

AON PLC

FORM 10-K (Annual Report)

Filed 03/29/99 for the Period Ending 12/31/98

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

AON CORP

FORM 10-K (Annual Report)

Filed 3/29/1999 For Period Ending 12/31/1998

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1998

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)
123 NORTH WACKER DRIVE,
CHICAGO, ILLINOIS
(Address of Principal Executive Offices)
(312) 701-3000
(Telephone Number)

36-3051915
(I.R.S. Employer
Identification No.)
60606
(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*
6.875% Notes Due 1999	New York Stock Exchange
7.40% Notes Due 2002	New York Stock Exchange

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

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

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

YES ☒ NO ☐

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

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 24, 1999 was \$8,787,962,898.

Number of shares of \$1.00 par value Common Stock outstanding as of February 24, 1999: 170,793,734.

Documents From Which Information is Incorporated By Reference:
Annual Report to Stockholders of the Registrant for the Year 1998

(Parts I, II and IV)

PART I

ITEM 1. BUSINESS.

The Registrant is a holding company whose operating subsidiaries carry on business in three distinct 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.

Aon Group, Inc., its subsidiaries and certain other indirect subsidiaries of the Registrant (the "Aon Group") including Aon Risk Services Companies, Inc.; Aon Holdings bv; Aon Consulting Worldwide, Inc.; Aon Services Group, Inc.; Aon Re Worldwide, Inc.; Aon Group Limited; and Alternative Market Operations ("AMO") provide reinsurance intermediary services, benefits consulting and commercial insurance brokerage services. Aon Group revenues grew significantly in fiscal 1996, 1997, and 1998 when the Registrant acquired, among other companies, Bain Hogg Group plc ("Bain Hogg") in 1996; Alexander & Alexander Services Inc. ("A&A"), The Minet Group, and Jauch & Hubener in 1997; and Le Blanc de Nicolay, Gil y Carvajal and Auto Insurance Specialists, Inc. in 1998.

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

In second quarter 1996, the Registrant and Combined Insurance sold two of Combined Insurance's insurance subsidiaries, Union Fidelity Life Insurance Company ("UFLIC") and the Life Insurance Company of Virginia ("LOV").

The Registrant hereby incorporates by reference pages 6 through 12 and pages 17 through 23 of the Annual Report to Stockholders of the Registrant for the Year 1998 ("Annual Report").

COMPETITION AND INDUSTRY POSITION

(1) INSURANCE BROKERAGE AND OTHER SERVICES

Aon Group, Inc. ("Aon Group"); Aon Risk Services Companies, Inc. ("Aon Risk Services Companies"); Aon Holdings bv ("Aon Holdings"); Aon Services Group, Inc. ("Aon Services Group"); Aon Re Worldwide, Inc. ("Aon Re"); Aon Group Limited ("AGL"); Alternative Market Operations ("AMO").

Aon Group is the holding company for the Registrant's commercial brokerage and consulting operation. Aon Group companies have 550 offices around the world in approximately 120 countries. In 1998, Aon Group employed over 34,000 professionals and support personnel to serve the diverse needs of clients.

Aon Risk Services Companies' subsidiaries operate in a highly competitive industry and compete with a large number of retail insurance brokerage and agency firms as well as individual brokers and agents and direct writers of insurance coverage. Aon Risk Services Companies' subsidiaries provide risk management services, including insurance placement, claims management, loss control and administrative services. It has also developed certain specialist niche areas such as marine, aviation, directors and officers liability, financial institutions, construction, energy, media and entertainment. In 1998, significant investments were made in professional talent, technology and the development of specialized products and services to meet the evolving needs of clients.

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

Aon Services Group addresses the highly specialized product development, consulting and administrative needs of professional groups, service businesses, governments, health-care providers and commercial organizations.

It also provides underwriting management skills, claims and risk management expertise, and third-party administration services to insurance companies. Aon Services Group operating subsidiaries market and broker both the primary and reinsurance risks of these programs. For individuals and businesses, Aon Services Group provides affinity products for professional liability, life and personal lines. The acquisition of The Minet Group by the Registrant augmented Aon Services Group's already strong expertise in wholesale brokerage and professional liability programs. The 1998 acquisition of Auto Insurance Specialists, Inc., an insurance broker specializing in automobile insurance coverages, gives Aon Services Group a significant presence in that market with opportunities for wide geographic application.

Aon's reinsurance brokerage activities are organized under Aon Re in the United States and AGL in the United Kingdom. Aon Re is the largest reinsurance broker in the world, offering reinsurance, analytical services and alternative risk financing vehicles. Aon Re serves the alternative market with reinsurance placement, alternative risk services, captive management services and catastrophe information forecasting. AGL is a London-based Lloyd's broker that places wholesale and reinsurance business in the London and international markets and serves the needs of a wide range of clients around the world.

AMO was established by Aon in late 1997 and is a leading provider of custom-designed products and services which feature specialty underwriting capabilities that produced an annual premium volume in excess of \$1 billion. Several of AMO's specialties include entertainment, public entities, professional liability, workers compensation, and media business and financial institutions.

(2) CONSULTING

Aon Consulting Worldwide, Inc. ("Aon Consulting")

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

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

(3) INSURANCE UNDERWRITING

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

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

The life, accident and health distribution network encompasses primarily the agents of Combined Insurance and CLICNY (which operates exclusively in the State of New York). With more than five million policyholders, Combined Insurance has more individual accident policies in force than any other United States company. Combined Insurance, the Registrant's principal life, accident and health insurer, has a direct sales force of several thousand career agents calling on individuals to sell a broad spectrum of accident and health products, while it is one of the few companies with agents that call on customers every six months to renew coverage and to sell additional coverage. Combined Insurance's current product portfolio often allows policyholders the option of paying premiums monthly through a pre-authorized check mechanism. Those policyholders are still called on by an agent to add additional coverage. Combined Insurance offers a wide range of accident-only and sickness-only insurance products, including short-term disability, cancer aid, Medicare supplement, disability income and long-term care coverage. Most of Combined Insurance's products are primarily fixed indemnity obligations, thereby not subject to escalating medical costs. Combined Insurance offers a simplified accident and sickness long-term disability policy. In addition to its traditional business, Combined Insurance has expanded its product distribution through payroll deduction, worksite marketing programs. Combined Insurance's business is conducted by the Registrant's operations in the United States, Canada, Latin America, Europe and Asia Pacific.

Combined Insurance and CLICNY market whole life products through direct sales career agents in the United States. Combined Insurance ranked among the top 140 life insurance companies in the United States in terms of total life premiums in 1997.

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

(4) DISCONTINUED OPERATIONS

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

In April 1996, the Registrant and Combined Insurance completed the sales of Combined Insurance's subsidiaries, LOV and UFLIC. The business written by LOV primarily included capital accumulation products and some other life products. UFLIC operated in the United States in the highly competitive direct response life and health marketing segment of the industry. The Registrant hereby incorporates by reference note 3 of the Notes to Consolidated Financial Statements on page 40 of the Annual Report.

A&A's Discontinued Operations

The Registrant hereby incorporates by reference note 3 of the Notes to Consolidated Financial Statements on page 40 of the Annual 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 United States and in 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 United States, by industry self-regulating agencies in the United Kingdom, and by various regulatory agencies in other countries through the granting and revoking of licenses to do business, licensing of agents, monitoring of trade practices, policy form approval, minimum loss ratio requirements, limits on premium and commission rates, and minimum reserve and capital requirements. Compliance is monitored by the state insurance departments through periodic regulatory reporting procedures and periodic examinations. The quarterly and annual financial reports to the regulators in the United States utilize statutory accounting principles which are different from the generally accepted accounting principles used in stockholders' reports. The statutory accounting principles, in keeping with the intent to assure the protection of policyholders, are based, in general, on a liquidation concept while generally accepted accounting principles are based on a going-concern concept.

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

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

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

In 1996 the federal Health Care Insurance Portability and Accountability Act of 1996 ("HIPPA") was enacted. The Act requires the states to take action to implement the requirements of the Act or to become subject to federal oversight. HIPPA implementation by the states has not materially affected the business of the Registrant's subsidiaries. In addition, recent federal laws and proposals, mandating specific practices by medical insurers, and the health care industry will not, because of the nature of the business of the Registrant's subsidiaries, materially affect the Registrant. Numerous states have had legislation introduced to reform the health care system and such legislation has passed in several states. While it is impossible to forecast the precise nature of future federal and state health care changes, the Registrant does not expect a major impact on its operations because of the supplemental nature of most of the policies issued by its insurance subsidiaries and because the coverages are primarily purchased to provide, on a fixed-indemnity basis, protection against loss-of-time or disability benefits. Congress is actively considering a Financial Services Modernization Act commonly known as H.R.10. While H.R.10. would make substantial changes in allowing financial organizations to diversify, the Registrant does not believe the enactment of H.R.10 would have a material affect on the business of its insurance institutions.

CLIENTELE

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

EMPLOYEES

The Registrant's subsidiaries had approximately 44,000 employees at the end of 1998 of whom approximately 36,000 are salaried and hourly employees and the remaining 8,000 are sales representatives who are generally compensated wholly or primarily by commission.

ITEM 2. PROPERTIES.

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

ITEM 3. LEGAL PROCEEDINGS.

The Registrant hereby incorporates by reference note 12 of the Notes to Consolidated Financial Statements on page 50 of the Annual Report.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the Registrant are regularly elected by its Board of Directors at the annual meeting of the Board which is held following each annual meeting of the stockholders of the Registrant. The executive officers of the Registrant were elected to their current positions on April 17, 1998 to serve until the meeting of the Board following the annual meeting of stockholders on April 16, 1999. Ages shown are as of December 31, 1998.

For information concerning certain directors and executive officers of the Registrant, see item 10 below. As of March 31, 1999, the following individuals are also executive officers of the Registrant as defined in Rule 16a-1(f):

Name, Age, and Current Office or Principal Position -----	Has Continuously Served as an Officer of Registrant or One or More of its Subsidiaries Since -----	Business Experience Past 5 years -----
Harvey N. Medvin, 62 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. He also serves as a Director or Officer of certain of the Registrant's subsidiaries.
Daniel T. Cox, 52 Executive Vice President	1986	Mr. Cox was elected to his current position in 1991 and, prior to their sale in 1996, had served as Chairman and Chief Executive Officer of certain of the Registrant's underwriting subsidiaries. Mr. Cox has headed the Registrant's benefits consulting operation since 1987. He also serves as Director or Officer of certain of the Registrant's subsidiaries.
Michael A. Conway, 51 Senior Vice President and Senior Investment Officer	1990	Mr. Conway was Vice President of Combined Insurance from 1980 to 1984. Following other employment, Mr. Conway rejoined the Registrant in 1990 as Senior Vice President of Combined Insurance and was elected to his current position in 1991. He also serves as Director or Officer of certain of the Registrant's subsidiaries.
Michael D. O'Halleran, 48 President and Chief Operating Officer of Aon Group, Inc.	1987	Mr. O'Halleran was appointed President and Chief Operating Officer of Aon Group, Inc. in 1995. Prior thereto, since joining the Registrant in 1987, he held a variety of senior positions in the Registrant's insurance and reinsurance brokerage operations. He also serves as a Director or Officer of certain of the Registrant's subsidiaries.

PART II

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

The Registrant's \$1.00 par value common shares ("Common Shares") are traded on the New York, Chicago and London stock exchanges. The Registrant hereby incorporates by reference the "Dividends paid per share" and "Price range" data on page 53 of the Annual Report.

The Registrant had approximately 13,300 holders of record of its Common Shares as of February 24, 1999.

The Registrant hereby incorporates by reference note 8 of the Notes to Consolidated Financial Statements on pages 43 and 44 of the Annual Report.

ITEM 6. SELECTED FINANCIAL DATA.

The Registrant hereby incorporates by reference the "Selected Financial Data" table on page 52 of the Annual Report.

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

The Registrant hereby incorporates by reference "Financial and Operations Highlights - Management's Discussion and Analysis" on pages 14 through 30 and "Information Concerning Forward-Looking Statements" on the inside back cover of the Annual Report.

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

The Registrant hereby incorporates by reference "Market Risk Exposure" on page 29 of the Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

	Page(s)

Consolidated Financial Statements	31 - 35
Notes to Consolidated Financial Statements	36 - 50
Report of Ernst & Young LLP, Independent Auditors	51
Quarterly Financial Data	53

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

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The Registrant hereby incorporates by reference the information on pages 3 and 7 of the Proxy Statement For Annual Meeting of the Stockholders on April 16, 1999, of the Registrant ("Proxy Statement") concerning the following Directors of the Registrant, each of whom also serves as an executive officer of the Registrant as defined in Rule 16a-1(f): Patrick G. Ryan and Raymond I. Skilling. Information concerning additional executive officers of the Registrant is contained in Part I hereof, pursuant to General Instruction G(3) and Instruction 3 to Item 401 (b) of Regulation S-K. The Registrant also hereby incorporates by reference the information on pages 10 through 12 of the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The Registrant hereby incorporates by reference the information under the headings "Executive Compensation," "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values," "Option Grants in 1998 Fiscal Year" and "Pension Plan Table" on pages 14 through 16 of the Proxy Statement.

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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Registrant hereby incorporates by reference the information under the heading "Transactions With Management" on page 21 of the Proxy Statement.

PART IV

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

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

	Annual Report Page(s) -----
Consolidated Statements of Income - Years Ended December 31, 1998, 1997 and 1996	31
Consolidated Statements of Financial Position - As of December 31, 1998 and 1997	32-33
Consolidated Statements of Stockholders' Equity - Years Ended December 31, 1998, 1997 and 1996	34
Consolidated Statements of Cash Flows - Years Ended December 31, 1998, 1997 and 1996	35
Notes to Consolidated Financial Statements	36-50
Report of Ernst & Young LLP, Independent Auditors	51
Financial statement schedules of the Registrant and consolidated subsidiaries not included in the Annual Report but filed herewith:	
Consolidated Financial Statement Schedules -	

	Schedule -----
Condensed Financial Information of Registrant	I
Valuation and Qualifying Accounts	II

All other schedules for Aon Corporation and Subsidiaries have been omitted since 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 Aon Corporation and Subsidiaries as they relate to the insurance underwriting operations:

	Schedule -----
Summary of Investments Other than Investments in Related Parties	II.1
Reinsurance	II.2

(a)(3). EXHIBITS

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

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

- (c) Bylaws of the Registrant - incorporated by reference to Exhibit (d) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1982 (the "1982 Form 10-K").
- (d) Indenture dated September 15, 1992 between the Registrant and Continental Bank Corporation (now known as Bank of America Illinois), as Trustee - incorporated by reference to Exhibit 4(a) to the Registrant's Current Report on Form 8-K dated September 23, 1992.
- (e) Resolutions establishing terms of 6.875% Notes Due 1999 and 7.40% Notes Due 2002 - incorporated by reference to Exhibits 4(d) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1992 (the "1992 Form 10-K").
- (f) Resolutions establishing the terms of 6.70% Notes Due 2003 and 6.30% Notes Due 2004 incorporated by reference to Exhibits 4(c) and 4(d) of the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1993 (the "1993 Form 10-K").
- (g) Junior Subordinated Indenture dated as of January 13, 1997 between the Registrant and The Bank of New York, as trustee - incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to Registration Statement on Form S-4 No. 333-21237 dated March 27, 1997 (the "Capital Securities Registration").
- (h) First Supplemental Indenture dated as of January 13, 1997 between the Registrant and the Bank of New York, as trustee - incorporated by reference to Exhibit 4.2 of the Capital Securities Registration.
- (i) Certificate of Trust of Aon Capital A - incorporated by reference to Exhibit 4.3 of the Capital Securities Registration.
- (j) Amended and Restated Trust Agreement of Aon Capital A dated as of January 13, 1997 among the Registrant, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, the Administrative Trustees named therein and the holders, from time to time, of the Capital Securities - incorporated by reference to Exhibit 4.5 of the Capital Securities Registration.
- (k) Capital Securities Guarantee Agreement dated as of January 13, 1997 between the Registrant and the Bank of New York, as guarantee trustee - incorporated by reference to Exhibit 4.8 of the Capital Securities Registration.
- (l) Capital Securities Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.10 of the Capital Securities Registration.
- (m) Debenture Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co.- incorporated by reference to Exhibit 4.11 of the Capital Securities Registration.
- (n) Guarantee Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co.- incorporated by reference to Exhibit 4.12 of the Capital Securities Registration.
- (o) Certificate of Designation for the Registrant's Series C Cumulative Preferred Stock - incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 9, 1994.

- (p) Registration Rights Agreement dated November 2, 1992 by and between the Registrant and Frank B. Hall & Co., Inc. incorporated by reference to Exhibit 4(c) to the Third Quarter 1992 Form 10-Q.
- (q) Registration rights agreement by and among the Registrant and certain affiliates of Ryan Insurance Group, Inc. (including Patrick G. Ryan and Andrew J. McKenna) - incorporated by reference to Exhibit (f) to the 1982 Form 10-K.
- (r) Deferred Compensation Agreement by and among the Registrant and Registrant's directors who are not salaried employees of Registrant or Registrant's affiliates - incorporated by reference to Exhibit 10(i) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1987 (the "1987 Form 10-K").
- (s) Amendment and Waiver Agreement dated as of November 4, 1991 among the Registrant and each of Patrick G. Ryan, Shirley Ryan, Ryan Enterprises Corporation and Harvey N. Medvin - incorporated by reference to Exhibit 10(j) to the 1991 Form 10-K.
- (t) Statement regarding Computation of Ratio of Earnings to Fixed Charges.
- (u) Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- (v) Aon Corporation 1994 Amended and Restated Outside Director Stock Award Plan - incorporated by reference to Exhibit 10(b) to the First Quarter 1994 Form 10-Q.
- (w) Annual Report to Stockholders of the Registrant for the year ended December 31, 1998 (for information, and not to be deemed filed, except for those portions specifically incorporated by reference herein).
- (x) List of Subsidiaries of the Registrant.
- (y) Consent of Ernst & Young LLP to the incorporation by reference into Aon's Annual Report on Form 10-K of its report included in the 1998 Annual Report to Stockholders and into Aon's Registration Statement Nos. 33-27984, 33-42575, 33-59037, 333-21237, 333-50607 and 333-55773.
- (z) Annual Report to the Securities and Exchange Commission on Form 11-K for the Aon Savings Plan for the year ended December 31, 1998 - to be filed by amendment as provided in Rule 15d- 21(b).
- (aa) Executive Compensation Plans and Arrangements:
- (A) Aon Stock Option Plan (as amended and restated through 1997) - incorporated by reference to Exhibit 10 (a) to the Registrant's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the Quarter ended March 31, 1997 (the "First Quarter 1997 Form 10-Q").
- (B) Aon Stock Award Plan (as amended and restated through 1997) - incorporated by reference to Exhibit 10(b) to the First Quarter 1997 Form 10-Q.
- (C) Aon Corporation 1995 Senior Officer Incentive Compensation Plan incorporated by reference to Exhibit 10(p) to the Registrant's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended December 31, 1995 (the "1995 Form 10-K").
- (D) Aon Deferred Compensation Plan and First Amendment to the Aon Deferred Compensation Plan - incorporated by reference to Exhibit 10 (q) of the 1995 Form 10-K.

(E) Employment Agreement dated June 1, 1993 by and among the Registrant, Aon Risk Services, Inc. and Michael D. O'Halleran.

(F) Aon Severance Plan - incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report to the Securities and Exchange Commission and Form 10-Q for the quarter ended June 30, 1997.

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

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

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

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

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

(b) Reports on Form 8-K.

The Registrant filed no Current Reports on Form 8-K during the last quarter of the Registrant's year ended December 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 24th day of March, 1999.

Aon Corporation

By: /s/ PATRICK G. RYAN

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

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

<i>Signature</i> -----	<i>Title</i> -----	<i>Date</i> -----
/s/ PATRICK G. RYAN ----- Patrick G. Ryan	Chairman, President, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1999
/s/ DANIEL T. CARROLL ----- Daniel T. Carroll	Director	March 24, 1999
/s/FRANKLIN A. COLE ----- Franklin A. Cole	Director	March 24, 1999
/s/EDGAR D. JANNOTTA ----- Edgar D. Jannotta	Director	March 24, 1999
/s/PERRY J. LEWIS ----- Perry J. Lewis	Director	March 24, 1999
/s/ANDREW J. McKENNA ----- Andrew J. McKenna	Director	March 24, 1999
/s/NEWTON N. MINOW ----- Newton N. Minow	Director	March 24, 1999
/s/RICHARD C. NOTEBAERT ----- Richard C. Notebaert	Director	March 24, 1999

<i>Signature</i> -----	<i>Title</i> -----	<i>Date</i> -----
/s/DONALD S. PERKINS ----- Donald S. Perkins	Director	March 24, 1999
/s/JOHN W. ROGERS, JR. ----- John W. Rogers, Jr.	Director	March 24, 1999
/s/GEORGE A. SCHAEFER ----- George A. Schaefer	Director	March 24, 1999
/s/RAYMOND I. SKILLING ----- Raymond I. Skilling	Director	March 24, 1999
/s/FRED L. TURNER ----- Fred L. Turner	Director	March 24, 1999
/s/ARNOLD R. WEBER ----- Arnold R. Weber	Director	March 24, 1999
/s/CAROLYN Y. WOO ----- Carolyn Y. Woo	Director	March 24, 1999
/s/HARVEY N. MEDVIN ----- Harvey N. Medvin	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 1999

SCHEDULE I

Aon Corporation (Parent Company) CONDENSED STATEMENTS OF FINANCIAL POSITION

(millions)	As of December 31	
	1998	1997
ASSETS		
Investments in subsidiaries	\$ 5,305.4	\$ 4,667.8
Notes receivable - subsidiaries	239.0	745.3
Cash and cash equivalents	5.5	9.5
Other assets	46.1	166.2
	\$ 5,596.0	\$ 5,588.8
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Short-term borrowings	\$ 436.2	\$ 764.2
6.3% long-term debt securities	99.8	99.8
7.4% long-term debt securities	99.9	99.9
6.875% long-term debt securities	100.0	99.9
6.7% long-term debt securities	149.8	149.7
Subordinated debt	800.0	800.0
Notes payable - subsidiaries	588.1	488.8
Notes payable - other	70.0	70.0
Debt guarantee of employee stock ownership plan	17.5	33.1
Accrued expenses and other liabilities	168.0	111.3
	2,529.3	2,716.7
	-----	-----
Redeemable Preferred Stock	50.0	50.0
STOCKHOLDERS' EQUITY		
Common stock	171.5	171.5
Paid-in additional capital	450.4	377.0
Accumulated other comprehensive income (loss) ..	(116.1)	103.4
Retained earnings	2,782.0	2,463.4
Less treasury stock at cost	(58.5)	(93.2)
Less deferred compensation	(212.6)	(200.0)
	3,016.7	2,822.1
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,596.0	\$ 5,588.8
	=====	=====

See notes to condensed financial statements.

SCHEDULE I
(Continued)

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF INCOME

(millions)	Years ended December 31		
	1998	1997	1996
REVENUE			
Dividends from subsidiaries	\$ 351.2	\$ 179.6	\$ 1,026.6
Other investment income	68.5	51.8	33.1
TOTAL REVENUE	419.7	231.4	1,059.7
EXPENSES			
Operating and administrative	20.0	6.3	5.7
Interest - subsidiaries	94.2	85.3	20.6
Interest - other	75.6	61.7	43.2
TOTAL EXPENSES (1)	189.8	153.3	69.5
INCOME BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	229.9	78.1	990.2
Income tax benefit	53.9	43.0	3.6
	283.8	121.1	993.8
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	256.7	177.7	(658.6)
NET INCOME	\$ 540.5	\$ 298.8	\$ 335.2

See notes to condensed financial statements.

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

SCHEDULE I
(Continued)

Aon Corporation
(Parent Company)
CONDENSED STATEMENTS OF CASH FLOWS

(millions)	Years Ended December 31		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 445.5	\$ 124.3	\$1,016.9
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments in subsidiaries	(93.3)	(1,354.8)	(319.3)
Notes receivables from subsidiaries	(16.3)	(135.2)	(10.8)
Cash Used by Investing Activities	(109.6)	(1,490.0)	(330.1)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Treasury stock transactions - net	(18.4)	21.4	(40.1)
Issuance (repayment) of short-term borrowings - net .	(328.1)	541.7	(139.2)
Issuance of company-obligated mandatorily redeemable preferred capital securities of subsidiary trust	-	800.0	-
Issuance (repayment) of notes payable and long-term debt - net	200.3	113.5	(105.6)
Retirement of preferred stock	-	(136.2)	(14.2)
Cash dividends to stockholders	(193.7)	(182.1)	(172.9)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES ...	(339.9)	1,158.3	(472.0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4.0)	(207.4)	214.8
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9.5	216.9	2.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5.5	\$ 9.5	\$ 216.9
	=====	=====	=====

See notes to condensed financial statements.

SCHEDULE I
(Continued)

Aon Corporation
(Parent Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(1) See notes to consolidated financial statements incorporated by reference from the Annual Report. Certain amounts in prior years' Condensed Statements of Income have been reclassified to conform to the 1998 presentation.

(2) Generally, the net assets of Aon's insurance subsidiaries available for transfer to the parent company are limited to the amounts that the insurance subsidiaries' statutory net assets exceed minimum statutory capital requirements; however, payments of the amounts as dividends in excess of \$292 million may be subject to approval by regulatory authorities.

(3) **Subsidiary Guarantees** In 1998, Aon guaranteed a committed bank credit facility under which certain European subsidiaries can borrow up to EUR 400 million (\$470 million). At December 31, 1998, loans of EUR 348 million (\$408 million) were outstanding under this facility.

Aon Financial Products, Inc. ("AFP"), an investment banking affiliate of Aon Corporation ("Aon"), manages an \$80 million investment portfolio held in a collateral trust at Citibank related to catastrophe reinsurance notes issued by Pacific Re, Ltd., a Cayman Islands based reinsurance company. AFP is obligated to produce specified investment returns for the portfolio and to back the losses produced in the portfolio. Aon Corporation has unconditionally guaranteed the obligations of Aon Financial Products.

(4) During 1998, Aon Corporation (Parent Company) reclassified \$523 million of notes receivables-subsidaries to investments in subsidiaries related to its brokerage operations.

(5) **Subsequent Event** On March 19, 1999, Aon's directors approved a three-for-two stock split, payable on May 17, 1999 in the form of a stock dividend of one common share for every two shares held, to stockholders of record as of the close of business on May 4, 1999. Because the stock split was approved subsequent to the distribution of Aon's 1998 Annual Report to Stockholders, references to common stock and earnings per share data in the Annual Report to Stockholders and in this Annual Report on Form 10-K have not been retroactively adjusted. Retroactively adjusting such information to give effect to the stock split for 1998, 1997 and 1996, respectively, would result in dilutive net income per share of \$2.07, \$1.12, and \$1.27, basic net income per share of \$2.11, \$1.14 and \$1.29 and dividends per share of \$0.73, \$0.68 and \$0.63.

SCHEDULE II

Aon CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 1998, 1997, and 1996

(millions)

(millions)		Additions			
Description	Balance at beginning of year	Charged to cost and expenses	Charged/ (credited) to other accounts	Deductions (1)	Balance at end of year
YEAR ENDED DECEMBER 31, 1998					
Reserve for losses (3) (deducted from mortgage loans on real estate)	\$ 0.3	\$ -	\$ (0.1)	\$ -	\$ 0.2
Reserve for losses (3) (deducted from other long-term investments)	8.7	-	0.5	-	9.2
Allowance for doubtful accounts (4) (deducted from insurance brokerage and consulting receivables)	81.5	20.5	(5.1)	(3.4)	93.5
Allowance for doubtful accounts (deducted from premiums and other)	5.0	0.4	0.1	-	5.5
YEAR ENDED DECEMBER 31, 1997					
Reserve for losses (3) (deducted from mortgage loans on real estate)	\$ 0.7	\$ -	\$ (0.4)	\$ -	\$ 0.3
Reserve for losses (3) (deducted from other long-term investments)	5.2	-	3.5	-	8.7
Allowance for doubtful accounts (4) (deducted from insurance brokerage and consulting receivables)	59.9	9.3	26.7	(14.4)	81.5
Allowance for doubtful accounts (deducted from premiums and other)	3.1	2.2	-	(0.3)	5.0
YEAR ENDED DECEMBER 31, 1996					
Reserve for losses (2) (deducted from mortgage loans on real estate)	\$ 25.6	\$ -	\$ (24.9)	\$ -	\$ 0.7
Reserve for losses (deducted from other long-term investments)	5.2	-	-	-	5.2
Allowance for doubtful accounts (4) (deducted from insurance brokerage and consulting receivables)	47.4	9.5	13.4	(10.4)	59.9
Allowance for doubtful accounts (2) (deducted from premiums and other)	3.9	2.1	(2.9)	-	3.1

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

SCHEDULE II.1

Aon Corporation and Subsidiaries
CONSOLIDATED SUMMARY OF INVESTMENTS -
OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 1998

(millions)	Amortized Cost or Cost	Fair Value	Amount shown in Statement of Financial Position
FIXED MATURITIES - AVAILABLE FOR SALE:			
U.S. government and agencies	\$ 95.5	\$ 101.0	\$ 101.0
States and political subdivisions	485.2	517.4	517.4
Debt securities of foreign governments not classified as loans	740.1	801.2	801.2
Corporate securities	1,534.0	1,539.0	1,539.0
Public utilities	62.0	64.8	64.8
Mortgage-backed securities	25.0	26.0	26.0
Other fixed maturities	53.3	53.5	53.5
Total fixed maturities	2,995.1	3,102.9	3,102.9
EQUITY SECURITIES - AVAILABLE FOR SALE:			
Common stocks:			
Banks, trusts, and insurance companies ..	238.4	266.9	266.9
Industrial, miscellaneous, and all other	112.3	102.0	102.0
Non-redeemable preferred stocks	404.9	398.8	398.8
Total equity securities	755.6	767.7	767.7
Mortgage loans on real estate	9.3	*	9.1
Real estate - net of depreciation	10.9	*	10.9
Policy loans	58.7	*	58.7
Other long-term investments	290.5	*	281.3
Short-term investments	2,221.3		2,221.3
TOTAL INVESTMENTS	\$ 6,341.4		\$ 6,451.9

* These investment categories are combined and are shown as other investments in the Statement of Financial Position. Differences between amortized cost and amounts shown in the Statement of Financial Position for investments other than fixed maturities and equity securities result from certain valuation allowances.

