the resigning or removed Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation or removal of an Agent, the provisions of this ARTICLE X shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents. In the event that there is a successor to the Agent by merger, or the Agent assigns its duties and obligations to an Affiliate pursuant to this SECTION 10.12, then the term "Prime Rate" as used in this Agreement shall mean the prime rate, base rate or other analogous rate of the new Agent.

10.13. AGENT AND ARRANGER FEES. The Borrower agrees to pay to the Agent and the Arranger, for their respective accounts, the fees agreed to by the Borrower, the Agent and the Arranger pursuant to that certain letter agreement dated December 10, 2002, or as otherwise agreed from time to time.

10.14. DELEGATION TO AFFILIATES. The Borrower and the Lenders agree that the Agent may delegate any of its duties under this Agreement to any of its Affiliates. Any such Affiliate (and such Affiliate's directors, officers, agents and employees) which performs duties in connection with this Agreement shall be entitled to the same benefits of the indemnification, waiver and other protective provisions to which the Agent is entitled under ARTICLES IX and X.

10.15. SYNDICATION AGENTS; SENIOR MANAGING AGENTS; MANAGING AGENTS. None of the Lenders identified in this Agreement as the "Syndication Agents", "Senior Managing Agents" or "Managing Agents" shall have any right, power, obligation, liability, responsibility or duty under this Agreement in such identified capacity other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Agent in SECTION 10.11.

**ARTICLE XI  
SETOFF; RATABLE PAYMENTS**

11.1. SETOFF. In addition to, and without limitation of, any rights of the Lenders under applicable law, if the Borrower becomes insolvent, however evidenced, or any Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender or any Affiliate of any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part thereof, shall then be due.

11.2. RATABLE PAYMENTS. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to SECTION 3.1, 3.2, 3.4, 3.5 or 9.6) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made. If an amount to be setoff is to be applied to Indebtedness of the Borrower to a Lender, other than Indebtedness comprised of Loans made by such Lender, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness comprised of such Loans.

**ARTICLE XII  
BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS**

12.1. SUCCESSORS AND ASSIGNS. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns permitted hereby, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents, (ii) any assignment by any Lender must be made in compliance with SECTION 12.3 and (iii) any participation must be made in compliance with SECTION 12.2. Any attempted assignment or transfer by any party not made in compliance with this SECTION 12.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with SECTION 12.3.2. The parties to this Agreement acknowledge that clause (ii) of this SECTION 12.1 relates only to absolute assignments and this SECTION 12.1 does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a Fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; PROVIDED, HOWEVER, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of SECTION 12.3. The Agent may treat the Person which made any Loan or which holds any Note as

the owner thereof for all purposes hereof unless and until such Person complies with SECTION 12.3; PROVIDED, HOWEVER, that the Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

## 12.2. PARTICIPATIONS.

12.2.1. PERMITTED PARTICIPANTS; EFFECT. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("PARTICIPANTS") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Loans and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents.

12.2.2. VOTING RIGHTS. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of SECTION 8.2 or of any other Loan Document.

12.2.3. BENEFIT OF CERTAIN PROVISIONS. The Borrower agrees that each Participant which has been identified as such to the Borrower in writing shall be deemed to have the right of setoff provided in SECTION 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents; PROVIDED, that each Lender shall retain the right of setoff provided in SECTION 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in SECTION 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with SECTION 11.2 as if each Participant were a Lender. The Borrower further agrees that each

Participant shall be entitled to the benefits of SECTIONS 3.1, 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to SECTION 12.3, PROVIDED that (i) a Participant shall not be entitled to receive any greater payment under SECTION 3.1, 3.2 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of SECTION 3.5 to the same extent as if it were a Lender.

### 12.3. ASSIGNMENTS.

12.3.1. PERMITTED ASSIGNMENTS. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("PURCHASERS") all or any part of its rights and obligations under the Loan Documents; PROVIDED that no Lender's Commitment shall be greater than 20% of the Aggregate Commitment after the effectiveness of any assignment. Such assignment shall be substantially in the form of EXHIBIT C or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender, an Affiliate thereof or an Approved Fund; PROVIDED, HOWEVER, that if a Default has occurred and is continuing, the consent of the Borrower shall not be required. Such consent shall not be unreasonably withheld or delayed. Each such assignment with respect to a Purchaser which is not a Lender or an Affiliate thereof shall (unless each of the Borrower and the Agent otherwise consents) be in an amount not less than the lesser of (i) \$5,000,000 or (ii) the remaining amount of the assigning Lender's Commitment or outstanding Loans (if the applicable Commitment has been terminated). The amount of the assignment shall be based on the Commitment or outstanding Loans (if the applicable Commitment has been terminated) subject to the assignment, determined as of the date of such assignment or as of the "Trade Date", if the "Trade Date" is specified in the assignment.

12.3.2. EFFECT; EFFECTIVE DATE. Upon (i) delivery to the Agent of an assignment, together with any consents required by SECTION 12.3.1, and (ii) payment of a \$4,000 fee to the Agent for processing such assignment, such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further

consent or action by the Borrower, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Loans assigned to such Purchaser. In the case of an assignment covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the applicable agreement. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this SECTION 12.3 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with SECTION

12.2. Upon the consummation of any assignment to a Purchaser pursuant to this SECTION 12.3.2, the transferor Lender, the Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

12.3.3. REGISTER. The Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Chicago, Illinois a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrower, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

12.4. DISSEMINATION OF INFORMATION. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "TRANSFeree") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries; PROVIDED that each Transferee and prospective Transferee agrees to be bound by Section 9.11 of this Agreement.

12.5. TAX TREATMENT. If any interest in any Loan Document is transferred to any Transferee which is not organized under the laws of the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of SECTION 3.5(d).

**ARTICLE XIII**  
**NOTICES**

13.1. **GIVING NOTICE.** Except as otherwise permitted by SECTION 2.14 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender, at its address or facsimile number set forth below its signature hereto or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Borrower in accordance with the provisions of this SECTION 13.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; PROVIDED that notices to the Agent under ARTICLE II shall not be effective until received. Notwithstanding anything to the contrary in this Section, the Borrower may furnish the financial statements described in SECTIONS 6.1(a) and 6.1(b) by email or by posting such financial statements on an internet web site made available to the Lenders.

13.2. **CHANGE OF ADDRESS.** The Borrower, the Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

**ARTICLE XIV  
COUNTERPARTS**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower, the Agent and the Lenders and each party has notified the Agent by facsimile transmission or telephone that it has taken such action.

**ARTICLE XV  
CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL**

15.1. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

15.2. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

15.3. WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

[signature pages to follow]

IN WITNESS WHEREOF, the Borrower, the Lenders and the Agent have executed this Agreement as of the date first above written.

**AON CORPORATION**

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: Aon Center  
200 East Randolph Drive  
Chicago, Illinois 60601  
Attn: Diane Aigotti

Telecopy: (312) 381-6060  
Telephone: (312) 381-3230

**BANK ONE, NA,**

individually and as Agent

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: 1 Bank One Plaza  
Suite IL1-0085, 16th Floor  
Chicago, Illinois 60670  
Attn: Cindy Priest

Telecopy: (312) 732-4033  
Telephone: (312) 732-9565  
Email: cynthia\_priest@bankone.com

-----  
By :  
-----

**Print Name:**

**Title:**

**Address:**

-----  
-----

**Attn:**

**Telecopy: ( )**  
**Telephone: ( )**

**Email:**

**PRICING SCHEDULE**

	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS	LEVEL VI STATUS
BORROWER DEBT RATING	AA-/Aa3	A+/A1	A/A2	A-/A3	BBB+/Baa1	LESS THAN BBB+/Baa1
Applicable Facility Fee Rate	.05%	.06%	.07%	.09%	.10%	.125%
Applicable Margin						
Eurodollar Rate	.15%	.19%	.23%	.285%	.40%	.50%
Alternate Base Rate	0.0	0.0	0.0	0.0	0.0	0.0
Applicable Utilization Fee Rate* (GREATER THAN 33%)	.10%	.10%	.10%	.125%	.25%	.25%
Applicable Term Out Premium Rate	.125%	.125%	.125%	.125%	.25%	.50%

Subject to the following two sentences, a particular Level Status shall exist on a particular day if on such day the Borrower does not qualify for a Level Status with more advantageous pricing and either the Moody's Rating or the S&P Rating is at least equal to the corresponding rating specified for such Level Status in the table above. In the event of a

\* The Applicable Utilization Fee Rate shall be payable (i) on and after the Revolving Credit Termination Date, at all times and (ii) prior to the Revolving Credit Termination Date, only with respect to outstanding Advances on days when Utilization is greater than 33%. "Utilization" means, for any day, a percentage equal to the aggregate principal amount of Loans hereunder and "Loans" (as defined in the Three Year Agreement) outstanding on such day (and at the close of business on such day if a Business Day) divided by the sum on such day of the Aggregate Commitment and the "Aggregate Commitment" under the Three Year Agreement; PROVIDED that for purposes of computing Utilization (a) the Aggregate Commitment shall be deemed to in no event be less than the aggregate outstanding principal amount of the Loans and (b) the "Aggregate Commitment" (as defined in the Three Year Agreement) shall be deemed to in no event be less than the aggregate outstanding principal amount of the "Loans" (as defined in the Three Year Agreement).

difference in the equivalent "rating level" from S&P and Moody's resulting in a split of only one level, then the Level Status shall be determined by reference to the higher of the two Ratings. In the event of a difference in the equivalent "rating level" from S&P and Moody's resulting in a split of greater than one level, then the Level Status shall be that Level Status one below the Level Status determined by reference to the higher of the two Ratings. The above ratings are in the format of S&P Rating/Moody's Rating.

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Level Status" means either Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status.

"Moody's Rating" means, at any time, the Borrower Debt Rating issued by Moody's and then in effect.

"Rating" means Moody's Rating or S&P Rating.

"S&P Rating" means, at any time, the Borrower Debt Rating issued by S&P and then in effect.

The Applicable Margin, Applicable Facility Fee Rate, Applicable Utilization Fee Rate and Applicable Term Out Premium shall be determined in accordance with the foregoing table based on the Borrower's Level Status as determined from its then-current Moody's and S&P Ratings. The Rating in effect on any date for the purposes of this Schedule is that in effect at the close of business on such date. If at any time the Borrower has no Moody's Rating or no S&P Rating or the Borrower does not qualify for a Level Status with more advantageous pricing, Level VI Status shall exist.

**SCHEDULE 1  
COMMITMENTS**

LENDER -----	COMMITMENT -----
Bank One, NA	\$ 45,000,000
ABN AMRO Bank N.V.	40,000,000
Citibank, N.A.	40,000,000
The Northern Trust Company	35,000,000
JPMorgan Chase Bank	33,000,000
Fleet National Bank	23,500,000
Royal Bank of Canada	23,500,000
BMO Nesbitt Burns Financing, Inc.	20,000,000
The Bank of Nova Scotia	15,000,000
Wells Fargo Bank, N.A.	15,000,000
The Bank of New York	12,500,000
State Street Bank and Trust Company	12,500,000
U.S. Bank National Association	12,500,000
Merrill Lynch Bank USA	10,000,000
 TOTAL	 \$ 337,500,000 =====

**EXHIBIT A**

**NOTE**

[\$ \_\_\_\_\_] [Date]

Aon Corporation, a Delaware corporation (the "Borrower"), promises to pay to the order of \_\_\_\_\_ (the "Lender") the lesser of the principal sum of \_\_\_\_\_ Dollars or the aggregate unpaid principal amount of all Loans made by the Lender to the Borrower pursuant to Article II of the Agreement (as hereinafter defined), in immediately available funds at the main office of Bank One, NA in Chicago, Illinois, as Agent, together with interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement. The Borrower shall pay the principal of and accrued and unpaid interest on the Loans in full on the Facility Termination Date and shall make such mandatory payments as are required to be made under the terms of Article II of the Agreement.

The Lender shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Loan and the date and amount of each principal payment hereunder.

This Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the 364-Day Credit Agreement dated as of February 7, 2003 (which, as it may be amended or modified and in effect from time to time, is herein called the "Agreement"), among the Borrower, the lenders party thereto, including the Lender, and Bank One, NA, as Agent, to which Agreement reference is hereby made for a statement of the terms and conditions governing this Note, including the terms and conditions under which this Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

**AON CORPORATION**

By:  
**Print Name:**

Title:

**SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL  
TO  
NOTE OF AON CORPORATION,  
DATED \_\_\_\_\_,**

Date	Principal Amount of Loan	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance
-----				

**EXHIBIT B**

**COMPLIANCE CERTIFICATE**

To: The Lenders parties to the  
Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain 364-Day Credit Agreement dated as of February 7, 2003 (as amended, modified, renewed or extended from time to time, the "Agreement") among the Borrower, the lenders party thereto and Bank One, NA, as Agent for the Lenders. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

**THE UNDERSIGNED HEREBY CERTIFIES THAT:**

1. I am the duly elected [President/Chief Financial Officer] of the Borrower;
2. I have reviewed the terms of the Agreement and I have made, or  
have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Unmatured Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and
4. Schedule I attached hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

\_\_\_\_\_  
\_\_\_\_\_

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this \_\_\_ day of \_\_\_\_, 200\_\_.

\_\_\_\_\_  
**Chief Financial Officer**

**SCHEDULE I TO COMPLIANCE CERTIFICATE**

Schedule of Compliance as of \_\_\_\_\_, 200\_ with Provisions of Section 6.17 of the Agreement

1. SECTION 6.17.1 - CONSOLIDATED NET WORTH

A. Consolidated Net Worth \$ \_\_\_\_\_

B. Must be greater than \$2,500,000,000

Complies \_\_\_\_\_ Does Not Comply \_\_\_\_\_

2. SECTION 6.17.2 - CONSOLIDATED EBITDA TO CONSOLIDATED INTEREST EXPENSE

A. Consolidated EBITDA  
(for four fiscal quarters ended \_\_\_\_\_, 200\_\_)

(i) Consolidated Net Income \$ \_\_\_\_\_

(ii) Consolidated Interest Expense \$ \_\_\_\_\_

(iii) taxes \$ \_\_\_\_\_

(iv) depreciation \$ \_\_\_\_\_

(v) amortization \$ \_\_\_\_\_

(vi) extraordinary losses \$ \_\_\_\_\_

(vii) extraordinary gains \$ \_\_\_\_\_

(viii) Sum of (i) through (vi) minus (vii) \$ \_\_\_\_\_

B. Consolidated Interest Expense  
(for four fiscal quarters ended \_\_\_\_\_, 200\_\_)

C. Ratio of A to B \_\_\_\_\_ to 1.0

D. Permitted Ratio Greater than 4.0 to 1.0

Complies \_\_\_\_\_ Does Not Comply \_\_\_\_\_

## EXHIBIT C

### ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (this "ASSIGNMENT AND ASSUMPTION") is dated as of the Effective Date set forth below and is entered into by and between [INSERT NAME OF ASSIGNOR] (the "ASSIGNOR") and [INSERT NAME OF ASSIGNEE] (the "ASSIGNEE"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "CREDIT AGREEMENT"), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation any letters of credit, guaranties and swingline loans included in such facilities and, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "ASSIGNED INTEREST"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor:

2. Assignee: [and is an Affiliate/Approved

**Fund of [IDENTIFY LENDER](1)**

3. Borrower(s):

4. Agent: Bank One, NA, as the agent under the Credit Agreement.

5. Credit Agreement: The \$337,500,000 364-Day Credit Agreement dated as of February 7, 2003 among Aon Corporation, the Lenders party thereto and Bank One, NA, as Agent.