SCHEDULE II.2

Aon Corporation and Subsidiaries REINSURANCE

Year Ended December 31, 1998					
(millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
LIFE INSURANCE IN FORCE (1)	\$ 10,653.0 =====	\$ 9,813.0 =====	\$ 5,509.9 =====	\$ 6,349.9 =====	86.8% =====
PREMIUMS AND POLICY FEES					
Life Insurance	\$ 235.1	\$ 103.5	\$ 7.2	\$ 138.8	5.2%
A&H Insurance	1,133.7	235.0	46.4	945.1	4.9%
Specialty Property & Casualty (2)	734.6	241.0	95.6	589.2	16.2%
TOTAL PREMIUMS AND POLICY FEES (3) .	\$ 2,103.4 =====	\$ 579.5 =====	\$ 149.2 =====	\$ 1,673.1 =====	8.9% =====

Year Ended December 31, 1997					
(millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
LIFE INSURANCE IN FORCE (1)	\$ 10,437.8 =====	\$ 12,514.9 =====	\$ 8,822.7 =====	\$ 6,745.6 =====	130.8% =====
PREMIUMS AND POLICY FEES					
Life Insurance	\$ 214.0	\$ 153.5	\$ 85.8	\$ 146.3	58.6%
A&H Insurance	1,072.7	277.7	139.7	934.7	14.9%
Specialty Property & Casualty (2)	634.2	178.3	72.0	527.9	13.6%
TOTAL PREMIUMS AND POLICY FEES (3) .	\$ 1,920.9 =====	\$ 609.5 =====	\$ 297.5 =====	\$ 1,608.9 =====	18.5% =====

Year Ended December 31, 1996					
(millions)	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
LIFE INSURANCE IN FORCE (1)	\$ 10,996.7 =====	\$ 12,749.8 =====	\$ 10,304.1 =====	\$ 8,551.0 =====	120.5% =====
PREMIUMS AND POLICY FEES					
Life Insurance	\$ 206.5	\$ 133.0	\$ 87.7	\$ 161.2	54.4%
A&H Insurance	1,045.3	213.9	112.7	944.1	11.9%
Specialty Property & Casualty (2)	490.3	160.8	91.9	421.4	21.8%
TOTAL PREMIUMS AND POLICY FEES (3) .	\$ 1,742.1 =====	\$ 507.7 =====	\$ 292.3 =====	\$ 1,526.7 =====	19.1% =====

(1) Includes credit life insurance.

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

(3) Insurance underwriting premiums written, net of reinsurance ceded, were \$1,667.6 million, \$1,596.2 million and \$1,581.6 million for the years ended December 31, 1998, 1997, and 1996, respectively.

ITEM IN FORM 10-K INCORPORATED BY REFERENCE TO

PART I

Item 1. Business Annual Report to Stockholders of

the Registrant for the Year 1998 ("Annual Report") pages 6 through 12, 17 through 23 and 40.

Item 3. Legal Proceedings Annual Report page 50 (note 12 of

Notes to Consolidated Financial Statements).

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters	Annual Report pages 43 and 44 (note 8 of Notes to Consolidated Financial Statements) and page 53 ("Dividends paid per share" and "Price range").
Item 6. Selected Financial Data	Annual Report page 52.
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	Annual Report pages 14 through 30 and inside back cover ("Information Concerning Forward-Looking Statements").
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	Annual Report page 29 ("Market Risk Exposure").
Item 8. Financial Statements and Supplementary Data	Annual Report pages 31 through 51 and 53.

PART III

Item 10. Directors and Executive Officers of the Registrant	Proxy Statement For Annual Meeting of Stockholders on April 16, 1999 of the Registrant ("Proxy Statement") pages 3, 7, and 10 through 12.
Item 11. Executive Compensation	Proxy Statement pages 14 through 16.
Item 12. Security Ownership of Certain Beneficial Owners and Management	Proxy Statement pages 2, 9 and 10.
Item 13. Certain Relationships and Related Transactions	Proxy Statement page 21 ("Transactions With Management").

PART IV

Item 14. Exhibits, Financial Statement Annual Report pages 31 through 51.

Schedules, And Reports on Form 8-K

EXHIBIT INDEX

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(3) Articles of incorporation and bylaws:

- (a) Second Restated Certificate of Incorporation of the Registrant - incorporated by reference to Exhibit 3(a) to the 1991 Form 10-K.
- (b) Certificate of Amendment of the Registrant's Second Restated Certificate of Incorporation - incorporated by reference to Exhibit 3 to the First Quarter 1994 Form 10-Q.

- (c) Bylaws of the Registrant - incorporated by reference to Exhibit (d) to the 1982 Form 10-K.

- (d) Certificate of Designation for the Registrant's Series C Cumulative Preferred Stock - incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 9, 1994.

(4) Instruments defining the rights of security holders, including indentures:

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

- (b) Resolutions establishing terms of 6.875% Notes Due 1999 and 7.40% Notes Due 2002 - incorporated by reference to Exhibit 4(d) to the 1992 Form 10-K.

- (c) Resolutions establishing the terms of 6.70% Notes Due 2003 incorporated by reference to Exhibit 4(c) to the 1993 Form 10-K.

- (d) Resolutions establishing the terms of 6.30% Notes Due 2004 incorporated by reference to Exhibit 4(d) to the 1993 Form 10-K.

- (e) Junior Subordinated Indenture dated as of January 13, 1997 between the Registrant and The Bank of New York, as trustee - incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to Registration Statement on Form S-4 No. 333-21237 dated March 27, 1997 (the "Capital Securities Registration").

- (f) First Supplemental Indenture dated as of January 13, 1997 between the Registrant and the Bank of New York, as trustee - incorporated by reference to Exhibit 4.2 of the Capital Securities Registration.

- (g) Certificate of Trust of Aon Capital A - incorporated by reference to Exhibit 4.3 of the Capital Securities Registration.

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(h) Amended and Restated Trust Agreement of Aon Capital A dated as of January 13, 1997 among the Registrant, as Depositor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, the Administrative Trustees named therein and the holders, from time to time, of the Capital Securities - incorporated by reference to Exhibit 4.5 of the Capital Securities Registration.

(i) Capital Securities Guarantee Agreement dated as of January 13, 1997 between the Registrant and the Bank of New York, as guarantee trustee - incorporated by reference to Exhibit 4.8 of the Capital Securities Registration.

(j) Capital Securities Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.10 of the Capital Securities Registration.

(k) Debenture Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.11 of the Capital Securities Registration.

(l) Guarantee Exchange and Registration Rights Agreement dated as of January 13, 1997 among the Registrant, Aon Capital A and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. - incorporated by reference to Exhibit 4.12 of the Capital Securities Registration.

(10) Material Contracts:

(a) Aon Stock Option Plan (as amended and restated through 1997) incorporated by reference to Exhibit 10(a) to the Registrant's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended March 31, 1997 (the "First Quarter 1997 Form 10-Q").

(b) Registration Rights Agreement by and among the Registrant and certain affiliates of Ryan Insurance Group, Inc. (Including Patrick G. Ryan and Andrew J. McKenna) - incorporated by reference to Exhibit (f) to the 1982 Form 10-K.

(c) Deferred Compensation Agreement by and among Registrant and Registrant's directors who are not salaried employees of Registrant or Registrant's affiliates - incorporated by reference to Exhibit 10(i) to the 1987 Form 10-K.

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(d) Aon Stock Award Plan (as amended and restated through 1997) incorporated by reference to Exhibit 10(b) to the First Quarter 1997 Form 10-Q.

(e) Amendment and Waiver Agreement dated as of November 4, 1991 among the Registrant and each of Patrick G. Ryan, Shirley Ryan, Ryan Enterprises Corporation and Harvey N. Medvin - incorporated by reference to Exhibit 10(j) to the 1991 Form 10-K.

(f) Registration Rights Agreement dated November 2, 1992 by and between the Registrant and Frank B. Hall & Co., Inc. - incorporated by reference to Exhibit 4(c) to the Third Quarter 1992 Form 10-Q.

(g) Aon Corporation 1994 Amended and Restated Outside Director Stock Award Plan - incorporated by reference to Exhibit 10(b) to the First Quarter 1994 Form 10-Q.

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

(i) Aon Deferred Compensation Plan and First Amendment to the Aon Deferred Compensation Plan - incorporated by reference to Exhibit 10 (q) to the 1995 Form 10-K.

(j) Aon Severance Plan - incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report to the Securities and Exchange Commission on Form 10-Q for the quarter ended June 30, 1997.

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

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

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

EXHIBIT INDEX

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- (n) Agreement and Plan of Merger among the Registrant, Purchaser and A&A dated as of December 11, 1996 - incorporated by reference to Exhibit (c) (1) to the Registrant's Schedule 14D-1 filed with the SEC on December 16, 1996.
- (o) First Amendment to Agreement and Plan of Merger dated as of January 7, 1997 among the Registrant, Purchaser and A&A incorporated by reference to Exhibit (c)(3) to Schedule 14D-1 filed by the Registrant with the SEC on January 9, 1997.
- (p) Employment Agreement dated June 1, 1993 by and among the Registrant, Aon Risk Services, Inc. and Michael D. O'Halleran.
- (12) Statements regarding Computation of Ratios.
- (a) Statement regarding Computation of Ratio of Earnings of Fixed Charges.
- (b) Statement regarding Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
- (13) Annual Report to Stockholders of the Registrant for the year ended December 31, 1998.
- (21) List of subsidiaries of the Registrant.
- (23) Consent of Ernst & Young LLP to the incorporation by reference into Aon's Annual Report on Form 10-K of their report included in the 1998 Annual Report to Stockholders and into Aon's Registration Statement Nos. 33-27984, 33-42575, 33-59037, 333-21237, 333-50607 and 333-55773.
- (99) Annual Report to the Securities and Exchange Commission on Form 11-K for the Aon Savings Plan for the year ended December 31, 1998 - to be filed by amendment as provided in Rule 15d-21(b).

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,				
	1998	1997	1996	1995	1994
Income from continuing operations before provision for income taxes (1)	\$ 930.4	\$ 541.6	\$ 445.6	\$ 458.0	\$ 397.0
ADD BACK FIXED CHARGES:					
Interest on indebtedness	87.2	69.5	44.7	55.5	46.4
Interest on ESOP	2.4	3.5	4.3	5.3	5.9
Portion of rents representative of interest factor	50.4	44.3	28.6	21.4	28.7
INCOME AS ADJUSTED	\$1,070.4	\$ 658.9	\$ 523.2	\$ 540.2	\$ 478.0
FIXED CHARGES:					
Interest on indebtedness	\$ 87.2	\$ 69.5	\$ 44.7	\$ 55.5	\$ 46.4
Interest on ESOP	2.4	3.5	4.3	5.3	5.9
Portion of rents representative of interest factor	50.4	44.3	28.6	21.4	28.7
TOTAL FIXED CHARGES	\$ 140.0	\$ 117.3	\$ 77.6	\$ 82.2	\$ 81.0
RATIO OF EARNINGS TO FIXED CHARGES	7.6	5.6	6.7	6.6	5.9
RATIO OF EARNINGS TO FIXED CHARGES (2)		7.1	7.9		

- (1) Income from continuing operations before provision for income taxes and minority interest includes special charges of \$172 million and \$90 million for the years ended December 31, 1997 and 1996, respectively.
- (2) The calculation of this ratio of earnings to fixed charges reflects the exclusion of special charges from the income from continuing operations before provision for income taxes component for the years ended December 31, 1997 and 1996, respectively.

Exhibit 12(b)

Aon CORPORATION AND CONSOLIDATED SUBSIDIARIES COMBINED WITH UNCONSOLIDATED SUBSIDIARIES COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(millions except ratios)	Years Ended December 31,				
	1998	1997	1996	1995	1994
Income from continuing operations before provision for income taxes (1)	\$ 930.4	\$ 541.6	\$ 445.6	\$ 458.0	\$ 397.0
ADD BACK FIXED CHARGES:					
Interest on indebtedness	87.2	69.5	44.7	55.5	46.4
Interest on ESOP	2.4	3.5	4.3	5.3	5.9
Portion of rents representative of interest factor	50.4	44.3	28.6	21.4	28.7
	=====	=====	=====	=====	=====
INCOME AS ADJUSTED	\$1,070.4	\$ 658.9	\$ 523.2	\$ 540.2	\$ 478.0
	=====	=====	=====	=====	=====
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS:					
Interest on indebtedness	\$ 87.2	\$ 69.5	\$ 44.7	\$ 55.5	\$ 46.4
Preferred stock dividends	69.7	82.1	28.7	37.5	48.4
	-----	-----	-----	-----	-----
INTEREST AND DIVIDENDS	156.9	151.6	73.4	93.0	94.8
Interest on ESOP	2.4	3.5	4.3	5.3	5.9
Portion of rents representative of interest factor	50.4	44.3	28.6	21.4	28.7
	=====	=====	=====	=====	=====
TOTAL FIXED CHARGES AND PREFERRED STOCK DIVIDENDS	\$ 209.7	\$ 199.4	\$ 106.3	\$ 119.7	\$ 129.4
	=====	=====	=====	=====	=====
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (2)	5.1	3.3	4.9	4.5	3.7
	=====	=====	=====	=====	=====
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS (3)		4.2	5.8		
		=====	=====		

(1) Income from continuing operations before provision for income taxes and minority interest includes special charges of \$172 million and \$90 million for the years ended December 31, 1997 and 1996, respectively.

(2) Included in total fixed charges and preferred stock dividends for the years ended December 31, 1998 and 1997 are \$66 million and \$64 million, respectively, of pretax distributions on the 8.205% mandatorily redeemable preferred capital securities which are classified as "minority interest" on the condensed consolidated statements of operations.

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

NEED

OPPORTUNITY CONCEPT

STRATEGY

SOLUTION

IMPLEMENT

EXECUTE

- 6 -

GROWTH

Aon has evolved into a leading global provider of brokerage, consulting and consumer insurance services. This dramatic growth in scale, capabilities and geographic reach has been carefully planned and executed to enhance our competitiveness and to create value for all of our stakeholders.

Aon's strategy for sustaining long-term profitable growth and creating stockholder value is twofold: first, generate true organic growth from internal efficiencies and interdependent services; and second, expand our global distribution network and service offerings by acquisitions, when they fit appropriately with our strategy and our culture.

Our organic growth stems from several efforts: developing new products and services; establishing long-term relationships with trusted insurance providers; capitalizing on our niche specialties; and managing our businesses more efficiently through initiatives such as segmentation and strategic account management.

We operate as a decentralized, highly responsive organization and continue to make efficiency gains by eliminating excess administration and distribution costs. We are leaner, more effective and have a greater focus. We do this in part by increasing our investment in information technology and taking the lead in electronic commerce.

Our goal is to have each business segment be number one or two in its market; to diversify our products and services; and to leverage our resources of expertise, technology and strategic partnerships.

Our organization has been put to the test in integrating acquisitions effectively. We rose to the occasion and assimilated six major acquisitions smoothly during the last 18 months. We did this in an environment of ongoing industry consolidation where we seized opportunities when they arose.

Recently, we have acquired Jauch & Hubener, Germany's premier brokerage and consulting firm; Gil y Carvajal, the largest retail and reinsurance broker in Spain; Le Blanc de Nicolay, the foremost reinsurance broker in France; Greig Insurance, Norway's largest broker; and SGAP, a leading French broker. In the United States, we acquired Auto Insurance Specialists, which specializes in automobile insurance coverages.

There is a growing need for large-scale risk management worldwide. In the United States, we are expanding our capital markets solutions and risk-transfer services. Latin America and Europe require new types of insurance products, and we are confident Asia will be a growing market in the years to come.

Aon in Action: AonLine

Aon is creating another competitive advantage through its innovative application of electronic commerce to risk management. AonLine, our industry-leading Extranet service, helps risk managers save time and resources with a cost-effective network of interactive risk management tools.

AonLine subscribers have immediate access to timely and accurate data, rating services, regulatory information and news of global weather, political and economic conditions. Clients can customize the secure service with relevant information such as policies, exposures, bonds, claims and certificates of insurance.

AonLine not only automates transactions and processes, it offers the collective knowledge of Aon account teams and practice leaders. With the wide acceptance of AonLine, Aon has established itself as the leading information resource for risk managers while providing a new distribution channel for our services.

PICTURE OMITTED (Caption listed below)

Working to sustain Aon's long-term growth are (from left) Mike Rice, Arlene Hardy, Harvey Medvin, David Cole and Dennis Mahoney.

RETAIL BROKERAGE

PROGRAMS AND SERVICES

REINSURANCE WHOLESALE BROKERAGE

CONSULTING

PERSONAL LINES

WARRANTY

- 8 -

OPPORTUNITIES

As the pacesetter in a dynamic industry, Aon has learned to anticipate and maneuver the turns in our ever-changing business landscape. We have a proven track record of meeting challenges head-on and turning them into opportunities for growth and value creation. To stay competitive, we are always in the process of changing the way we do business.

To optimize our leadership in risk management, consulting and global distribution, Aon has reinvested more than \$3 billion in expanding our businesses during the last decade.

There is a convergence in the financial services industry. Banks, accounting firms, insurance companies and brokerages are seeking a share of the market in risk management services, consulting and global distribution. We are clearly the leader in providing professional insurance and consulting services and in distributing insurance products. We intend to stay in the lead by meeting customer demands and by seizing opportunities to market our innovative services and distribution channels.

Insurance buyers need a knowledgeable advocate to help them identify and manage risk effectively in these complex times. We fill that intermediary role better than anyone else. We are adding real value by being advocates -- not just suppliers -- for our clients.

Aon is developing a new consumer products strategy that will capitalize on our marketing and distribution skills. We have given the broker a reinvigorated role in the distribution of consumer insurance products, a market where we see tremendous opportunity. We also see great potential in being the high quality, low cost provider of group and association insurance products. We intend to expand our affinity services and create new ones to build an even more efficient distribution system that can vertically integrate affinity products with life, accident and health insurance.

Aon Capital Markets, our investment banking unit, took steps early in the year to provide more integrated risk management and investment banking services to Aon's insurance, reinsurance and corporate clients. It has quickly become a leader in the transfer of insurance risk to the capital markets.

We do business around the world and our clients look to us for timely, accurate data and communications. Our commitment to the innovative use of technology has never been stronger as we lead the industry in effective applications of electronic commerce and information technology.

Aon in Action: Managed Care

Rapid changes in the delivery and funding of healthcare services prompted Aon to develop creative solutions for healthcare organizations. Aon Healthcare Alliance was created to bring all of Aon's resources together to help healthcare providers better manage their risk. The market for managed care stop loss coverage is growing rapidly and is expected to reach \$1.5 billion this year. Aon is playing a lead role in providing solutions to this exciting sector.

Through Aon Managed Care, a business unit of Aon Healthcare, we offer an insurance product nationwide to hospital physicians and provider-owned HMOs that are entering into capitated, managed care contracts. Aon insures them against catastrophic exposures with products developed jointly by several Aon units.

While helping healthcare providers contain costs and minimize financial risk, Aon has taken a commanding lead in the U.S. market and is pioneering managed care stop loss coverage in Europe and Latin America.

PICTURE OMITTED (Caption listed below)

From left: Kevann Cooke, Richard Ravin, Paul Davies and Dick Riley identify opportunities to enhance Aon's leadership position.

INTERDEPENDENCE

CLIENT FOCUS

PARTNERSHIP

ENTREPRENEURIAL SPIRIT

COLLECTIVE EXPERTISE

INNOVATION

CULTURE

Aon's culture is based on a core set of beliefs, the most important of which is a commitment to working together for mutual success. We succeed by bringing together different companies and diverse people into a common culture dedicated to excellence.

The name Aon in Gaelic connotes unity or oneness and signifies what we want our company to always be: united in purpose and action to achieve our mission of being the premier global provider of innovative insurance and consulting services.

We are a service organization committed to putting our clients first. We provide advice, service and consulting as the industry's leading global distribution organization. Everything we do is ultimately focused on creating value for our clients, and we do it best through our interdependence, another primary value of our culture. Interdependence, as we define it, means bringing together two or more business units of Aon to develop a holistic solution to our clients needs.

By pooling our collective expertise, skills, experience and creativity, we foster dynamic decision making, innovative thinking and unbeatable results.

We encourage grass-roots product development and an open exchange of ideas that makes the most of the collective knowledge and experience of the individuals that make up Aon. Operating in this team environment fosters a creative and entrepreneurial spirit. We are builders and innovators who have the competency to develop solutions for today's needs, the foresight to anticipate future service needs and the tools it will take to deliver them. Most importantly, the Aon culture gives us the freedom to express ourselves, to make decisions, to develop our professional skills and to become valued contributors.

Aon in Action: Aon University

As a premier provider of innovative insurance and consulting solutions, Aon needs dynamic, creative, talented, knowledgeable, committed and competent employees. With 44,000 employees worldwide, the challenge is not just keeping a diverse work force informed but also assimilating thousands of employees from recent acquisitions. Aon's new training and development unit, Aon University, is helping employees to compete successfully in an environment of explosive growth and change.

Interactive classes are conducted at various locations around the world and are focused on formalizing the learning process about our company, culture and vision. Course work includes programs in leadership, people management and client service. Through team assignments, participants learn experientially about Aon's core value of interdependence, which brings together various Aon resources to provide clients the most innovative solutions and comprehensive services.

PICTURE OMITTED (Caption listed below)

From left: Ken LeStrange, Dan Cox, Kevin Callahan and Ricky Byrdsong share their vision of Aon's entrepreneurial culture.

Aon's culture is based on a team spirit that empowers individuals to do better so that as an organization we can do more. Our confidence and determination give us that extra edge and will to succeed.

We are constantly striving to be better, to provide greater service, to help clients manage their risk and to ensure their success. People work at Aon and clients stay with Aon because of a shared commitment to excellence. Acting as advocates for our clients, we offer them our specialized skills, industry experience and knowledge, innovative technology and professionalism. And, we do all this within an organization that is flexible and responsive.

While Aon's culture is based on unity, we also value individuality, diversity, regional customs and local business practices. We respect each other and share long-term goals and commitments. In all of our business dealings, we conduct ourselves with integrity, fairness and ethical standards.

More than 30% of Aon's stock is owned by employees who have a direct stake in the company's profitable growth and share the goals of fellow stockholders.

To achieve our vision and sustain success, Aon recognizes the importance of nurturing a corporate culture that is supportive of and is aligned with the organization's business goals and strategy. Our shared values, experience and attitudes drive our organizational behavior, client service and ultimate success. The Aon team has created a culture that not only reinforces its business strategies, but also is continuously learning, adapting and responding to changing markets and competitive environments.

"We never underestimate our competition," says Mike O'Halleran, Aon Group President. "The way we differentiate ourselves is by learning together, working together and bringing the best of Aon together to build value for our clients. By doing that, we also create value and success for each other and our stockholders."

PICTURE OMITTED (Caption listed below)

Aon's commitment to employee training and personal development is a company-wide objective supported by (from left) Melody Jones, Mike O'Halleran, Mike Conway and Dirk Verbeek.

***** TABLE OF CONTENTS OMITTED *****

FINANCIAL AND OPERATIONS HIGHLIGHTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This annual report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. See "Information Concerning Forward-Looking Statements" on the inside of the back cover of this annual report.

Aon is a leading provider of professional insurance brokerage and consulting services and a distributor of insurance products. Aon serves commercial and industrial businesses, associations and affinity groups, insurance organizations and individual policyholders through nearly 44,000 employees in 550 offices in 120 countries.

Aon provides insurance, reinsurance, wholesale and specialty brokerage; employee benefits and human resources consulting; personal lines insurance; warranty and credit insurance; and niche insurance services. The company is a pioneer in the development of new products and services for a wide range of applications, from the use of capital markets for catastrophe risk financing to the development of innovative long-term care coverages for senior citizens.

The following sections provide a discussion of 1998 consolidated results, information on business segments and related financial data.

CONSOLIDATED RESULTS

GENERAL

In 1998, Aon invested approximately \$374 million in business combinations in its brokerage and consulting businesses. These business combinations were financed primarily by bank loans, internal funds and the reissuance of common stock from treasury. The major 1998 acquisitions include: Auto Insurance Specialists (AIS)--an insurance broker specializing in automobile insurance coverage; Le Blanc de Nicolay (Le Blanc)--the largest reinsurance broker in France; and Gil y Carvajal--the largest retail and reinsurance broker in Spain. AIS was accounted for by the pooling of interests method and Le Blanc and Gil y Carvajal by the purchase method.

In 1997, Aon invested approximately \$1.6 billion in business combinations in its brokerage and consulting businesses. These business combinations were financed primarily by the issuance of capital securities, internal funds and the issuance of commercial paper. The major 1997 acquisitions include: Alexander & Alexander Services Inc. (A&A)--a leading global insurance brokerage and consulting company; Minet--a worldwide specialty reinsurance and wholesale brokerage operation; Sodarcan--a Canadian insurance brokerage and consulting company; and Jauch & Hubener--the largest insurance brokerage and consulting firm in Germany. In fourth quarter 1996, Aon acquired Bain Hogg Group plc (Bain Hogg), a leading insurance broker in the United Kingdom and Asia, for approximately \$260 million. These business combinations were accounted for using the purchase method of accounting. The resultant goodwill is being amortized principally over 40 years.

Because of these business combinations, all brokerage revenue and income comparisons are significantly impacted.

In 1996, Aon sold two of its domestic insurance underwriting subsidiaries, Union Fidelity Life Insurance Company (UFLIC) and The Life Insurance Company of Virginia (LOV) (see note 3). The after-tax proceeds from the sales were \$1.2 billion. UFLIC and LOV results are classified in the consolidated statements of income as discontinued operations in 1996.

For purposes of the 1997 compared to 1996 consolidated results discussion, comparisons against prior year results are based on continuing operations.

SPECIAL CHARGES

Special charges information located in note 1 on pages 36 and 37 is incorporated herein by reference.

In first quarter 1999, Aon announced the consideration of potential restructuring plans for its international operations, which would be designed to create operating efficiencies to help position Aon for continued growth despite the challenging trading environment. Major elements of the restructuring plans include European workforce reductions related to organizational restructuring, closure and consolidation of duplicate facilities, and other consolidation costs. The plans also include a voluntary early retirement plan for employees of Aon's U.S. and Canadian operating subsidiaries. Aon anticipates that these plans will require a first quarter 1999 pretax special charge in the range of \$100 to \$150 million.

REVENUE AND INCOME BEFORE INCOME TAX

CONSOLIDATED RESULTS FOR 1998 COMPARED TO 1997

For purposes of the following consolidated results discussions, certain prior period information has been restated to conform to the 1998 presentation.

Total revenues amounted to \$6.5 billion, an increase of 13% in 1998. This increase was largely attributable to growth in brokerage commissions and fees resulting from business combination activity. Brokerage commissions and fees increased 16% to \$4.2 billion.

CONSOLIDATED GEOGRAPHIC REVENUE

(millions)	Years ended December 31	1998	1997	1996
United States		\$3,736	\$3,413	\$2,646
United Kingdom		1,244	1,158	535
Europe		790	439	394
Rest of World		723	741	313
Total revenue		\$6,493	\$5,751	\$3,888

U.S. revenues increased 9% in 1998 compared to 1997 primarily due to organic growth. European revenue increased 27% in 1998 to \$2 billion, and rest of world revenue of \$723 million declined 2%. Revenue increased in 1998 when compared to 1997 primarily due to 1998 and late 1997 acquisitions and to internal growth. Approximately 43% of 1998 income before income tax is derived from operations outside the U.S.

Premiums and other revenue is primarily related to insurance underwriting operations and includes premiums earned and other income of \$1.7 billion, an increase of 4% in 1998. Extended warranty premiums earned increased \$63 million or 13% reflecting continued growth primarily in the appliance and electronics lines and, to a lesser extent, the mechanical extended warranty line. Direct sales premiums earned increased modestly, reflecting

changes in the consumer insurance market. The run-off of North American auto credit business partially offset this growth in premiums earned.