(1) Select as applicable.

6. Assigned Interest:

Facility	Aggregate Amount of Commitment/Loans for all Lenders*	Amount of Commitment/Loans Assigned*	Percentage Assigned of Commitment/Loans2
Revolving Commitment	\$	\$	_____ %

7. Trade Date: \_\_\_\_\_(3)

**Effective Date:** \_\_\_\_\_, 20\_\_ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE AGENT.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

**ASSIGNOR**  
[NAME OF ASSIGNOR]

By:

Title:

**ASSIGNEE**  
[NAME OF ASSIGNEE]

By:

Title:

[Consented to and](4) Accepted:

**BANK ONE, NA, as Agent**

By:  
Title:

[Consented to:](5)

**AON CORPORATION**

By:  
Title:

\*Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(3) Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

(4) To be added only if the consent of the Agent is required by the terms of the Credit Agreement.

(5) To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

**ANNEX 1**  
**TERMS AND CONDITIONS FOR**  
**ASSIGNMENT AND ASSUMPTION**

**1. REPRESENTATIONS AND WARRANTIES.**

1.1 ASSIGNOR. The Assignor represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, perfection, priority, collectibility, or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Documents, (v) inspecting any of the property, books or records of the Borrower, or any guarantor, or (vi) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Loans or the Loan Documents.

1.2. ASSIGNEE. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iii) agrees that its payment instructions and notice instructions are as set forth in SCHEDULE 1 to this Assignment and Assumption, (iv) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, (v) agrees to indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment and Assumption, (vi) it has received a copy of the Credit Agreement, together with copies of financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Lender, and (vii) attached as SCHEDULE 1 to this Assignment and Assumption is any documentation required to be delivered by the Assignee with respect to its tax status pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. PAYMENTS. The Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. GENERAL PROVISIONS. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Illinois.

**SCHEDULE 1  
TO ASSIGNMENT AND ASSUMPTION**

A. Administrative Questionnaire  
[to be supplied by Agent's Closing Unit or Trading Documentation Unit]

B. US and Non-US Tax Information Reporting Requirements  
[to be supplied by Agent's Closing Unit or Trading Documentation Unit]

**EXHIBIT D**

**COMMITMENT ADDITION AGREEMENT**

This Commitment Addition Agreement (this "Agreement") is made and entered into as of the \_\_\_ day of \_\_\_\_\_, 200\_\_ by and among Aon Corporation (the "Borrower"), Bank One, NA, as agent (the "Agent"), and \_\_\_\_\_ (the "Supplemental Lender").

**RECITALS**

A. The Borrower, the Agent and various financial institutions are party to that certain 364-Day Credit Agreement dated as of February 7, 2003 (the "Credit Agreement") pursuant to which the "Aggregate Commitment" is \$337,500,000. Terms used but not otherwise defined herein have the meaning ascribed to them by the Credit Agreement.

B. Acting pursuant to Section 2.5(b) of the Credit Agreement, the Borrower has elected to increase the Aggregate Commitment by \$\_\_\_\_\_ to \$\_\_\_\_\_ and has given prior notice of such fact to the Agent.

C. The Supplemental Lender wishes to [become a Lender under the Credit Agreement with a Commitment of \$\_\_\_\_\_] [increase its Commitment under the Credit Agreement from \$\_\_\_\_\_ to \$\_\_\_\_\_].

D. [As of the date hereof there are no extensions of credit outstanding under the Credit Agreement.]

NOW THEREFORE, the Agent, the Borrower and the Supplemental Lender agree as follows:

1. The Supplemental Lender hereby [joins the Credit Agreement as a Lender thereunder having a Commitment of \$\_\_\_\_\_ and having all the obligations and rights of a Lender thereunder as if an original party thereto] [agrees that its Commitment under the Credit Agreement shall be increased to \$\_\_\_\_\_].

2. Each of the Agent and the Borrower consents to the foregoing additional Commitment [and joinder].

3. The parties acknowledge that, pursuant to Section 8.2--the amendment provision of the Credit Agreement, by virtue of this Agreement, the Credit Agreement is deemed amended without further action by any party to reflect the Supplemental Lender as a Lender thereunder with a Commitment of \$\_\_\_\_\_.

4. The Borrower certifies that on the date hereof (a) no Default or Unmatured Default has occurred and is continuing under the Credit Agreement and (b) each of the representations and warranties set forth in Article V of the Credit Agreement is true and correct on and as of the date hereof (except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date) .

5. [Contemporaneously herewith, the Supplemental Lender is entering into an Assignment Agreement with each of the existing Lenders pursuant to which there is being assigned to the Supplemental Lender a ratable portion of the outstanding Advances as required by Section 2.5(b)--the accordion section of the Credit Agreement.] [INCLUDE ONLY WHEN THERE ARE OUTSTANDING LOANS]

6. This Agreement may be executed in many number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

7. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

IN WITNESS WHEREOF, the parties have entered into this Agreement by their duly authorized representatives as of the date first written above.

**AON CORPORATION**

By:

Its:

**BANK ONE, NA, as Agent**

By:

Its:

**[SUPPLEMENTAL LENDER]**

By:

Its:



**EXHIBIT 10(aa)**

**EXECUTION COPY**

**AMENDMENT NO. 2 TO THREE YEAR CREDIT AGREEMENT**

This Amendment No. 2 to Three Year Credit Agreement (this "Amendment") is entered into as of February 7, 2003 by and among Aon Corporation, a Delaware corporation (the "Borrower"), Bank One, NA, a national banking association having its principal office in Chicago, Illinois, individually and as agent (the "Agent"), and the other financial institutions signatory hereto (the "Lenders").

**RECITALS**

A. The Borrower, the Agent and the Lenders are party to that certain \$437,500,000 Three-Year Credit Agreement dated as of February 8, 2002 (as amended by Amendment No. 1 to Three Year Credit Agreement dated as of November 21, 2002, the "Credit Agreement"). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement.

B. The Borrower, the Agent and the Lenders wish to amend the Credit Agreement on the terms and conditions set forth below. As of the date hereof there are no Loans outstanding.

Now, therefore, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. AMENDMENT TO CREDIT AGREEMENT. Upon the "Effective Date" (as defined below), the Credit Agreement shall be amended as follows:

(a) ARTICLE I of the Credit Agreement is amended as follows:

(i) by deleting the definitions of "Material Adverse Effect" and "364-Day Agreement" in their entirety and replacing them with the following:

"Material Adverse Effect" means a material adverse effect on (a) the business, Property, condition (financial or otherwise), performance, results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform its obligations under the Loan Documents, or (c) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent or the Lenders thereunder.

"364-Day Agreement" means that certain 364-Day Credit Agreement dated as of February 7, 2003 among the Borrower, Bank One, as agent, and the lenders party thereto, as from time to time amended, restated or otherwise modified.

(ii) by deleting the definitions of "CSC", "CSC Distribution Agreement", "CSC Group", "CSC Spin-Off", "Post-Spin-Off Group" and "Transitional Services" in their entirety.

(b) SECTION 5.7 of the Credit Agreement is amended by deleting the reference therein to the date "December 31, 1989" and replacing it in its entirety with a reference to the date "December 31, 1997".

(c) SECTION 5.13 of the Credit Agreement is amended in its entirety and replaced with the following:

5.13. OWNERSHIP OF PROPERTIES. As of the date of this Agreement, the Borrower and its Subsidiaries have a subsisting leasehold interest in, or good and marketable title, free of all Liens, other than those permitted by SECTION 6.12 or by any of the other Loan Documents, to all of the properties and assets reflected in the Financial Statements as being owned by it, except for assets sold, transferred or otherwise disposed of in the ordinary course of business since the date thereof. The Borrower and its Subsidiaries own or possess rights to use all licenses, patents, patent applications, copyrights, service marks, trademarks and trade names necessary to continue to conduct their business as heretofore conducted, and no such license, patent or trademark has been declared invalid, been limited by order of any court or by agreement or is the subject of any infringement, interference or similar proceeding or challenge, except for proceedings and challenges which could not reasonably be expected to have a Material Adverse Effect.

(d) SECTION 5.18 of the Credit Agreement is deleted in its entirety and Section 5.19 is then renumbered "Section 5.18".

(e) SECTIONS 6.1(b) and (c) of the Credit Agreement are amended by adding the words "president or" immediately before the phrase "chief financial officer" in each section.

(f) SECTION 6.1(j) of the Credit Agreement is deleted in its entirety and Section 6.1(k) is then renumbered "Section 6.1(j)".

(g) SECTION 6.4 of the Credit Agreement is amended in its entirety and replaced with the following:

6.4. CONDUCT OF BUSINESS. The Borrower will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and to do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted; PROVIDED, HOWEVER, that nothing in this SECTION 6.4 shall

prohibit the dissolution or sale, transfer or other disposition of any Subsidiary that is not otherwise prohibited by this Agreement.

(h) SECTION 6.10 of the Credit Agreement is amended in its entirety and replaced with the following:

6.10. CAPITAL STOCK AND DIVIDENDS. So long as any Default or Unmatured Default has occurred and is continuing before or immediately after giving effect thereto, the Borrower will not declare or pay any dividends or make any distributions on its capital stock (other than dividends payable in its own capital stock) or redeem, repurchase or otherwise acquire or retire any of its capital stock or any options or other rights in respect thereof at any time outstanding.

(i) SECTION 6.11 of the Credit Agreement is amended in its entirety and replaced with the following:

6.11. MERGER. The Borrower will not, nor will it permit any Subsidiary to, merge or consolidate with or into any other Person, except that (a) a Wholly-Owned Subsidiary may merge into the Borrower or any Wholly-Owned Subsidiary of the Borrower, (b) the Borrower or any Subsidiary may merge or consolidate with any other Person so long as the Borrower or such Subsidiary is the continuing or surviving corporation and, prior to and after giving effect to such merger or consolidation, no Default or Unmatured Default shall exist, and (c) any Subsidiary may enter into a merger or consolidation as a means of effecting a disposition or acquisition which would not result in a Default or Unmatured Default.

(j) SECTION 6.13 of the Credit Agreement is amended in its entirety and replaced with the following:

6.13. AFFILIATES. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except (a) for transactions between the Borrower and any Wholly-Owned Subsidiary of the Borrower or between Wholly-Owned Subsidiaries of the Borrower and (b) in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

(k) SECTION 6.16 of the Credit Agreement is amended in its entirety and replaced with the following:

6.16. SALE OF ASSETS. The Borrower will not, nor will it permit any Subsidiary to, lease, sell or otherwise dispose of Property which represents more than 25% of the consolidated assets of the Borrower and

its Subsidiaries, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the end of the quarter immediately preceding the date on which such determination is made, to any other Person(s) in any Fiscal Year.

(l) SECTION 6.17.1 of the Credit Agreement is amended in its entirety and replaced with the following:

6.17.1. MINIMUM CONSOLIDATED NET WORTH. The Borrower shall at all times maintain a minimum Consolidated Net Worth of at least \$2,500,000,000.

(m) SECTION 11.2 of the Credit Agreement is amended by deleting the parenthetical in the first sentence of such section in its entirety and replacing it with the following parenthetical:

(other than payments received pursuant to SECTION 3.1, 3.2, 3.4, 3.5 or 9.6)

(n) SECTION 13.1 of the Credit Agreement is amended by adding the following sentence at the end of such Section:

Notwithstanding anything to the contrary in this Section, the Borrower may furnish the financial statements described in SECTIONS 6.1(a) and 6.1(b) by email or by posting such financial statements on an internet web site made available to the Lenders.

(o) The PRICING SCHEDULE to the Credit Agreement is amended in its entirety and replaced by the "Pricing Schedule" attached to this Amendment.

2. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants that:

(a) The execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate action and that this Amendment and the Credit Agreement, as amended hereby, are legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) Each of the representations and warranties contained in the Credit Agreement is true and correct in all material respects on and as of the date hereof as if made on the date hereof;

(c) Other than the September 20, 2002 amendment to the Borrower's Bylaws previously delivered to the Agent, there have been no amendments, supplements

or modifications to any of the Articles of Incorporation, Bylaws or certificate of incumbency of the Borrower delivered to the Agent on February 8, 2002; and

(d) No Default or Unmatured Default has occurred and is continuing.

3. EFFECTIVE DATE. Section 1 of this Amendment shall become effective upon:

(a) the execution and delivery hereof by the Borrower, the Agent and the Required Lenders (without respect to whether it has been executed and delivered by all the Lenders; and

(b) the delivery by the Borrower of such other documents as the Agent may reasonably request.

The date upon which such events have occurred is the "Effective Date".

4. REFERENCE TO AND EFFECT UPON THE CREDIT AGREEMENT.

(a) Except as specifically amended above, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Agent or any Lender under the Credit Agreement or any Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any Loan Document. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby.

5. COSTS AND EXPENSES. The Borrower hereby affirms its obligations under Section 9.6 of the Credit Agreement to reimburse the Agent for all costs, internal charges and out-of-pocket expenses paid or incurred by the Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to attorneys' fees and time charges of attorneys for the Agent with respect thereto.

6. CHOICE OF LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

7. HEADINGS. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

8. COUNTERPARTS. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument.

[signature pages to follow]

IN WITNESS WHEREOF, the parties executed this Amendment as of the date and year first above written.