Investment income of \$590 million, which includes related expenses and income on disposals, increased 18% for the year primarily attributable to brokerage acquisitions, income received on certain private equity and other investment holdings, assets underlying capital accumulation products and higher levels of income on disposals. The investment portfolio yield remained stable.

General expenses increased 7% for the year primarily due to growth in the brokerage businesses. Benefits to policyholders increased 6% when compared to 1997, reflecting a higher volume of new extended warranty and capital accumulation business. This increase was partially offset by the run-off of auto credit business as planned. Interest expense increased 24% as a result of acquisition financing. Amortization of intangibles increased slightly.

Total expenses increased 7% or \$353 million over 1997. Total 1998 expenses increased over prior year primarily due to investments in new business initiatives, technology and product development. Restructuring liabilities for recent acquisitions and 1997 special charges have been reduced by payments as planned. Total expenses, excluding the 1997 special charges, increased 10% or \$525 million over 1997.

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

Income before income tax increased \$389 million or 72% in 1998 primarily due to the inclusion of special charges in 1997. Excluding special charges, income before income tax increased 30% or \$217 million largely due to brokerage business combination activity, to the achievement of cost savings resulting from the consolidation of brokerage operations during 1998 and 1997, and to internal growth.

Fourth quarter revenue increased 12% to \$1.7 billion when compared to 1997 primarily reflecting brokerage business combination activity. Total expenses increased 11% to \$1.5 billion for the quarter. Pretax income increased \$41 million or 21% to \$238 million. The increase in pretax earnings reflects growth in the insurance brokerage and other services and consulting segments related to business combination activity and to internal growth.

CONSOLIDATED RESULTS FOR 1997 COMPARED TO 1996

Total revenue amounted to \$5.8 billion, an increase of 48% in 1997. Brokerage commissions and fees increased 88% to \$3.6 billion resulting from business combination activity and internal growth. Premiums and other revenue of \$1.6 billion increased 4% in 1997, primarily reflecting continued growth of new business in the mechanical, appliance and electronics lines. The planned run-off of North American auto credit business partially offset this growth in premiums earned. Investment income of \$500 million increased 28% for the year, attributable primarily to brokerage acquisitions and to income received on certain private equity investment holdings.

General expenses increased 65% for the year primarily due to growth in the brokerage businesses. Benefits to policyholders increased 7% when compared to 1996 reflecting a higher volume of new extended warranty business, as well as growth in capital accumulation products. This increase was partially offset by the profitable phase-out of certain specialty liability programs and the run-off of auto credit business as planned. Interest

expense increased 75% as a result of acquisition financing. Amortization of intangibles increased \$45 million or 59%, reflecting brokerage acquisitions.

Total expenses increased 51% or \$1.8 billion over 1996. The increase reflects the inclusion of 1997 and 1996 pretax special charges of \$172 million and \$90 million, respectively. Total expenses, excluding the 1997 and 1996 special charges, increased 50% over 1996, primarily reflecting brokerage acquisition activity.

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

PIE CHART DESCRIBED BELOW

1998 REVENUE

BUSINESS SEGMENTS

58% of 1998 Revenue was attributed to Insurance Brokerage and Other Services Segment

10% of 1998 Revenue was attributed to Consulting Segment 30% of 1998 Revenue was attributed to Insurance Underwriting Segment 2% of 1998 Revenue was attributed to Corporate and Other Segment

BUSINESS SEGMENTS

In fourth quarter 1998, Aon adopted Financial Accounting Standards Board (FASB) Statement No. 131 "Disclosures about Segments of an Enterprise and Related Information." All prior period segment information presented has been restated to conform to the current period presentation. For purposes of the business segments, comparisons against 1997 results exclude discontinued operations and special charges. A discussion of discontinued operations follows the Business Segments section.

Aon's operating segments are identified as those for which separate financial information is available and that are evaluated on a regular basis in deciding how to allocate resources and in assessing performance. Total revenue for each of the major operating segments is presented both by major line of business and by geographic area. Since Aon's culture fosters interdependence among its operating units, the segregation of expenses by line of business and on a geographic basis is difficult to delineate. While revenue is tracked and evaluated separately by management, total expenses are allocated to major lines of business within each of the business segments. In addition to revenue, Aon also measures a segment's financial performance based on business segment income before income tax. The accounting policies of the business segments are the same as those described in the summary of significant accounting principles and practices (see note 1). Revenues are attributed to geographic areas based on the location of the resources producing the revenues.

Aon classifies its businesses into three major operating segments: Insurance Brokerage and Other Services, Consulting and Insurance Underwriting; and into one non-operating segment, Corporate and Other.

All intercompany revenues and expenses are eliminated in computing consolidated revenues and income before income tax. A description of operations and a review of financial performance for each of the four business segments follow.

INSURANCE BROKERAGE AND OTHER SERVICES

The Insurance Brokerage and Other Services segment consists principally of Aon's retail brokerage, reinsurance, specialty and wholesale operations. The four major operating units are Aon Risk Services, Aon Re Worldwide, Aon Services Group and Alternative Market Operations.

AON RISK SERVICES (ARS) is a leading insurance brokerage and risk management services organization. Companies of all kinds look to ARS for comprehensive risk management solutions, including exposure identification, insurance placement, claims management, loss control and administrative services.

PIE CHART DESCRIBED BELOW

1998 REVENUE

INSURANCE BROKERAGE AND OTHER SERVICES

50% of Total Insurance Brokerage and Other Services 1998 Revenue was derived from United States
21% of Total Insurance Brokerage and Other Services 1998 Revenue was derived from United Kingdom
17% of Total Insurance Brokerage and Other Services 1998 Revenue was derived from Europe
12% of Total Insurance Brokerage and Other Services 1998 Revenue was derived from Rest of World

In 1998, ARS grew through acquisitions principally in the United States, Europe and Latin America. Significant investments also were made in professional talent, technology and the development of specialized products and services to meet the evolving needs of clients. Examples include Aon Enterprise, which focuses on the needs of small commercial companies, and Impact Forecasting, which provides computer-based catastrophe modeling.

The ARS strategy of industry specialization and product expertise, combined with the strategic account management service concept, provide the platform to deliver focused, cost-effective services on a global basis. Due to its great depth of intellectual capital, proprietary services and strategic approach, Aon Risk Services is the preferred choice in managing risk.

AON RE WORLDWIDE (AON RE) is the largest reinsurance broker in the world, offering reinsurance brokerage, analytical services and alternative risk financing vehicles. Through its product and industry specialization, Aon Group Limited, headquartered in the United Kingdom, is a major contributor to Aon Re's leadership position in every major reinsurance market. Aon Re placed approximately \$10 billion in premium volume in 1998.

Most importantly, Aon Re offers a seamless service network to its clients who range from multinational insurance companies to single parent captives. This network provides access to local experts with global solutions for the most appropriate risk transfer and risk financing. Aon Re recruits the best people from inside and outside the industry. We also have made the investments necessary to support geographic technical expertise and consultative services that are essential to long-term success in the highly competitive reinsurance environment.

Sister-company Aon Capital Markets is a leader in developing capital markets risk financing through insurance-linked securities and provides financial advisory services to clients in need of risk financing beyond traditional insurance and reinsurance programs.

AON SERVICES GROUP (ASG) develops specialized insurance products and provides administrative support for associations and affinity groups, service businesses, healthcare providers and commercial organizations. ASG's innovative products are typically delivered through distribution systems that target specific market segments. The major ASG operations include:

Affinity Insurance Services, with more than six million policyholders, provides personal and professional insurance for such diverse groups as nurses, accountants and lawyers.

The Healthcare Alliance, the largest provider of risk management and brokerage services to the healthcare industry, is a practice that continues to grow in response to the changing needs of healthcare providers.

Cambridge Integrated Services, a third party claims administrator, provides greater efficiency and total loss cost management by offering a broad range of niche claims specialties under one banner. Its expertise ranges from workers' compensation to legal malpractice, from product liability to toxic tort claims.

Wholesale brokerage companies, including such well-respected companies as Sherwood Insurance Services and Swett & Crawford, distribute specialty insurance products.

ASG continues to grow by enhancing its existing distribution networks, leveraging the distribution resources of other Aon companies and continually developing exciting alternatives to traditional insurance services.

ALTERNATIVE MARKET OPERATIONS (AMO), established by Aon in 1997, is a leading provider of custom-designed products and services. It features specialty underwriting capabilities that produce an annual premium volume in excess of \$1 billion.

Utilizing the disciplines of underwriting, risk financing, risk management and risk syndication, AMO is devoted to creating specialty, non-commodity, value-added products and services. Active in diverse industry segments, AMO's specialties include entertainment, sports and leisure, public entities, professional liability, workers' compensation, marine insurance, long-term care facilities, media business and financial institutions.

AMO remains committed to anticipating industry trends while maintaining its position as a leading provider of innovative solutions.

The Insurance Brokerage and Other Services segment includes service fee revenue from Aon Warranty Group; Aon Capital Markets; and Aon Credit Services, which provides financing services for insurance premiums and auto financing receivables.

The following tables and commentary provide financial information on the Insurance Brokerage and Other Services segment.

INSURANCE BROKERAGE AND OTHER SERVICES

(millions)	Years ended December 31	1998	1997	1996
=====				
Revenue:				
Retail		\$2,761	\$2,327	\$1,287
Reinsurance and wholesale		1,021	894	441

Total revenue		3,782	3,221	1,728

Operating expenses		3,086	2,749	1,455
Amortization of intangibles		33	36	37

Total expenses		3,119	2,785	1,492

Income before income tax excluding special charges		663	436	236
Special charges		--	132	74

Income before income tax		\$ 663	\$ 304	\$ 162

Identifiable assets at December 31		\$9,006	\$8,382	\$4,985
=====				

Total 1998 Insurance Brokerage and Other Services revenue was \$3.8 billion, up 17%. Acquisitions accounted for the majority of this revenue growth. Excluding the impact of acquisitions, revenue related to brokerage core businesses grew approximately 4% in a very competitive environment. Revenue includes investment income allocated to this operating segment. See "Investment Operations."

INSURANCE BROKERAGE AND OTHER SERVICES

(millions)	Years ended December 31	1998	1997	1996
=====				
Revenue:				
United States		\$1,884	\$1,670	\$1,121
United Kingdom		798	733	197
Europe		626	317	301
Rest of World		474	501	109

Total revenue		\$3,782	\$3,221	\$1,728
=====				

U.S. revenue of \$1.9 billion in 1998 was up 13% from 1997, while European revenue of \$1.4 billion increased 36% from 1997, primarily due to acquisition activity. Rest of world revenue declined in 1998 primarily due to the impact of foreign exchange rates.

Insurance Brokerage and Other Services segment results were impacted positively by acquisitions, in particular the inclusion of AIS, Le Blanc and Gil y Carvajal in 1998 and Jauch & Hubener in late 1997. Retail brokerage results continued to reflect competitive property and casualty pricing. Pretax income growth, excluding 1997 special charges, was slowed primarily due to market pressures experienced in the reinsurance brokerage business. Investments in new initiatives, with little or no immediate revenue growth, also impacted revenue and pretax income results. Pretax margins in this segment improved in 1998, reflecting cost savings resulting from the consolidation of businesses acquired in 1997.

PIE CHART DESCRIBED BELOW

1998 REVENUE CONSULTING

63% of Total Consulting 1998 Revenue was derived from United States 22% of Total Consulting 1998 Revenue was derived from United Kingdom 6% of Total Consulting 1998 Revenue was derived from Europe 9% of Total Consulting 1998 Revenue was derived from Rest of World

CONSULTING

AON CONSULTING WORLDWIDE (ACW) is a consulting organization that helps clients maximize performance and financial results by linking people strategies to business goals. ACW's primary goal is to ensure our clients have access to a wide range of integrated human resource services designed to meet their diverse needs and to help them attract, develop and retain the best people.

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

ACW provides some of Aon's fast-growing services, expanding through organic growth and strategic acquisitions. During 1998, acquisitions focused on outsourcing and compensation initiatives. Additionally, Employment Risk Solutions, a joint initiative with Aon Risk Services, was developed to provide comprehensive solutions for occupational and non-occupational disability and healthcare benefits. ACW also developed a specialized mergers and acquisitions team to work with its ARS colleagues in providing due diligence assistance and advice on employee benefit plan design and funding. In the future, ACW plans to expand its range of services to serve the changing needs of healthcare providers.

The following tables and commentary provide financial information on the Consulting segment.

CONSULTING

(millions)	Years ended December 31	1998	1997	1996
=====				
Total revenue		\$615	\$553	\$274

Operating expenses		544	491	250
Amortization of intangibles		3	4	3

Total expenses		547	495	253

Income before income tax excluding special charges		68	58	21
Special charges		--	13	1

Income before income tax		\$ 68	\$ 45	\$ 20

Identifiable assets at December 31		\$150	\$141	\$ 40
=====				

In the Consulting segment, 1998 revenue increased 11% to \$615 million. Revenue growth was influenced by acquisition activity and expansion of integrated human resources consulting activities. Revenue includes investment income allocated to this operating segment. See "Investment Operations."

CONSULTING

(millions)	Years ended December 31	1998	1997	1996
=====				
Revenue:				
United States		\$387	\$358	\$170
United Kingdom		134	131	100
Europe		36	18	1
Rest of World		58	46	3

Total revenue		\$615	\$553	\$274
=====				

U.S. revenue of \$387 million in 1998 was up 8% from 1997. European revenue of \$170 million increased 14% from 1997 while rest of world revenue increased to \$58 million.

INSURANCE UNDERWRITING

Aon's Insurance Underwriting businesses provide a variety of insurance products marketed directly to individuals. The principal business products are direct sales life, health and accident insurance, underwritten by Combined Insurance Company of America (Combined) and extended warranty products, underwritten by Virginia Surety Company and London General Insurance Company.

PIE CHART DESCRIBED BELOW

1998 REVENUE

INSURANCE UNDERWRITING

70% of Total Insurance Underwriting 1998 Revenue was derived from United States

15% of Total Insurance Underwriting 1998 Revenue was derived from United Kingdom

6% of Total Insurance Underwriting 1998 Revenue was derived from Europe 9% of Total Insurance Underwriting 1998 Revenue was derived from Rest of World

COMBINED INSURANCE COMPANY OF AMERICA is a market leader in the sale of supplemental insurance products. Its tradition of unique product mix and expanding global presence produces strong predictable cash flows with steady premium growth rates.

Combined has more than 8,000 dedicated agents worldwide. They specialize in supplemental health, accident and life insurance coverage for individuals in all stages of life, from childhood to retirement. This specialization has translated into a policyholder base of nearly five million insureds, a highly stable management team and a flexible sales force ready to respond to a rapidly changing marketplace.

Combined's growth strategy is to strengthen traditional businesses to sustain organic growth while investing in new opportunities that leverage core competencies. Combined is partnering with other Aon companies to distribute its products to affinity groups and to develop new applications for supplemental coverages. We also are introducing several new policies with enhanced benefits and products designed specifically for senior citizens.

THE AON WARRANTY GROUP provides fee-based services such as premium administration, claims processing, customer service, customer care management and value-added, after-sale services. These services are provided in support of warranty programs underwritten by Virginia Surety or as independent adjuncts to clients' customer care programs.

VIRGINIA SURETY COMPANY and its UK-based sister company, London General Insurance Company, are leading underwriters of consumer extended warranties, with more than four million policies issued in 1998. These warranties cover the entire range of consumer purchases including new and used automobiles, major household appliances, consumer electronics and computers.

Virginia Surety's expertise and proprietary data base of extended warranty claim experience is second to none. Coupled with its innovative approach to customer care, Virginia Surety is the leading choice among manufacturers, retailers and consumer brand marketers.

1998 was marked by expansion outside the United States, where there is great demand for consumer protection plans. New products and new distribution channels, such as credit card enhancement programs, have been developed to further penetrate these markets.

The following tables and commentary provide financial information on the Insurance Underwriting segment.

INSURANCE UNDERWRITING

(millions)	Years ended December 31	1998	1997	1996
=====				
Revenue:				
Direct sales		\$1,053	\$1,035	\$1,030
Extended warranty		643	574	464
Specialty and other		250	249	280

Total revenue		1,946	1,858	1,774

Benefits to policyholders		896	842	790
Operating expenses		551	530	512
Amortization of deferred acquisition costs		216	208	208

Total benefits and expenses		1,663	1,580	1,510

Income before income tax excluding special charges		283	278	264
Special charges		--	--	12

Income before income tax		\$ 283	\$ 278	\$ 252

Identifiable assets at December 31		\$5,213	\$4,936	\$4,786
=====				

Revenue was \$1.9 billion in 1998, up 5% from 1997, primarily due to growth in the worldwide mechanical extended warranty lines and in the U.S. electronics and appliance lines. Direct sales business had modest growth reflecting difficult market conditions for accident, while life and health grew satisfactorily. Direct sales continued to expand its product distribution through work-site marketing programs. The run-off of certain specialty liability programs is now substantially complete, while auto credit business continues to run off. Revenue includes investment income allocated to this operating segment. See "Investment Operations."

INSURANCE UNDERWRITING

(millions)	Years ended December 31	1998	1997	1996
=====				
Revenue:				
United States		\$1,366	\$1,308	\$1,287
United Kingdom		290	274	223
Europe		117	102	84
Rest of World		173	174	180

Total revenue		\$1,946	\$1,858	\$1,774
=====				

U.S. revenue of \$1.4 billion was up 4% in 1998 while European revenue of \$407 million rose 8%, principally due to growth in revenues for capital accumulation and extended warranty products. In addition, there was a higher volume of new business in the appliance and electronics extended warranty lines, both domestically and internationally. Rest of world revenue declined slightly.

Pretax income was \$283 million in 1998, up 2% from \$278 million last year. Extended warranty business improved its pretax margin in part due to good general expense controls and to improved loss experience, particularly in the U.S. appliance and electronics lines. Higher expense ratios associated with start-up costs in the direct sales worksite marketing initiative and investments in new product development in the extended warranty lines contributed to the modest improvement in pretax income results in 1998.

CORPORATE AND OTHER

Revenue consists primarily of investment income (including income on disposals) which is not otherwise allocated to operating segments. See "Investment Operations." Corporate operating expenses include administrative and certain information technology costs.

CORPORATE AND OTHER

(millions)	Years ended December 31	1998	1997	1996
=====	=====	=====	=====	=====
Total revenue		\$ 150	\$ 119	\$ 112
-----	-----	-----	-----	-----
Operating expenses		60	26	20
Interest expense		87	70	40
Amortization of intangibles		86	81	37
-----	-----	-----	-----	-----
Total expenses		233	177	97
-----	-----	-----	-----	-----
Income (loss) before income tax excluding special charges		(83)	(58)	15
Special charges		--	27	3
-----	-----	-----	-----	-----
Income (loss) before income tax		\$ (83)	\$ (85)	\$ 12
-----	-----	-----	-----	-----
Identifiable assets at December 31		\$5,319	\$5,232	\$3,912
=====	=====	=====	=====	=====

Revenue increased 26% or \$31 million in 1998 primarily due to higher levels of investment income from private equity and limited partnership holdings. Income from these investments varies significantly between periods and can result from disposal of investments at the time they become public as well as distributions in the form of securities or cash. The loss before income tax and special charges increased \$25 million over 1997. Contributing to the loss in 1998 were financing costs and goodwill amortization related to acquisitions and costs related to investments in information technology.

DISCONTINUED OPERATIONS

Discontinued operations in 1998 and 1997 are composed of certain insurance underwriting subsidiaries acquired with A&A that are currently in run-off and the indemnification by A&A of certain liabilities relating to subsidiaries sold by A&A prior to Aon's acquisition. Management believes that, based on current estimates, these discontinued operations are adequately reserved. The liability is included as a component of other liabilities on the consolidated statements of financial position.

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

INCOME TAX AND NET INCOME

The following discussion is on a dilutive basis. Basic net income on a per share basis was \$3.16 and \$1.71 in 1998 and 1997, respectively.

Net income for 1998 was \$541 million or \$3.11 per share compared to \$299 million or \$1.68 per share in 1997. Net income for fourth quarter 1998 amounted to \$139 million or \$0.79 per share compared to \$113 million or \$0.65 per share for 1997. The increase in the 1998 net income and related per share amount was influenced primarily by the after-tax 1997 special charges of \$108 million (\$0.64 per share) with no comparable amount in 1998. Dividends on the redeemable preferred stock in 1998 and dividends on the 8% and redeemable preferred stocks in 1997 have been deducted from net income to compute earnings per share. Aon's effective income tax rate was 37.5% in 1998 and 1997.

Dilutive average shares outstanding for 1998 increased 1% when compared to 1997 due primarily to the reissuance of common shares from treasury for employee benefits and for business combinations.

LIQUIDITY

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

Aon's operating subsidiaries anticipate that there will be adequate liquidity to meet their needs in the foreseeable future. Aon's routine liquidity needs are primarily for servicing its debt and for the payment of dividends on stock issues and the capital securities. Dividends from Aon's subsidiaries are the primary source for meeting these requirements. After meeting its routine dividend and debt servicing requirements, Aon used a majority of the remaining dividends received throughout the year to invest in acquisitions within the operational segments of its businesses. There are certain regulatory restrictions relating to dividend capacity of insurance subsidiaries that are discussed in note 8. Insurance subsidiaries' statutory capital and surplus at year-end 1998 again exceeded the risk-based capital target set by the National Association of Insurance Commissioners by a satisfactory level. At December 31, 1998, Aon had back-up lines of credit available of \$1.1 billion to support Aon's commercial paper borrowings which were \$436 million at December 31, 1998.

The businesses of Aon's operating subsidiaries continue to provide substantial positive cash flow. Brokerage cash flow has been used primarily for acquisition related activities. Given Aon's fixed maturity portfolio's average life of 5.2 years, access to lines of credit, and an uninterrupted trend in Aon's positive cash flow, Aon expects sufficient cash flow to meet both short-term and long-term cash needs.

Cash flow from operations increased \$80 million from 1997 to \$864 million. This increase primarily reflects 1998 brokerage acquisitions, the timing of the settlement of insurance segment receivables and payables, and payments on special charges and valuation adjustments relating to the acquisitions.

Investing activities used cash of \$1.4 billion in 1998, which was made available from financing and operating activities. Investing activities used cash of \$1.4 billion in 1997 primarily for brokerage acquisitions.

Cash totaling \$132 million was provided by financing activities in 1998. The decrease from \$1.3 billion in 1997 is primarily a result of the proceeds from the sale of the Capital Securities and short-term borrowings in 1997. The net cash provided from capital accumulation product deposits and withdrawals was \$298 million in 1998. Cash was used to pay dividends of \$192 million on common stock and \$2 million on redeemable preferred stock.

Total assets increased \$997 million to \$19.7 billion, primarily due to brokerage acquisitions. Invested assets at December 31, 1998 increased \$530 million from year-end 1997 levels, primarily due to higher levels of short-term investments relating to brokerage fiduciary funds.

YEAR 2000 READINESS DISCLOSURE

AON'S STATE OF READINESS

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

INFORMATION TECHNOLOGY (IT)

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

The original readiness target date to remediate or replace most mission critical applications was December 31, 1998, with all business units expected to be fully compliant by mid-1999. Testing on some of these systems will continue into the first half of 1999. Business units have made good progress and are well along in the process of replacing or modifying applications found to be non-compliant. During January 1999, a business unit readiness review and risk assessment for each business unit was performed. Dates were established for internal audit reviews of test documentation for selected units. Business units were put on a watch list if any mission critical application replacement, remediation or testing appeared to extend into third quarter 1999. Contingency plans are required for business units with

mission critical systems on the watch list. An analysis of all newly acquired business units is completed immediately after acquisition and appropriate plans are put into action.

Progress and concerns are reported to Aon's senior and business unit management. A written report is being prepared for management for any business unit with a mission critical application on the watch list. These applications will be tracked by the Year 2000 program office and reported to management monthly.

NON-IT

With respect to non-IT issues, a project coordinator is working with Aon's facilities management and third party leasing management company to ensure premises issues are addressed in Aon-owned and leased properties in the United States. Outside of the U.S., local chief financial officers have been instructed to make similar inquiries. The results of these efforts were reviewed for U.S. and European locations as of December 31, 1998. Some relatively minor problems were uncovered and are in the process of being fixed. The majority of the issues were with personal computer-based facility management systems.

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

THIRD PARTIES

Third parties having a material relationship with Aon have Year 2000 issues to address and resolve. Such third parties primarily include issuers of investment securities, financial institutions, governmental agencies, telecommunication companies and insurance carriers. An aspect of the project is to identify these third parties and contact them to seek written assurance as to the third party's anticipation of being Year 2000 compliant. The nature of Aon's follow-up depends upon its assessment of the response and of the materiality of the effect of non-compliance by third parties on Aon. Significant third parties determined to be at risk for Year 2000 failure will be reported to appropriate Aon management for possible preemptive action to minimize adverse impact on Aon's operations. As of December 31, 1998, Aon is not aware of any significant third party with a Year 2000 issue that would materially impact Aon's results of operations, liquidity or capital resources. However, Aon has no means of ensuring that such third parties will be Year 2000 ready. The inability of third parties to complete their Year 2000 resolution process in a timely fashion could materially impact Aon. The effect of non-compliance by third parties is not determinable.

Aon is compiling information on and assessing the compliance status of insurance carriers with whom it places business on behalf of its clients. Compliance questionnaires have been sent to approximately 2,700 carriers worldwide. An intensive follow-up effort, focusing on U.S. carriers who receive the bulk of insurance placements by U.S. business units, has produced a response rate of close to 100%. A similar follow-up effort for significant non-U.S. carriers (being executed in London) continues and is expected to be completed by March 31, 1999. Further follow-up on remaining carriers only doing business in specific countries is in process by the business units in those countries and is expected to be completed by June 30, 1999.

COSTS TO ADDRESS AON'S YEAR 2000 ISSUES

As of December 31, 1998, Aon's Year 2000 remediation costs for all business units is projected to be approximately \$70 million through December 31, 1999. This projection includes an additional \$5 million, from that previously reported as of September 30, 1998, for fourth quarter 1998 acquisitions where Year 2000 analysis is underway but not completed as of January 31, 1999 and for any 1999 acquisitions. At year-end 1997, Aon estimated its Year 2000 costs to be approximately \$50 million. The revised estimate was established as a part of Aon's comprehensive 1999 budget process which identified \$70 million in total Year 2000 costs. These costs are being funded through business unit operating cash flows.

The increase from \$50 million to \$70 million for Aon's total Year 2000 costs is attributable to the following: (1) acquisitions which increased Year 2000 costs;

(2) analysis and testing of Year 2000 issues which had not been anticipated at year-end 1997; and (3) the necessity in several instances to invoke contingency plans and remediate systems Aon originally planned to replace. Replacement was not considered a Year 2000 cost.

As of December 31, 1998, Aon has incurred approximately \$43 million related to all phases of the Year 2000 project. Of the total remaining project costs, approximately \$27 million will be incurred and expensed in 1999.

RISKS OF AON'S YEAR 2000 ISSUES

Aon's management believes it has an effective program in place to resolve the Year 2000 issue in a timely manner. As noted above, Aon has not yet completed all necessary Year 2000 program activities for all mission critical applications for all 200 business units being tested. In addition, disruption in the economy generally resulting from Year 2000 issues could also materially adversely affect Aon. The amount of potential liability and lost revenue related to that disruption cannot be reasonably estimated at this time. With regard to non-compliance resulting from Aon's IT systems, Aon will devote its financial and personnel resources to remediate problems as soon as detected. With regard to non-compliance resulting from third party failure, Aon is in the process of determining, through responses and other appropriate action, where there is any material likelihood of non-compliance having a potentially material impact; however, the potential impact and related costs are not known at this time.

AON'S CONTINGENCY PLANS

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

INVESTMENT OPERATIONS

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

Aon maintains well-capitalized operating companies. The financial strength of these companies permits a diversified investment portfolio including invested cash, fixed income obligations, and public and private equities.

Investment characteristics mirror liability characteristics of the respective operating units. Aon's insurance brokerage and other services and consulting businesses invest fiduciary funds in shorter term obligations and income derived from these investments is allocated to the revenues of those operating segments. Investments underlying interest-sensitive capital accumulation insurance products are fixed or floating rate obligations to match the appropriate liability characteristics. Indemnity and other types of non-interest sensitive insurance liabilities are primarily supported by intermediate to long-term duration instruments. Income from those fixed maturity investments is allocated to revenues of the insurance underwriting segment.

Invested assets and related investment income not directly required to support insurance brokerage, consulting and underwriting businesses are allocated to the corporate segment. These assets, primarily publicly-traded equities, as well as longer-term, less liquid private placements and limited partnerships, represent a more aggressive investment strategy that provides an opportunity for greater yields. Seeking these enhanced returns is designed, among other things, to counter the additional expenses associated with recent acquisitions, namely goodwill amortization and financing costs. The investment strategy employed in the corporate segment leads to greater variability in investment income than is the case of investments supporting the insurance brokerage, consulting and underwriting businesses.

With a carrying value of \$3.1 billion, Aon's total fixed maturity portfolio is invested primarily in investment grade holdings (95%) and has a fair value which is 104% of amortized cost.