**AON CORPORATION**

By:

**Print Name:**

Title:

**BANK ONE, NA**

By:

**Print Name:**

Title:

Email: cynthia\_priest@bankone.com

**ABN AMRO BANK N.V.**

By:

**Print Name:**

Title:

By:

**Print Name:**

Title:

**Email:**

**Signature Page to Amendment No.2 of Three Year Credit Agreement**

**CITIBANK, N.A.**

By:

**Print Name:**

Title:

**Email:**

**WACHOVIA BANK, NATIONAL ASSOCIATION**

(f/k/a First Union National Bank)

By:

**Print Name:**

Title:

**Email:**

**JPMORGAN CHASE BANK**

By:

**Print Name:**

Title:

**Email:**

**THE BANK OF NEW YORK**

By:

**Print Name:**

Title:

**Email:**

**Signature Page to Amendment No.2 of Three Year Credit Agreement**

**THE NORTHERN TRUST COMPANY**

By:

**Print Name:**

Title:

**Email:**

**BANK OF MONTREAL**

By:

**Print Name:**

Title:

**Email:**

**FLEET NATIONAL BANK**

By:

**Print Name:**

Title:

**Email:**

**ROYAL BANK OF CANADA**

By:

**Print Name:**

Title:

**Email:**

**Signature Page to Amendment No.2 of Three Year Credit Agreement**

**THE BANK OF NOVA SCOTIA**

By:

**Print Name:**

Title:

**Email:**

**WELLS FARGO BANK, N.A.**

By:

**Print Name:**

Title:

By:

**Print Name:**

Title:

**Email:**

**Signature Page to Amendment No.2 of Three Year Credit Agreement**

U.S. BANK NATIONAL ASSOCIATION

By:

**Print Name:**

Title:

**Email:**

**MIZUHO CORPORATE BANK, LTD.**  
(as successor to The Fuji Bank, Limited)

By:

**Print Name:**

Title:

**Email:**

**STATE STREET BANK AND TRUST  
COMPANY**

By:

**Print Name:**

Title:

**Email:**

**Signature Page to Amendment No.2 of Three Year Credit Agreement**

**PRICING SCHEDULE**

	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS	LEVEL VI STATUS
BORROWER DEBT RATING	AA-/Aa3	A+/A1	A/A2	A-/A3	BBB+/Baa1	LESS THAN BBB+/Baa1
Applicable Facility Fee Rate	.07%	.08%	.09%	.11%	.125%	.15%
Applicable Margin						
Eurodollar Rate	.13%	.17%	.21%	.265%	.375%	.475%
Alternate Base Rate	0.0	0.0	0.0	0.0	0.0	0.0
Applicable Utilization Fee Rate* (GREATER THAN 33%)	.10%	.10%	.10%	.125%	.25%	.25%

Subject to the following two sentences, a particular Level Status shall exist on a particular day if on such day the Borrower does not qualify for a Level Status with more advantageous pricing and either the Moody's Rating or the S&P Rating is at least equal to the corresponding rating specified for such Level Status in the table above. In the event of a difference in the equivalent "rating level" from S&P and Moody's resulting in a split of only one level, then the Level Status shall be determined by reference to the higher of the two Ratings. In the event of a difference in the equivalent "rating level" from S&P and Moody's resulting in a split of greater than one level, then the Level Status shall be that Level Status one below the Level Status determined by reference to the higher of the two Ratings. The above ratings are in the format of S&P Rating/Moody's Rating.

\* The Applicable Utilization Fee Rate shall be payable with respect to outstanding Advances on days when Utilization is greater than 33%. "Utilization" means, for any day, a percentage equal to the aggregate principal amount of Loans hereunder and "Loans" (as defined in the 364-Day Agreement) outstanding on such day (and at the close of business on such day if a Business Day) divided by the sum on such day of the Aggregate Commitment and the "Aggregate Commitment" under the 364-Day Agreement; PROVIDED that for purposes of computing Utilization (a) the Aggregate Commitment shall be deemed to in no event be less than the aggregate outstanding principal amount of the Loans, (b) the "Aggregate Commitment" (as defined in the 364-Day Agreement) shall be deemed to in no event be less than the aggregate outstanding principal amount of the "Loans" (as defined in the 364-Day Agreement) and (c) on and after the "Revolving Credit Termination Date" (as defined in the 364-Day Agreement), the "Aggregate Commitment" (as defined in the 364-Day Agreement) shall be deemed to be equal to the aggregate outstanding principal amount of the "Loans" (as defined in the 364-Day Agreement).

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Level Status" means either Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status.

"Moody's Rating" means, at any time, the Borrower Debt Rating issued by Moody's and then in effect.

"Rating" means Moody's Rating or S&P Rating.

"S&P Rating" means, at any time, the Borrower Debt Rating issued by S&P and then in effect.

The Applicable Margin, Applicable Facility Fee Rate and Applicable Utilization Fee Rate shall be determined in accordance with the foregoing table based on the Borrower's Level Status as determined from its then-current Moody's and S&P Ratings. The Rating in effect on any date for the purposes of this Schedule is that in effect at the close of business on such date. If at any time the Borrower has no Moody's Rating or no S&P Rating or the Borrower does not qualify for a Level Status with more advantageous pricing, Level VI Status shall exist.

**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,				
	2002	2001	2000	1999	1998
Income before provision for income taxes and minority interest	\$ 793	\$ 309	\$ 854	\$ 635	\$ 931
ADD BACK FIXED CHARGES:					
Interest on indebtedness	124	127	140	105	87
Interest credited on investment-type insurance contracts	29	56	71	77	72
Interest on ESOP	-	-	-	1	2
Portion of rents representative of interest factor	59	57	54	49	51
INCOME AS ADJUSTED	\$ 1,005	\$ 549	\$ 1,119	\$ 867	\$ 1,143
FIXED CHARGES:					
Interest on indebtedness	\$ 124	\$ 127	\$ 140	\$ 105	\$ 87
Interest credited on investment-type insurance contracts	29	56	71	77	72
Interest on ESOP	-	-	-	1	2
Portion of rents representative of interest factor	59	57	54	49	51
TOTAL FIXED CHARGES	\$ 212	\$ 240	\$ 265	\$ 232	\$ 212
RATIO OF EARNINGS TO FIXED CHARGES	4.7	2.3	4.2	3.7	5.4

**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**

	YEARS ENDED DECEMBER 31,				
(millions except ratios)	2002	2001	2000	1999	1998
Income before provision for income taxes and minority interest	\$ 793	\$ 309	\$ 854	\$ 635	\$ 931
<b>ADD BACK FIXED CHARGES:</b>					
Interest on indebtedness	124	127	140	105	87
Interest credited on investment-type insurance contracts	29	56	71	77	72
Interest on ESOP	-	-	-	1	2
Portion of rents representative of interest factor	59	57	54	49	51
	-----	-----	-----	-----	-----
<b>INCOME AS ADJUSTED</b>	<b>\$ 1,005</b>	<b>\$ 549</b>	<b>\$ 1,119</b>	<b>\$ 867</b>	<b>\$ 1,143</b>
	=====	=====	=====	=====	=====
<b>FIXED CHARGES AND PREFERRED STOCK DIVIDENDS:</b>					
Interest on indebtedness	\$ 124	\$ 127	\$ 140	\$ 105	\$ 87
Preferred stock dividends	58	70	70	70	70
	-----	-----	-----	-----	-----
<b>INTEREST AND DIVIDENDS</b>	<b>182</b>	<b>197</b>	<b>210</b>	<b>175</b>	<b>157</b>
Interest credited on investment-type insurance contracts	29	56	71	77	72
Interest on ESOP	-	-	-	1	2
Portion of rents representative of interest factor	59	57	54	49	51
	-----	-----	-----	-----	-----
<b>TOTAL FIXED CHARGES AND PREFERRED     STOCK DIVIDENDS</b>	<b>\$ 270</b>	<b>\$ 310</b>	<b>\$ 335</b>	<b>\$ 302</b>	<b>\$ 282</b>
	=====	=====	=====	=====	=====
<b>RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (1)</b>	<b>3.7</b>	<b>1.8</b>	<b>3.3</b>	<b>2.9</b>	<b>4.1</b>
	=====	=====	=====	=====	=====

(1) Included in total fixed charges and preferred stock dividends are \$54 million year ended December 31, 2002 and \$66 million for the years ended December 31, 2001, 2000, 1999 and 1998, of pretax distributions on the 8.205% mandatorily redeemable preferred capital securities which are classified as "minority interest" on the consolidated statements of income.

EXHIBIT 21

Aon Corporation	Delaware
Aon Foundation	Illinois
Combined Specialty Group, Inc.	Delaware
123 Newco, Inc.	Delaware
1e Katharinastrase 29 Vermögensverwaltungsges mbH	Germany
2e Katharinastrase 29 Vermögensverwaltungsges mbH	Germany
A Morel & Cie Sa	France
A. J. Norcott & Company (Holdings) Limited	United Kingdom
A. J. Norcott & Partners (Northern) Limited	United Kingdom
A.G.Y.C. Corretores de Seguros Lda.	Portugal
A.H. Laseur B.V.	Netherlands
A.H.E. Alexander Howden de Espana S.A.	Spain
A.H.O.H. (Bermuda) Limited	Bermuda
A/S Assurance	Norway
AARE Corporation	New York
ABS Insurance Agency Ltd.	United Kingdom
ACGMGA Corp.	Texas
ACN 004 192 394 Pty. Ltd.	Australia
ACN 006 278 226	Australia
ACN 008 497 318	Australia
ACN 051 158 984	Australia
ACN 075 486 243	Australia
ACP Insurance Agency, Inc.	Texas
Administradora Centurion Ltda	Colombia
Admisureg SA	Argentina
Advanced Risk Management Techniques, Inc.	California
Affinity Insurance Services, Inc.	Pennsylvania
Agencia Interoceanica de Subscripcion y Administracion S. A.	Mexico
AGISA, 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 (Pacific) Ltd	New Zealand
Agricultural Risk Management Argentina S.A.	Argentina
Agricultural Risk Management Chile	Chile
Agricultural Risk Management Pty. Ltd.	Australia
Agricultural Risk Management, Limited	United Kingdom
Agte Gebruder GmbH	Germany
AHG Far East Ltd.	Hong Kong
Aidec Ciskei (Pty) Ltd.	South Africa
Aidec Gazankulu (Pty) Limited	South Africa
Aidec Kangwane (Pty) Limited	South Africa
Aidec Kwandebele (Pty) Limited	South Africa
Aidec Lebowa (Pty) Limited	South Africa
Aidec M.I.B. North West (Pty) Limited	South Africa
Aidec Venda (Pty) Limited	South Africa
Air-Con Solution Ltd.	Thailand
Aircrew Underwriting Agencies Ltd.	United Kingdom
Airscope Insurance Services Limited	United Kingdom
AIS Affinity Insurance Agency of New England, Inc.	Massachusetts
AIS Affinity Insurance Agency, Inc.	California
AIS Insurance Agency, Inc.	Washington
AIS Management Corporation	California
Alexander & Alexander Ltd (Thailand)	Thailand
Alexander & Alexander (C.I.) Limited	Guernsey
Alexander & Alexander (Hong Kong) Holdings Limited	Hong Kong
Alexander & Alexander (Ireland) Limited	Ireland

Alexander & Alexander (Isle of Man) Limited	United Kingdom
Alexander & Alexander (Malaysia) Sdn. Bhd.	Malaysia
Alexander & Alexander (Thailand) Ltd.	Thailand
Alexander & Alexander Asia Holdings Pte. Ltd.	Singapore
Alexander & Alexander B.V.	Netherlands
Alexander & Alexander Consultants S.A.	France
Alexander & Alexander Corretores e Consultores de Seguros Lda.	Portugal
Alexander & Alexander Europe Ltd.	United Kingdom
Alexander & Alexander Far East Partners JV	Hong Kong
Alexander & Alexander Galicia, S.A.	Spain
Alexander & Alexander Group (Proprietary) Limited	South Africa
Alexander & Alexander Holdings B.V.	Netherlands
Alexander & Alexander Insurance Brokers Ltd. Poland	Poland
Alexander & Alexander International Inc.	Maryland
Alexander & Alexander Limited	United Kingdom
Alexander & Alexander Ltd.	Fiji
Alexander & Alexander Middle East Limited	Bermuda
Alexander & Alexander of Colombia Ltda.	Colombia
Alexander & Alexander of Kansas, Inc.	Kansas
Alexander & Alexander of Missouri Inc.	Missouri
Alexander & Alexander of Virginia, Inc.	Virginia
Alexander & Alexander of Washington Inc.	Washington
Alexander & Alexander Pte. Ltd.	Singapore
Alexander & Alexander Risk Management Services Ltd.	Taiwan
Alexander & Alexander Services (India) Pvt. Ltd.	India
Alexander & Alexander Services Canada Inc.	Canada
Alexander & Alexander Services UK Limited	Scotland
Alexander & Alexander Trustee Jersey Ltd.	Jersey
Alexander & Alexander U.K. Pension Trustees Ltd.	United Kingdom
Alexander & Alexander, Inc.	Oklahoma
Alexander & Davidson de Colombia LTDA.	Colombia
Alexander Administration Services Ltd.	Isle of Man
Alexander Clay	United Kingdom
Alexander Clay Communications Limited	United Kingdom
Alexander Consulting Groep B.V.	Netherlands
Alexander Coyle Hamilton Ltd.	Ireland
Alexander Financial Services Limited	Scotland
Alexander Hellas E.P.E.	Greece
Alexander Howden (Hellas) Ltd.	Guernsey
Alexander Howden (Kazakhstan) Ltd.	Kazakhstan
Alexander Howden Asia Pacific Ltd.	United Kingdom
Alexander Howden de Espana	Spain
Alexander Howden Del Peru S.A. Reinsurance Brokers	Peru
Alexander Howden Energy & Partners Scandinavia	Norway
Alexander Howden Far East Pte. Ltd.	Singapore
Alexander Howden Financial Services Limited	United Kingdom
Alexander Howden Group (Asia) Pte. Ltd.	Singapore
Alexander Howden Group (Bermuda) Limited	Bermuda
Alexander Howden Group Agency Management Limited	UK
Alexander Howden Group Far East Ltd.	Hong Kong
Alexander Howden Holdings Limited	United Kingdom
Alexander Howden Insurance Services of Texas, Inc.	Texas
Alexander Howden International Limited	United Kingdom
Alexander Howden Leasing Ltd.	United Kingdom
Alexander Howden Limited	United Kingdom
Alexander Howden North America, Inc.	Georgia
Alexander Howden North America, Inc.	Massachusetts
Alexander Howden North America, Inc.	New York
Alexander Howden North America, Inc.	Ohio

Alexander Howden North America, Inc.	Texas
Alexander Howden Ossa De Colombia SA	Colombia
Alexander Howden Previsionales y Personas Ltda.	Colombia
Alexander Howden Reinsurance Intermediaries, Inc.	New York
Alexander Howden UK Limited	United Kingdom
Alexander Howden Underwriting Limited	United Kingdom
Alexander Howden Y Asociados S.A. de C.V.	Mexico
Alexander Insurance Managers (Barbados) Ltd.	Barbados
Alexander Insurance Managers (Cayman) Ltd.	Cayman Islands
Alexander Insurance Managers (Dublin) Ltd.	Ireland
Alexander Insurance Managers (Guernsey) Ltd.	Guernsey
Alexander Insurance Managers (Holdings) Ltd.	Guernsey
Alexander Insurance Managers (Isle of Man) Ltd.	Isle of Man
Alexander Insurance Managers (Jersey) Ltd.	Jersey
Alexander Insurance Managers (Luxembourg) S.A.	Luxembourg
Alexander Insurance Managers Ltd.	Bermuda
Alexander Insurance Managers N.V.	Netherland Antilles
Alexander Lippo (Hong Kong) Ltd.	Hong Kong
Alexander PFV (Proprietary) Limited	South Africa
Alexander R.M.C. Brown Partners Ltd.	Australia
Alexander Reinsurance Intermediaries, Inc.	New York
Alexander Services, Inc.	Illinois
Alexander Stenhouse & Partners Limited	Scotland
Alexander Stenhouse Australia Holdings Ltd.	Australia
Alexander Stenhouse Belgium International	Belgium
Alexander Stenhouse Limited	United Kingdom
Alexander Stenhouse Magee Limited	Ireland
Alexander Stenhouse Management Services Ltd.	Scotland
Alexander Stenhouse Risk Management S.A.	Spain
Alexander Underwriting Agencies Limited	Bermuda
Alexander Underwriting Services Limited	United Kingdom
Alexander, Ayling, Barrios & Cia, S.A.	Argentina
Algemeen Asurantiekantoor van 1863 Justin van de Port bv	Netherlands
Allen Insurance Associates, Inc.	Californias
Alternative Market Operations (Aust) Pty. Ltd.	Australia
AMC Worldwide Limited	United Kingdom
American Insurance Services Corp.	Texas
American Risk Management Corp.	Ohio
American Special Risk Insurance Company	Delaware
Anchor Reinsurance Company, Ltd.	Bermuda
Anchor Underwriting Managers, Ltd.	Bermuda
Anderson and Anderson Insurance Brokers, Inc.	California
Anderson and Anderson of Los Angeles Insurance Brokers, Inc.	California
Anderson and Anderson of Orange County Insurance Brokers, Inc.	California
Anderson and Anderson/Benefits Insurance Brokers, Inc.	California
Andes Global Ltd.	Brit. Virgin Islands
Anglo-Swiss Reinsurance Brokers Ltd.	Switzerland
Anistics Ltd.	United Kingdom
ANR Engineering Limited	United Kingdom
Anscor Insurance Brokers Inc.	Philippines
Aon (Bermuda) Ltd.	Bermuda
Aon (Panama) Ltd. S.A.	Panama
Aon 99 Limited	United Kingdom
Aon Acquisition Corporation of New Jersey	New Jersey
Aon Adjudication Services Limited	United Kingdom
Aon Administration Inc.	Delaware
Aon Administrative Services (Phils.) Corp.	Philippines
Aon Administrative Services Corp.	California
Aon Advisors (UK) Limited	United Kingdom

Aon Advisors, Inc.	Virginia
Aon Affinity do Brasil Servicos e Corretora de Seguros S/C Ltda.	Brazil
Aon Aisa Ltd.	Hong Kong
Aon Alexander & Alexander nv	Belgium
Aon Alexander Clay Limited	United Kingdom
Aon Alexander Limited	United Kingdom
Aon Andueza Nikols, Corredores de Seguros S.A.	Chile
Aon Annuity Group, Inc.	Texas
Aon Antillen nv	Netherland Antilles
Aon Artscope Kunstversicherungsmakler GmbH	Germany
Aon Aruba nv	Netherland Antilles
Aon Asia Insurance Services bv	Netherlands
Aon Assurances Credit SA	France
Aon Aviation, Inc.	Illinois
Aon Bain Hogg Limited	United Kingdom
Aon Belgium nv	Belgium
Aon Benefit Services, Inc.	Massachusetts
Aon Benefits Insurance Brokers (Singapore) Pte. Ltd.	Singapore
Aon BEP Inc.	Quebec
Aon Brasil Resseguros Ltda.	Brazil
Aon Brazil Corretores de Seguros Ltda.	Brazil
Aon Broker Services, Inc.	Illinois
Aon Broking Services S.A.	Argentina
Aon Canada Inc.	Canada
Aon Capital Markets Limited	United Kingdom
Aon Capital Partners, Inc.	Delaware
Aon Captive Management, Ltd.	U.S. Virgin Islands
Aon Captive Services (Nederland) bv	Netherlands
Aon Captive Services Antilles nv	Netherland Antilles
Aon Captive Services Aruba nv	Netherland Antilles
Aon Centurion S.A. Corredores de Seguros	Colombia
Aon Ceska republika spol. s.r.o.	Czech Republic
Aon Club Shopper Limited	United Kingdom
Aon Commercial Risks Hong Kong Ltd.	Hong Kong
Aon Communications, Inc.	Delaware
Aon Conseil et Courtage	France
Aon Conseil, Assurances de Personnes SA	France
Aon Consulting & Insurance Services	California
Aon Consulting (Malaysia) Sdn Bhd.	Malaysia
Aon Consulting Agency, Inc.	Texas
Aon Consulting Belgium SA	Belgium
Aon Consulting Chile Limitada	Chile
Aon Consulting Compensation & Benefits Limited	United Kingdom
Aon Consulting Consultores de Seguros Ltda.	Brazil
Aon Consulting Financial Services Limited	United Kingdom
Aon Consulting Financial Services Limited	United Kingdom
Aon Consulting GmbH	Germany
Aon Consulting Group Limited	United Kingdom
Aon Consulting Hong Kong Ltd.	Hong Kong
Aon Consulting Inc.	Canada
Aon Consulting Limited	United Kingdom
Aon Consulting Nederland cv	Netherlands
Aon Consulting New Zealand Ltd.	New Zealand
Aon Consulting Pty Limited	Australia
Aon Consulting S.A.	Colombia
Aon Consulting South Africa (Pty) Ltd.	South Africa
Aon Consulting Thailand Ltd.	Thailand
Aon Consulting Worldwide, Inc.	Maryland
Aon Consulting, Inc.	Florida

Aon Consulting, Inc.	New Jersey
Aon Consulting, Inc.	New York
Aon Consulting, Inc.	Ohio
Aon Consulting, Inc.	Texas
Aon Consulting, Inc. of Arizona	Arizona
Aon Consulting, Inc. of New Jersey	Delaware
Aon Consulting, Limited	Quebec
Aon Corporation Australia Ltd.	Australia
Aon Denmark A/S	Denmark
Aon Direct Group Inc.	Canada
Aon Eesti AS	Estonia
Aon Employee Risk Solutions Limited	United Kingdom
Aon Entertainment Risk Services Limited	United Kingdom
Aon Fiduciary Counselors Inc.	Delaware
Aon Finance Limited	United Kingdom
Aon Financial Advisor Services Pty. Limited	Australia
Aon Financial Planning & Protection Pty. Ltd.	Australia
Aon Financial Planning Ltd.	Australia
Aon Financial Products, Inc.	Delaware
Aon Financial Services Australia Holdings Limited	Australia
Aon Financial Services Australia Limited	Australia
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 Financial Services Limited	United Kingdom
Aon Financial Services, Inc.	Delaware
Aon Finland OY	Finland
Aon Forfaiting Limited	United Kingdom
Aon France S.A.	France
Aon General Agency, Inc.	Texas
Aon General Consulting Ltda.	Brazil
Aon GGI Acquisition Corporation, Inc.	Texas
Aon Gil y Carvajal Correduria de Seguros, SA	Spain
Aon Gil y Carvajal Flotas, SA	Spain
Aon Gil y Carvajal Portugal - Corretores de Seguros SA	Portugal
Aon Global Risk Consultants Limited	United Kingdom
Aon Global Services Inc.	Ontario
Aon Grieg AS	Norway
Aon Grieg P&I AS	Norway
Aon Groep Nederland bv	Netherlands
Aon Group Australia Limited (Australia)	Australia
Aon Group Corretagem, Administracao e Consultoria de Seguros Ltda	UK
Aon Group Ecuador S.A. Intermediaria de Reaseguros	Ecuador
Aon Group Limited de Argentina S.A.	Argentina
Aon Group Limited de Mexico, Intermediario de Reaseguro, S.A. de C.V.	Mexico
Aon Group Ltd. Peru S.A.	Peru
Aon Group New Zealand Ltd.	New Zealand
Aon Group Nominee Pty. Ltd.	Australia
Aon Group Venezuela, Corretaje de Reaseguro, C.A.	Venezuela
Aon Group, Inc.	Maryland
Aon Hamond & Regine, Inc.	New York
Aon Hazard Limited	United Kingdom
Aon Health Services Inc.	Texas
Aon Healthcare Alliance Limited	United Kingdom
Aon Healthcare Insurance Services of Arizona, Inc.	Arizona
Aon Healthcare Insurance Services, Inc.	California

Aon Hellas A.E.	Greece
Aon Holdings Antillen nv	Netherlands Antilles
Aon Holdings Australia Ltd.	Australia
Aon Holdings Belgium SA	Belgium
Aon Holdings bv	Netherlands
Aon Holdings Hong Kong Limited	Hong Kong
Aon Holdings International BV	Netherlands
Aon Holdings New Zealand Ltd.	New Zealand
Aon Home Warranty Services, Inc.	Delaware
Aon Hudig Groningen bv	Netherlands
Aon Hudig Hengelo bv	Netherlands
Aon Hudig Nijmegen bv	Netherlands
Aon Hudig Noordwijk bv	Netherlands
Aon Hudig Tilburg bv	Netherlands
Aon Hudig Venlo bv	Netherlands
Aon Hudig-Schreinemacher vof	Netherlands
Aon India Limited	United Kingdom
Aon Innovative Solutions, Inc.	Missouri
Aon Insurance Agencies Pte Ltd	Singapore
Aon Insurance Management Agencies (Hong Kong) Ltd.	Hong Kong
Aon Insurance Management Services - Virgin Islands, Inc.	U.S. Virgin Islands
Aon Insurance Managers (Antilles) nv	Netherlands Antilles
Aon Insurance Managers (Bermuda) Ltd.	Bermuda
Aon Insurance Managers (Singapore) Pte. Ltd.	Singapore
Aon Insurance Managers (USA) Inc.	Vermont
Aon Insurance Micronesia (Guam) Inc.	Guam
Aon Insurance Services	California
Aon Insurance Services, Inc.	Pennsylvania
Aon Intermediaries (Bermuda) Ltd.	Bermuda
Aon Intermediaries Limited	United Kingdom
Aon International bv	Netherlands
Aon Investment Consulting Inc.	Florida
Aon Investor Strategies, Inc.	Delaware
Aon Italia SpA	Italy
Aon Jauch & Hubener Consulting GmbH	Germany
Aon Jauch & Hubener GmbH	Germany
Aon Jauch & Hubener Holdings GmbH	Germany
Aon Jauch & Hubener Privates Vorsorgemanagement GmbH	Germany
Aon Jauch & Hubener Versicherungsconsulting Ges. mbH	Austria
Aon Jauch & Hubener Verwaltungs- GmbH	Germany
Aon Korea, Inc.	Korea
Aon Life Agency of Texas, Inc.	Texas
Aon Lumley Consulting (Pty) Ltd.	South Africa
Aon Lumley South Africa (Pty) Ltd.	South Africa
Aon Magyarorszag Alkusz Kft.	Hungary
Aon makelaars in assurantie bv	Netherlands
Aon Malawi Ltd.	Malawi
Aon Malta Ltd.	Malta
Aon Middle East	United Arab Emirates
Aon Minet Insurance Brokers Ltd.	Kenya
Aon Minet Ltd.	New Zealand
Aon Mozambique Ltd.	Mozambique
Aon Natural Resources Asia Ltd.	Labuan
Aon Natural Resources South Africa (Pty) LTD.	South Africa
Aon Nederland cv	Netherlands
Aon Netherlands b.v.	Netherlands
Aon New Jersey Holding Corporation	New Jersey
Aon Nikols Adriatica Srl	Italy
Aon Nikols bv	Netherlands

Aon Nikols Chile bv	Netherlands
Aon Nikols Colombia Holdings SA	Colombia
Aon Nikols International Sarl.	Brit. Virgin Islands
Aon Nikols International Sarl.	Luxembourg
Aon Nikols Latin America bv	Netherlands
Aon Nikols N.E. SpA	Italy
Aon Nikols NBB Srl	Italy
Aon Nikols Srl	Italy
Aon Nikols Torino Srl.	Italy
Aon Nominees Limited	United Kingdom
Aon Ossa Limitada, Corredores de Reaseguros	Colombia
Aon Overseas Holdings Limited	United Kingdom
Aon OWA Insurance Services GmbH & Co.	Germany
Aon OWA Verwaltungs GmbH	Germany
Aon Parizeau Inc.	Canada
Aon Partnership Limited	United Kingdom
Aon Pension Trustees Limited	United Kingdom
Aon PHI Acquisition Corporation of California	California
Aon Polska sp.z.o.o.	Poland
Aon PPIB Acquisition Corporation	California
Aon Previsonals y Personas Ltda, Corredores de Reaseguros y Consultores	Colombia
Aon Private Client Insurance Agency, Inc.	Illinois
Aon Private Risk Management Insurance Agency, Inc.	Illinois
Aon Properties Limited	United Kingdom
Aon Pyramid International Limited	United Kingdom
Aon Re (Thailand) Ltd.	Thailand
Aon Re Africa (Pty) Ltd.	South Africa
Aon Re Belgium nv	Belgium
Aon Re Canada Inc.	Canada
Aon Re China Ltd.	Hong Kong
Aon Re Iberia SA	Spain
Aon Re Inc.	Illinois
Aon Re Italia S.p.A.	Italy
Aon Re Latinoamericana, S.A.	Mexico
Aon Re Netherlands cv	Netherlands
Aon Re Non-Marine 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, Inc.	Delaware
Aon Real Estate Services, Inc.	New York
Aon Realty Services, Inc.	Pennsylvania
Aon Reed Stenhouse Inc.	Canada
Aon Reinsurance Australia Limited (Australia)	Australia
Aon Reinsurance Brokers Asia Pte Ltd.	Singapore
Aon Risconcept Inc.	Canada
Aon Risk Consultants (Bermuda ) Ltd.	Bermuda
Aon Risk Consultants (Europe) Limited	United Kingdom
Aon Risk Consultants bv	Netherlands
Aon Risk Consultants, Inc.	Illinois
Aon Risk Management Services Italia srl.	Italy
Aon Risk Managers, Inc.	Illinois
Aon Risk Resources Insurance Agency, Inc.	Illinois
Aon Risk Resources Limited	United Kingdom
Aon Risk Resources, Inc.	Delaware
Aon Risk Services (Barbados) Ltd.	Barbados
Aon Risk Services (Cayman) Ltd.	Cayman Islands
Aon Risk Services (Chile) S.A.	Chile
Aon Risk Services (Europe) S.A.	Luxembourg