INVESTED ASSETS

(millions)	As of December 31	1998	1997
=====			
Short-term investments		\$2,221	\$1,698
Fixed maturities		3,103	3,144
Equity securities		768	806
Other		360	274

Total invested assets		\$6,452	\$5,922
=====			

INVESTMENT INCOME

(millions)	Years ended December 31	1998	1997	1996
=====				
Insurance brokerage and other services (primarily short-term investments)		\$194	\$163	\$ 80
Consulting		6	6	3
Insurance underwriting (primarily fixed maturities)		240	214	197
Corporate and other		150	117	112

Investment income		\$590	\$500	\$392
=====				

MARKET RISK EXPOSURE

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

Aon is subject to foreign exchange rate risk associated with translating financial statements of its foreign subsidiaries into U.S. dollars. Additionally, certain of Aon's foreign subsidiaries receive revenues in currencies that differ from the currency in which their operating expenses are denominated. Aon's primary exposures are associated with the British Pound, other European currencies, the Canadian Dollar and the Australian Dollar. Aon uses forward contracts and over the counter options, as well as listed foreign currency futures and options on futures to protect against adverse transaction and translation effects due to exchange rate fluctuations. The potential decrease to Aon's consolidated equity at December 31, 1998 resulting from a hypothetical 10% adverse change in quoted year-end foreign currency exchange rates amounts to \$130 million and \$120 million, respectively, at December 31, 1998 and 1997. The impact to 1998 and 1997 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.

Due to the nature of Aon's businesses, operating earnings are affected by changes in international and domestic short-term interest rates. Aon hedges against fluctuations in short-term interest rates with Eurodollar and Eurosterling futures contracts, interest rate swaps and interest rate caps. A hypothetical 1% decrease in interest rates would have a decrease, net of derivative positions, of \$24 million to 1998 and 1997 pretax income. Aon's earnings are also affected by interest rate risks related to short-term borrowings. A hypothetical 1% decrease in short-term interest rates would correspondingly decrease Aon's interest expense by \$8 million for 1998 and 1997, partially offsetting the loss of short-term investment income.

The valuation of Aon's fixed maturity portfolio is subject to long-term interest rate risk. Aon generally uses treasury options and futures and interest rate swaps to hedge the value of the fixed maturity portfolio. A hypothetical 1% increase in long-term interest rates would decrease the fair value of the portfolio at December 31, 1998 and 1997, net of derivative positions, by approximately \$133 million and \$155 million, respectively. Aon has long-term notes payable and capital securities outstanding with a fair value of \$1.5 billion at December 31, 1998 and 1997. Such fair value exceeded the carrying value by \$125 million and \$106 million at December 31, 1998 and 1997, respectively. A hypothetical 1% decrease in interest rates would increase the fair value by approximately 10% at December 31, 1998 and 1997.

The valuation of Aon's marketable equity portfolio is subject to equity price risk. If market prices were to decrease 10%, the fair value of the equity portfolio would have a corresponding decrease of \$77 million compared to \$81 million at December 31, 1997. At December 31, 1998 and 1997, there were no outstanding derivatives hedging the price risk on the equity portfolio.

Aon has made adequate plans to address the system modifications necessary for full conversion to the euro. The euro conversion is not expected to have a material impact on Aon's European operations.

CAPITAL RESOURCES

In order to achieve tax efficient financing, Aon Corporation established, in June 1998, a committed bank credit facility under which certain European subsidiaries can borrow up to a maximum of \$470 million on a revolving basis. A total of \$350 million is committed for five years and \$120 million is committed for 364 days. As of December 31, 1998, there were six loans totaling \$408 million outstanding under the facility. Short-term borrowings increased \$80 million in 1998 when compared to 1997, primarily attributable to outstanding loans under the European bank credit facility. Short-term borrowings were largely used for acquisition activity. Notes payable decreased in 1998 by \$57 million when compared to year-end 1997. Aon's 6.875% debt securities, due October 1, 1999, are anticipated to be redeemed at 100% of the principal amount plus accrued interest.

Aon Corporation borrows funds from and lends funds to its various subsidiaries. As of December 31, 1998, Aon Corporation held obligations to its subsidiaries of approximately \$600 million. Generally, these obligations have competitive interest rates.

In 1998, common stockholders' equity per share increased to \$17.74, up from \$16.80 in 1997. The increase consisted of net income partially offset by an other comprehensive loss of \$219 million and dividends to stockholders of \$194 million.

CONSOLIDATED STATEMENTS OF INCOME

(millions except per share data) Years ended December 31 1998 1997 1996

REVENUE

Brokerage commissions and fees	\$4,197	\$3,605	\$1,919
Premiums and other	1,706	1,646	1,577
Investment income (note 4)	590	500	392
Total revenue	6,493	5,751	3,888
=====			
EXPENSES			
General expenses	4,457	4,176	2,536
Benefits to policyholders	896	842	790
Interest expense	87	70	40
Amortization of intangible assets	122	121	76
Total expenses	5,562	5,209	3,442
=====			
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND MINORITY INTEREST	931	542	446
Provision for income tax (note 6)	349	203	154
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	582	339	292
Minority interest, net of tax--Company-obligated mandatorily redeemable preferred capital securities (note 8)	(41)	(40)	--
INCOME FROM CONTINUING OPERATIONS	541	299	292
=====			
DISCONTINUED OPERATIONS (NOTE 3)			
Income from discontinued operations, net of tax	--	--	22
Gain on sale of discontinued operations, net of tax	--	--	21
NET INCOME	\$ 541	\$ 299	\$ 335
=====			
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	\$ 538	\$ 287	\$ 316
=====			
DILUTIVE PER SHARE			
Income from continuing operations	\$ 3.11	\$ 1.68	\$ 1.64
Discontinued operations	--	--	0.26
Net income	3.11	1.68	1.90
=====			
BASIC PER SHARE			
Income from continuing operations	3.16	1.71	1.67
Discontinued operations	--	--	0.26
Net income	3.16	1.71	1.93
=====			
Cash Dividends Per Share Paid on Common Stock	\$ 1.10	\$ 1.02	\$ 0.95
=====			
DILUTIVE AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	172.9	170.5	168.9
=====			

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions)	As of December 31	1998	1997
=====			
ASSETS			
INVESTMENTS			
Fixed maturities--at fair value		\$ 3,103	\$ 3,144
Equity securities--at fair value		768	806
Short-term investments		2,221	1,698
Other investments		360	274

Total investments		6,452	5,922

CASH		723	1,085
RECEIVABLES			
Insurance brokerage and consulting		5,423	5,320
Premiums and other		1,120	863
Accrued investment income		63	67

Total receivables (net of allowance for doubtful accounts: 1998-\$99; 1997-\$86)		6,606	6,250

DEFERRED INCOME TAXES		214	137
DEFERRED POLICY ACQUISITION COSTS		573	549
INTANGIBLE ASSETS (net of accumulated amortization: 1998-\$1,101; 1997-\$979)		3,500	3,094
OTHER ASSETS		1,620	1,654

TOTAL ASSETS		\$19,688	\$18,691
=====			

See accompanying notes to consolidated financial statements.

(millions)	As of December 31	1998	1997
=====			
LIABILITIES AND STOCKHOLDERS' EQUITY			
INSURANCE PREMIUMS PAYABLE		\$ 6,948	\$ 6,380
POLICY LIABILITIES			
Future policy benefits		986	943
Policy and contract claims		779	809
Unearned and advance premiums		1,797	1,870
Other policyholder funds		1,261	828
		-----	-----
Total policy liabilities		4,823	4,450

GENERAL LIABILITIES

General expenses	1,259	1,489
Current income taxes	156	180
Short-term borrowings	844	764
Notes payable	580	637
Other liabilities	1,211	1,119
	-----	-----
TOTAL LIABILITIES	15,821	15,019

COMMITMENTS AND CONTINGENT LIABILITIES		
REDEEMABLE PREFERRED STOCK	50	50
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED CAPITAL SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY THE COMPANY'S JUNIOR SUBORDINATED DEBENTURES	800	800
STOCKHOLDERS' EQUITY		
Common stock--\$1 par value		
Authorized--300 shares; issued	172	172
Paid-in additional capital	450	377
Accumulated other comprehensive income (loss)	(116)	103
Retained earnings	2,782	2,463
Treasury stock at cost (shares: 1998-1.5; 1997-3.5)	(58)	(93)
Deferred compensation	(213)	(200)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	3,017	2,822

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$19,688	\$18,691
=====		

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(millions)	Years ended December 31	1998	1997	1996
=====				
PREFERRED STOCK Balance at January 1		\$ --	\$ 5	\$ 8
Retirement and conversion of preferred stock		--	(5)	(3)
		--	--	5

COMMON STOCK Balance at January 1		172	114	111
Effect of three-for-two stock split		--	57	--
Shares issued for business combinations		--	1	--
Conversion of preferred stock to common stock		--	--	3
		172	172	114

PAID-IN ADDITIONAL CAPITAL Balance at January 1		377	475	432
Effect of three-for-two stock split		--	(57)	--
Stock awards		73	79	55
Adjustment for business combinations		--	11	2
Retirement and conversion of preferred stock		--	(131)	(14)
		450	377	475

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at January 1		103	154	125
Net unrealized investment gains (losses)		(111)	36	30
Net foreign exchange losses		(12)	(87)	(1)
Net additional minimum pension liability adjustment		(96)	--	--
		(219)	(51)	29
		(116)	103	154

RETAINED EARNINGS Balance at January 1		2,463	2,357	2,212
Net income		541	299	335
Dividends to stockholders		(194)	(180)	(172)
Loss on treasury stock reissued		(30)	(7)	(16)
Adjustment for business combinations		2	(6)	(2)
		2,782	2,463	2,357

TREASURY STOCK Balance at January 1		(93)	(121)	(97)
Cost of shares acquired		(44)	(12)	(66)
Shares reissued at average cost		79	40	42
		(58)	(93)	(121)

DEFERRED COMPENSATION Balance at January 1		(200)	(151)	(117)
Issuance of stock awards		(54)	(81)	(57)
Debt guarantee of employee stock ownership plan		16	13	11
Amortization of deferred compensation		25	19	12
		(213)	(200)	(151)

STOCKHOLDERS' EQUITY AT DECEMBER 31		\$3,017	\$2,822	\$2,833
=====				
COMPREHENSIVE INCOME				
NET INCOME		\$ 541	\$ 299	\$ 335
OTHER COMPREHENSIVE INCOME (LOSS)		(219)	(51)	29
		\$ 322	\$ 248	\$ 364
=====				

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions) Years ended December 31 1998 1997 1996

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 541	\$ 299	\$ 335
Adjustments to reconcile net income to cash provided by operating activities			
Policy liabilities	28	(155)	767
Deferred policy acquisition costs	(236)	(164)	(213)
Amortization of deferred policy acquisition costs	216	208	236
Amortization of intangible assets	122	121	79
Other amortization and depreciation	146	121	65
Other	47	354	(893)
Gain on sale of discontinued operations	--	--	(21)
CASH PROVIDED BY OPERATING ACTIVITIES	864	784	355
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments			
Fixed maturities			
Maturities	107	105	135
Calls and prepayments	108	156	204
Sales	2,062	2,175	980
Equity securities	2,176	1,827	636
Other investments	51	55	200
Purchase of investments			
Short-term--net	(534)	(31)	(65)
Fixed maturities	(2,257)	(2,767)	(1,843)
Equity securities	(2,253)	(1,724)	(661)
Other investments	(141)	(111)	(302)
Acquisition of subsidiaries	(374)	(1,649)	(342)
Disposition of subsidiaries	--	--	1,370
Acquired fiduciary funds from acquisitions	--	734	--
Property and equipment and other	(300)	(146)	(75)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,355)	(1,376)	237
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury stock transactions--net	(18)	21	(40)
Issuance (repayment) of short-term borrowings--net	80	542	(139)
Issuance of mandatorily redeemable preferred capital securities	--	800	--
Repayment of long-term debt	(34)	(74)	(6)
Interest sensitive life, annuity and investment contracts			
Deposits	435	373	508
Withdrawals	(137)	(44)	(437)
Retirement of preferred stock	--	(136)	(14)
Cash dividends to stockholders	(194)	(182)	(173)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	132	1,300	(301)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3)	(33)	4
INCREASE (DECREASE) IN CASH	(362)	675	295
CASH AT BEGINNING OF YEAR	1,085	410	115
CASH AT END OF YEAR	\$723	\$1,085	\$ 410

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND PRACTICES

PRINCIPLES OF CONSOLIDATION

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

SEGMENT INFORMATION

Aon classifies its business into three major segments based on the type of service or product and a fourth nonoperating segment. The Insurance Brokerage and Other Services segment is comprised of retail, reinsurance, specialty and wholesale brokerage operations. The Consulting segment is comprised of Aon's human resource consulting organization. The Insurance Underwriting segment is comprised of direct sales life and accident and health, extended warranty, specialty and other insurance products. The Corporate and Other segment revenues consist primarily of investment income on capital. The segment information located in the tables on pages 15 through 28 is incorporated herein by reference.

Amounts reported in the tables for the four segments, when aggregated, total 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. There are no material intersegment amounts to be eliminated. Long-lived assets and related depreciation are not material.

The foregoing segment information is prepared in conformity with Financial Accounting Standards Board (FASB) Statement No. 131 "Disclosures about Segments of an Enterprise and Related Information" that Aon adopted as required for 1998. Previously reported segment information was restated.

BROKERAGE COMMISSIONS AND FEES

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

PREMIUM REVENUE

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

REINSURANCE

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

STOCK COMPENSATION PLANS

Aon applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans. 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 the Aon Stock Award Plan based on the market price at the date of the award.

SPECIAL CHARGES

In first quarter 1997, Aon recorded pretax special charges of \$145 million (\$91 million after-tax or \$0.54 per share), primarily related to management's commitment to a formal plan of restructuring Aon's brokerage operations as a result of the acquisition of Alexander and Alexander Services Inc. (A&A). The restructuring charges included costs related to severance and other costs and the consolidation of systems and real estate space. The restructuring charges related to real estate space are being paid out over several years as planned. Special charges for severance and related costs involved 600 positions.

In second quarter 1997, Aon recorded pretax special charges of \$27 million (\$17 million after-tax or \$0.10 per share) to

recognize investment losses incurred at A&A before Aon acquired A&A. At Aon's acquisition date, the carrying value of certain securities in A&A's portfolio was overstated by the previously unrecognized investment losses.

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

In fourth quarter 1996, Aon's management committed to a formal plan of restructuring Aon's European brokerage operations as a result of the Bain Hogg Group plc (Bain Hogg) acquisition and recorded pretax special charges of \$60 million (\$40 million after-tax or \$0.24 per share) primarily relating to this activity. The restructuring charges included \$32 million relating to consolidation activities, \$12 million for workforce reductions involving 300 positions, and \$11 million relating to the reconstruction of the Lloyd's of London insurance market.

All of Aon's special charges are reflected in general expenses in the consolidated statements of income. A summary of restructuring activities included in the 1997 and 1996 special charges and the related amounts remaining unpaid in the general expenses liability at December 31, 1996, 1997 and 1998 is as follows:

(millions)	Termination Benefits	Consolidation and Other	Total
=====	=====	=====	=====
1996			
Expense accrued	\$ 42	\$ 48	\$ 90
Cash payments	30	--	30
-----	-----	-----	-----
Balance at December 31, 1996	12	48	60
1997			
Expense accrued	40	132	172
Cash payments	48	37	85
Asset write-offs	--	37	37
-----	-----	-----	-----
Balance at December 31, 1997	4	106	110
1998			
Cash payments	4	26	30
-----	-----	-----	-----
Balance at December 31, 1998	\$ --	\$ 80	\$ 80
=====	=====	=====	=====

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.

COMPREHENSIVE INCOME

In 1998, Aon adopted FASB Statement No. 130 "Reporting Comprehensive Income." Statement No. 130 requires net unrealized investment gains or losses on Aon's available-for-sale securities, net foreign exchange gains or losses on translation and minimum pension liability adjustments, which previously were reported directly in stockholders' equity, to be included in accumulated other comprehensive income in the consolidated statements of financial position and in the disclosure of comprehensive income. The totals of other comprehensive income items and comprehensive income (which includes net income), are displayed separately in the consolidated statements of stockholders' equity. The adoption of this statement had no effect on net income or stockholders' equity. The components of other comprehensive income (loss), and the related tax effects are as follows:

Year ended December 31, 1998 (millions)	Amount Before Taxes	Income Tax (Expense) Benefit	Amount Net of Taxes
=====	=====	=====	=====
Unrealized holding losses arising during the year	\$ (130)	\$ 49	\$ (81)
Less: reclassification adjustment	47	(17)	30
-----	-----	-----	-----
Net unrealized investment losses	(177)	66	(111)
Net foreign exchange losses	(18)	6	(12)
Net additional minimum pension liability adjustment	(155)	59	(96)
-----	-----	-----	-----
Total other comprehensive loss	\$ (350)	\$ 131	\$ (219)
=====	=====	=====	=====
Year ended December 31, 1997 (millions)	Amount Before Taxes	Income Tax (Expense) Benefit	Amount Net of Taxes
=====	=====	=====	=====

Unrealized holding gains arising during the year	\$	86	\$	(32)	\$	54
Less: reclassification adjustment		29		(11)		18

Net unrealized investment gains		57		(21)		36
Net foreign exchange losses		(138)		51		(87)

Total other comprehensive loss	\$	(81)	\$	30	\$	(51)
=====						

Year ended December 31, 1996 (millions)	Amount Before Taxes	Income Tax (Expense) Benefit	Amount Net of Taxes
=====			
Unrealized holding gains arising during the year	\$ 58	\$ (21)	\$ 37
Less: reclassification adjustment	11	(4)	7

Net unrealized investment gains	47	(17)	30
Net foreign exchange losses	(2)	1	(1)

Total other comprehensive income	\$ 45	\$ (16)	\$ 29
=====			

The components of accumulated other comprehensive income (loss), net of related tax, as of December 31, 1998, 1997 and 1996 are as follows:

(millions)	1998	1997	1996
Net unrealized investment gains	\$ 78	\$ 189	\$ 153
Net foreign exchange gains (losses)	(98)	(86)	1
Net additional minimum pension liability	(96)	--	--
Accumulated other comprehensive income (loss)	\$ (116)	\$ 103	\$ 154

INCOME PER SHARE

Basic income per share is computed based on the weighted average number of common shares outstanding, excluding any dilutive effect of options, awards and convertible securities. Common shares outstanding include 3,970,000 shares, 4,230,000 shares and 4,520,000 shares held by the employee stock ownership plan in 1998, 1997 and 1996, respectively. Net income available for common 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, awards and convertible securities. The dilutive effect of options and awards is calculated under the treasury stock method using the average market price for the period. Income per share is calculated as follows:

(millions except per share data)	1998	1997	1996
Income from continuing operations	\$ 541	\$ 299	\$ 292
8% preferred stock dividends	--	(9)	(11)
Redeemable preferred stock dividends	(3)	(3)	(2)
Continuing income for dilutive 6.25% preferred stock dividends	538	287	279
	--	--	(5)
Continuing income for basic	\$ 538	\$ 287	\$ 274
Basic shares outstanding	170	168	164
Common stock equivalents	3	3	2
6.25% convertible preferred shares	--	--	3
Dilutive potential common shares	173	171	169
Dilutive net income per share	\$ 3.11	\$ 1.68	\$ 1.64
Basic net income per share	\$ 3.16	\$ 1.71	\$ 1.67

INVESTMENTS

Fixed maturities are available for sale and are carried at fair value. The amortized cost of fixed maturities is adjusted for amortization of premiums to the first call date and the accretion of discounts to maturity that are included in investment income. Equity securities are carried at fair value. Unrealized gains and temporary unrealized losses on fixed maturities and equity securities are excluded from income and are recorded directly to stockholders' equity in accumulated other comprehensive income, net of related deferred income taxes. Other investments are carried generally at cost. Income or loss on disposal is computed using specific costs of securities sold and reported as investment income.

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

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

DEFERRED POLICY ACQUISITION COSTS

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

OTHER INTANGIBLE ASSETS

In general, the excess of cost over net assets purchased relating to business acquisitions is being amortized into income over periods not exceeding 40 years using the straight-line method. The cost of other intangible assets is being amortized over a range of 4 to 25 years.

PROPERTY AND EQUIPMENT

Property and equipment, reported in other assets, 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 the life of the software.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate fair values for financial instruments. The carrying amounts in the consolidated statements of financial position for cash and cash equivalents, including short-term investments, approximate their fair value. Fair value for fixed maturity and

equity securities is based on quoted market prices or, if they are not actively traded, on estimated values obtained from independent pricing services. Fair value of derivatives is based on quoted prices for exchange-traded instruments or the cost to terminate or offset with other contracts.

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

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

FUTURE POLICY BENEFITS, UNEARNED PREMIUMS, AND POLICY AND CONTRACT CLAIMS Future policy benefit liabilities on non-universal life and accident and health products have been provided on the net level premium method. The liabilities are calculated based on assumptions as to investment yield, mortality, morbidity and withdrawal rates that were determined at the date of issue, and provide for possible adverse deviations. Interest assumptions are graded and range from 7% to 4.5% at December 31, 1998. Withdrawal assumptions are based principally on insurance subsidiaries' experience and vary by plan, year of issue and duration. Policyholder liabilities on universal life and investment products are generally based on policy account values.

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

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

FOREIGN CURRENCY TRANSLATION

In general, foreign revenues and expenses are translated at average exchange rates. Foreign assets and liabilities are translated at year-end exchange rates. Net foreign exchange gains and losses on translation are generally reported in stockholders' equity, in accumulated other comprehensive income, net of deferred income tax.

OTHER ACCOUNTING AND DISCLOSURE CHANGES

In 1998, Aon adopted FASB Statement No. 132 "Disclosures About Pensions and Other Postretirement Benefit Plans." For comparative purposes, prior year financial statement disclosures have been restated.

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is required to be adopted in 2000 with early adoption permitted. Aon has not yet decided when it will adopt the new statement. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities and will require Aon to recognize all derivatives on the statement of financial position at fair value. Aon has not yet determined the effect this statement will have on Aon's financial statements.

RECLASSIFICATION

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

2. BUSINESS COMBINATIONS

PURCHASE METHOD

In 1998, Aon acquired Le Blanc de Nicolay (Le Blanc), Gil y Carvajal and certain other operations for approximately \$400 million in transactions accounted for on a preliminary basis by the purchase method. The acquisitions were financed by internal funds and short-term borrowings. Intangible assets of approximately \$400 million resulted from the 1998 acquisitions. As a result of 1998 acquisitions and the finalization of purchase accounting for the 1997 acquisition of Jauch & Hubener, Aon had established approximately \$70 million of purchase accounting liabilities primarily relating to severance and consolidation of real estate. In connection with these items, Aon had approximately \$50 million remaining unpaid in the general expenses liability at December 31, 1998.

In 1997, Aon acquired A&A, the Minet Group (Minet), and Jauch & Hubener for approximately \$1.6 billion in transactions accounted for by the purchase method. The 1997

acquisitions were financed primarily by the issuance of capital securities (see note 8), issuance of commercial paper and internal funds. Intangible assets of approximately \$1.5 billion were created by the 1997 acquisitions. The 1997 consolidated statement of income included the operations of A&A since January 1, 1997. If the A&A acquisition had been consummated on January 1, 1996, the unaudited pro forma consolidated results of operations would have resulted in total revenues of \$5.2 billion, income from continuing operations of \$258 million and net income of \$291 million.

In October 1996, Aon acquired Bain Hogg for approximately \$260 million. This acquisition was financed by internal funds. The 1996 consolidated statement of income includes the operations of Bain Hogg since the date of acquisition. Aon's 1996 revenues would have been approximately \$260 million greater had the acquisition occurred on January 1, 1996.

As a result of the acquisition of A&A, Aon had established approximately \$200 million of purchase accounting liabilities primarily relating to costs associated with the consolidation of real estate and severance liabilities for approximately 2,000 positions. In addition, as a result of the Bain Hogg acquisition, approximately \$85 million of purchase accounting liabilities were established primarily relating to both the costs associated with the consolidation of real estate and severance liabilities. In connection with these items, Aon made payments and wrote off assets of \$130 million and \$80 million in 1997 and 1998, respectively. Approximately \$75 million remained unpaid in the general expenses liability at December 31, 1998, primarily relating to real estate.

In accordance with a 1992 purchase agreement, securities with a value of \$48 million are being held in escrow. The escrowed securities will be released on a pre-determined schedule through 2007.

POOLING OF INTERESTS METHOD

In 1998, 1997 and 1996, Aon issued 1,543,000 shares, 274,000 shares and 819,000 shares of common stock, respectively, for mergers with insurance brokerage and consulting organizations. In connection with several of the mergers, 273,000 shares issued to sellers are being held in escrow at December 31, 1998, pending the resolution of contingencies. Aon's prior period financial statements have not been restated for the mergers because the effect of the above mergers was not material.

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

For 1996, the discontinued operations had revenues of \$293 million. The revenues and corresponding expenses were reported on a net basis in the consolidated statements of income, and were net of taxes of \$12 million in 1996. Income from discontinued operations that was earned subsequent to the commitment to the plan to dispose was \$22 million, net of taxes, in 1996. Included in discontinued operations is pretax interest expense of \$5 million in 1996. The allocation of interest expense was based on the ratio of discontinued net assets to total consolidated equity and debt.

A&A DISCONTINUED OPERATIONS

A&A discontinued its insurance underwriting operations in 1985, some of which were then placed into run-off, with the remainder sold in 1987. In connection with those sales, A&A provided indemnities to the purchaser for various estimated and potential liabilities.

As of December 31, 1998, the liabilities associated with the foregoing indemnities and liabilities of insurance underwriting subsidiaries that are currently in run-off were included in other liabilities in the accompanying statement of financial position and amounted to \$149 million. Such liabilities are net of reinsurance recoverables and other assets of \$182 million.

The insurance liabilities represent estimates of known and future claims expected to be made under occurrence-based insurance policies and reinsurance business. Those claims are expected to develop and be settled over the next 20 to 30 years.

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

Although these insurance liabilities represent a best estimate of the probable liabilities, adverse developments may occur due to 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.

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

(millions)	Years ended December 31	1998	1997	1996
Short-term investments		\$ 196	\$ 178	\$ 105
Fixed maturities				
Interest income		219	210	197
Income on disposals		37	27	13
Losses on disposals		(24)	(14)	(9)
Fixed maturities		232	223	201
Equity securities				
Dividend income		80	95	61
Income on disposals		65	52	19
Losses on disposals		(27)	(32)	(7)
Equity securities		118	115	73
Other				
Interest and dividend income		59	23	31
Income (losses) on disposals		1	(27)	(8)
Other		60	(4)	23
Gross investment income		606	512	402
Less investment expenses		16	12	10
Investment income		\$ 590	\$ 500	\$ 392

The components of net unrealized gains are as follows:

(millions)	Years ended December 31	1998	1997	1996
Fixed maturities		\$ 108	\$ 130	\$ 112
Equity securities		12	167	128
Deferred tax charge		(42)	(108)	

Net unrealized investment gains \$ 78 \$ 189 \$ 153

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

(millions)	Years ended December 31	1998	1997	1996
Fixed maturities--available for sale		\$ (22)	\$ 18	\$ (3)
Equity securities		(155)	39	50
Total		\$ (177)	\$ 57	\$ 47

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

(millions)	Amortized	Gross	Gross	Fair
As of December 31, 1998	Cost	Unrealized	Unrealized	Value
U.S. government and agencies	\$ 96	\$ 6	\$ (1)	\$ 101
States and political subdivisions	485	32	--	517
Foreign governments	740	65	(4)	801
Corporate securities	1,596	54	(46)	1,604
Mortgage-backed securities	25	1	--	26
Other fixed maturities	53	1	--	54
Total fixed maturities	2,995	159	(51)	3,103
Total equity securities	756	49	(37)	768
Total	\$ 3,751	\$ 208	\$ (88)	\$ 3,871

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

The amortized cost and fair value of fixed maturities, by contractual maturity as of December 31, 1998 are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(millions)	Amortized Cost	Fair Value
Due in one year or less	\$ 151	\$ 153
Due after one year through five years	821	856
Due after five years through ten years	957	1,009
Due after ten years	1,041	1,059
Mortgage-backed securities	25	26
Total	\$ 2,995	\$ 3,103

Securities on deposit for regulatory authorities as required by law amounted to \$274 million at December 31, 1998 and \$309 million at December 31, 1997. As required by the by-laws of Lloyd's brokers, cash and short-term investments subject to floating charges for the benefit of insurance creditors amounted to \$1.3 billion and \$1.1 billion at December 31, 1998 and 1997, respectively. Aon maintains premium trust bank accounts for premiums collected from insureds but not yet remitted to insurance companies of \$1.3 billion and \$1.4 billion at December 31, 1998 and 1997, respectively.

At December 31, 1998 and 1997, respectively, Aon had \$56 million and \$96 million of non-income producing investments.