Aon Risk Services (Fiji) Ltd.	Fiji
Aon Risk Services (Holdings) of Latin America, Inc.	Delaware
Aon Risk Services (Holdings) of the Americas, Inc.	Illinois
Aon Risk Services (Ireland) Limited	Ireland
Aon Risk Services (Solomon Islands) Ltd.	Australia
Aon Risk Services (Thailand) Ltd.	Thailand
Aon Risk Services (Vanuatu) Ltd.	Vanuatu
Aon Risk Services (Western Samoa) Ltd.	American Samoa
Aon Risk Services Agente de Seguros y de Fianzas, S.A. de C.V.	Mexico
Aon Risk Services Argentina SA	Argentina
Aon Risk Services Australia Ltd.	Australia
Aon Risk Services Canada Inc.	Canada
Aon Risk Services Companies, Inc.	Maryland
Aon Risk Services Do Brazil Corretores de Seguros Ltda.	Brazil
Aon Risk Services Holdings (Chile) Ltda.	Chile
Aon Risk Services Holdings UK Limited	United Kingdom
Aon Risk Services Hong Kong Ltd.	Hong Kong
Aon Risk Services International (Holdings) Inc.	Delaware
Aon Risk Services International Limited	United Kingdom
Aon Risk Services Japan Ltd.	Japan
Aon Risk Services Limited	United Kingdom
Aon Risk Services New Zealand Ltd.	United Kingdom
Aon Risk Services New Zealand Pty. Ltd.	New Zealand
Aon Risk Services of Missouri, Inc.	Missouri
Aon Risk Services of Texas, Inc.	Texas
Aon Risk Services PNG Pty. Ltd.	Papua New Guinea
Aon Risk Services Singapore (Insurance Brokers) Pte. Ltd.	Singapore
Aon Risk Services Solomon Islands Ltd.	Solomon Islands
Aon Risk Services Taiwan Ltd.	Taiwan
Aon Risk Services UK Limited	United Kingdom
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 Maryland	Maryland
Aon Risk Services, Inc. of Massachusetts	Massachusetts
Aon Risk Services, Inc. of Michigan	Michigan
Aon Risk Services, Inc. of Minnesota	Minnesota
Aon Risk Services, Inc. of Montana	Montana
Aon Risk Services, Inc. of Nebraska	Nebraska
Aon Risk Services, Inc. of Nevada	Nevada
Aon Risk Services, Inc. of New Jersey	New Jersey
Aon Risk Services, Inc. of New Mexico	New Mexico
Aon Risk Services, Inc. of New York	New York
Aon Risk Services, Inc. of Northern California Insurance Services	California
Aon Risk Services, Inc. of Ohio	Ohio
Aon Risk Services, Inc. of Oklahoma	Oklahoma
Aon Risk Services, Inc. of Oregon	Oregon
Aon Risk Services, Inc. of Pennsylvania	Pennsylvania

Aon Risk Services, Inc. of Rhode Island	Rhode Island
Aon Risk Services, Inc. of Southern California Insurance Services	California
Aon Risk Services, Inc. of Tennessee	Tennessee
Aon Risk Services, Inc. of the Carolinas	North Carolina
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 Washington, D.C.	District of Columbia
Aon Risk Services, Inc. of Wisconsin	Wisconsin
Aon Risk Services, Inc. of Wyoming	Wyoming
Aon Risk Services, Inc. U.S.A.	New York
Aon Risk Technologies, Inc.	Delaware
Aon S.G.C.A. SA	France
Aon Saudi Arabia E.C.	Bahrain
Aon Securities Corporation	New York
Aon Select Limited	United Kingdom
Aon Service Corporation	Illinois
Aon Services Group Limited	United Kingdom
Aon Services Group of Tennessee, Inc.	Tennessee
Aon Services Group, Inc.	Delaware
Aon Sigorta Brokerlik ve Musavirlik AS	Turkey
Aon Slovensko spol.s r.o.	Slovak Republic
Aon Solutions, Inc.	Delaware
Aon South Africa (Pty) Ltd.	South Africa
Aon Southern Europe b.v.	Netherlands
Aon Space SA	France
Aon Space, Inc.	District of Columbia
Aon Special Risk Resources Limited	United Kingdom
Aon Special Risk Resources, Inc.	Delaware
Aon Special Risks, Inc.	Illinois
Aon Specialty Re, Inc.	Illinois
Aon Stockholm AB	Sweden
Aon Superannuation Pty Limited	Australia
Aon Suretravel Limited	United Kingdom
Aon Surety & Guarantee Limited	United Kingdom
Aon Sweden AB	Sweden
Aon Tanzania Ltd.	Tanzania
Aon Technical Insurance Services, Inc.	Illinois
Aon Trade Credit Insurance Brokers S.r.l.	Italy
Aon Trade Credit Insurance Services, Inc.	California
Aon Trade Credit Limited	United Kingdom
Aon Trade Credit, Inc.	Illinois
Aon Trade Credit, Inc.	New York
Aon Trust Corporation Limited	United Kingdom
Aon UK Limited	United Kingdom
Aon UK Trustees Limited	United Kingdom
Aon Underwriting Agencies (Hong Kong) Ltd.	Hong Kong
Aon Vietnam	Vietnam
Aon WACUS Kreditversicherungsmakler GmbH & Co. KG	Germany
Aon WACUS Verwaltungs GmbH	Germany
Aon Warranty Group Limited (UK)	United Kingdom
Aon Warranty Group, Inc.	Illinois
Aon Warranty Korea, Inc.	Korea
Aon Warranty Services de Mexico S.A. de C.V.	Mexico
Aon Warranty Services do Brasil Ltda.	Brazil
Aon Warranty Services, Inc.	Illinois
Aon Wealth Management Inc.	Canada
Aon/Albert G. Ruben Company (New York) Inc.	New York

Aon/Albert G. Ruben Insurance Services, Inc.	California
Aon/Brockinton Agency of Texas, Inc.	Texas
Aon-Baoviet Inchcape Insurance Services Limited	Vietnam
Aongyc - Resseguros e Consultores de Seguros, Lda	Portugal
Aon-Lihou-Uzbekinsurance Limited	Uzbekistan
AonLine Services, Inc.	Illinois
AOPA Insurance Agency, Inc.	Maryland
AOPA Insurance Agency, Inc.	Texas
APAC (Alliance Pour l'Assurance Credit) Sarl	France
Aporia Leasing Limited	United Kingdom
APS International Limited	United Kingdom
APS Life & Pensions Limited	United Kingdom
Argenbroker Buenos Aires	Argentina
ARM COVERAGE INC.	New York
ARM International Corp.	New York
ARM International Insurance Agency Corp.	Ohio
ARMRISK Corp.	New Jersey
ARMRISK CORP. (NY)	New York
ARS (PNG) Ltd.	Australia
ARS Holdings, Inc.	Louisiana
Artemis Securities Ltd.	Guernsey
Artscope Insurance Services Limited	United Kingdom
Artscope International Insurance Services Limited	United Kingdom
Ascom Nijmegen B.V.	Netherlands
ASCOMIN S.A.	Belgium
Asesores y Corredores De Seguros, S.A.	Republica Dominica
Asharo bv	Netherlands
Asian American Finance Limited	Bermuda
Asian Reinsurance Underwriters Limited	Hong Kong
Assekurazkontor fur Industrie und Verkehr GmbH	Germany
Assessment Solutions Incorporated	New York
Asset Security Managers Limited	United Kingdom
Assidoge Srl	Italy
Associated Brokers International	Zimbabwe
Associated Fund Administrators Botswana (Pty) Limited	Botswana
Associated Ins. Broker of Botswana	Botswana
Associates Dealer Group of Bellevue, Washington, Inc.	Washington
Assurance et Courtages Reunis pour la Gestion - ACR Gestion SAS	France
Assurantie Groep Langeveldt c.v.	Netherlands
Atlanta International Insurance Company	New York
Attorneys' Advantage Insurance Agency, Inc.	Illinois
Auto Insurance Specialists - Bay Area, Inc.	California
Auto Insurance Specialists - Inland Empire, Inc.	California
Auto Insurance Specialists - Long Beach, Inc.	California
Auto Insurance Specialists - Los Angeles, Inc.	California
Auto Insurance Specialists - Newport, Inc.	California
Auto Insurance Specialists - San Gabriel Valley, Inc.	California
Auto Insurance Specialists - Santa Monica, Inc.	California
Auto Insurance Specialists - Valley, Inc.	California
Auto Insurance Specialists, Incorporated	California
Automotive Insurance Agency, Inc.	Texas
Automotive Insurance Purchasing Group, Inc.	Texas
Automotive Warranty Services of Florida, Inc.	Florida
Automotive Warranty Services, Inc.	Delaware
AV Agrar Versicherungsdienst GmbH	Germany
Ayala Aon Insurance Brokers, Inc.	Philippines
Ayala-Bain Insurance Company	Philippines
B E P International (Canada) Holding Inc.	Canada
B E P International Corp.	New Jersey

B E P International Holding Inc.	Canada
B E P International US Inc.	Delaware
B.L. Carnie Hogg Robinson Ltd.	United Kingdom
B.N.H. Group Ltd.	United Kingdom
B.V. Assurantiekantoor Langeveldt-Schroder	Netherlands
Bailiwick Consultancy & Management Co. Ltd.	Guernsey
Bain Clarkson (UK) Limited	United Kingdom
Bain Clarkson Consulting AB	Sweden
Bain Clarkson Forsakringskonsult AB, Stockholm	Sweden
Bain Clarkson Limited	United Kingdom
Bain Clarkson Members Underwriting Agency Ltd.	United Kingdom
Bain Clarkson R.B. Ltd.	United Kingdom
Bain Clarkson Underwriting Management Ltd.	United Kingdom
Bain Dawes (London) Ltd.	United Kingdom
Bain Dawes Services Ltd.	United Kingdom
Bain Hogg Australia (Holdings) Ltd.	Australia
Bain Hogg Australia Investments (Australia) Pty Ltd.	Australia
Bain Hogg Australia Ltd.	Australia
Bain Hogg Brokers Espana SA	Spain
Bain Hogg Chile S.A. Corredoros de Reasguro	Chile
Bain Hogg Colombiana Ltd.	Colombia
Bain Hogg Group Limited	United Kingdom
Bain Hogg Hellas Ltd.	United Kingdom
Bain Hogg Holdings Limited	United Kingdom
Bain Hogg Insurance Brokers Kenya Ltd.	Kenya
Bain Hogg Insurance Management (Guernsey) Ltd.	Guernsey
Bain Hogg Intermediaro de Reaseguro SA de CV	Mexico
Bain Hogg International Holdings Ltd.	United Kingdom
Bain Hogg International Ltd.	United Kingdom
Bain Hogg Ltd.	United Kingdom
Bain Hogg Management Ltd.	United Kingdom
Bain Hogg Pensions Pty Ltd.	Australia
Bain Hogg Robinson Pty Ltd.	Australia
Bain Hogg Russian Insurance Brokers Ltd.	Russia
Bain Hogg Trustees Ltd.	United Kingdom
Bain Hogg Uganda Ltd.	Uganda
Bain Hogg Venezolana SA	Venezuela
Banca Seguros Colon, S.A.	Colombia
Bankassure Insurance Services Limited	United Kingdom
Barros & Carrion, Inc.	Puerto Rico
BEC Insurance Services Limited	United Kingdom
Bekouw Mendes Reinsurance B.V.	Netherlands
Bekouw Mendes Risk Management B.V.	Netherlands
Bell Nicholson Henderson (Holdings) Ltd.	United Kingdom
Bell Nicholson Henderson Ltd.	United Kingdom
Berkely Agency Ltd.	New York
Berkely Coverage Corporation	New York
Berkely-ARM, Inc.	New York
BerkelyCare, LTD.	New York
BH No. 1 Ltd.	United Kingdom
BHN Unit Trust	Australia
Bing S.A.	Argentina
Black Portch & Swain (Financial Services) Ltd.	United Kingdom
Bloemers & Co. Herverzekering bv	Netherlands
Blom & Van der Aa BV	Netherlands
Blom & Van der Aa Holding BV	Netherlands
Boels & Begault Luxembourg S.a.r.l.	Luxembourg
Boels & Begault Vlaanderen S.A.	Belgium
Bonnor & Company A/S	Denmark

Bowes & Company, Inc., of New York	New York
Bowring and Minet (Swaziland) (Pty) Ltd.	Swaziland
BRIC, Inc.	North Carolina
Brichetto Corretora de Seguros S/C Ltda	Brazil
Brichetto Tecnica SA	Argentina
British Continental and Overseas Agencies (BCOA) SA	France
Broadgate Holdings Ltd.	United Kingdom
Brons Orobio Groep B.V.	Netherlands
Brons Van Lennep B.V.	Netherlands
Brons Van Lennep Den Haag B.V.	Netherlands
Bruno Sforzi S.p.A.	Italy
Bruns Ten Brink & Co. b.v.	Netherlands
Bruns Ten Brink Herverzekeringen b.v.	Netherlands
Bryson Associates Incorporated	Pennsylvania
Budapest Pension Fund Company	Hungary
Burlington Insurance Services Ltd.	United Kingdom
Burnie Enterprises Pty. Ltd.	Papau New Guinea
Business Health Services, Inc.	California
by Algemeen Asurantiekantoor Schreinemacher	Netherlands
C A Robinson & Partners Ltd.	United Kingdom
C.I.C. Realty, Inc.	Illinois
Cabinet Joos SARL	France
Caleb Brett Iberica, S.A.	Spain
Cambiaso Risso & Co. (Assicurazioni Napoli)	Italy
Cambiaso Risso & Co. (Assicurazioni) Srl	Italy
Cambiaso Risso & Co. SA	Italy
Cambridge Galaher Settlements and Insurance Services, Inc.	California
Cambridge Horizon Consultants, Inc.	New York
Cambridge Integrated Services Group, Inc.	Pennsylvania
Cambridge Integrated Services Limited	United Kingdom
Cambridge Professional Liability Services, Inc.	Florida
Cambridge Professional Liability Services, Inc.	Illinois
Cambridge Professional Liability Services, Inc.	Pennsylvania
Cambridge Settlement Services, Inc.	Minnesota
Camperdown 100 Limited	United Kingdom
Camperdown 101 Limited	United Kingdom
Camperdown 102 Limited	United Kingdom
Cananwill Australia Pty Ltd	Australia
Cananwill Canada Limited	Ontario
Cananwill Corporation	Delaware
Cananwill UK Limited	United Kingdom
Cananwill UK Limited	United Kingdom
Cananwill, Inc.	California
Cananwill, Inc.	Pennsylvania
CAP Managers Ltd.	Bermuda
Captive Assurance Partners	California
Carbon Risk Management Limited	United Kingdom
Carstens & Schues GmbH & Co.	Germany
Carstens & Schues Poland Ltd.	Poland
Carstens & Schues Verwaltungs GmbH	Germany
Catz & Lips B.V.	Netherlands
CCM McGrath Berrigan Ltd.	Ireland
CD Benefit, Inc.	Texas
Celinvest Amsterdam bv	Netherlands
Central Technica SA	Spain
Centris Services Limited	United Kingdom
Centurion, Agente de Seguros, S.A. de C.V.	Mexico
CIA Italia S.R.L.	Italy
CIA Link Ltd.	United Kingdom

CICA Superannuation Nominees Pty. Ltd.	Australia
CI-Erre Srl	Italy
Citadel Insurance Company	Texas
City and County Purchasing Group	Unknown
CJP, Inc.	Delaware
Clarkson Argentine SA	Argentina
Clarkson Bain Japan 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 Overseas Holdings Ltd.	United Kingdom
Clay & Partners (1987) Limited	United Kingdom
Clay & Partners Independent Trust Corporation Ltd.	United Kingdom
Clay & Partners Limited	United Kingdom
Clay & Partners Pension Trustees Limited	United Kingdom
CNL Nikols SA	Spain
Cole, Booth, Potter, Inc.	Pennsylvania
Columbia Automotive Services, Inc.	Illinois
Combined Insurance (Thailand) Limited	Thailand
Combined Insurance Company de Argentina S.A. Compania de Seguros	Argentina
Combined Insurance Company of America	Illinois
Combined Insurance Company of Europe 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
Combined Seguros Brasil S.A.	Brazil
Combined Seguros Mexico, S.A. de C.V.	Mexico
Combined Service Corporation	Delaware
Combined Specialty Insurance Company (F/K/A Virginia Surety Company. Inc.)	Illinois
Commercial and Political Risk Consultants Ltd.	United Kingdom
Commercial Credit Corporation Limited	United Kingdom
Compagnie Franco-Belge d'Investissement et de Placement	Belgium
Compagnie Metropolitaine de Conseil - CMC SA	France
CompLogic, Inc.	Rhode Island
Compta Assur (SA)	France
Concord Life Insurance Company	Arizona
Consultoria Vida y Pensiones S.A.	Spain
Consumer Program Administrators, Inc.	Illinois
Continental SA	Spain
Contract & Investment Recoveries Ltd.	United Kingdom
Control de Riesgos, S.A.	Spain
Control y Global Services, S.A.	Spain
Corbis Insurance Services of Nevada	Nevada
Corporation Long Island CA	Venezuela
Correduria de Seguros Gruppo Herrero, S.A.	Spain
CoSec 2000 Limited	United Kingdom
Coughlan General Insurances Limited	Ireland
Couparey Nominees Limited	United Kingdom
Credit Indemnity & Financial Services Limited	United Kingdom
Credit Insurance Association (Singapore) Pte Limited	Singapore
CRION nv	Belgium
Crotty MacRedmond Insurance Limited	Ireland
CRP (Isreal) Limited	United Kingdom
Customer Loyalty Institute, Inc.	Michigan
cv 't Huys ter Merwe	Netherlands
CYARSA, Correduria de Reaseguros, S.A.	Spain

CYARSA, Portugal, Correduria de Reaseguros, Ltda.	Portugal
D. Hudig & Co. b.v.	Netherlands
DA&A Insurance Agency, Inc.	Texas
Dale Intermediaries Ltd. / Les Intermediaires Dale Ltee	Canada
Dale-Parizeau International Inc.	Canada
Dale-Parizeau Management Ltd.	Bermuda
Dealer Development Services, Ltd.	United Kingdom
Dealer Performance, Inc.	Texas
Deanborne Limited	United Kingdom
Denison Pension Trustees Limited	United Kingdom
Denison Pension Trustees Ltd.	United Kingdom
Dobson Park L. G. Limited	Guernsey
Document Risk Management Limited	United Kingdom
Dominion Mutual Insurance Brokers Ltd.	Canada
Dormante Holdings Limited	United Kingdom
Downes & Burke (Special Risks) Ltd.	United Kingdom
Dreadnaught Insurance Company Limited	Bermuda
DUO A/S	Norway
DuPage Care Administrators, Inc.	Illinois
E. Lillie & Co. Limited	United Kingdom
ECCO Insurance Services, Inc.	Texas
Elektrorisk Beheer bv	Netherlands
Elm Lane Limited	United Kingdom
Emerald Specialty Management Company	Delaware
Employee Benefit Communications, Inc.	Florida
Energy Insurance Brokers & Risk Management Consultants Ltd.	United Kingdom
Entertainment Managers Insurance Agency of New York, Inc.	New York
Entertainment Managers Insurance Services Ltd	United Kingdom
Entertainment Managers Insurance Services, Inc.	Ontario
ERAS (International) Ltd.	United Kingdom
Ernest A. Notcutt & Co. Ltd.	United Kingdom
Essar Insurance Consultants Ltd.	Taiwan
Essar Insurance Services Ltd.	Hong Kong
European Risk Management Ltd.	United Kingdom
European Services Ltd.	Malta
Ewbar Limited	United Kingdom
ExcelNet (Guernsey) Ltd.	Guernsey
ExcelNet Ltd.	United Kingdom
Excess Corredores de Reaseguros SA	Chile
Excess Underwriters Agency, Inc.	New York
EXKO Excess Ruckversicherungs-AG	Germany
EXKO Excess Versicherungsagentur GmbH	Germany
FFG Corporation	Delaware
FFG Insurance Company	Texas
Figurecheck Limited	United Kingdom
Finance Assurance Conseil - FAC SA	France
Financial & Professional Risk Solutions Insurance Agency, Inc.	California
Financial & Professional Risk Solutions, Inc.	Illinois
FINNCAP	Finland
Finsbury Healthcare Limited	United Kingdom
First Extended Service Corporation	Texas
First Extended Service Corporation of Florida	Florida
First Extended, Inc.	Delaware
France Cote D'Afrique	France
France Fenwick Limited	United Kingdom
Frank B. Hall & Co. (N.S.W.) Pty. Ltd.	Australia
Frank B. Hall Re (Latin America) Inc.	Panama
FS Insurance Agency, Inc.	Ohio
G&C Venezuela. S.A.	Venezuela

Galaher Settlements Company of New York, Inc.	New York
Garantie Europeene de Publication S.A.	France
Gardner Mountain & Capel Cure Agencies Limited	United Kingdom
Gardner Mountain Financial Services Ltd.	United Kingdom
Gardner Mountain Trustees Ltd.	United Kingdom
Gateway Insurance Company, Ltd.	Bermuda
General Service Srl	Italy
Gestas (1995) Inc.	Canada
Giesy, Greer & Gunn, Inc.	Oregon
Gil y Carvajal - Consultores, Lda.	Portugal
Gil y Carvajal Chile Ltda., Corredores de Seguros	Chile
Gil y Carvajal Consultores, S.A.	Spain
Gil y Carvajal Global Services S.A.	Spain
Gil y Carvajal Iberoamerica, S.A.	Spain
Gil y Carvajal Iberoamerica, SA	Peru
Gil y Carvajal S.A. Corredores de Seguros	Colombia
Gil y Carvajal Seguros, SA	Spain
Gil y Carvajal UK Ltd.	United Kingdom
Gil y Carvajal, S.A. Vida y Pensiones	Spain
Gilman Swire Willis Ltd.	Hong Kong
Gilroy Broome & Scrini (Trustees) Ltd.	United Kingdom
Godwins Investments Limited	United Kingdom
Gras Savoye Rumania	Romania
Greville Baylis Parry & Associates Ltd.	United Kingdom
Greyfriars Marketing Services Pty Ltd.	Australia
Grieg (UK) Limited	United Kingdom
Group Le Blanc de Nicolay SA	France
Groupe-conseil Aon Inc.	Quebec
Groupement Europeen d'Assurances Generales	France
Growth Enterprises Ltd.	Bahamas
Guardrisk Insurance Company Limited	South Africa
Guernsey Nominees (Pty) Limited	Guernsey
Gwelforth Ltd.	United Kingdom
Halford, Shead & Co. Limited	United Kingdom
Hamburger Gesellschaft zur Forderung des Versicherungswesen mbH	Germany
Hans R Schmidt Gmbh	Germany
Hans Rudolf Schmidt EDV Systemhaus GmbH	Germany
Hanse Assekuranz-Vermittlungs GmbH	Germany
Hanseatische Assekuranz Kontor GmbH	Germany
HARB Limited	United Kingdom
Harbour Pacific Holdings Pty., Ltd.	Australia
Harbour Pacific Underwriting Management Pty Limited	Australia
Heerkens Thijssen Groep bv	Netherlands
Heerkens Thijssen & Co. bv	Netherlands
Heerkens Thijssen Caviet vof	Netherlands
Hemisphere Marine & General Assurance Ltd.	Bermuda
HHL (Taiwan) Ltd.	Taiwan
HHL Reinsurance Brokers Pte. Ltd.	Singapore
HHL Reinsurance Services Sdn. Bhd.	Malaysia
HIB Limited	United Kingdom
Highplain Limited	United Kingdom
HL Puckle (Underwriting) Ltd.	United Kingdom
Hobbs & Partners Ltd.	United Kingdom
Hogg Group Limited	United Kingdom
Hogg Group Netherlands BV	Netherlands
Hogg Group Overseas Ltd.	United Kingdom
Hogg Insurance Brokers GmbH	Germany
Hogg Insurance Group SA	Spain
Hogg Robinson & Gardner Mountain (Insurance) Ltd.	United Kingdom

Hogg Robinson (Nigeria) Unlimited	Nigeria
Hogg Robinson (Pvt) Limited	United Kingdom
Hogg Robinson Holdings (Pty) Ltd.	South Africa
Hogg Robinson North America, Inc.	Delaware
Hogg Robinson Services (Kenya) Ltd.	Kenya
Holdco #1, Inc.	Delaware
Holdco #2, Inc.	Delaware
Howden Cover Hispanoamericana (Bermuda) Ltd.	Bermuda
Howden Dastur Reinsurance Brokers (Private) Ltd.	India
Howden Management & Data Services Ltd.	United Kingdom
Howden Sterling Asia Limited	Hong Kong
HRGM 1989 Ltd.	United Kingdom
HRGM Cargo Ltd.	United Kingdom
HRGM Management Services Ltd.	United Kingdom
HRGM Marine Ltd.	United Kingdom
Hudig Langeveldt Pte Ltd.	Singapore
Hudig-Langeveldt (Pensioenbureau) bv	Netherlands
Hudig-Langeveldt (Reinsurance) bv	Netherlands
Hudig-Langeveldt Janson Elffers B.V.	Netherlands
Hudig-Langeveldt Makelaardij in Assurantien bv	Netherlands
Human Relations Strategies Limited	United Kingdom
Huntington T. Block Insurance Agency, Inc.	District of Columbia
Huntington T. Block Insurance Agency, Inc.	Ohio
Hydrocarbon Risk Consultants Limited	United Kingdom
Ian H. Graham Purchasing Group, Inc.	California
Ian H. Graham, Inc.	California
Ibex Managers Ltd.	Kenya
ICR-Riass Srl	Italy
Impact Forecasting Limited	United Kingdom
Imperial Investment Company	Cayman Islands
Inchcape Continental Insurance Holdings (Eastern Europe) Ltd.	Cyprus
Inchcape Insurance Agencies (HK) Ltd.	Hong Kong
Inchcape Insurance Brokers (HK) Ltd.	Hong Kong
Inchcape Insurance Brokers (M) Sdn Bhd	Malaysia
Inchcape Insurance Holdings (HK) Ltd.	Hong Kong
Indemnity Insurance Services (Pty) Limited	South Africa
Inmobiliaria Ramos Rosada, S.A. de C.V.	Mexico
Insurance Administrators, Inc.	Texas
Insurance Broking Services (Pty) Limited	Guernsey
Insurance Holdings Africa Ltd.	Kenya
Insurance Planning, Inc.	Nevada
Integrated Risk Resources Limited	United Kingdom
Interbroke Ltd.	Switzerland
Interglobe Management AG	Switzerland
Interims Limited	United Kingdom
International Art & Antique Loss Register Limited	United Kingdom
International Industrial Insurances Limited	Ireland
International Insurance Brokers Ltd.	Jamaica
International Medical Rescue Limited	United Kingdom
International Risk (Brokers) Ltd.	Bermuda
International Risk Management (Americas), Inc.	Ohio
International Risk Management (Australia) Pty. Ltd.	Australia
International Risk Management (Barbados) Ltd.	Barbados
International Risk Management (Bermuda) Ltd.	Bermuda
International Risk Management (Cayman) Ltd.	Cayman Islands
International Risk Management (Dublin) Ltd.	Dublin
International Risk Management (Europe) Ltd	United Kingdom
International Risk Management (Guernsey) Ltd.	Guernsey
International Risk Management (Isle of Man) Ltd.	Isle of Man