5. DEBT AND LEASE COMMITMENTS

NOTES PAYABLE

The following is a summary of notes payable:

(millions)	As of December 31	1998	1997
=====			
6.3% debt securities, due January 2004	\$	100	\$ 100
6.7% debt securities, due June 2003		150	150
6.875% debt securities, due October 1999		100	100
7.4% debt securities, due October 2002		100	100
Debt guarantee of employee stock ownership plan (ESOP)		17	33
Notes payable, due in varying installments, with interest at 5% to 8%		113	154

Total notes payable	\$	580	\$ 637

Interest is payable semiannually on all debt securities. In addition, the debt securities are not redeemable by Aon prior to maturity and contain no sinking fund provisions. Maturities of notes payable excluding the debt guarantee of ESOP are \$110 million, \$3 million, \$3 million, \$101 million and \$150 million in 1999, 2000, 2001, 2002 and 2003, respectively.

In 1998, Aon entered into a committed bank credit facility under which certain European subsidiaries can borrow up to EUR 400 million (\$470 million). At December 31, 1998, Aon had borrowed EUR 348 million (\$408 million) under this facility. Aon has \$1.1 billion of other unused committed bank credit facilities at December 31, 1998 to support its commercial paper borrowings which were \$436 million at December 31, 1998.

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

Years ended December 31	1998	1997	1996
Interest paid (millions)	\$ 87	\$ 70	\$ 45
Weighted average interest rates--			
short-term borrowings	5.5%	5.6%	5.3%

DEBT GUARANTEE OF ESOP

Aon's ESOP has entered into loan agreements to purchase Aon common stock. The loans are unconditionally guaranteed by Aon and therefore the unpaid balance of the loans is classified as notes payable in the accompanying statements of financial position. An equivalent amount, representing deferred compensation, is recorded as a deduction from stockholders' equity. The ESOP paid \$18 million, \$16 million and \$15 million in 1998, 1997 and 1996, respectively, in loan principal and interest from contributions made by Aon to the ESOP as well as dividend proceeds of common stock held by the ESOP. The loans have an interest rate of 8.35% and mature in 1999. The ESOP allocated 709,000 shares in 1998. The remaining unallocated shares at December 31, 1998 will be released for allocation in 1999.

The following table details the shares held by the ESOP:

(thousands)	As of December 31	1998	1997
Allocated		3,240	2,787
Committed to be released		734	709
Unallocated		--	734
Total		3,974	4,230

LEASE COMMITMENTS

Aon has noncancelable operating leases for certain office space, equipment and automobiles. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1998 are:

(millions)

1999	\$ 231
2000	211
2001	172
2002	151
2003	123
Later years	541
Total minimum payments required	\$1,429

Rental expenses for all operating leases for the years ended December 31, 1998, 1997 and 1996, amounted to \$202 million, \$177 million and \$114 million, respectively.

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

Years ended December 31	1998	1997	1996
Statutory tax rate	35.0%	35.0%	35.0%
Tax-exempt investment income	(1.8)	(3.1)	(3.7)
Amortization of intangible assets			
relating to acquired businesses	1.9	3.3	0.4
State income taxes	1.6	2.8	3.5
Other--net	0.8	(0.5)	(0.7)

Effective tax rate	37.5%	37.5%	34.5%
--------------------	-------	-------	-------

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

(millions)	Years ended December 31	1998	1997	1996
Current:				
Federal		\$ 184	\$ 21	\$ 115
Foreign		53	35	55
State		23	18	25
Total current		\$ 260	\$ 74	\$ 195
Deferred (credit):				
Federal		\$ 2	\$ 100	\$ (9)
Foreign		87	24	(31)
State		--	5	(1)
Total deferred		89	129	(41)
Provision for income tax		\$ 349	\$ 203	\$ 154

During 1998 and 1997, Aon's consolidated statement of income reflects a tax benefit of \$25 million and \$24 million, respectively, on the capital securities.

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

(millions)	As of December 31	1998	1997
=====			
Deferred tax assets:			
Policy liability amounts	\$	132	\$ 129
Net operating loss and tax credit carry		82	86
Certain purchase accounting & restructuring liabilities		93	100
Other--net		79	83

Total deferred tax assets		386	398

Deferred tax liabilities:			
Policy acquisition costs		(41)	(54)
Unrealized investment gains		(42)	(108)
Other--net		(38)	(43)
Total deferred tax liabilities		(121)	(205)

Valuation allowance		(51)	(56)

Net deferred tax assets (liabilities) \$ 214 \$ 137

As of December 31, 1998, a U.S. subsidiary of Aon (A&A) had U.S. federal net operating loss carryforwards of \$76 million which expire in years 2008 through 2012, and federal foreign tax credit carryforwards of \$13 million which expire in years 1999 through 2000.

Internal Revenue Code imposes limitations on the utilization of federal 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, in connection with the purchase of A&A, a \$56 million valuation allowance was established. The valuation allowance changed to \$51 million in 1998 corresponding to reductions in related deferred tax assets, with no effect on income. Subsequently recognized tax benefits for these items would reduce goodwill. Although future earnings cannot be predicted with certainty, management currently believes that realization of the net deferred tax asset after consideration of the valuation allowance is more likely than not.

Prior to 1984, the life insurance companies were required to accumulate certain untaxed amounts in a memorandum "policyholders' surplus account." Under the Tax Reform Act of 1984, the "policyholders' surplus account" balances were "capped" at December 31, 1983 and the balances will be taxed only to the extent distributed to stockholders or when they exceed certain prescribed limits. As of December 31, 1998, the combined "policyholders' surplus account" of Aon's life insurance subsidiaries approximates \$363 million. Aon's life insurance subsidiaries do not intend to make any taxable distributions or exceed the prescribed limits in the foreseeable future; therefore, no income tax provision has been made. However, if such taxes were assessed, the amount of taxes payable would be \$127 million.

The amount of income taxes paid in 1998, 1997 and 1996 was \$249 million, \$137 million and \$387 million, respectively.

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

A summary of reinsurance activity is as follows:

(millions)	Years ended December 31	1998	1997	1996
=====				
Ceded premiums earned		\$580	\$609	\$508
Ceded premiums written		528	713	667
Assumed premiums earned		149	298	292
Assumed premiums written		133	284	276
Ceded benefits to policyholders		325	286	220
=====				

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

(millions)	Years ended December 31	1998	1997	1996
=====				
Liabilities at beginning of year		\$ 520	\$ 535	\$ 715
Incurred losses:				
Continuing operations--current year		807	814	774

Continuing operations--prior years	(19)	(50)	(36)
Discontinued operations*	--	--	90

Total	788	764	828

Payment of claims:			
Current year	(539)	(538)	(552)
Prior years	(286)	(241)	(283)

Total	(825)	(779)	(835)

Liability for business sold	--	--	(173)

Liabilities at end of year			
(net of reinsurance recoverables:			
1998-\$296, 1997-\$289, 1996-\$306)	\$ 483	\$ 520	\$ 535
=====			

*Excludes A&A discontinued operations.

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

REDEEMABLE PREFERRED STOCK

At December 31, 1998, 1,000,000 shares of redeemable preferred stock are outstanding. Dividends are cumulative at an annual rate of \$2.55 per share. The shares of redeemable preferred stock will be redeemable at the option of Aon or the holders, in whole or in part, at \$50.00 per share beginning one year after the occurrence of certain future events.

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 an \$824 million aggregate principal amount of Aon's 8.205% Junior

Subordinated Deferrable Interest Debentures due January 1, 2027. The back-up guarantees, in the aggregate, provide a full and unconditional guarantee of the Trust's obligations under the Capital Securities.

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

8% CUMULATIVE PERPETUAL PREFERRED STOCK

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

6.25% CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

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

COMMON STOCK

Aon repurchased 695,000, 202,000 and 1,931,000 shares in 1998, 1997 and 1996, respectively, of its common stock, primarily to provide shares for stock compensation plans and the conversion of preferred stock.

DIVIDENDS

A summary of dividends incurred is as follows:

(millions)	Years ended December 31	1998	1997	1996
Redeemable preferred stock		\$ 2	\$ 2	\$ 2
8% cumulative perpetual preferred stock		--	9	11
6.25% cumulative convertible exchangeable preferred stock		--	--	5
Common stock		192	169	154
Total dividends incurred		\$ 194	\$ 180	\$ 172

STATUTORY CAPITAL AND SURPLUS

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

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

(millions)	Years ended December 31	1998	1997	1996
Life insurance		\$239	\$265	\$807
Property casualty		62	66	71

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

(millions)	As of December 31	1998	1997	1996
Life insurance		\$610	\$724	\$612
Property casualty		446	438	364

9. EMPLOYEE BENEFITS

SAVINGS AND PROFIT SHARING PLANS

Certain of Aon's subsidiaries maintain contributory savings plans for the benefit of United States salaried and commissioned employees and a contributory profit sharing plan for the benefit of Canadian salaried employees and commissioned agents. Provisions made for these plans were \$22 million, \$22 million and \$14 million in 1998, 1997 and 1996, respectively.

EMPLOYEE STOCK OWNERSHIP PLAN

Certain of Aon's subsidiaries maintain a leveraged ESOP for the benefit of the United States salaried and certain commissioned employees. Contributions to the ESOP amounted to \$16 million, \$14 million and \$12 million in 1998, 1997 and 1996, respectively.

PENSION AND OTHER POSTRETIREMENT BENEFITS

Aon sponsors defined benefit pension and postretirement health and welfare plans which provide retirement, medical and life insurance benefits. The postretirement health care 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 ending December 31, 1998 and 1997 and a statement of the funded status as of December 31, 1998 and 1997.

(millions)	Pension Benefits		Other Benefits	
	1998	1997	1998	1997
=====				
RECONCILIATION OF BENEFIT OBLIGATION				
Obligation at January 1	\$ 692	\$ 305	\$ 61	\$ 40
Service cost	32	32	1	2
Interest cost	51	46	5	4
Participant contributions	--	--	4	4
Plan amendments	(8)	--	--	--
Actuarial (gain) loss	(13)	12	7	3
Acquisitions	11	310	--	17
Benefit payments	(38)	(36)	(8)	(9)
Change in interest rate	29	23	--	--

Obligation at December 31	\$ 756	\$ 692	\$ 70	\$ 61

RECONCILIATION OF FAIR VALUE OF PLAN ASSETS				
Fair value at January 1	\$ 853	\$ 317	\$ 7	\$ --
Actual return on plan assets	60	159	1	1
Acquisitions	16	393	--	6
Employer contributions	13	20	--	--
Benefit payments	(38)	(36)	--	--

Fair value at December 31	\$ 904	\$ 853	\$ 8	\$ 7

FUNDED STATUS				
Funded status at December 31	\$ 148	\$ 161	\$ (62)	\$ (54)
Unrecognized prior-service	(6)	(1)	(10)	(16)
Unrecognized gain	(99)	(123)	(16)	(23)

Prepaid (accrued) benefit cost	\$ 43	\$ 37	\$ (88)	\$ (93)
=====				

Pension plan assets include common stock issued by Aon with a fair value of \$91 million (1,639,000 shares) and \$50 million (1,083,000 shares) at December 31, 1998 and 1997, respectively, on which dividends of \$1.1 million and \$1 million were received.

The following table provides the components of net periodic benefit cost (credit) for the plans for the years ended December 31, 1998, 1997 and 1996:

(millions)	Pension Benefits	1998	1997	1996
=====				
Service cost		\$ 32	\$ 32	\$ 21
Interest cost		51	46	21
Expected return on plan assets		(71)	(62)	(22)
Amortization of prior-service		(1)	--	--

Net periodic benefit cost		\$ 11	\$ 16	\$ 20
=====				
(millions)	Other Benefits	1998	1997	1996
=====				
Service cost		\$ 1	\$ 2	\$ 1
Interest cost		5	4	3
Expected return on plan assets		(1)	(1)	--
Amortization of prior-service		(5)	(5)	(5)
Amortization of net gain		(1)	(1)	(2)

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

In April 1996, Aon established a limited time early retirement incentive program that provided benefits through the defined benefit pension plan. The additional cost of termination benefits applicable for 1996 resulting from the program was \$19 million.

The weighted-average assumptions as of December 31 used in the measurement of the U.S. benefit obligations are shown in the following table:

Pension Benefits	Other Benefits
------------------	----------------

	1998	1997	1998	1997
Discount rate	7.2%	7.5%	7.2%	7.5%
Expected return on plan assets	9.0	9.0	--	--
Rate of compensation increase	5.0	5.0	5.0	5.0

The employer's liability for future plan cost increase is limited in any year to 5% per annum. For measurement purposes in 1998, 1997 and 1996, a 7.5%, 8.5% and 9.5%, respectively, annual rate of increase in the per capita cost of covered health care benefits (trend rate) adjusted for actual current year cost experience was assumed, decreasing gradually to 6% in year 2003 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.

Due to the employer funding cap, 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 as of December 31, 1998.

INTERNATIONAL PENSION PLANS

The following tables provide a reconciliation of the changes in obligations and fair value of assets for the years ending December 31, 1998 and 1997 and a statement of the funded status as of December 31, 1998 and 1997 for material international plans, which are located in the United Kingdom and The Netherlands.

(millions)	International Pension	
	1998	1997
=====		
RECONCILIATION OF BENEFIT OBLIGATION		
Obligation at January 1	\$ 1,623	\$ 753
Service cost	61	49
Interest cost	113	96
Participants contributions	7	7
Acquisitions	--	640
Benefit payments	(73)	(47)
Change in interest rate	375	202
Foreign exchange translation	41	(77)

Obligation at December 31	\$ 2,147	\$ 1,623

RECONCILIATION OF FAIR VALUE OF PLAN ASSETS		
Fair value at January 1	\$ 1,752	\$ 845
Actual return on plan assets	215	211
Acquisitions	--	790
Employer contributions	33	33
Participants contributions	7	7
Benefit payments	(73)	(47)
Foreign exchange translation	42	(87)

Fair value at December 31	\$ 1,976	\$ 1,752

FUNDED STATUS		
Funded status at December 31	\$ (171)	\$ 129
Unrecognized prior-service	1	1
Unrecognized loss	430	89
Additional minimum pension liability	(155)	--

Prepaid benefit cost	\$ 105	\$ 219
=====		

As of December 31, 1998, plans with a projected benefit obligation (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 \$1.7 billion, and plans with an accumulated benefit obligation (ABO) in excess of the fair value of plan assets had an ABO of \$1 billion and plan assets with a fair value of \$908 million. Also, at December 31, 1998, the prepaid benefit cost presented in the foregoing table is comprised of plans with prepaid assets of \$205 million and accrued liabilities of \$100 million.

The following table provides the components of net periodic benefit cost for the international plans for the years ended December 31, 1998, 1997 and 1996:

(millions)	1998	1997	1996
=====			
Service cost	\$ 61	\$ 49	\$ 15
Interest cost	113	96	26
Expected return on plan assets	(172)	(141)	(33)
Amortization of net loss	2	--	--

Net periodic benefit cost	\$ 4	\$ 4	\$ 8
=====			

The weighted-average assumptions as of December 31 used in the measurement of the international pension benefit obligations are shown in the following table:

	1998	1997	1996
=====			
Discount rate	6.0 - 7.0%	7.0%	7.0 - 8.0%
Expected return on plan assets	7.0 -10.0	7.0 -10.0	7.0 -10.0
Rate of compensation increase	4.0 - 4.5	4.0 - 5.5	4.0 - 5.5
=====			

10. STOCK COMPENSATION PLANS

STOCK AWARD PLAN

In 1997, Aon's stockholders approved an amendment to the Aon Stock Award Plan that increased the aggregate number of shares of common stock that Aon could award up to 12,900,000 shares. At December 31, 1998, approximately 4,000,000 shares remain available for award. Generally, the award plan requires employees to complete three continuous years of service before the award begins to vest in increments until the completion of a ten-year period of continuous employment. In general, most awarded shares are issued as they become vested. With certain limited exceptions, any break in continuous employment will cause forfeiture of all unvested awards. The compensation cost associated with

each award is deferred and amortized over the period of continuous employment using the straight-line method.

Aon common stock awards outstanding consist of the following:

(shares in thousands)			
Years ended December 31	1998	1997	1996
=====	=====	=====	=====
Shares outstanding at beginning of year	6,414	5,210	3,914
Granted	786	1,869	1,793
Vested and exercised	(803)	(570)	(398)
Canceled	(183)	(95)	(99)
-----	-----	-----	-----
Shares outstanding at end of year	6,214	6,414	5,210
=====	=====	=====	=====

STOCK OPTION PLAN

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

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

Years ended December 31		1998		1997		1996	
		Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	
(shares in thousands)	Shares						
Beginning outstanding	6,052	\$ 31	5,276	\$ 26	5,212	\$ 21	
Granted	1,587	65	1,646	48	1,535	35	
Exercised	(658)	22	(579)	20	(732)	17	
Canceled	(116)	33	(291)	29	(739)	23	
Ending outstanding	6,865	\$ 39	6,052	\$ 31	5,276	\$ 26	
Exercisable at end of year	841	\$ 23	696	\$ 21	465	\$ 19	
Options available for grant	4,530		6,001		1,295		

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

As of December 31, 1998

(shares in thousands)

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Shares Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price
\$19.06-\$22.29	381	1.9	\$20.87	210	\$20.19
22.64- 22.64	861	2.2	22.64	297	22.64
22.83- 23.83	890	3.1	23.78	198	23.71
23.89- 32.58	282	1.8	24.78	136	24.84
34.33- 34.33	1,232	4.2	34.33	--	--
35.33- 43.38	1,482	7.9	42.94	--	--
52.59- 71.81	1,737	9.1	62.98	--	--
\$19.06-\$71.81	6,865	5.6	\$39.47	841	\$22.63

As of December 31, 1997

(shares in thousands)

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

PRO FORMA INFORMATION

Pro forma information regarding net income and net income per share is required by FASB Statement No. 123, and has been determined as if Aon had accounted for employee stock options and stock awards under the fair value method.

The pro forma net income and net income per share information is as follows:

Years ended December 31	1998	1997	1996
=====			
NET INCOME (MILLIONS):			
As reported	\$ 541	\$ 299	\$ 335
Pro forma	530	292	330
NET INCOME PER SHARE:			
Dilutive			
As reported	3.11	1.68	1.90
Pro forma	3.05	1.64	1.87
Basic			
As reported	3.16	1.71	1.93
Pro forma	3.10	1.67	1.90
=====			

The fair value per share of options and awards granted is estimated as \$16.51 and \$56.08 in 1998, \$8.97 and \$41.59 in 1997 and \$8.19 and \$30.87 in 1996, respectively, on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Dividend yield	2%
Expected volatility	20%
Risk-free interest rate	6%
Expected term life (in years):	
Stock options	1.35
Stock awards	0

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 granted prior to January 1995.

EMPLOYEE STOCK PURCHASE PLAN

Effective July 1, 1998, Aon adopted an employee stock purchase plan, which provides for the purchase of a maximum of 5,000,000 shares of Aon's common stock by eligible U.S. employees. Under the plan, shares of Aon's common stock may be purchased at six-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 six-month period. Approximately 222,000 shares were first purchased under the plan in January 1999.

11. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

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

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

In addition to creating market risks that offset the underlying business exposures, certain derivatives also give rise to credit risks due to possible non-performance by counterparties. The credit risk is generally limited to the fair value of those contracts that are favorable to Aon. Aon has limited its credit risk by restricting investments in derivative contracts to a diverse group of highly rated major financial institutions and by using exchange-traded instruments. Aon closely monitors the credit-worthiness of and exposure to its counterparties and considers its credit risk to be minimal. At December 31, 1998 and 1997, Aon placed securities in escrow amounting to \$8 million and \$6 million, respectively, relating to these derivative contracts.

FOREIGN EXCHANGE RISK MANAGEMENT

Aon manages a group of foreign exchange and interest rate risks that considers the correlation among thirteen currency rates and two short-term interest rates. Aon uses foreign currency listed futures and options on futures, as well as over the counter options, and forward contracts to manage the effects of foreign currency fluctuations on the translation of the financial statements of Aon's foreign operations. Generally, related gains and losses on these contracts are reflected as an adjustment to income when settled. For contracts designated as hedges of a net investment in foreign subsidiary, realized and unrealized gains are recorded directly to stockholders' equity as a component of net unrealized foreign exchange gains and losses.

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

INTEREST RATE RISK MANAGEMENT

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

Interest rate swap agreements are being used to manage asset and liability durations. Exchange-traded Eurodollar futures, used in conjunction with basis rate swaps, are used to manage asset liability durations related to various other crediting arrangements emanating from other insurance underwriting businesses. As of December 31, 1998 and 1997, these swap agreements had the net effect of shortening asset durations. Variable rates received on interest rate and basis rate swap agreements correlate with crediting rates paid on outstanding liabilities. The net effect of swap payments is settled periodically and reported in income. There is no settlement of underlying notional amounts.

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

SECURITY PRICE RISK MANAGEMENT

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

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

Realized gains and losses on derivatives that qualify as hedges are deferred and reported as an adjustment of the cost basis of the hedged item. Deferred gains and losses are amortized

into income over the remaining life of the hedged item. Outstanding derivatives that are hedges of items carried at fair value are reflected in the financial statements at fair value with changes in the derivative fair value reported as unrealized gains and losses directly in stockholders' equity.

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

Aon performs frequent analyses to measure the degree of correlation associated with its derivative programs. Aon assesses the adequacy of the correlation analyses results in determining whether the derivatives qualify for hedge accounting. Changes in the fair value of the derivative must be expected to substantially offset changes in the fair value of the designated risk being hedged. If the criteria for hedge accounting are not met, the resulting gain or loss from the hedge would be realized through the statement of operations in the current period.

NOTIONAL AND OTHER DATA

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

(millions)	As of December 31	1998	1997
=====			
Foreign currency management			
Forwards		\$ 195	\$ 208
Futures		69	102
Call options		35	--
Interest rate and asset/liability duration management			
Eurodollar futures		1,730	639
Eurosterling futures		900	1,092
Treasury futures		15	--
Call options		30	4
Put options		10	60
Interest rate caps		--	120
Interest rate swaps--pay fixed		1,192	93
Interest rate swaps--receive fixed		172	502
Basis rate swaps--pay and receive variable		184	140
=====			

Aon amortized \$1 million in 1998 and \$3 million in 1997 and 1996, respectively, of net deferred gains relating to derivatives into income.

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

	Receive Fixed	Pay Variable	Pay Fixed	Receive Variable
=====				
1998	4.0-8.1%	3.2-8.8%	4.8-9.7%	4.3-5.7%
1997	4.0-8.4%	5.8%	6.0-9.7%	5.6-6.5%
=====				

As of December 31, 1998, swaps have maturities ranging from January 1999 to August 2018. Aon receives variable rates based on the one-month commercial paper and the three- and six-month U.S. London Interbank Offer Rate (LIBOR). Aon pays variable rates based on the three- and six-month U.S. LIBOR rates, the six-month Dutch Guilder LIBOR rate, and the three-month Australian Bank Bill rate. Basis rate swaps have maturities ranging from December 2000 to January 2007 and require payments based on the three-month LIBOR index, and the one-year constant maturity treasury rate (CMT) and provide for receipts based on the two-year treasury rate, the daily Federal Funds Rate and the one-year CMT rate. Other outstanding contracts generally have terms that are less than one year.

OTHER FINANCIAL INSTRUMENTS

Aon has certain investment commitments to provide capital and fixed-rate loans as well as certain forward contract purchase commitments. The investment commitments, which would be collateralized by related properties of the underlying investments, involve varying elements of credit and market risk. Investment commitments outstanding at December 31, 1998 and 1997 totaled \$283 million and \$173 million, respectively.

Subsidiaries of Aon have entered into agreements with financial institutions, whereby the subsidiaries sold certain receivables, with limited recourse. Agreements provide for sales of receivables on a continuing basis through December 2002. As of December 31, 1998 and 1997, the maximum commitment contained in these agreements was \$2.8 billion and \$2.0 billion, respectively. Aon's maximum credit risk under recourse provisions of these agreements was approximately \$202 million and \$93 million, at December 31, 1998 and 1997, respectively.

An Aon subsidiary issues fixed rate Guaranteed Investment Contracts (GICS) and floating rate funding agreements and invests the proceeds primarily in the U.S. fixed income markets. The assets backing the GICS and funding agreements are subject to varying elements of credit and market risk.

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	1998		1997	
=====	=====		=====	
(millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
-----	-----	-----	-----	-----
Assets:				
Fixed maturities and equity securities	\$3,871	\$3,871	\$3,950	\$3,950
Other investments	349	348	263	262
Cash, receivables and short-term investments	9,550	9,550	9,033	9,033
Derivatives*	--	(2)	--	8
Liabilities:				
Investment type insurance contracts	1,261	1,310	828	831
Short-term borrowings, premium payables and general expenses	9,051	9,051	8,633	8,633
Notes payable	580	589	637	643
Capital securities	800	916	800	900
=====	=====	=====	=====	=====

*Derivatives with a carrying value of \$(2) million and \$21 million and a fair value of \$(2) million and \$21 million are included in other asset categories at December 31, 1998 and 1997, respectively.

12. 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.

Certain U.K. subsidiaries of Aon are required by their regulatory body, the Personal Investment Authority, to review transactions with, and advice to, clients in relation to the sale of certain investments and insurance products. The disclosure and advice in connection with such sales has been called into question by clients or by the Personal Investment Authority on their behalf. In certain cases, these reviews can result in a requirement to pay compensation to clients. Subsidiaries of Aon are in the process of determining the extent of liabilities and recoverability of related indemnities from third parties.

In the fourth quarter of 1998, Aon received an Internal Revenue Service (IRS) revenue agent's report (RAR) proposing adjustments to the tax of certain Aon subsidiaries for the period 1990 through 1993. In the RAR, the IRS has contended that retro-rated extended warranty contracts do not constitute insurance for tax purposes. Accordingly, the IRS has proposed a deferral of deductions for obligations under those contracts. The effect of such deferral would be to increase the current tax obligations of certain Aon subsidiaries by approximately \$74 million, \$3 million, \$5 million and \$12 million (plus interest) in years 1990, 1991, 1992 and 1993, respectively. Aon believes that the IRS's position in the RAR is without merit and inconsistent with numerous previous IRS private letter rulings. Aon has commenced an administrative appeal and intends to contest vigorously such treatment. Aon believes that if the contracts are deemed not to be insurance for tax purposes, they would be recharacterized in such a way that the increased taxes for the years in question would be far less than the proposed assessments. In the same RAR, a number of additional items were identified which would also increase the tax of other Aon subsidiaries for 1990 through 1993. Aon believes that these additional items should be resolved through factual substantiation of certain accounting matters. Aon further believes that the settlement of these issues will not have a material impact on its financial position.

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

REPORTS BY INDEPENDENT AUDITORS AND MANAGEMENT

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

BOARD OF DIRECTORS AND STOCKHOLDERS AON CORPORATION

We have audited the accompanying consolidated statements of financial position of Aon Corporation as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aon Corporation at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

*Chicago, Illinois
February 9, 1999*

REPORT BY MANAGEMENT

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

Management maintains a system of internal control designed to meet its responsibilities for reliable financial statements. The system is designed to provide reasonable assurance, at appropriate costs, that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. Judgments are required to assess and balance the relative costs and expected benefits of those controls. It is management's opinion that its system of internal control as of December 31, 1998, was effective in providing reasonable assurance that its financial statements were free of material misstatement. In addition, management supports and maintains a professional staff of internal auditors who coordinate audit coverage with the independent auditors and conduct an extensive program of financial and operational audits.

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

SELECTED FINANCIAL DATA

(millions except common stock and per share data)	1998	1997	1996	1995	1994
=====					
<C INCOME STATEMENT DATA					
Brokerage commissions and fees	\$ 4,197	\$ 3,605	\$ 1,919	\$ 1,651	\$ 1,389
Premiums and other	1,706	1,646	1,577	1,473	1,376
Investment income	590	500	392	342	276

Total revenue	6,493	5,751	3,888	3,466	3,041

Income from continuing operations excluding special charges	\$ 541	\$ 406	\$ 351	\$ 304	\$ 269
Income from continuing operations	541	299	292	304	269
Discontinued operations	--	--	43	99	91
Net income	541	299	335	403	360

DILUTIVE PER SHARE DATA					
Income from continuing operations excluding special charges	\$ 3.11	\$ 2.32	\$ 2.00	\$ 1.71	\$ 1.51
Income from continuing operations	3.11	1.68	1.64	1.71	1.51
Discontinued operations	--	--	0.26	0.59	0.57
Net income	3.11	1.68	1.90	2.30	2.08
BASIC PER SHARE DATA					
Income from continuing operations	3.16	1.71	1.67	1.72	1.53
Net income	3.16	1.71	1.93	2.33	2.12

BALANCE SHEET DATA					
ASSETS					
Investments	\$ 6,452	\$ 5,922	\$ 5,213	\$ 10,639	\$ 9,783
Brokerage receivables	5,423	5,320	3,566	2,264	1,882
Intangible assets	3,500	3,094	1,598	1,598	1,548
Other	4,313	4,355	3,346	5,235	4,709

Total assets	\$ 19,688	\$ 18,691	\$ 13,723	\$ 19,736	\$ 17,922

LIABILITIES AND STOCKHOLDERS' EQUITY					
Insurance premiums payable	\$ 6,948	\$ 6,380	\$ 4,144	\$ 2,723	\$ 2,409
Policy liabilities	4,823	4,450	4,360	9,556	9,310
Notes payable	580	637	521	554	561
General liabilities	3,470	3,552	1,815	4,179	3,335

Total liabilities	15,821	15,019	10,840	17,012	15,615
Redeemable preferred stock	50	50	50	50	50
Capital securities	800	800	--	--	--
Stockholders' equity	3,017	2,822	2,833	2,674	2,257

Total liabilities and stockholders' equity	\$ 19,688	\$ 18,691	\$ 13,723	\$ 19,736	\$ 17,922

COMMON STOCK DATA					
Dividends paid per share	\$ 1.10	\$ 1.02	\$ 0.95	\$ 0.89	\$ 0.84
Stockholders' equity per share	17.74	16.80	16.21	15.18	12.20
Price range	75 9/16-48 1/4	58 7/8-40 3/16	43 1/8-31 5/8	33 7/8-20 7/8	23 7/8-19 1/2
Market price at year-end	55.375	58.625	41.375	33.250	21.375
Common stockholders	12,294	12,698	13,030	13,520	14,163
Shares outstanding (in millions)	170.0	168.0	166.4	162.4	161.5

QUARTERLY FINANCIAL DATA

(millions except common stock and per share data)	1Q		2Q		3Q		4Q		1998
=====									
INCOME STATEMENT DATA									
Brokerage commissions and fees	\$	996	\$	1,060	\$	1,023	\$	1,118	\$ 4,197
Premiums and other		417		423		431		435	1,706
Investment income		148		140		153		149	590

Total revenue		1,561		1,623		1,607		1,702	6,493

Net income		138		140		124		139	541

DILUTIVE NET INCOME PER SHARE	\$	0.80	\$	0.81	\$	0.71	\$	0.79	\$ 3.11
BASIC NET INCOME PER SHARE		0.82		0.82		0.72		0.81	3.16

COMMON STOCK DATA									
Dividends paid per share	\$	0.26	\$	0.28	\$	0.28	\$	0.28	\$ 1.10
Stockholders' equity per share		17.10		17.91		17.62		17.74	17.74
Price range	67-54 1/8		72 1/4-61 1/2		75 9/16-58 7/8		64 1/8-48 1/4		75 9/16-48 1/4
Shares outstanding (in millions)		168.7		168.9		170.1		170.0	170.0
Average monthly trading volume (in millions)		4.4		5.1		5.7		8.0	5.8

(millions except common stock and per share data)	1Q		2Q		3Q		4Q		1997

INCOME STATEMENT DATA									
Brokerage commissions and fees	\$	842	\$	885	\$	923	\$	955	\$ 3,605
Premiums and other		394		422		406		424	1,646
Investment income		118		118		122		142	500

Total revenue		1,354		1,425		1,451		1,521	5,751

Net income excluding special charges		91		101		101		113	406
Net income		1		84		101		113	299

DILUTIVE PER SHARE DATA									
Net income excluding special charges	\$	0.52	\$	0.58	\$	0.57	\$	0.65	\$ 2.32
Net income (loss)		(0.02)		0.48		0.57		0.65	1.68
BASIC NET INCOME (LOSS) PER SHARE		(0.02)		0.48		0.58		0.66	1.71

COMMON STOCK DATA									
Dividends paid per share	\$	0.24	\$	0.26	\$	0.26	\$	0.26	\$ 1.02
Stockholders' equity per share		15.34		16.04		16.60		16.80	16.80
Price range	44 7/8-40 5/8		53 3/8-40 3/16		56 1/8-50 1/16		58 7/8-50 1/4		58 7/8-40 3/16
Shares outstanding (in millions)		166.9		167.2		167.7		168.0	168.0
Average monthly trading volume (in millions)		3.3		3.7		3.9		4.1	3.8
=====									

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

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

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Aon CORPORATION AND ITS SUBSIDIARIES (AS OF DECEMBER 31, 1998)

Aon Corporation	Delaware
120524 Canada Inc.	Canada
1e Katharinastrase 29 Vermögensverwaltungsges mbH	Germany
2e Katharinastrase 29 Vermögensverwaltungsges mbH	Germany
A Morel & Cie Sa	France
A&A (UK) Limited	United Kingdom
A. J. Norcott & Company (Holdings) Limited	United Kingdom
A. J. Norcott & Partners (Northern) Limited	United Kingdom
A. J. Norcott & Partners (Scotland) Limited	United Kingdom
A. J. Norcott & Partners Limited	United Kingdom
A. J. Norcott Benefit Consultants Limited	United Kingdom
A.H. Laseur B.V.	Netherlands
A.H.E. Alexander Howden de Espana S.A.	Spain
A.H.G. Far East Ltd.	Hong Kong
A.H.O.H. (Bermuda) Limited	Bermuda
A/S Assurance	Norway
AA & JG Denison & Company Ltd.	United Kingdom
AARE Corporation	New York
ABS Insurance Agency Ltd.	United Kingdom
Acedale Co. Ltd.	Hong Kong
ACGLRA Corp.	Texas
ACGMGA Corp.	Texas
ACN 006 278 226	Australia
ACN 008 497 318	Australia
ACN 051 158 984	Australia
ACP Insurance Agency, Inc.	Texas
Adam & Adam Limited	New Zealand
Adams & Porter Financial Services, Inc.	Texas
Adams & Porter Services, Inc.	Texas
Advantage Plus Insurance Services, Inc.	Illinois
Adviser 151 Limited	United Kingdom
Affinity Insurance Services of Washington, Inc.	Washington
Affinity Insurance Services, Inc.	Pennsylvania
Agencia Interoceanica de Subscripcion y Administracion S.A.	Mexico
Agostini Insurance Brokers Ltd.	Trinidad
AGR Disposition Company Inc.	California
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 Argentina S.A.	Argentina
Agricultural Risk Management Chile	Chile
Agricultural Risk Management North America, Inc.	Kansas
Agricultural Risk Management Pacific Limited	New Zealand
Agricultural Risk Management Pty. Ltd.	Australia
Agricultural Risk Management, Limited	United Kingdom
Agte Gebruder GmbH	Germany
Aidec Ciskei (Pty) Ltd.	South Africa
Aidec Gazankulu (Pty) Limited	South Africa
Aidec Kangwane (Pty) Limited	South Africa

Aidec Kwandebele (Pty) Limited	South Africa
Aidec Lebowa (Pty) Limited	South Africa
Aidec M.I.B. North West (Pty) Limited	South Africa
Aidec Venda (Pty) Limited	South Africa
Aircrew Underwriting Agencies Ltd.	United Kingdom
Airscope Insurance Services Limited	United Kingdom
AIS Affinity Insurance Agency of New England, Inc.	Massachusetts
AIS Affinity Insurance Agency, Inc.	California
AIV Beteiligungsgesellschaft mbh	Germany
Aldebaran S.R.L. Rome	Italy
Alexander & Alexander (Asia) Holdings Pte. Ltd.	Singapore
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 (PNG) Pty. Ltd.	Papua New Guinea
Alexander & Alexander (Taiwan) Ltd.	Taiwan
Alexander & Alexander (Thailand) Ltd.	Thailand
Alexander & Alexander (UK) Ltd.	United Kingdom
Alexander & Alexander Australia Holdings Ltd.	Australia
Alexander & Alexander B.V.	Netherlands
Alexander & Alexander Benefits Services Inc.	Virginia
Alexander & Alexander Benefits Services of Louisiana	Louisiana
Alexander & Alexander Colombia Ltda.	Colombia
Alexander & Alexander Consultants S.A.	France
Alexander & Alexander Corretores e Consultores de Seguros Lda.	Portugal
Alexander & Alexander Europe B.V.	Netherlands
Alexander & Alexander Europe GmbH	Austria
Alexander & Alexander Europe Ltd.	United Kingdom
Alexander & Alexander Far East Inc.	California
Alexander & Alexander Far East Partners	Hong Kong
Alexander & Alexander Finance Limited	United Kingdom
Alexander & Alexander France S.A.	France
Alexander & Alexander Galicia, S.A.	Spain
Alexander & Alexander Holdings (NZ) Ltd.	New Zealand
Alexander & Alexander Holdings B.V.	Netherlands
Alexander & Alexander Insurance Agency Ltd.	Taiwan
Alexander & Alexander Insurance Benefits Services Inc.	Massachusetts
Alexander & Alexander Insurance Brokers - Hungary	Hungary
Alexander & Alexander Insurance Brokers Ltd. Poland	Poland
Alexander & Alexander International Inc.	Maryland
Alexander & Alexander Italia S.P.A.	Italy
Alexander & Alexander Korea Inc.	Korea
Alexander & Alexander Limited	Australia
Alexander & Alexander Limited	United Kingdom
Alexander & Alexander Ltd.	Fiji
Alexander & Alexander Ltd.	New Zealand
Alexander & Alexander Ltd. (Thailand)	Thailand
Alexander & Alexander Mexico Agente de Seguros y de Fianza S.A. de	Mexico
Alexander & Alexander Middle East Limited	Bermuda

Alexander & Alexander of Colombia Ltda.	Colombia
Alexander & Alexander of Kansas, Inc.	Kansas
Alexander & Alexander of Long Island Inc.	Connecticut
Alexander & Alexander of Mississippi Inc.	Mississippi
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, Inc.	Taiwan
Alexander & Alexander S.R.O. (Czech. Republic)	Czech Republic
Alexander & Alexander Scandinavia AB	Sweden
Alexander & Alexander Services (India) Pvt. Ltd.	India
Alexander & Alexander Services Canada Inc.	Canada
Alexander & Alexander Services UK Limited	Scotland
Alexander & Alexander Sigorta Musavirlk Anomim Sirketi	Turkey
Alexander & Alexander Spain Correduria de Seguros, S.A.	Spain
Alexander & Alexander Telemarketing	Brazil
Alexander & Alexander Trustee Jersey Ltd.	Jersey, Channel Islands
Alexander & Alexander U.K. Pension Trustees Ltd.	United Kingdom
Alexander & Alexander, Inc.	Oklahoma
Alexander & Alexander, Inc.	West Virginia
Alexander & Davidson de Colombia LTDA.	Colombia
Alexander Administration Services Ltd.	Isle of Man
Alexander Clay and Partners Consulting	United Kingdom
Alexander Clay Communications Limited	United Kingdom
Alexander Consulting Investment Services Inc.	Maryland
Alexander Coyle Hamilton Ltd.	Ireland
Alexander Financial Services Ltd.	Scotland
Alexander Hellas E.P.E.	Greece
Alexander Howden (Hellas) Ltd.	Guernsey
Alexander Howden (Kazakhstan) Ltd.	Kazakhstan
Alexander Howden Asia Pacific Ltd.	United Kingdom
Alexander Howden Canada Limited	Canada
Alexander Howden de Espana	Spain
Alexander Howden Del Peru S.A. Reinsurance Brokers	Peru
Alexander Howden Energy & Partners Scandinavia	Norway
Alexander Howden Far East Ptd. Ltd.	Singapore
Alexander Howden Financial Services Limited	United Kingdom
Alexander Howden Group (Asia) Pte. Ltd.	Singapore
Alexander Howden Group (Australia) Limited	Australia
Alexander Howden Group (Bermuda) Ltd.	Bermuda
Alexander Howden Group Agency Management Ltd.	United Kingdom
Alexander Howden Group Limited	Bermuda
Alexander Howden Holdings Limited	United Kingdom
Alexander Howden Insurance Services of Texas, Inc.	Texas
Alexander Howden International Limited	United Kingdom
Alexander Howden Leasing Ltd.	United Kingdom
Alexander Howden Limited	United Kingdom
Alexander Howden North America, Inc.	Georgia
Alexander Howden North America, Inc.	Massachusetts
Alexander Howden North America, Inc.	New York

Alexander Howden North America, Inc.	Ohio
Alexander Howden North America, Inc.	Texas
Alexander Howden Ossa De Colombia SA	Colombia
Alexander Howden Previsionales y Personas Ltda.	Colombia
Alexander Howden Reinsurance Brokers (Australia) Ltd.	Australia
Alexander Howden Reinsurance Brokers (NZ) Ltd.	New Zealand
Alexander Howden Reinsurance Intermediaries, Inc.	New York
Alexander Howden UK Limited	United Kingdom
Alexander Howden Underwriting Limited	United Kingdom
Alexander Howden Y Asociados S.A. de C.V.	Mexico
Alexander Insurance Managers (Barbados) Ltd.	Barbados
Alexander Insurance Managers (Cayman) Ltd.	Cayman Islands
Alexander Insurance Managers (Dublin) Ltd.	Ireland
Alexander Insurance Managers (Guernsey) Ltd.	Guernsey
Alexander Insurance Managers (Holdings) Ltd.	Guernsey
Alexander Insurance Managers (Isle of Man) Ltd.	Isle of Man
Alexander Insurance Managers (Jersey) Ltd.	Jersey, Channel Islands
Alexander Insurance Managers (Luxembourg) S.A.	Luxembourg
Alexander Insurance Managers Ltd.	Bermuda
Alexander Insurance Managers N.V.	Netherlands
Alexander Lippo (Hong Kong) Ltd.	Hong Kong
Alexander of Texas Inc.	Texas
Alexander Portfolio Management Ltd.	New Zealand
Alexander R.M.C. Brown Partners Ltd.	Australia
Alexander Reinsurance Intermediaries, Inc.	New York
Alexander Risk Management and Consulting Services, Inc.	Texas
Alexander Services, Inc.	Illinois
Alexander Stenhouse & Partners Limited	Scotland
Alexander Stenhouse Belgium International	Belgium
Alexander Stenhouse Limited	United Kingdom
Alexander Stenhouse Magee Limited	Ireland
Alexander Stenhouse Management Services Ltd.	Scotland
Alexander Stenhouse Nominees Ltd.	Australia
Alexander Stenhouse Risk Management S.A.	Spain
Alexander Stenhouse UK Ltd.	United Kingdom
Alexander Underwriting Agencies Limited	Bermuda
Alexander Underwriting Services Inc.	Maryland
Alexander Underwriting Services Limited	United Kingdom
Alexander Watkins S.A. de C.V.	Mexico
Alexander y Alexander Chile Ltda.	Chile
Alexander, Ayling, Barrios & Cia, S.A.	Argentina
Allen Insurance Associates	California
Alpenbeck Limited	United Kingdom
American Associates, Inc.	Texas
American Insurance Brokers, Ltd.	Indiana
American Special Risk Insurance Company	Delaware
Anchor Reinsurance Company, Ltd.	Bermuda
Anchor Underwriting Managers, Ltd.	Bermuda
Anderson and Anderson Insurance Brokers, Inc.	California
Anderson and Anderson of Los Angeles Insurance Brokers, Inc.	California
Anderson and Anderson of Orange County Insurance Brokers, Inc.	California

Anderson and Anderson/Benefits Insurance Brokers, Inc.	California
Anderson and Anderson/D-K&S Insurance Brokers, Inc.	California
Andrea Scagliarni Assicurazione	Italy
Anglo-Swiss Reinsurance Brokers Ltd.	Switzerland
Anistics Ltd.	United Kingdom
Anscor Insurance Brokers Inc.	Philippines
Aon WACUS Kreditversicherungsmakler GmbH & Co.	Germany
Aon WACUS Verwaltungs GmbH	Germany
Aon (Deutschland) GmbH	Germany
Aon (Panama) Ltd. S.A.	Panama
Aon Acquisition Corporation of Arkansas	Arkansas
Aon Acquisition Corporation of New Jersey	New Jersey
Aon Administrative Services Corp.	California
Aon Advisors (U.K.) Limited	United Kingdom
Aon Advisors, Inc.	Virginia
Aon Alexander & Alexander N.V.	Belgium
Aon Annuity Group, Inc.	Texas
Aon Antillen nv	Netherland Antilles
Aon Artscope Kunstversicherungsmakler GmbH	Germany
Aon Aruba nv	Netherland Antilles
Aon Asia Insurance Services bv	Netherlands
Aon Automotive Group, Inc.	Illinois
Aon Aviation, Inc.	Illinois
Aon Belgium nv	Belgium
Aon Benefit Services, Inc.	Massachusetts
Aon Benefits Corretores de Seguros Ltda.	Brazil
Aon Benefits Insurance Brokers (Singapore) Pte. Ltd.	Singapore
Aon Boels & Begault S.A.	Belgium
Aon Brazil Corretores de Seguros Ltda.	Brazil
Aon Broker Services, Inc.	Illinois
Aon Broking Services S.A.	Argentina
Aon bv	Netherlands
Aon Canada Inc.	Canada
Aon Capital A	Delaware
Aon Capital Management, Inc.	Delaware
Aon Captive Management, Ltd.	U.S. Virgin Islands
Aon Captive Services (Nederland) bv	Netherlands
Aon Captive Services Antillen nv	Netherland Antilles
Aon Captive Services Aruba nv	Netherland Antilles
Aon Ceska republika spol. s.r.o.	Czech Republic
Aon Claro Santa Cruz y Compania S.A., Corredores de Seguros	Chile
Aon Colombia Limitada Corredores de Seguros	Colombia
Aon Compensation and Benefits Limited	United Kingdom
Aon Construction Services International Limited	United Kingdom
Aon Consulting & Insurance Services	California
Aon Consulting Acquisition Corporation of California	California
Aon Consulting Agency, Inc.	Texas
Aon Consulting Belgium S.A.	Belgium
Aon Consulting Consultores de Seguros Ltda.	Brazil
Aon Consulting Denmark A/S	Denmark
Aon Consulting Financial Services Limited	United Kingdom

Aon Consulting GmbH	Germany
Aon Consulting Hong Kong Ltd.	Hong Kong
Aon Consulting Inc.	Canada
Aon Consulting Limited	United Kingdom
Aon Consulting Nederland cv	Netherlands
Aon Consulting of Maryland, Inc.	Maryland
Aon Consulting Pty Limited	Australia
Aon Consulting South Africa (Pty) Ltd.	South Africa
Aon Consulting Thailand Ltd.	Thailand
Aon Consulting Worldwide, Inc.	Maryland
Aon Consulting, Inc.	New York
Aon Consulting, Inc.	New Jersey
Aon Consulting, Inc.	Ohio
Aon Consulting, Inc.	Texas
Aon Consulting, Inc.	Florida
Aon Consulting, Inc. of Arizona	Arizona
Aon Consulting, Limited	Quebec
Aon Consulting, S.A. de C.V.	Mexico
Aon Credit Services Corporation	Delaware
Aon CSC Corredores de Reaseguros Limitada	Chile
Aon Denmark A/S	Denmark
Aon Direct Group Inc.	Canada
Aon Direct Group Small Company Life and Health Agents	Illinois
Aon Direct Research & Analytics Group Inc.	Canada
Aon Eesti AS	Estonia
Aon Employee Benefits of Ohio, Inc.	Ohio
Aon Enterprise Insurance Services, Inc.	Illinois
Aon Enterprise Insurance Services, Inc.	Texas
Aon Entertainment Risk Services Limited	United Kingdom
Aon European Investments Limited	United Kingdom
Aon Financial Institutions Services, Inc.	Illinois
Aon Financial Products, Inc.	Delaware
Aon Financial Services Group of Colorado, Inc.	Colorado
Aon Financial Services Group of New York, Inc.	New York
Aon Financial Services Group, Inc.	California
Aon Financial Services Group, Inc.	Illinois
Aon Financial Services Group, Inc.	Pennsylvania
Aon Financial Services Group, Inc.	Texas
Aon Finland OY	Finland
Aon France S.A.	France
Aon Funds	Delaware
Aon General Agency, Inc.	Texas
Aon General Consulting Ltda.	Brazil
Aon GGI Acquisition Corporation, Inc.	Texas
Aon Groep Nederland bv	Netherlands
Aon Group Corretagem, Administracao e Consultoria de Seguros Ltda	UK
Aon Group Limited	United Kingdom
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 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 Risk, Inc.	Florida
Aon Holdings (Scandinavia) A/S	Denmark
Aon Holdings Antillen nv	Netherland Antilles
Aon Holdings Asia bv	Netherlands
Aon Holdings Asia Ltd.	Hong Kong
Aon Holdings Australia Ltd.	Australia
Aon Holdings bv	Netherlands
Aon Holdings Deutschland GmbH	Germany
Aon Holdings New Zealand Pty. Ltd.	New Zealand
Aon Home Warranty Services, Inc.	Delaware
Aon Hudig cv	Netherlands
Aon Hudig Groningen bv	Netherlands
Aon Hudig Hengelo bv	Netherlands
Aon Hudig Nijmegen bv	Netherlands
Aon Hudig Noordwijk bv	Netherlands
Aon Hudig Tilburg bv	Netherlands
Aon Hudig Venlo bv	Netherlands
Aon Hudig-Schreinemacher V.O.F.	Netherlands
Aon Iberia, Correduria de Seguros, S.A.	Spain
Aon India Limited	United Kingdom
Aon Innovative Solutions, Inc.	Missouri
Aon Insurance Management of Texas, Inc.	Texas
Aon Insurance Management Services - Virgin Islands, Inc.	U.S. Virgin Islands
Aon Insurance Management Services, Inc.	Delaware
Aon Insurance Managers (Singapore) Pte. Ltd.	Singapore
Aon Insurance Managers (USA) Inc.	Vermont
Aon Insurance Services	California
Aon Insurance Services, Inc.	Pennsylvania
Aon Intermediaries (Bermuda) Ltd.	Bermuda
Aon International bv	Netherlands
Aon Investment Consulting Inc.	Florida
Aon Investment Holdings, Inc.	Delaware
Aon Investor Strategies, Inc.	Delaware
Aon ISI, Inc.	Colorado
Aon Italia SpA	Italy
Aon Life Agency of Texas, Inc.	Texas
Aon Lumley Consulting (Pty) Ltd.	South Africa
Aon Lumley South Africa (Pty) Ltd.	South Africa
Aon Magyarorszag Alkusz Kft.	Hungary
Aon makelaars in assurantien bv	Netherlands
Aon Managed Care Risk & Insurance Services, Inc.	California
Aon Management Hong Kong Ltd.	Hong Kong
Aon Management Institute, Inc.	Connecticut
Aon Manzitti S.p.A.	Italy
Aon Medical Consultants, Inc.	Delaware
Aon Mibrag Versicherungsvermittlungs GmbH	Germany
Aon Natural Resources Ltd.	Labuan

Aon Nominees Limited	United Kingdom
Aon Norway A/S	Norway
Aon Ossa Ltda, Corredores de Reaseguros	UK
Aon Overseas Holdings Limited	United Kingdom
Aon OWA Insurance Services GmbH & Co.	Germany
Aon OWA Verwaltungs GmbH	Germany
Aon Partnership Limited	United Kingdom
Aon Paulista Corretores de Seguros Ltda.	Brazil
Aon Pension Trustees Limited	United Kingdom
Aon Pilar Corretora E Servicos de Seguros S/C Ltda.	Brazil
Aon Polska sp.z.o.o.	Poland
Aon Portugal, Corretores de Seguros, S.A.	Portugal
Aon Previsonals y Personas Ltda, Corredores de Reaseguros y Consultor	UK
Aon Private Risk Management Insurance Agency, Inc.	Illinois
Aon Properties Limited	United Kingdom
Aon Pyramid International Limited	United Kingdom
Aon Re (Bermuda) Ltd.	Bermuda
Aon Re (Thailand) Ltd.	Thailand
Aon Re Accident & Health Limited	United Kingdom
Aon Re Asia Ltd.	Singapore
Aon Re Aviation Limited	United Kingdom
Aon Re Canada Inc.	Canada
Aon Re China Ltd.	Hong Kong
Aon Re Inc.	Illinois
Aon Re International Limited	United Kingdom
Aon Re Latinoamericana, S.A.	Mexico
Aon Re Limited	United Kingdom
Aon Re Netherlands cv	Netherlands
Aon Re Non-Marine Limited	United Kingdom
Aon Re North American Limited	United Kingdom
Aon Re Panama, S.A.	Panama
Aon Re Special Risks Limited	United Kingdom
Aon Re UK Limited	United Kingdom
Aon Re Worldwide Limited	United Kingdom
Aon Re Worldwide, Inc.	Delaware
Aon Real Estate Services, Inc.	New York
Aon Reed Stenhouse Inc.	Canada
Aon Resource, Inc.	Delaware
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 Management Services Scandinavia A/S	Denmark
Aon Risk Managers, Inc.	Illinois
Aon Risk Resources Insurance Agency, Inc.	Illinois
Aon Risk Resources Limited	United Kingdom
Aon Risk Resources, Inc.	Delaware
Aon Risk Services (Antilles) nv	Netherland Antilles
Aon Risk Services (Barbados) Ltd.	Barbados

Aon Risk Services (Bermuda) Ltd.	Bermuda
Aon Risk Services (Cayman) Ltd.	Cayman Islands
Aon Risk Services (Europe) S.A.	Luxembourg
Aon Risk Services (Holdings) of Latin America, Inc.	Delaware
Aon Risk Services (Holdings) of the Americas, Inc.	Illinois
Aon Risk Services (Ireland) Limited	Ireland
Aon Risk Services 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 Companies, Inc.	Maryland
Aon Risk Services Do Brazil Corretores de Seguros Ltda.	Brazil
Aon Risk Services France S.A.	France
Aon Risk Services Holdings UK Limited	United Kingdom
Aon Risk Services Hong Kong Ltd.	Hong Kong
Aon Risk Services Inc. U.S.	Maryland
Aon Risk Services International (Holdings) Inc.	Delaware
Aon Risk Services Japan Ltd.	Japan
Aon Risk Services Korea Ltd.	Korea
Aon Risk Services Limited	United Kingdom
Aon Risk Services New Zealand Pty. Ltd.	New Zealand
Aon Risk Services of Texas, Inc.	Texas
Aon Risk Services Singapore (Insurance Brokers) Pte. Ltd.	Singapore
Aon Risk Services Taiwan Ltd.	Taiwan
Aon Risk Services Thailand Ltd.	Thailand
Aon Risk Services UK Limited	United Kingdom
Aon Risk Services, Inc.	Delaware
Aon Risk Services, Inc. (Pacific)	Hawaii
Aon Risk Services, Inc. of Alabama	Alabama
Aon Risk Services, Inc. of Arizona	Arizona
Aon Risk Services, Inc. of Arkansas	Arkansas
Aon Risk Services, Inc. of Central California Insurance Services	California
Aon Risk Services, Inc. of Colorado	Colorado
Aon Risk Services, Inc. of Connecticut	Connecticut
Aon Risk Services, Inc. of Florida	Florida
Aon Risk Services, Inc. of Hawaii	Hawaii
Aon Risk Services, Inc. of Idaho	Idaho
Aon Risk Services, Inc. of Indiana	Indiana
Aon Risk Services, Inc. of Kentucky	Kentucky
Aon Risk Services, Inc. of Louisiana	Louisiana
Aon Risk Services, Inc. of Massachusetts	Massachusetts
Aon Risk Services, Inc. of Michigan	Michigan
Aon Risk Services, Inc. of Montana	Montana
Aon Risk Services, Inc. of Nevada	Nevada
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 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 Wyoming	Wyoming
Aon Risk Services, Inc. U.S.A.	New York
Aon Risk Strategies, Inc.	Delaware
Aon Risk Technologies, Inc.	Delaware
Aon Securities Corporation	New York
Aon Select, Inc.	Pennsylvania
Aon Service Corporation	Illinois
Aon Services Group Limited	United Kingdom
Aon Services Group of Tennessee, Inc.	Tennessee
Aon Services Group, Inc.	Delaware
Aon Sigorta Brokerlik ve Musavirlik AS	Turkey
Aon Slovensko spol.s r.o.	Slovak Republic
Aon South Africa (Pty) Ltd.	South Africa
Aon Space SA	France
Aon Special Risks, Inc.	Illinois
Aon Specialty Denmark A/S	Denmark
Aon Specialty Re, Inc.	Illinois
Aon Stockholm AB	Sweden
Aon Superannuation Pty Limited	Australia
Aon Surety & Guarantee Limited	United Kingdom
Aon Sweden AB	Sweden
Aon Sweden Syd AB	Sweden
Aon Technical Insurance Services, Inc.	Illinois
Aon Telecom, Inc.	Illinois
Aon Trade Credit Insurance Services, Inc.	California
Aon Trade Credit, Inc.	New York
Aon Trade Credit, Inc.	Illinois
Aon UK Holdings Limited	United Kingdom
Aon UK Limited	United Kingdom
Aon Vietnam	Vietnam
Aon Wardon Corretora de Seguros Ltda.	Brazil
Aon Warranty Group Limited (UK)	United Kingdom
Aon Warranty Group, Inc.	Illinois
Aon Warranty Services do Brazil Ltda.	Brazil
Aon Warranty Services, Inc.	Illinois
Aon Worldwide Resources, Inc.	Illinois
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/Saiz Consulting S.A.	Colombia
Aon/Saiz Limitada Barranquilla Corredores de Seguros	Colombia
AOPA Insurance Agency, Inc.	Maryland
AOPA Insurance Agency, Inc.	Texas
APM Services Limited	Hong Kong
Aporia Leasing Limited	United Kingdom
APS International Limited	United Kingdom
APS Life & Pensions Limited	United Kingdom
APS Overseas Investments Limited	United Kingdom