International Risk Management (Liechtenstein) Ltd	Liechtenstein
International Risk Management (Luxembourg) Ltd.	Luxembourg
International Risk Management (New Zealand) Ltd	New Zealand
International Risk Management (Singapore) Ltd.	Singapore
International Risk Management Group, Ltd.	Bermuda
International Shipowners Mutual Insurance Association Limited	Bermuda
International Space Brokers Inc.	Virginia
Investment Facility Company Four One Two (Pty) Ltd.	South Africa
Investment Insurance International (Managers) Ltd.	United Kingdom
IOC Reinsurance Brokers Ltd.	Canada
IRBJ Disposition Company	United Kingdom
IRISC Claims Management Limited	United Kingdom
IRISC Specialty, Inc.	Delaware
IRM (Canada) Ltd	Canada
IRM France S.A.	France
IRM/GRC Holding Inc.	Delaware
IRMG (U.K.) Holdings Ltd.	United Kingdom
ISG Administration Services Inc.	Ontario
ITA Insurance, Inc.	Utah
J H Minet (Insurance) Limited	Ireland
J H Minet (Inter-Gremium) AG	Switzerland
J H Minet Agencies Ltd.	United Kingdom
J H Minet Puerto Rico Inc.	Puerto Rico
J H Minet Reinsurance Services Limited	United Kingdom
J&H Risk Management Consultants GmbH	Germany
J&H Unison Holdings BV	Netherlands
J&H Vorsorgefonds	Switzerland
J.H. Blades & Co. (Agency), Inc.	Texas
J.H. Blades & Co., Inc.	Texas
J.H. Blades Insurance Services	California
J.K.Battershill Reinsurance Intermediaries, Inc.	Delaware
J.S. Johnson & Co. Ltd.	Bahamas
Janson Green Limited	United Kingdom
Janson Services Limited	United Kingdom
Jaspers Industrie Assekuranz GmbH & Co. KG	Germany
Jauch & Hubener (KG)	Austria
Jauch & Hubener AG	Switzerland
Jauch & Hubener Beratungs AG	Switzerland
Jauch & Hubener CSFR Spol s.r.o.	Slovak Republic
Jauch & Hubener d.o.o.	Slovak Republic
Jauch & Hubener Ges. m.b.H.	Austria
Jauch & Hubener GmbH	Austria
Jauch & Hubener Kft.	Hungary
Jauch & Hubener Management betriebliche Versorgungen	Germany
Jauch & Hubener Personalvorsorgestiftung	Switzerland
Jauch & Hubener Reinsurance Intermediary Services of North America	New Jersey
Jauch & Hubener Reinsurance Services Ltd.	United Kingdom
Jauch & Hubener Ruckversicherungs-Vermittlungsges mbH	Germany
Jauch & Hubener spol sro	Czech Republic
Jenner Fenton Slade (Special Risks) Limited	United Kingdom
Jenner Fenton Slade Group Limited	United Kingdom
Jenner Fenton Slade Limited	United Kingdom
Jenner Fenton Slade Political Risks Limited	United Kingdom
Jenner Fenton Slade Reinsurance Services Limited	United Kingdom
Jenner Fenton Slade Surety and Specie Limited	United Kingdom
Jewellery Replacement Services Limited	United Kingdom
JFC Consulting, Inc.	Delaware
JFS (Sudamerica) SA	Uruguay
JFS Fenchurch Limited	United Kingdom

JFS Greig Fester Limited	United Kingdom
JG Associates Limited	United Kingdom
JG Holdings Limited	United Kingdom
JML-Minet A.G.	Switzerland
John C. Lloyd Reinsurance Brokers Ltd.	Australia
John Scott Insurance Brokers Limited	United Kingdom
Johnson Rooney Welch, Inc.	California
Joost & Preuss GmbH	Germany
Joseph U. Moore, Inc.	Florida
K & K Insurance Brokers, Inc. Canada	Ontario
K & K Insurance Group of Florida, Inc.	Florida
K & K Insurance Group, Inc.	Indiana
K & K Insurance Specialties, Inc.	Indiana
K & K of California Insurance Services, Inc.	California
K & K of Nevada, Inc.	Nevada
Karl Alt & Co. GmbH	Germany
Keith Rayment & Associates Ltd.	United Kingdom
Keyaction Limited	United Kingdom
Kininmonth Limited	Ireland
Kroller Holdings B.V.	Netherlands
KTW Enterprises, Inc.	New Jersey
L. & F. Longobardi SRL	Italy
Langeveldt de Vos b.v.	Netherlands
Langeveldt Groep B.V.	Netherlands
Laurila, Kauriala & Grig Ltd.	Russia
LBN Asia International Reinsurance Brokers Pte Ltd.	Singapore
Le Blanc de Nicolay Asia	Hong Kong
Le Blanc de Nicolay Courtage SA	France
Le Blanc de Nicolay Reassurances SA	France
Le Blanc de Nicolay Ruckversicherungsmakler GmbH	Germany
Leslie & Godwin (C.I.) Limited	Guernsey
Leslie & Godwin (Scotland) Limited	Scotland
Leslie & Godwin (U.K.) 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 International Limited	United Kingdom
Leslie & Godwin Investments Limited	United Kingdom
Leslie & Godwin Limited	United Kingdom
LIB Financial Services Ltd.	United Kingdom
LIB Limited	United Kingdom
Lithia Reinsurance Company, Ltd.	Turks and Caicos
Livewire Group Pty. Ltd. ACN 088 444 964	Australia
LMG Claims Information Network Limited	United Kingdom
LMG Jewellery Claims Service Limited	United Kingdom
London General Holdings Limited	United Kingdom
London General Insurance Company Limited	United Kingdom
Loss Management Group Limited	United Kingdom
Lowndes Lambert Insurance Limited	Ireland
Lumley Insurance Brokers (Pty) Ltd.	South Africa
Lumley JFS Limited	United Kingdom
Lumley Municipal & General Insurance Brokers (Natal) (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Orange Free State) (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Transvaal) (Pty) Ltd.	South Africa
Lumley Petro-Energy Insurance Brokers (Pty) Ltd.	South Africa
M Y A Ltda. Asesorias Integrales	Colombia
M Y A Salud Ltda Agentes De Medicina Prepagada	Colombia

M.I. B. Healthcare Services (Pty) Limited	South Africa
M.I.B. Aidec (Pty) Limited	South Africa
M.I.B. Border (Pty) Limited	South Africa
M.I.B. Employee Benefits (Pty) Limited	South Africa
M.I.B. Group (Pty) Limited	South Africa
M.I.B. House Investment (Pty) Limited	South Africa
M.I.B. Property Holdings (Pty) Limited	South Africa
M.I.B. Reinsurance Brokers (Namibia) (Pty) Limited	Namibia
M.I.B. Reinsurance Brokers (Pty) Limited	South Africa
MAB Insurance Services Ltd.	United Kingdom
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 Williams Insurance Services Limited	United Kingdom
Macey Williams Limited	United Kingdom
Macquarie Underwriting Pty. Ltd.	United Kingdom
Madison Intermediaries Pty. Limited	Australia
Mahamy Company plc (Aon Iran)	Iran
Management and Regulator Services, Inc.	New York
Mansfeld, Hubener & Partners Gmbh	Germany
Marinero Dundas SA	Argentina
Marinero Dundas SA	Uruguay
Maritime Underwriters, Ltd.	Bermuda
Martec Australia Pty Limited	Australia
Martec Finance Pty Limited	Australia
Martin Boyer Company, Inc.	Illinois
Marvyn Hughes International Ltd.	United Kingdom
Max Mattiessen AB	Sweden
MBXC.Com Corp.	New York
McLagan Partners Asia, Inc.	Delaware
McLagan Partners International, Inc.	Delaware
McLagan Partners, Inc.	Delaware
Media/Professional Insurance Agency Limited	United Kingdom
Medical Care Management Limited	United Kingdom
Mediterranean Insurance Training Centre	Malta
MEIE Argentina SA	Argentina
MIB UK (Holdings) Ltd.	United Kingdom
Mibsa Investments (Namibia) (Pty) Limited	Namibia
Minerva Holdings (Pvt) Limited	Zimbabwe
Minet (Taiwan) Ltd.	Taiwan
Minet a.s.	Czech Republic
Minet Africa Holdings Ltd.	United Kingdom
Minet Airport Insurance Services Ltd.	United Kingdom
Minet AS	Norway
Minet Australia Holdings Pty. Ltd.	Australia
Minet Australia Pty. Ltd.	Australia
Minet Benefit Services (International) Ltd.	Guernsey
Minet Botswana (Pty) Ltd.	Botswana
Minet Burn & Roche Pty. Ltd.	Australia
Minet China Ltd.	Hong Kong
Minet Commercial Ltd.	United Kingdom
Minet Consultancy Services Ltd. (Kenya)	Kenya
Minet Consultancy Services Ltd. (UK)	United Kingdom
Minet Direct Marketing Services Ltd.	United Kingdom
Minet Employees' Trust Company Ltd.	United Kingdom
Minet Europe Holdings Ltd.	United Kingdom
Minet Financial Services Ltd.	United Kingdom

Minet Firstbrokers Oy	Finland
Minet Group	United Kingdom
Minet Group Holdings	United Kingdom
Minet Holdings Guernsey Limited	Guernsey
Minet Holdings Inc.	New York
Minet Hong Kong Ltd.	Hong Kong
Minet Inc. (Canada)	Canada
Minet Ins. Brokers (Holdings) (NZ) Ltd.	New Zealand
Minet Ins. Brokers (Zimbabwe) (Pvt) Ltd.	Zimbabwe
Minet Insurance Brokers (Holdings) Ltd.	United Kingdom
Minet Insurance Brokers (Thailand) Ltd	Thailand
Minet Insurance Brokers (Uganda) Limited	Uganda
Minet International (Holdings) Ltd.	United Kingdom
Minet Kingsway (Lesotho) (Pty) Ltd.	Lesotho
Minet Limited	Uganda
Minet Limited	United Kingdom
Minet Limited (Bermuda)	Bermuda
Minet Lindgren i Helsingborg	Sweden
Minet Members Agency Holdings Ltd.	United Kingdom
Minet New Zealand Ltd.	New Zealand
Minet Nigeria	Nigeria
Minet Nominees Ltd.	United Kingdom
Minet Professional Services (Europe) Ltd.	United Kingdom
Minet Professional Services Ltd. (UK)	United Kingdom
Minet Professional Services Pty. Ltd. (Australia)	Australia
Minet Properties Ltd.	United Kingdom
Minet RAI A Insurance Brokers Limited	Hong Kong
Minet Re (Bermuda) Limited	Bermuda
Minet Re GmbH	Germany
Minet Re International Ltd.	United Kingdom
Minet Re North America, Inc.	Georgia
Minet Risk Services (Barbados) Ltd.	Barbados
Minet Risk Services (Bermuda) Ltd.	Bermuda
Minet Risk Services (Guernsey) Ltd.	Guernsey
Minet Risk Services (Jersey) Ltd.	Jersey
Minet Risk Services (Singapore) Ltd.	Singapore
Minet Singapore Pte. Ltd.	Singapore
Minet Superannuation Nominee Pty. Ltd.	Australia
Minet Trustees Ltd.	United Kingdom
Minet West Africa Ltd.	United Kingdom
Minet Zambia Limited	Zambia
Minet Zimbabwe (Pvt) Ltd.	Zimbabwe
Minken Properties Ltd.	Kenya
Moes & Caviat Last bv	Netherlands
Morency, Weible & Sapa, Inc.	Illinois
Motorplan Limited	United Kingdom
MPI Insurance Agency, Inc.	Missouri
MTF Insurance Agency, Inc.	Texas
Muirfield Underwriters, Ltd.	Delaware
N.V. Verzekering Maatschappij Van 1890	Netherlands
National Product Care Company	Illinois
National Transportation Adjusters, Inc.	Nebraska
NB Life Agents, Inc.	New York
Netherlands Construction Insurance Services Ltd	United Kingdom
New Dimensions Underwriting Group, Inc.	Virginia
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 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 Bankscope Insurance Services Limited	United Kingdom
Nicholson Leslie Bankscope Marine Insurance Consultants	United Kingdom
Nicholson Leslie Energy Resources Limited	United Kingdom
Nicholson Leslie International Limited	United Kingdom
Nicholson Leslie Investments Limited	United Kingdom
Nicholson Leslie Limited	United Kingdom
Nicholson Leslie Management Services Limited	United Kingdom
Nicholson Leslie Non-Marine Reinsurance Brokers Limited	United Kingdom
Nicholson Leslie North American Reinsurance Brokers, Limited	United Kingdom
Nicholson Leslie Property Limited	United Kingdom
Nikols Chile SA	Chile
Nikols Galicia SA	Spain
Nikols Iberia SA	Spain
Nikols Portugal Ltda	Portugal
Nikols SA	Switzerland
Nikols Segiber Ltda	Portugal
Nissho Iwai (Japan)	Japan
Nixon Constable & Company Ltd.	United Kingdom
Norsk Forsikringservice AS	Norway
Norwegian Insurance Partners A/S	Norway
Norwegian Insurance Partners as (Non-Marine)	Norway
NRC Reinsurance Company Ltd.	Bermuda
Ohio Cap Insurance Company, Inc.	Bermuda
OHM Insurance Agency, Inc.	Ohio
OHM Services of Texas, Inc.	Texas
Olarescu & B. I. Davis Asesores y Corredores de Seguros S.A.	Peru
Old ARS LRA Corp.	Texas
Old S&C of PA, Inc.	Pennsylvania
Olympic Health Management Services, Inc.	Washington
Olympic Health Management Systems, Inc.	Washington
Orobio Mees Herman B.V.	Netherlands
OUM & Associates of New York, A Corporation	New York
OWA Hoken (UK) Limited	United Kingdom
OWA Insurance Services Austria Gesellschaft mbH	Austria
OWA Insurance Services Austria GmbH & Co. KG	Austria
P I Insurance Brokers (Pty) Limited	South Africa
P.T. Alexander Lippo Indonesia	Indonesia
Pacific Underwriting Corporation Pty. Ltd.	Australia
Pacific Wholesale Insurance Brokers Pty Ltd.	Australia
Paladin Reinsurance Corporation	New York
Pandimar Consultants, Inc.	New York
Paribas Assurantien B.V.	Netherlands
Parker Risk Management (Bermuda) Ltd.	Bermuda
Pat Ryan & Associates, B.V.	Netherlands
Paul J.F. Schultz oHG	Germany
PHH Insurance Associates Corporation	Maryland
Pinerich Limited	Ireland
Plaire SA	France
Poland Puckle Insurance Brokers Ltd.	United Kingdom
Prairie State Administrative Services, Inc.	Illinois
Premier Auto Finance, Inc.	Delaware
Prescot Insurance Holdings Ltd.	United Kingdom
Presidio Excess Insurance Services, Inc.	California
Presidium Companies, Inc.	Delaware