ARM COVERAGE INC	New York
ARS Holdings, Inc.	Illinois
ARS Holdings, Inc.	Louisiana
Artscope Insurance Services Limited	United Kingdom
Artscope International Insurance Services Limited	United Kingdom
Ascom Nijmegen B.V.	Netherlands
ASCOMIN S.A.	Belgium
Asesores Kennedy Agente de Seguros y de Fianzas, S.A. de C.V.	Mexico
Asesores y Corredores De Seguros, S.A.	Republica Dominica
Asia Area Underwriters Ltd.	Hong Kong
Asian American Finance Limited	Bermuda
Asian Reinsurance Underwriters Ltd.	Hong Kong
Assekurazkontor fur Industrie und Verkehr GmbH	Germany
Assistance Au Management Et A La Prevention Des Risques De L'Entrep	France
Associated Brokers International	Zimbabwe
Associated Fund Administrators Botswana (Pty) Limited	Botswana
Associated Ins. Broker of Botswana	Botswana
Assuco Holdings Ltd.	Guernsey
Assurantie Groep Langeveldt c.v.	Netherlands
ATJ Capital Forsakringsmakleri AB	Sweden
Atkins Kroll Insurance Inc.	Guam
Atlanta International Insurance Company	New York
Atlanta International Insurance Company	New York
Attorneys' Advantage Insurance Agency, Inc.	Illinois
AUSCO, Inc.	Illinois
Auto Conduit Corporation, The	Delaware
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 Development Centers, Inc.	Illinois
Automotive Warranty Services of Florida, Inc.	Florida
Automotive Warranty Services, Inc.	Delaware
AV Agrar Versicherungsdienst GmbH	Germany
Ayala-Bain Insurance Company	Philippines
B E P International (Canada) Holding Inc.	Canada
B E P International Corp.	New Jersey
B E P International Holding Inc.	Canada
B E P International US Inc.	Delaware
B.L. Carnie Hogg Robinson Ltd.	United Kingdom
B.N. Shepp Associates Ltd.	Alberta
B.N.H. Group Ltd.	United Kingdom
B.V. Assurantiekantoor Langeveldt-Schroder	Netherlands
Bailiwick Consultancy & Management Co. Ltd.	Guernsey
Bain Clarkson (HK) Ltd.	Hong Kong
Bain Clarkson Forsakringskonsult AB, Stockholm	Sweden

Bain Clarkson Limited	United Kingdom
Bain Clarkson Members Underwriting Agency Ltd.	United Kingdom
Bain Clarkson R.B. Ltd.	United Kingdom
Bain Clarkson Sweden A.B.	Sweden
Bain Clarkson Underwriting Management Ltd.	United Kingdom
Bain Dawes (London) Ltd.	United Kingdom
Bain Dawes Services Ltd.	United Kingdom
Bain Hogg (Americas), Inc.	Florida
Bain Hogg (Fiji) LTD	Fiji
Bain Hogg (Vanuatu) Ltd.	Vanuatu
Bain Hogg Australia (Holdings) Ltd.	Australia
Bain Hogg Australia (Investments) Pty Ltd.	Australia
Bain Hogg Australia Ltd.	Australia
Bain Hogg Chile S.A. Corredoros de Reaseguro	Chile
Bain Hogg Colombiana Ltd.	Colombia
Bain Hogg Group Limited	United Kingdom
Bain Hogg Hellas Ltd.	United Kingdom
Bain Hogg Holdings Limited	United Kingdom
Bain Hogg Insurance Management (Guernsey) Ltd.	Guernsey
Bain Hogg Insurance Management (Isle of Man) Ltd.	Isle of Man
Bain Hogg Intermediario de Reaseguro SA de CV	Mexico
Bain Hogg International Holdings Ltd.	United Kingdom
Bain Hogg International Ltd.	United Kingdom
Bain Hogg Ltd.	United Kingdom
Bain Hogg Malawi Ltd.	Malawi
Bain Hogg Management Ltd.	United Kingdom
Bain Hogg New Zealand Ltd.	New Zealand
Bain Hogg Pensions Pty Ltd.	Australia
Bain Hogg Robinson Pty Ltd.	Australia
Bain Hogg Russian Insurance Brokers Ltd.	Russia
Bain Hogg Solomon Islands Ltd.	Solomon Islands
Bain Hogg Trustees Ltd.	United Kingdom
Bain Hogg Uganda Ltd.	Uganda
Bain Insurance Brokers Kenya Ltd.	Kenya
Bankers Insurance Service Corp.	Illinois
Baoviet Inchcape Insurance Brokers Ltd.	Vietnam
Barros & Carrion, Inc.	Puerto Rico
BEC Insurance Services Limited	United Kingdom
Beck Kudlich Pacific Associates, Inc.	Hawaii
Bekouw Mendes C.V.	Netherlands
Bekouw Mendes Reinsurance B.V.	Netherlands
Bekouw Mendes Risk Management B.V.	Netherlands
Bell Nicholson Henderson (Holdings) Ltd.	United Kingdom
Bell Nicholson Henderson Ltd.	United Kingdom
Bene-Fund Administrative Services Ltd.	Canada
BenefitsMedia, Inc.	Tennessee
Benoit & Borg (Europe) Limited	Ireland
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
BHR, Inc.	Delaware
Black Portch & Swain (Financial Services) Ltd.	United Kingdom
Black Portch & Swain Ltd.	United Kingdom
Bloemers & Co. Herverzekering bv	Netherlands
Blom & Van der Aa BV	Netherlands
Blom & Van der Aa Holding BV	Netherlands
Boels & Begault France S.A.	France
Boels & Begault Luxembourg S.a.r.l.	Luxembourg
Boels & Begault Re S.A.	Belgium
Boels & Begault Vlaanderen S.A.	Belgium
Boels Begault Holding SA	Belgium
Bonnor & Company A/S	Denmark
Bowes & Company, Inc., of New York	New York
Bowes Holdings, Inc.	Illinois
Bowring and Minet (Swaziland) (Pty) Ltd.	Swaziland
Brennan Group, Inc., The	Delaware
BRIC, Inc.	North Carolina
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 Groep b.v.	Netherlands
Bruns Ten Brink Herverzekeringen b.v.	Netherlands
Bryson Associates Incorporated	Pennsylvania
Bryson Associates Incorporated	Ohio
Bryson Associates Incorporated of Georgia	Georgia
Bureau d'Assurances Pirrotte GmbH	Luxembourg
Bureau d'Assurances Pirrotte GmbH & Co. KG	Luxembourg
Burlington Insurance Services Ltd.	United Kingdom
Burnio Enterprises Pty. Ltd.	Papua New Guinea
C A Robinson & Partners Ltd.	United Kingdom
C.I.C. Realty, Inc.	Illinois
C.V. 'T Huys Ter Merwe	Netherlands
California Group Services	California
Cambridge Integrated Services Group, Inc.	New Jersey
Cambridge Professional Liability Services, Inc.	Illinois
Cambridge Professional Liability Services, Inc.	Pennsylvania
Cambridge Professional Liability Services, Inc.	Florida
Cambridge Settlement Services, Inc.	Minnesota
Campbell & Co., Inc.	Idaho
Camperdown 100 Limited	United Kingdom
Camperdown 101 Limited	United Kingdom
Cananwill Canada Limited	Ontario
Cananwill Corporation	Delaware
Cananwill Receivables Purchase Facility, L.L.C.	Delaware
Cananwill UK Limited	United Kingdom
Cananwill UK Limited	United Kingdom

Cananwill, Inc.	California
Cananwill, Inc.	Pennsylvania
Cananwill, Inc.	U.S. Virgin Islands
CAP Managers Ltd.	Bermuda
Captive Assurance Partners	California
Carl D. Jacobs & Associates, Inc.	California
Carstens & Schues GmbH & Co.	Germany
Carstens & Schues Poland Ltd.	Poland
Carstens & Schues Verwaltungs GmbH	Germany
Catz & Lips B.V.	Netherlands
CCC Agency, Inc. of Illinois	Illinois
CCM McGrath Berrigan Ltd.	Ireland
CD Benefit, Inc.	Texas
CECAR - Compagnie Europeene de Courtage d'Assurances et de Reassu	France
CECAR Deutschland GmbH	Germany
CECAR Inchcape Asia Ltd.	Hong Kong
CECAR Portugal	Portugal
Centris Services Limited	United Kingdom
Centurion, Agente de Seguros, S.A. de C.V.	Mexico
Chemical & Oil Insurance Brokers (Pty) Ltd.	South Africa
Christopher Paul Insurance Services Ltd.	United Kingdom
CIA Deutschland Kreditversicherungsmakler und Beratungs GmbH	Germany
CIA Italia S.R.L.	Italy
CIA Link Ltd.	United Kingdom
CIA Supplier Finance Ltd.	United Kingdom
CIA USA Holdings, Inc.	Delaware
CIC - Hilldale, Inc.	Illinois
CIC - Wells, Inc.	Illinois
CIC - Westmont, Inc.	Illinois
CICA - Court, Inc.	Illinois
CICA Realty Corporation	Illinois
CICA Superannuation Nominees Pty. Ltd.	Australia
Cinema Completions International, Inc.	Delaware
Citadel Insurance Company	Texas
City and County Purchasing Group	Unknown
Citytrust Insurance Brokers Association	Philippines
CJP, Inc.	Delaware
Claims Control Ltd.	New Zealand
Clarkson Bain Japan Ltd.	United Kingdom
Clarkson LMS Ltd.	United Kingdom
Clarkson Puckle Group, Ltd.	Unknown
Clarkson Puckle Holdings Ltd.	United Kingdom
Clarkson Puckle Ibex Ltd.	United Kingdom
Clarkson Puckle Ltd.	United Kingdom
Clarkson Puckle Marine Holdings Ltd.	United Kingdom
Clarkson Puckle Overseas Holdings Ltd.	United Kingdom
Clay & Partners (1987) Limited	United Kingdom
Clay & Partners Independent Trust Corporation Ltd.	United Kingdom
Clay & Partners Ltd.	United Kingdom
Clay & Partners Pension Trustees Limited	United Kingdom
Claytime Ltd.	United Kingdom

Clinton, Curtis, Melling Ltd.	Ireland
Cogrup Correduria de Seguros, S.A.	Spain
Cogrup, S.L.	Spain
Cole Booth Potter of New Jersey, Inc.	New Jersey
Cole, Booth, Potter, Inc.	Pennsylvania
Columbia Automotive Services, Inc.	Illinois
Combined Administrative Services Corp.	Illinois
Combined Insurance Company de Argentina S.A. Compania de Seguros	Argentina
Combined Insurance Company of America	Illinois
Combined Insurance Company of Ireland Limited	Ireland
Combined Insurance Company of New Zealand Limited	New Zealand
Combined Life Assurance Company Limited	United Kingdom
Combined Life Assurance Company of Europe Limited	Ireland
Combined Life Insurance Company of Australia Limited	Australia
Combined Life Insurance Company of New York	New York
Combined Seguros Mexico, S.A. de C.V.	Mexico
Commercial and Political Risk Consultants Ltd.	United Kingdom
Commercial and Political Risk Services Ltd.	United Kingdom
Commercial Credit Corporation	United Kingdom
Compagnie Franco-Belge d'Investissement et de Placement	Belgium
CompLogic, Inc.	Rhode Island
Consumer Program Administrators, Inc.	Illinois
Contract & Investment Recoveries Ltd.	United Kingdom
Corks Bay & Fisher Ltd.	United Kingdom
Corks Bays & Fisher (Life & Pensions) Ltd.	United Kingdom
Corporacion Gil y Carvajal, SA	Spain
Corporation Long Island CA	Venezuela
Coughlan General Insurances Limited	Ireland
Couparey Nominees Ltd.	United Kingdom
Cranebox Ltd.	United Kingdom
Credit & Political Insurance Services Ltd.	United Kingdom
Credit & Political Risks Reinsurance Consultants Ltd.	United Kingdom
Credit Indemnity & Financial Services Ltd.	United Kingdom
Credit Insurance Research Unit Ltd.	United Kingdom
CRiON nv	Belgium
Crotty MacRedmond Insurance Limited	Ireland
Custom Risk Solutions, Inc.	Illinois
Customer Loyalty Institute, Inc.	Michigan
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
Deanborne Limited	United Kingdom
Denison Pension Trustees Ltd.	United Kingdom
Diot Minet (France) SA	France
Dobson Park L. G. Limited	Guernsey
Document Risk Management Limited	United Kingdom
Dominion Mutual Insurance Brokers Ltd.	Canada
Don Flower Aviation Underwriters, Inc.	Kansas

Dormante Holdings Limited	United Kingdom
Downes & Burke (Special Risks) Ltd.	United Kingdom
Dreadnaught Insurance Company Limited	Bermuda
Duggan Insurances Limited	Ireland
Dunn-Parizeau (1995) Inc.	Quebec
DUO A/S	Norway
Duoband Enterprises Ltd.	United Kingdom
DuPage Care Administrators, Inc.	Illinois
Durin Financial Corporation	Wisconsin
E. Lillie & Co. Limited	United Kingdom
Eastaf Holdings Ltd.	United Kingdom
Eastward Insurance Services Limited	Unknown
EBRM Risk Management & Consulting, L.L.C.	Delaware
ECCO Services, Inc.	Texas
Edgar Ward Ltd.	United Kingdom
Edmundo Claro y Compania S.A. Vida y Beneficios	Chile
Edward Lumley & Sons (Underwriting Agencies) Ltd.	United Kingdom
EIA Risk Management Center, Inc.	California
Elektrorisk Beheer bv	Netherlands
Elm Lane Limited	United Kingdom
Employee Benefit Communications, Inc.	Florida
Energy Insurance Brokers & Risk Management Consultants Ltd.	United Kingdom
ENTAB Insurance Services Ltd.	United Kingdom
Entertainment Managers Insurance Agency of New York, Inc.	New York
Entertainment Managers Insurance Services, Inc.	California
Entertainment Managers Insurance Services, Inc.	Ontario
ERAS (International) Ltd.	United Kingdom
Ernest A. Notcutt & Co. Ltd.	United Kingdom
Ernest A. Notcutt (Overseas) Ltd.	United Kingdom
Ernest Notcutt Insurance Services Ltd.	United Kingdom
Essar Insurance Consultants Ltd.	Taiwan
Essar Insurance Services Ltd.	Hong Kong
Europa Services Ltd.	Malta
Ewbar Limited	United Kingdom
ExcelNet (Guernsey) Ltd.	Guernsey
ExcelNet Ltd.	United Kingdom
Excess Underwriters Agency, Inc.	New York
Excess Versicherungsagentur GmbH	Germany
EXKO Excess Versicherungsagentur GmbH	Germany
Expatriate Consultancy Limited, The	United Kingdom
Fabels-Versteeg b.v.	Netherlands
Far East Agency	Korea
Fides Alexander (A.G.) Switzerland	Switzerland
Figurecheck Ltd.	United Kingdom
Finance Associates, Inc.	Texas
Financial Solutions Insurance Services, Inc.	Illinois
Firma A.J. Driessen C.V.	Netherlands
Forsakringsmaklarna Syd KB	Sweden
France Cote D'Afrique	France
France Fenwick Limited	United Kingdom
Frank B. Hall & Co. (N.S.W.) Pty. Ltd.	Australia

Frank B. Hall & Co. Holdings (N.Z.) Limited	New Zealand
Frank B. Hall (Ireland) Limited	Ireland
Frank B. Hall (Reinsurance) France S.A.	France
Frank B. Hall (Underwriting Managers) Ltd.	Bermuda
Frank B. Hall Insurance Brokers (S) Pte. Ltd.	Singapore
Frank B. Hall Re (Latin America) Inc.	Panama
Friis & Company, Inc.	California
FS Insurance Agency of California, Inc.	California
FS Insurance Agency, Inc.	Ohio
Futuro 3000 S.R.L	Italy
G.E.F. Insurance Ltd.	U.S. Virgin Islands
Galaher Settlements and Insurance Services Company, Inc.	California
Galaher Settlements Company of New York, Inc.	New York
Garantie Europeene de Publication S.A.	France
Gardner Mountain Barr, Inc.	New York
Gardner Mountain Financial Services Ltd.	United Kingdom
Gardner Mountain Management Services Ltd.	United Kingdom
Gardner Mountain Trustees Ltd.	United Kingdom
Gateway Alternatives, L.L.C.	Delaware
Gateway Insurance Company, Ltd.	Bermuda
Gestas (1995) Inc.	Canada
Gil y Carvajal Chile Ltda. Corredores de Seguros	Chile
Gil y Carvajal Reaseguros, SA	Spain
Gil y Carvajal Seguros, SA	Spain
Gilliland & McReynolds, Inc.	Texas
Gilman Swire Willis Ltd.	Hong Kong
Gilroy Broome & Scrini (Trustees) Ltd.	United Kingdom
Global Entertainment & Media Insurance Agency, L.L.C.	California
Global Entertainment & Media Insurance Agency, L.L.C.	Illinois
Global Entertainment & Media Insurance Agency, L.L.C.	New York
Go Pro Agency, Inc. of San Antonio	Texas
Go Pro Life Agency, Inc. of San Antonio	Texas
Go Pro Underwriting Managers of Virginia, Inc.	Virginia
Go Pro Underwriting Managers, Inc.	Texas
Godwins (Overseas) Limited	United Kingdom
Godwins (Trustees) Limited	United Kingdom
Godwins Acquisition Co.	North Carolina
Godwins Group Limited	United Kingdom
Godwins Limited	United Kingdom
Gotuaco del Rosario & Associates, Inc.	Philippines
Gras Savoye Rumania	Romania
Greville Baylis Parry & Associates Ltd.	United Kingdom
Greyfriars Marketing Services Pty Ltd.	Australia
Group Le Blanc de Nicolay SA	France
Groupe DPI Inc.	Quebec
Groupement Europeen d'Assurances Generales	France
Growth Enterprises Ltd.	Bahamas
Guardrisk Insurance Company Limited	South Africa
Guernsey Nominees (Pty) Limited	Guernsey
Gwelforth Ltd.	United Kingdom
H.A.R.B. Ltd.	United Kingdom

H.L. Puckle (Underwriting) Ltd.	United Kingdom
H.Z. Financial, L.P.	Illinois
Hadenmead Ltd.	United Kingdom
Halford, Shead & Co. Limited	United Kingdom
Hall & Company (Overseas) Ltd.	United Kingdom
Hall & Company (UK) Ltd.	United Kingdom
Hamburger Gesellschaft zur Forderung des Versicherungswesen mbH	Germany
Hamburger Ruckversicherungs - Agentur GmbH	Germany
Hanse Assekuranz-Vermittlungs GmbH	Germany
Hanseatische Assekuranz Kontor GmbH	Germany
Hanseatische Assekuranz Vermittlungs AG	Germany
Harbour Pacific Holdings Pty., Ltd.	Australia
Harbour Pacific Underwriting Management Pty Limited	Australia
Heath Hudig Langeveldt Sdn. Bhd	Malaysia
Heiland Versicherungs-Service GmbH	Germany
Heli Agency	Korea
Hellenic Bain Hogg S.A.	Greece
Hemisphere Marine & General Assurance Ltd.	Bermuda
HHL (Taiwan) Ltd.	Taiwan
HHL Reinsurance Brokers Inc.	Philippines
HHL Reinsurance Brokers Pte. Ltd.	Singapore
HHL Reinsurance Services Sdn. Bhd	Malaysia
Highplain Limited	United Kingdom
Hobbs & Partners Ltd.	United Kingdom
Hodgson McCreery & Company Limited	United Kingdom
Hogg Automotive Insurance Services Ltd.	United Kingdom
Hogg Group Overseas Ltd.	United Kingdom
Hogg Group plc	United Kingdom
Hogg Robinson & Gardner Mountain (Insurance) Ltd.	United Kingdom
Hogg Robinson (Nigeria) Unlimited	Nigeria
Hogg Robinson (Scotland) Ltd.	Scotland
Hogg Robinson Holdings (Pty) Ltd.	South Africa
Hogg Robinson North America, Inc.	Delaware
Hogg Robinson Services (Kenya) Ltd.	Kenya
Howden Chile Consultores Ltda.	Chile
Howden Chile Reaseguros Ltda	Chile
Howden Cover Hispanoamericana (Bermuda) Ltd.	Bermuda
Howden Dastur Reinsurance Brokers (Private) Ltd.	India
Howden Management & Data Services Ltd.	United Kingdom
Howden Sterling Asia Limited	Hong Kong
Howell King & Company Ltd.	United Kingdom
HRGM 1989 Ltd.	United Kingdom
HRGM Cargo Ltd.	United Kingdom
HRGM Ltd.	United Kingdom
HRGM Management Services Ltd.	United Kingdom
HRGM Marine Ltd.	United Kingdom
Hudig Langeveldt Pte Ltd.	Singapore
Hudig-Langeveldt Coens N.V.	Belgium
Hudig-Langeveldt Janson Elffers B.V.	Netherlands
Hudig-Langeveldt Kyoritsu Ltd.	Japan
Hudig-Langeveldt Makelaardij in Assurantien bv	Netherlands

Hudig-Langeveldt Pensioenbureau B.V.	Netherlands
Hudig-Langeveldt Reinsurance B.V.	Netherlands
Hudig-Langeveldt Saat B.V.	Netherlands
Human Relations Strategies Limited	United Kingdom
Huntington T. Block Insurance Agency, Inc.	District of Columbia
Huntington T. Block Insurance Agency, Inc.	Ohio
Hydrocarbon Risk Consultants Ltd.	United Kingdom
Ibex Managers Ltd.	Kenya
Impact Forecasting, L.L.C.	Illinois
Inchcape Continental Insurance Holdings (Eastern Europe) Ltd.	Cyprus
Inchcape Continental Insurance Holdings BV	Netherlands
Inchcape H.R. (Asia) Ltd.	Hong Kong
Inchcape Insurance Agencies (HK) Ltd.	Hong Kong
Inchcape Insurance Agencies Pte Ltd.	Singapore
Inchcape Insurance Brokers (HK) Ltd.	Hong Kong
Inchcape Insurance Brokers (M) Sdn Bhd	Malaysia
Inchcape Insurance Brokers (Thailand) Ltd.	Thailand
Inchcape Insurance Holdings (HK) Ltd.	Hong Kong
Inchcape Insurances (Macau) Ltd.	Macau
Indemnity Insurance Services (Pty) Limited	South Africa
Independent Engineering Services Ltd.	United Kingdom
Industrie Assekuranz Gmbh	Germany
Inmobiliaria Ramos Rosada, S.A. de C.V.	Mexico
Innovative Services International Limited	United Kingdom
Innovative Services International, L.L.C.	Delaware
Insurance Administrators Inc.	Texas
Insurance Brokers Service, Inc.	Illinois
Insurance Broking Services (Pty) Limited	Guernsey
Insurance Holdings Africa Ltd.	Kenya
Insurance Planning, Inc.	Nevada
Insurance Underwriters Agency, Inc.	Arizona
Integrated Risk Finance Limited	United Kingdom
Integrated Risk Resources Limited	United Kingdom
Interbroke Ltd.	Switzerland
Interglobe Management AG	Switzerland
Interims Limited	United Kingdom
International Aviation Brokers SA	France
International Industrial Insurances Limited	Ireland
International Insurance Brokers Ltd.	Jamaica
International Insurance Brokers Ltd.	New Zealand
International Shipowners Mutual Insurance Association Limited	Bermuda
International Space Brokers Inc.	Virginia
Interocean (Italia) S.p.A	Italy
Interocean Reinsurance Company, S.A.	Panama
Investment Facility Company Four One Two (Pty) Ltd.	South Africa
Investment Insurance International (Managers) Ltd.	United Kingdom
IOC Reinsurance Brokers Ltd.	Canada
IRBJ Disposition Company	United Kingdom
IRISC Claims Management Limited	United Kingdom
IRISC L.L.C.	Delaware
IRISC Limited	United Kingdom

IRISC Specialty, Inc.	Delaware
IRISC Technical Services (Hong Kong) Limited	Hong Kong
IRM France S.A.	France
ISPP Purchasing Group	Missouri
ITA Insurance, Inc.	Utah
ItalCECAR S.p.A.	Italy
J H Minet (Insurance) Ltd.	Ireland
J H Minet & Company (Tanzania) Ltd.	Tanzania
J H Minet (Inter-Gremium) AG	Switzerland
J H Minet Agencies Ltd.	United Kingdom
J H Minet Puerto Rico Inc.	Puerto Rico
J H Minet Reinsurance Brokers Ltd.	United Kingdom
J&H Risk Management Consultants GmbH	Germany
J&H Unison Holdings BV	Netherlands
J&H Vorsorgefonds	Switzerland
J.H. Blades & Co. (Agency), Inc.	Texas
J.H. Blades & Co., Inc.	Texas
J.H. Blades Insurance Services	California
J.H. Blades, Inc.	Oklahoma
J.H. Lea & Company, Inc.	Illinois
J.S. Johnson & Co. Ltd.	Bahamas
James F. Caird, Inc.	California
James S. Kemper & Co. International Ltd.	Bermuda
Jaspers Industrie Assekuranz GmbH & Co. KG	Germany
Jauch & Hubener (KG)	Austria
Jauch & Hubener AG	Switzerland
Jauch & Hubener Beratungs AG	Switzerland
Jauch & Hubener CSFR Spol s.r.o.	Slovak Republic
Jauch & Hubener d.o.o.	Slovak Republic
Jauch & Hubener do Brasil Ltda.	Brazil
Jauch & Hubener Ges mbH & Co. KG	Austria
Jauch & Hubener GmbH	Austria
Jauch & Hubener Kft.	Hungary
Jauch & Hubener KGaA	Germany
Jauch & Hubener Management betriebliche Versorgungen	Germany
Jauch & Hubener Personalvorsorgestiftung	Switzerland
Jauch & Hubener Privates Vorsorgemanagement GmbH	Germany
Jauch & Hubener Reinsurance Brokers Ltd.	United Kingdom
Jauch & Hubener Reinsurance Inter. Services of North America	New Jersey
Jauch & Hubener Ruckversicherungs-Vermittlungsges mbH	Germany
Jauch & Hubener spol sro	Czech Republic
Jauch & Hubener Vergutungs-und Vorsorgemanagement GmbH	Germany
Jauch & Hubener Verwaltungs- GmbH	Germany
Jenner Fenton Slade (Special Risks) Limited	United Kingdom
Jenner Fenton Slade Group Limited	United Kingdom
Jenner Fenton Slade Limited	United Kingdom
Jenner Fenton Slade Political Risks Limited	United Kingdom
Jenner Fenton Slade Reinsurance Brokers Limited	United Kingdom
Jenner Fenton Slade Surety and Specie Limited	United Kingdom
JFC Consulting, Inc.	Delaware
JFS (Sudamerica) SA	Uruguay

JFS Fenchurch Limited	United Kingdom
JFS Greig Fester Limited	United Kingdom
JML-Minet A.G.	Switzerland
John C. Lloyd Reinsurance Brokers Ltd.	Australia
John Scott Insurance Brokers Limited	United Kingdom
Johnson & Higgins PB Co.	Thailand
Joost & Preuss GmbH	Germany
Joseph U. Moore, Inc.	Florida
Jover Prevision Correduria de Seguros	Spain
K & K Insurance Brokers, Inc. Canada	Ontario
K & K Insurance Group of Florida, Inc.	Florida
K & K Insurance Group, Inc.	Indiana
K & K Insurance Specialties, Inc.	Indiana
K & K of California Insurance Services, Inc.	California
K & K of Nevada, Inc.	Nevada
K & K Specialties, Inc.	Indiana
Karl Alt & Co. GmbH	Germany
Keeling & Company	California
Keith Rayment & Associates Ltd.	United Kingdom
Key-Royal Automotive Company, Inc.	Alabama
Keyaction Ltd.	United Kingdom
Kininmonth Limited	Ireland
Kroller Holdings B.V.	Netherlands
L & G LMX Limited	United Kingdom
L & G Seascopes Insurance Holdings Limited	United Kingdom
L. & F. Longobardi SRL	Italy
La Societe de Courtage Meloche Alexander Inc.	Canada
Langeveldt de Vos b.v.	Netherlands
Langeveldt Groep B.V.	Netherlands
Laurila, Kauriala & Grig Ltd.	Russia
Laverack & Haines, Inc.	New York
Le Blanc & de Nicolay U.S., Inc.	Delaware
Le Blanc de Nicolay Asia	Hong Kong
Le Blanc de Nicolay Assurance SA	France
Le Blanc de Nicolay Brazil	Brazil
Le Blanc de Nicolay Courtage SA	France
Le Blanc de Nicolay Iberica	Spain
Le Blanc de Nicolay Reassurances SA	France
Le Blanc de Nicolay Riassicurazione	Italy
Le Blanc de Nicolay Ruck	Germany
Le Blanc de Nicolay Zurich	Switzerland
Les Intermediaires Dale-Parizeau Itee	Canada
Lescorp Limited	United Kingdom
Leslie & Godwin (C.I.) Limited	Guernsey
Leslie & Godwin (Reinsurance) Copenhagen A/S	Denmark
Leslie & Godwin (Scotland) Limited	Scotland
Leslie & Godwin (U.K.) Limited	United Kingdom
Leslie & Godwin (WFG) Limited	United Kingdom
Leslie & Godwin Aviation Holdings Limited	United Kingdom
Leslie & Godwin Aviation Limited	United Kingdom
Leslie & Godwin Aviation Reinsurance Services Limited	United Kingdom