Presidium Holdings, Inc.	Delaware
Presidium, Inc.	Delaware
Priceforbes Federale Volkskas (Holdings) (Proprietary) Limited	South Africa
Priority Line Direct Limited	United Kingdom
Private Client Trustees Ltd.	Ireland
Product Care, Inc.	Illinois
Produgar	Portugal
Professional & General Ins. Company (Bermuda) Ltd.	Bermuda
Professional Liability Services Limited	United Kingdom
Professional Sports Insurance Co. Ltd.	Bermuda
Property Owners Database Limited	United Kingdom
Pro-Plus Insurance Brokers	California
Proruck Ruckversicherungs - AG	Germany
Proudfoot Reports Incorporated	New York
PROVIA Gessellschaft fur betriebliche Risikoanalyse mbH	Germany
Provider Services, Ltd.	Bermuda
PT RNJ Ratna Nusa Jaya	Indonesia
PYXYS-Gestion de Flottes SA	France
R&M Reinsurance Intermediaries Ltd.	Trinidad
R.E.I.A. Insurance Brokers Pty. Ltd.	Australia
Ralph S. Harris (Insurance) Pty. Ltd.	Zimbabwe
Rath & Strong, Inc.	Massachusetts
RBH General Agencies (Canada) Inc.	Quebec
RDG Resource Dealer Group (Canada) Inc.	Canada
Reed Stenhouse Asia Pacific Limited	Scotland
Reed Stenhouse Europe Holdings B.V.	Netherlands
Reed Stenhouse GmbH	Germany
Reed Stenhouse Underwriting Management Limited	Scotland
REI (NSW) Insurance Brokers Pty. Ltd.	Australia
REISA Insurance Brokers Pty. Ltd.	Australia
REIV Insurance Brokers (Pty) Ltd.	Australia
Resource Acquisition Corporation	Delaware
Resource Dealer Group of Alabama, Inc.	Alabama
Resource Dealer Group of Arizona Insurance Services, Inc.	Arizona
Resource Dealer Group of Indiana, Inc.	Indiana
Resource Dealer Group of Kentucky, Inc.	Kentucky
Resource Dealer Group of Massachusetts Insurance Agency, Inc.	Massachusetts
Resource Dealer Group of Nevada, Inc.	Nevada
Resource Dealer Group of New Mexico, Inc.	New Mexico
Resource Dealer Group of Ohio Agency, Inc.	Ohio
Resource Dealer Group of Texas, Inc.	Texas
Resource Dealer Group, Inc.	Illinois
Resource Dealer Group, Inc.	Mississippi
Resource Dealer Insurance Services of California, Inc.	California
Resource Financial Corporation	Delaware
Resource Life Insurance Company	Illinois
Resource Life Insurance Company	Nebraska
Resource Training, Inc.	Illinois
Revasa S.p.A.	Italy
RG Reis (Management Services) Ltd.	United Kingdom
RG Reis Pension Fund Trustees Ltd.	United Kingdom
RHH Surety & Guarantee Limited	United Kingdom
RIP Services Limited	Guernsey
Risk Funding Services (Pty) Limited	South Africa
Risk Management Consultants of Canada Limited	Canada
Risque et Finance SA	France
Rockford Holding, Inc.	Delaware
Rockford Life Insurance Company	Arizona
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 Associates B.V.	Netherlands
Rollins Hudig Hall Finance bv	Netherlands
Rollins Hudig Hall Services Limited	United Kingdom
Rollins Hudig Hall Singapore Pte. Ltd.	Singapore
Ropeco Pty Ltd.	Australia
Rostron Hancock Ltd.	United Kingdom
Ruben Entertainment Insurance Services	United Kingdom
RUMEX VermögensverwaltungsGmbH	Germany
Ryan Insurance Group France S.A.R.L.	France
Ryan Warranty Services Canada, Inc.	Canada
Ryan Warranty Services Quebec, Inc.	Ontario
Rydata Limited	United Kingdom
S A Credit & Insurance Brokers (Pty) Limited	South Africa
S W Holdings (SA) (Pty) Limited	South Africa
S W Insurance Brokers (Pty) Limited	South Africa
S. Mark Brockinton & Associates of Texas, Inc.	Texas
S.A.B. S.p.A.	Italy
Saat Van Marwijk Beheer bv	Netherlands
Saat Van Marwijk Noordwijk B.V.	Netherlands
Safetylogic.com, Inc.	Oregon
Salud Centurion Ltda. Agente de Medicina Prepagada	Colombia
SASE France Societe Des Assures Du Sud Set	France
Savoy Insurance Brokers Ltd.	United Kingdom
Saxonbeech Ltd.	United Kingdom
Schirmer Engineering Corporation	Delaware
Scottish & Commonwealth Insurance Co. Ltd.	Bermuda
Seascope Marine Limited	United Kingdom
Securities Guarantee Company Limited	United Kingdom
Sedgwick Brichetto Argentina SA	Argentina
Sedgwick Corredores de Reaseguros Ltda	Colombia
Sedgwick Correduria de Seguros SA	Spain
Seguros Inchcape Macau Lda.	Macau
Select Healthcare Insurance Services	California
SelectDirect Limited	Scotland
Service Protection, Inc.	Illinois
Service Saver, Incorporated	Florida
ServicePlan of Florida, Inc.	Florida
ServicePlan, Inc.	Illinois
Services A&A S.A.	Mexico
Servicios Inmobiliarios Guadalajara, S.C.	Mexico
Servicios Y Garantias Ryan S.L.	Spain
SGAP SA	France
SGL Logistica Srl	Italy
Sheffield Insurance Corporation	Illinois
Sherwood Insurance Agency, Inc. of New York	New York
Sherwood Insurance Services	California
Sherwood Insurance Services of Washington, Inc.	Washington
SHL Pacific Regional Holdings Inc.	California
Shoreline Insurance Agency, Inc.	Rhode Island
Simco Insurance Brokers Pte	Singapore
SINSER Holding AB	Sweden
SLE Worldwide Australia Pty Limited	Australia
SLE Worldwide Limited	United Kingdom
SLE Worldwide Mexico Agente de Seguros S.A. de C.V.	Mexico
SLE Worldwide, Inc.	Delaware
SN Re SA (Brichetto Sudamericana)	Argentina

Societe Centrale de Courtage d'Assurances	France
Societe Europeenne d'Etudes et de Courtages - SEEC SA	France
Sodarcam Inc.	Canada
Soriero & Company, Inc.	Texas
Sorim (1987) Ltd.	United Kingdom
Sorim Services (1987) Ltd.	United Kingdom
Sothanasiri Co. Ltd.	Thailand
Southern Cross Underwriting Pty. Limited	Australia
Special Risk Resources Insurance Agency, Inc.	California
Special Risk Services Asia Pacific Pty. Ltd.	Australia
Special Risk Services Limited	United Kingdom
Special Risk Services Underwriting Agency Limited	United Kingdom
Special Risk Services, Inc.	New York
Specialty Benefits, Inc.	Indiana
Specialty Investment 004 Limited	United Kingdom
Spicafab Limited	United Kingdom
Spicafab PLC	Australia
Stenhouse (South East Asia) Pte. Ltd.	Singapore
Stenhouse Marketing Services (London) Ltd.	United Kingdom
Stenhouse Marketing Services, Inc.	Delaware
Sterling Life Insurance Company	Arizona
Sumner & McMillan	United Kingdom
Sumner & McMillan Limited (Ireland)	Ireland
Superannuation Fund (CICNZ) Limited	New Zealand
Superannuation Management Nominees Ltd.	New Zealand
Surety & Guarantee Consultants Limited	United Kingdom
Surveyors Claims Services Ltd.	United Kingdom
Surveyors Insurance Brokers Limited	United Kingdom
Suys & Janssens SA	Belgium
Swaziland Construction Insurance Brokers (Pty) Ltd.	Swaziland
Swaziland Corporate Risk Management (Pty) Ltd.	Swaziland
Swaziland Employee Benefit Consultants (Pty) Ltd.	Swaziland
Swaziland Insurance Brokers (Pty) Ltd.	Swaziland
Swaziland Reinsurance Brokers (Pty) Ltd.	Swaziland
Swett & Crawford Insurance Agency of Massachusetts, Inc.	Massachusetts
Swett & Crawford of Arizona, Inc.	Arizona
Swett & Crawford of Colorado, Inc.	Colorado
Swett & Crawford of Connecticut, Inc.	Connecticut
Swett & Crawford of Hawaii, Inc.	Hawaii
Swett & Crawford of Idaho, Inc.	Idaho
Swett & Crawford of Illinois, Inc.	Illinois
Swett & Crawford of Maine, Inc.	Maine
Swett & Crawford of Nevada, Inc.	Nevada
Swett & Crawford of Ohio, Inc.	Ohio
Swett & Crawford of Pennsylvania, Inc.	Pennsylvania
Swett & Crawford of Texas, Inc.	Texas
Swett Insurance Managers of California, Inc.	California
T M Insurance Brokers (Pty) Limited	South Africa
T.F. Sullivan Consulting, Inc.	Delaware
Tabma-Hall Insurance Services Pty. Limited	Australia
TASG Pty. Ltd. ACN 008 078 308	Australia
Tecsefin Centroamerica, S.A.	Panama
Tecsefin Guatemala	Panama
Tecsefin Salvador	Panama
Tecsefin, S.A.	Colombia
Ted Harty & Associates, Inc.	Georgia
Terbroker srl	Italy
Tethercrest Ltd.	United Kingdom
Texas/New Dimensions Agency, Inc. of San Antonio	Texas

Texas/New Dimensions Life Agency, Inc. of San Antonio	Texas
Texas/New Dimensions Underwriting Group, Inc.	Texas
The Alexander Consulting Group Ltd.	Canada
The Alexander Consulting Group Ltd.	Scotland
The Australian Superannuation Group (NSW) Pty Ltd. ACN 079 236 052	Australia
The Auto Conduit Corporation	Delaware
The Brennan Group, Inc.	Delaware
The Claims Office Limited	United Kingdom
The Credit Insurance Association (Canada) Limited	Canada
The Credit Insurance Association Deutschland GmbH	Germany
The Credit Insurance Association France SA	France
The Credit Insurance Association France SA	France
The Credit Insurance Association Ltd.	United Kingdom
The Olympic Senior Membership Group, Inc.	Washington
The Superannuation Group (Victoria) Pty.	Australia
The Superannuation Group Pty. Ltd. ACN 006 922 470	Australia
The Swett & Crawford Group, Inc.	California
Tholwana MIB Pty Limited	South Africa
Tradeshock Limited	United Kingdom
Trans Caribbean Insurance Services, Inc.	U.S. Virgin Islands
Travellers Club International Ltd.	United Kingdom
Trent Insurance Company Ltd.	Bermuda
TTF Insurance Services Ltd.	United Kingdom
Underwriters Marine Services of Texas, Inc.	Texas
Underwriters Marine Services, Inc.	Louisiana
Union Centurion, S.A.de C.V.	Mexico
Unison Consultants Europe E.E.I.G.	Belgium
Unison Technical Services	Belgium
Unit Trust	Australia
United Financial Adjusting Company	Ohio
United Iranian Insurance Services plc Teheran	Iran
Unity Limited	Bermuda
Valex Insurance Agency, Inc.	Texas
Variety Risk Management Services Ltd.	United Kingdom
Vassal Properties (Pty) Ltd.	Botswana
Velo Motor Accident Management Limited	United Kingdom
Verband der Jauch & Hubener Unterstutzungskassen	Germany
Virginia Surety Compania de Seguros	Argentina
VOL Properties Corporation	Delaware
Wackerbarth Hardman (Holdings) Limited	United Kingdom
Wackerbarth Holdings Limited	United Kingdom
Wackerbarth International Holdings Bv	Netherlands
WACUS Magyarorszag Hitelbitzositasi Tanacsado es Kozvetito Kft.	Hungary
WAVECA SA	Venezuela
Wed. Jacobs & Brom bv	Netherlands
Wexford Underwriting Managers, Inc.	Delaware
Wilfredo Armstrong S.A.	Argentina
William Gallagher Associates of California, Inc.	California
William Gallagher Associates of New Jersey, Inc.	New Jersey
Winchester Financial Services (Pty) Limited	South Africa
Windhock Insurance Brokers (Pty) Limited	Namibia
WMD Underwriting Agencies Ltd.	United Kingdom
World Insurance Network Ltd.	Cardiff
Worldwide Insurance Network Limited	United Kingdom
Worldwide Integrated Services Company	Texas
Wyrn Systems Pty Limited	South Africa
XB-Lumley Insurance Brokers (Pty) Ltd.	South Africa
Y&D Properties Ltd.	Canada
Yin Hwa Insurance Agent Co Ltd.	Taiwan

ZAO Aon Insurance Brokers  
Zimbabwe Risk Managers (Pvt) Ltd.

Russia  
Zimbabwe

## Exhibit 23

### CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements of Aon Corporation described in the following table of our report dated February 12, 2003, with respect to the consolidated financial statements and schedules of Aon Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

REGISTRATION FORM	STATEMENT NUMBER	PURPOSE
S-8	33-27984	Pertaining to Aon's savings plan
S-8	33-42575	Pertaining to Aon's stock award plan and stock option plan
S-8	33-59037	Pertaining to Aon's stock award plan and stock option plan
S-3	333-50607	Pertaining to the registration of 369,000 shares of common stock
S-8	333-55773	Pertaining to Aon's stock award plan, stock option plan, and employee stock purchase plan
S-3	333-78723	Pertaining to the registration of debt securities, preferred stock and common stock
S-4	333-57706	Pertaining to the registration of up to 3,852,184 shares of common stock
S-3	333-74364	Pertaining to the registration of debt securities, preferred stock, common stock, share purchase contracts, and share purchase units
S-3	333-100466	Pertaining to the registration as amended of 2,707,018 shares of common stock
S-3	333-102799	Pertaining to the registration of senior convertible debentures and common stock
S-8	333-103344	Pertaining to the registration of common stock
S-4	333-103704	Pertaining to the registration of debt securities

/s/ ERNST & YOUNG LLP

*Chicago, Illinois  
March 20, 2003*

**Exhibit 99.1**

**CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63  
OF TITLE 18 OF THE UNITED STATES CODE**

I, Patrick G. Ryan, the Chief Executive Officer of Aon Corporation (the "COMPANY"), certify that (i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2002 (the "REPORT") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Patrick G. Ryan*

-----  
*Patrick G. Ryan*  
*Chief Executive Officer*  
*March 26, 2003*

**Exhibit 99.2**

**CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63  
OF TITLE 18 OF THE UNITED STATES CODE**

I, Harvey N. Medvin, the Chief Financial Officer of Aon Corporation (the "COMPANY"), certify that (i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2002 (the "REPORT") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Harvey N. Medvin*

-----  
*Harvey N. Medvin*  
*Chief Financial Officer*  
*March 26, 2003*