Leslie & Godwin AXL Limited	United Kingdom
Leslie & Godwin Financial Risks Limited	United Kingdom
Leslie & Godwin GmbH	Germany
Leslie & Godwin Group Limited	United Kingdom
Leslie & Godwin Insurance Brokers Ltd.	Ontario
Leslie & Godwin Insurance Brokers, Inc.	New York
Leslie & Godwin International Limited	United Kingdom
Leslie & Godwin Investments Limited	United Kingdom
Leslie & Godwin Limited	United Kingdom
Leslie & Godwin Marine Holdings Limited	United Kingdom
Leslie & Godwin Non-Marine Limited	United Kingdom
Leslie & Godwin Overseas Reinsurance Holdings Limited	United Kingdom
Leslie & Godwin Reinsurance Holdings Limited	United Kingdom
LIB Financial Services Ltd.	United Kingdom
LIB Ltd.	United Kingdom
Lloyd Paulista Corretores de Seguros e Reaseguros S.A.	Brazil
London General Holdings Limited	United Kingdom
London General Insurance Company Limited	United Kingdom
Loss Management Group Ltd.	United Kingdom
Lowndes Lambert Insurance Limited	Ireland
Lumley Insurance Brokers (Pty) Ltd.	South Africa
Lumley JFS Limited	United Kingdom
Lumley Municipal & General Insurance Brokers (Natal) (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Orange Free State) (Pty)	South Africa
Lumley Municipal & General Insurance Brokers (Pty) Ltd.	South Africa
Lumley Municipal & General Insurance Brokers (Transvaal) (Pty) Ltd.	South Africa
Lumley Petro-Energy Insurance Brokers (Pty) Ltd.	South Africa
Lynn & Schaller Insurance Brokers, Inc.	California
M Y A Ltda. Asesorias Integrales	Colombia
M Y A Salud Ltda Agentes De Medicina Prepagada	Colombia
M&M Insurance Agency, Inc.	Texas
M.I. B. Healthcare Services (Pty) Limited	South Africa
M.I.B. Aidec (Pty) Limited	South Africa
M.I.B. Border (Pty) Limited	South Africa
M.I.B. Employee Benefits (Pty) Limited	South Africa
M.I.B. Group (Pty) Limited	South Africa
M.I.B. Holdings Co. Ltd.	Malta
M.I.B. House Investment (Pty) Limited	South Africa
M.I.B. Property Holdings (Pty) Limited	South Africa
M.I.B. Reinsurance Brokers (Namibia) (Pty) Limited	Namibia
M.I.B. Reinsurance Brokers (Pty) Limited	South Africa
MAB Insurance Services Ltd.	United Kingdom
MacDonagh & Boland Group Limited	Ireland
MacDonagh Boland Beech Hill Limited	Ireland
MacDonagh Boland Crotty MacRedmond Limited	Ireland
MacDonagh Boland Cullen Duggan Limited	Ireland
MacDonagh Boland Foley Woollam Limited	Ireland
Macey Clifton Walters Limited	United Kingdom
Macey Williams Insurance Services Limited	United Kingdom
Macey Williams Limited	United Kingdom
Madison Intermediaries Pty. Limited	Australia

Madison Reinsurance Holdings, Inc.	Illinois
Mahamy Company plc (Rollins Hudig Hall Iran)	Iran
Management and Regulator Services, Inc.	New York
Mansell Investments Ltd.	Gibraltar
Mansfeld, Hubener & Partners Gmbh	Germany
Maritime Underwriters, Ltd.	Bermuda
Marketing and Training Resources, Inc.	Illinois
Martec Australia Pty Limited	Australia
Martec Finance Pty Limited	Australia
Martin Boyer Company, Inc.	Illinois
Marvyn Hughes International Ltd.	United Kingdom
Max Mattiessen AB	Sweden
MC Brokers Co. Ltd.	Thailand
Media/Professional Insurance Agency Limited	United Kingdom
Media/Professional Insurance Agency, Inc.	Missouri
Mediterranean Insurance Brokers Ltd.	Malta
Mediterranean Insurance Training Centre	Malta
MIB UK (Holdings) Ltd.	United Kingdom
Mibsa Investments (Namibia) (Pty) Limited	Namibia
Minahan Reinsurance Management Limited	United Kingdom
Minerva Holdings (Pvt) Limited	Zimbabwe
Minet (Singapore) Pte. Ltd.	Singapore
Minet (Taiwan) Ltd.	Taiwan
Minet a.s.	Czech Republic
Minet AB	Sweden
Minet Africa Holdings Ltd.	United Kingdom
Minet Agricultural Insurance Brokers Pty. Ltd.	Australia
Minet Airport Insurance Services Ltd.	United Kingdom
Minet Archer Ltd.	New Zealand
Minet AS	Norway
Minet Australia Holdings Pty. Ltd.	Australia
Minet Australia Ltd.	Australia
Minet Benefit Services (International) Ltd.	Guernsey
Minet Botswana (Pty) Ltd.	Botswana
Minet Burn & Roche Pty. Ltd.	Australia
Minet China Ltd.	Hong Kong
Minet Commercial Ltd.	United Kingdom
Minet Consultancy Services Ltd. (Kenya)	Kenya
Minet Consultancy Services Ltd. (UK)	United Kingdom
Minet Denison Financial Services Ltd.	United Kingdom
Minet Denison Insurance Services Ltd.	United Kingdom
Minet Direct Marketing Services Ltd.	United Kingdom
Minet Duncan Insurance Brokers Ltd.	United Kingdom
Minet Employees' Trust Company Ltd.	United Kingdom
Minet Europe Holdings Ltd.	United Kingdom
Minet Financial Services Ltd.	United Kingdom
Minet Firstbrokers Oy	Finland
Minet Group Holdings	United Kingdom
Minet Group PLC	United Kingdom
Minet Group Services Ltd.	United Kingdom
Minet Holdings Guernsey Limited	Guernsey

Minet Holdings Inc.
 Minet Hong Kong Ltd.
 Minet ICDC Insurance Brokers Ltd.
 Minet Inc. (Canada)
 Minet Ins. Brokers (Holdings) (NZ) Ltd.
 Minet Ins. Brokers (Zimbabwe) (Pvt) Ltd.
 Minet Insurance Brokers (Holdings) Ltd.
 Minet Insurance Brokers (Thailand) Ltd.
 Minet Insurance Brokers (Uganda) Limited
 Minet Insurance Brokers, Inc.
 Minet Insurance Services (UK) Ltd.
 Minet Insurance Services, Inc.
 Minet Insurance Services, Inc. of Texas
 Minet International (Holdings) Ltd.
 Minet Italia & Partners SpA
 Minet Italia srl
 Minet Kingsway (Lesotho) (Pty) Ltd.
 Minet Limited
 Minet Limited (Bermuda)
 Minet Lindgren i Helsingborg
 Minet Ltd.
 Minet Members Agency Holdings Ltd.
 Minet New Zealand Ltd.
 Minet Nigeria
 Minet Nominees Ltd.
 Minet Professional Services (Europe) Ltd.
 Minet Professional Services Ltd. (Australia)
 Minet Professional Services Ltd. (UK)
 Minet Properties (1989) Ltd.
 Minet Properties Ltd.
 Minet RAIA Insurance Brokers Limited
 Minet Re (Bermuda) Limited
 Minet Re GmbH
 Minet Re International Ltd.
 Minet Re North America, Inc.
 Minet Risk Services (Barbados) Ltd.
 Minet Risk Services (Bermuda) Ltd.
 Minet Risk Services (Guernsey) Ltd.
 Minet Risk Services (Jersey) Ltd.
 Minet Risk Services (Singapore) Ltd.
 Minet Risk Services (Vermont), Inc. (USA)
 Minet S.A. de C.V.
 Minet Trans Risk Services Ltd.
 Minet Trustees Ltd.
 Minet West Africa Ltd.
 Minet Zambia Limited
 Minet Zimbabwe (Pvt) Ltd.
 Minken Properties Ltd.
 MLH & A (Canada) Inc.
 MLH International Inc.
 Montgomery General Agency of New Jersey, Inc.

New York
 Hong Kong
 Kenya
 Canada
 New Zealand
 Zimbabwe
 United Kingdom
 Thailand
 Uganda
 Unknown
 United Kingdom
 California
 Texas
 United Kingdom
 Italy
 Italy
 Lesotho
 Uganda
 Bermuda
 Sweden
 United Kingdom
 United Kingdom
 New Zealand
 Nigeria
 United Kingdom
 United Kingdom
 Australia
 United Kingdom
 United Kingdom
 United Kingdom
 Hong Kong
 Bermuda
 Germany
 United Kingdom
 Georgia
 Barbados
 Bermuda
 Guernsey
 Jersey, Channel Islands
 Singapore
 Vermont
 Mexico
 United Kingdom
 United Kingdom
 United Kingdom
 Zambia
 Zimbabwe
 Kenya
 Canada
 Ontario
 New Jersey

Morency, Weible & Sapa, Inc.	Illinois
Motorists Service Corporation	Delaware
Motorplan Limited	United Kingdom
Mt. Franklin General Agency	Texas
MTF Insurance Agency, Inc.	Texas
Muirfield Underwriters, Ltd.	Delaware
N.V. Verzekering Maatschappij Van 1890	Netherlands
National Care Provider Insurance, Inc.	California
National Product Care Company	Illinois
National Sports Underwriters, Inc.	Indiana
National Transportation Adjusters, Inc.	Nebraska
NB Life Agents, Inc.	New York
Needler Heath (UK) Ltd.	United Kingdom
Needler Heath Dixon Ltd.	United Kingdom
New Co. #1 L.L.C.	Delaware
Nicholson Chamberlain Colls Australia Limited	Australia
Nicholson Chamberlain Colls Group Limited	United Kingdom
Nicholson Chamberlain Colls Marine Limited	United Kingdom
Nicholson Jenner Leslie Group Limited	United Kingdom
Nicholson Leslie (North America) Limited	United Kingdom
Nicholson Leslie Accident & Health Limited	United Kingdom
Nicholson Leslie Agencies Limited	United Kingdom
Nicholson Leslie Asia Pte Ltd	Singapore
Nicholson Leslie Australia Holdings Limited	Australia
Nicholson Leslie Aviation Limited	United Kingdom
Nicholson Leslie Aviation Reinsurance Brokers	United Kingdom
Nicholson Leslie BankAssure Limited	United Kingdom
Nicholson Leslie Bankscope Insurance Services Limited	United Kingdom
Nicholson Leslie Bankscope Marine Insurance Consultants	United Kingdom
Nicholson Leslie Energy Resources Limited	United Kingdom
Nicholson Leslie Financial Institutions Limited	United Kingdom
Nicholson Leslie International (Reinsurance Brokers) Limited	United Kingdom
Nicholson Leslie International Limited	United Kingdom
Nicholson Leslie Investments Limited	United Kingdom
Nicholson Leslie Italia S.P.A.	Italy
Nicholson Leslie Limited	United Kingdom
Nicholson Leslie Management Services Limited	United Kingdom
Nicholson Leslie Marine Limited	United Kingdom
Nicholson Leslie Nederland Reinsurance brokers cv	Netherlands
Nicholson Leslie Non-Marine Reinsurance Brokers Limited	United Kingdom
Nicholson Leslie North American Reinsurance Brokers, Limited	United Kingdom
Nicholson Leslie Property Limited	United Kingdom
Nicholson Leslie Special Risks Limited	United Kingdom
Nicholson Leslie Special Risks Limited	United Kingdom
Nicholson Stewart-Brown Limited	United Kingdom
Nissho Iwai (Japan)	Japan
Nixon Constable & Company Ltd.	United Kingdom
North Derbyshire Finance Company Limited, The	United Kingdom
Norwegian Insurance Partners A/S	Norway
Norwegian Insurance Partners as (Non-Marine)	Norway
Nova Reinsurance Brokers, Inc.	Illinois

NRC Reinsurance Company Ltd.	Bermuda
NSU Benefit Corporation	Indiana
nv Insurance Louis Delhaize (en abrege INSURDEL)	Belgium
Oak Brook Holding, Inc.	Delaware
Oak Brook Life Insurance Company	Arizona
Ohio Cap Insurance Company, Inc.	Unknown
OHM Insurance Agency, Inc.	Ohio
OHM Services of Texas, Inc.	Texas
Ohrinsoo Agency	Korea
Olarescu & B. I. Davis Asesores y Corredores de Seguros S.A.	Peru
Old ARS LRA Corp.	Texas
Old-ARS-MGA Corp.	Texas
Olympic Financial Holding Corporation	Washington
Olympic Health Management Services, Inc.	Washington
Olympic Health Management Systems, Inc.	Washington
Orobio Mees Herman B.V.	Netherlands
OUM & Associates of California, A Corporation	California
OUM & Associates of New York, A Corporation	New York
OUM & Associates of Ohio, A Corporation	Ohio
OWA Hoken (UK) Limited	United Kingdom
OWA Insurance Services (France) SA	France
OWA Insurance Services Austria Gesellschaft mbH	Austria
OWA Insurance Services Austria GmbH & Co. KG	Austria
P I Insurance Brokers (Pty) Limited	South Africa
P.I. Consultants Ltd.	Hong Kong
P.T. Alexander Lippo Indonesia	Indonesia
Pacific Wholesale Insurance Brokers Pty Limited	Australia
Paladin Reinsurance Corporation	New York
Pandimar Consultants, Inc.	New York
Paribas Assurantien B.V.	Netherlands
Parker Risk Management (Barbados) Ltd.	Barbados
Parker Risk Management (Bermuda) Ltd.	Bermuda
Parker Risk Management (Cayman) Ltd.	Cayman Islands
Parker Risk Management (Guernsey) Ltd.	Guernsey
Parker Risk Management (S) Pte Ltd	Singapore
Parker Risk Management, Inc.	Colorado
Pat Ryan & Associates, B.V.	Netherlands
Paul J.F. Schultz oHG	Germany
PBA Inc.	Minnesota
PBG Pensions Beratungs-Gesellschaft mbH (Partnership)	Germany
Pecus	Brazil
Pernas HHL Insurance Brokers Sdn Bhd	Malaysia
Pernas HHL Reinsurance Brokers Sdn. Bhd	Malaysia
PHH Insurance Associates Corporation	Maryland
Pilots International Association	North Dakota
Pinerich Limited	Ireland
Poitras, Lavigueur (1995) Inc.	Quebec
Poland Puckle Insurance Brokers Ltd.	United Kingdom
Premier Auto Finance, Inc.	Delaware
Premier Auto Finance, L.P.	Illinois
Premier Receivables Purchase Facility, LLC	Delaware

Prescot Insurance Holdings Ltd.	United Kingdom
Private Client Trustees Ltd.	Ireland
Product Care, Inc.	Illinois
Professional & General Ins. Company (Bermuda) Ltd.	Bermuda
Professional Liability Services Limited	United Kingdom
Professional Sports Insurance Co. Ltd.	Bermuda
Progressive Ideal Sdn Bhd.	Malaysia
Promotora Zircon S.A. de C.V.	Mexico
Property Owners Database Limited	United Kingdom
Proruck Ruckversicherungs - AG	Germany
PROVIA Gessellschaft fur betriebliche Risicoanalyse mbH	Germany
Provider Services, Ltd.	Bermuda
PT RNJ Ratna Nusa Jaya	Indonesia
R&M Reinsurance Intermediaries Ltd.	Trinidad
R.E.I. (NSW) Insurance Brokers Pty. Ltd.	Australia
R.E.I.A. Insurance Brokers Pty. Ltd.	Australia
R.G. Reis (Management Services) Ltd.	United Kingdom
R.G. Reis Life Consultants Ltd.	United Kingdom
R.G. Reis Pension Fund Trustees Ltd.	United Kingdom
Ralph S. Harris (Insurance) Pty. Ltd.	Zimbabwe
RAMRO y Asociados, S.C.	Mexico
Rath & Strong, Inc.	Massachusetts
RBH Acquisition Co.	Delaware
RBH General Agencies (Canada) Inc.	Quebec
RDG Resource Dealer Group (Canada) Inc.	Canada
Reed Stenhouse Asia Pacific Ltd.	Scotland
Reed Stenhouse Europe Holdings B.V.	Netherlands
Reed Stenhouse Gmbh	Germany
Reed Stenhouse Netherlands B.V.	Netherlands
Reed Stenhouse Underwriting Management Ltd.	Scotland
REISA Insurance Brokers Pty. Ltd.	Australia
REIV Insurance Brokers (Pty) Ltd.	Australia
Resource Insurance Services, Inc.	Indiana
Resource Life Insurance Company	Nebraska
Revasa S.p.A.	Italy
RHH Surety & Guarantee Limited	United Kingdom
RIP Services Limited	Guernsey
Risk Funding Services (Pty) Limited	South Africa
Risk Management Consultants Ltd.	United Kingdom
Risk Management Consultants of Canada Limited	Canada
RiskNet Worldwide, Inc.	Oregon
Risque et Finance SA	France
Rollins Heath (Japan) Ltd.	Japan
Rollins Heath Korea Co. Ltd.	Korea
Rollins Hudig Hall & Co. (N.S.W.) Pty. Ltd.	Australia
Rollins Hudig Hall (Hong Kong) Ltd.	Hong Kong
Rollins Hudig Hall (Nederland) Limited	United Kingdom
Rollins Hudig Hall (Scandinavia) A/S	Norway
Rollins Hudig Hall Associates B.V.	Netherlands
Rollins Hudig Hall Finance bv	Netherlands
Rollins Hudig Hall Mexico Agente De Seguros Y De Fianzas, S.A. De C.	Mexico

Rollins Hudig Hall Middle East	United Arab Emirates
Rollins Hudig Hall Netherlands b.v.	Netherlands
Rollins Hudig Hall of Alaska, Inc.	Alaska
Rollins Hudig Hall of the Americas, Inc. Chile Limitada	Chile
Rollins Hudig Hall Services Limited	United Kingdom
Rollins Hudig Hall Sweden AB	Sweden
Rollins Hudig Hall Versicherungsmakler Gesellschaft m.b.H	Austria
Rollins Technical Services Co.	Illinois
Ropeco Pty Ltd.	Australia
Rostron Hancock Ltd.	United Kingdom
Roundwise Limited	United Kingdom
Royal Home Protection Plan, Inc.	Delaware
Ruben Entertainment Insurance Services	United Kingdom
Ryan Insurance Group France S.A.R.L.	France
Ryan Insurance Group, Inc.	Delaware
Ryan Warranty Services Canada, Inc.	Canada
Ryan Warranty Services Quebec, Inc.	Ontario
Ryan/CSI, Inc.	Illinois
Rydata Limited	United Kingdom
S A Credit & Insurance Brokers (Pty) Limited	South Africa
S W Holdings (SA) (Pty) Limited	South Africa
S W Insurance Brokers (Pty) Limited	South Africa
S. Hammond Story Agency, Inc.	Georgia
S. Mark Brockinton & Associates of Texas, Inc.	Texas
Saat Van Marwijk Beheer B.V.	Netherlands
Saat Van Marwijk Noordwijk B.V.	Netherlands
Sang Woon Agency	Korea
Santos da Cunha, Abreu & Associados, Lda.	Portugal
SASE France Societe Des Assures Du Sud Set	France
Savoy Insurance Brokers Ltd.	United Kingdom
Saxonbeece Ltd.	United Kingdom
Scarborough & Company, Inc.	Delaware
Sceptre Agency, Inc.	Texas
Schinasi Athesina	Italy
Schinasi Insurance Broker	Italy
Schinasi Veneto	Italy
Scottish & Commonwealth Insurance Co. Ltd.	Bermuda
Seascope Cargo Insurance Services Limited	United Kingdom
Seascope Insurance Holdings Limited	United Kingdom
Seascope Insurance Services Limited	United Kingdom
Seascope Marine Insurance Services Limited	United Kingdom
Seascope Marine Limited	United Kingdom
Seascope Reinsurance Services Limited	United Kingdom
Securities Guarantee Company Limited	United Kingdom
Select Direct Limited	Scotland
Self-Insurers Service, Inc.	Delaware
Service Protection, Inc.	Illinois
Service Saver, Incorporated	Florida
ServicePlan of Florida, Inc.	Florida
ServicePlan, Inc.	Illinois
Servicios A.B.S., S.A.	Mexico

Servicios Inmobiliarios Guadalajara, S.C.	Mexico
Servicios Y Garantias Ryan S.L.	Spain
Sherwood Insurance Services	California
Sherwood Insurance Services of Washington, Inc.	Washington
SHL Pacific Regional Holdings Inc.	California
Shoreline Insurance Agency, Inc.	Rhode Island
Simco Insurance Brokers Pte	Singapore
Singer Group, Inc., The	Texas
Singer Plan, Inc.	Delaware
SIS Services of New York, Inc.	New York
SLE Worldwide Australia Pty Limited	Australia
SLE Worldwide Limited	United Kingdom
SLE Worldwide Mexico, Agente de Seguros, S.A. de C.V.	Mexico
SLE Worldwide, Inc.	Delaware
Societe canadienne de gestion de reassurance, inc	Quebec
Societe Generale de Courtage d'Assurances	France
Sodarcac Inc.	Canada
Sodartec Inc.	Canada
Soriero & Company, Inc.	Texas
Sorim (1987) Ltd.	United Kingdom
Sorim Services (1987) Ltd.	United Kingdom
Southern Cross Underwriting Pty. Limited	Australia
Special Risk Services Limited	United Kingdom
Special Risk Services, Inc.	New Jersey
Spicafab Limited	United Kingdom
Square One, Inc.	Texas
SRA, Inc.	Texas
SRS General Insurance Services, Inc.	California
SRS Insurance Services, Inc.	California
Steeley Leslie & Godwin Limited	Guernsey
Steeves Lumley Ltd.	Australia
Stenhouse (South East Asia) Pte. Ltd.	Singapore
Stenhouse Marketing Services (London) Ltd.	United Kingdom
Stenhouse Marketing Services, Inc.	Delaware
Stenhouse Reed Shaw Africa (Pty) Ltd.	South Africa
Sterling Life Insurance Company	Arizona
Stichting Employee Fund Aon	Netherlands
Stichting Werknemerscertificaten HLG	Netherlands
Structured Compensation Ltd.	United Kingdom
Sumner & McMillan	United Kingdom
Sumner & McMillan Limited (Ireland)	Ireland
Superannuation Fund (CICNZ) Limited	New Zealand
Surety & Guarantee Consultants Limited	United Kingdom
Surveyors Claims Services Ltd.	United Kingdom
Suys & Janssens	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	California

Swett & Crawford Ins. 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 Maine, Inc.	Maine
Swett & Crawford of Nevada, Inc.	Nevada
Swett & Crawford of Pennsylvania, Inc.	Pennsylvania
Swett & Crawford of Texas, Inc.	Texas
Swett Insurance Managers of California, Inc.	California
Swett Insurance Managers of Pennsylvania, Inc.	Pennsylvania
T M Insurance Brokers (Pty) Limited	South Africa
Tabma-Hall Insurance Services Pty. Limited	Australia
Tethercrest Ltd.	United Kingdom
Texas Star Insurance Agency	Not Applicable
Texecur Versicherungs Vermittlungs GmbH	Germany
The Alexander Consulting Group Ltd.	Canada
The Alexander Consulting Group Ltd.	New Zealand
The Alexander Consulting Group Ltd.	Scotland
The Alliance Group, LLC	Colorado
The Credit Insurance Association France SA	France
The Credit Insurance Association Ltd.	United Kingdom
The Entertainment Coalition	Not Applicable
The National Senior Membership Group Association	Washington
The Olympic Senior Membership Group, Inc.	Washington
The Swett & Crawford Group, Inc.	California
Tholwana MIB Pty Limited	South Africa
Trans Caribbean Insurance Services, Inc.	American Samoa
Travellers Club International Ltd.	United Kingdom
Trent Insurance Company Ltd.	Bermuda
TREV Properties Corporation	Delaware
TTF Insurance Services Ltd.	United Kingdom
U.S. Rating Bureau, Inc.	Delaware
Underwriters Marine Services Limited	United Kingdom
Underwriters Marine Services of Texas, Inc.	Texas
Underwriters Marine Services, Inc.	Louisiana
Union Centurion, S.A.de C.V.	Mexico
Unison Consultants Europe E.E.I.G	Belgium
Unison GEIE	Belgium
Unison SA	Belgium
Unison Technical Services	Belgium
United Car & Van Rental Ltd.	United Kingdom
United Iranian Insurance Services plc Tehran	Iran
Uzbek Sugurta Howden Lihou	Republic of Uzbekistan
Valex Insurance Agency, Inc.	Texas
Variety Risk Management Services Ltd.	United Kingdom
Vassal Properties (Pty) Ltd.	Botswana
VECCI Insurance Services Ltd.	Australia
Verband der Jauch & Hubener Unterstutzungskassen	Germany
Vesselforward Ltd.	United Kingdom

Virginia Surety Company, Inc.
 Virginia Surety Company, Inc.
 VOL Mortgage Corporation
 VOL Properties Corporation
 Wackerbarth H. Limited
 Wackerbarth Hardman (Holdings) Limited
 Wackerbarth International Holdings Bv
 WACUS Kreditversicherungsmaekler GmbH
 WACUS Magyarorszag Hitelbitzositasi Tanacsado es Kozvetito Kft.
 WAS Betriebsfuhrungs-GmbH
 WAVECA CA
 Wexford Underwriting Managers, Inc.
 Whitehouse Moorman Holdings Ltd.
 Wilfredo Armstrong S.A.
 William Gallagher Associates of California, Inc.
 William Gallagher Associates of Maryland, Inc.
 William Gallagher Associates of New Jersey, Inc.
 Willis Corroon (PVT) Ltd.
 Winchester Financial Services (Pty) Limited
 Windhock Insurance Brokers (Pty) Limited
 WMD Underwriting Agencies Ltd.
 World Insurance Network Ltd.
 Worldwide Insurance Network Limited
 Worldwide Integrated Services Company
 Wyrn Systems Pty Limited
 XB-Lumley Insurance Brokers (Pty) Ltd.
 Y&D Properties Ltd.
 ZAO Aon Insurance Brokers
 Zimbabwe Risk Managers (Pvt) Ltd.

Illinois
 New Zealand
 Delaware
 Delaware
 United Kingdom
 United Kingdom
 Netherlands
 Austria
 Hungary
 Germany
 Venezuela
 Delaware
 United Kingdom
 Argentina
 California
 Maryland
 New Jersey
 Zimbabwe
 South Africa
 Namibia
 United Kingdom
 Cardiff
 United Kingdom
 Texas
 South Africa
 South Africa
 Canada
 Russia
 Zimbabwe

Exhibit 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Aon Corporation of our report dated February 9, 1999, included in the 1998 Annual Report to Stockholders of Aon Corporation.

Our audits also included the financial statement schedules of Aon Corporation listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, with respect to which the date is February 9, 1999 (except for Note 5 to Schedule I, as to which the date is March 19, 1999), the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements pertaining to the employer's savings, stock option, stock award, and employee stock purchase plans (Form S-8 Nos. 33-27984, 33-42575, 33-59037 and 333-55773), the offer to exchange Capital Securities (Form S-4 No. 333-21237) of Aon Capital A, and the registration of 369,000 shares of common stock (Form S-3 No. 333-50607) of our report dated February 9, 1999, with respect to the consolidated financial statements incorporated herein by reference, and our report, included in the preceding paragraph with respect to the financial statement schedules included in this Annual Report (Form 10-K) of Aon Corporation.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

March 24, 1999

ARTICLE 5

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

MULTIPLIER: 1,000,000

CURRENCY: USD

PERIOD TYPE	12 MOS	
FISCAL YEAR END	DEC 31 1998	
PERIOD START	JAN 01 1998	
PERIOD END	DEC 31 1998	
EXCHANGE RATE	1.0	
CASH	2,944	¹
SECURITIES	3,871	²
RECEIVABLES	6,705	
ALLOWANCES	99	
INVENTORY	0	
CURRENT ASSETS	0	³
PP&E	1,406	
DEPRECIATION	732	
TOTAL ASSETS	19,688	
CURRENT LIABILITIES	0	³
BONDS	580	⁴
PREFERRED MANDATORY	850	⁵
PREFERRED	0	
COMMON	172	
OTHER SE	2,845	
TOTAL LIABILITY AND EQUITY	19,688	
SALES	0	
TOTAL REVENUES	6,493	
CGS	0	
TOTAL COSTS	0	
OTHER EXPENSES	5,562	⁶
LOSS PROVISION	0	
INTEREST EXPENSE	87	
INCOME PRETAX	931	
INCOME TAX	349	
INCOME CONTINUING	582	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	541	
EPS PRIMARY	3.16	
EPS DILUTED	3.11	

¹ Includes short term investments.

² Includes fixed maturities and equity securities at fair value.

³ Not applicable based on current reporting format.

⁴ Represents notes payable.

⁵ Redeemable preferred stock. Includes Company obligated Mandatorily Redeemable Preferred Capital Securities of Subsidiary Trust Holding Solely the Company's Junior Subordinated Debentures.

⁶ Represents total expenses.

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